CDFIs Making History Interview

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Mark Pinsky, President & CEO of OFN, conducted this interview on July 28, 2014.

Mark: What we really want today is throw out a fairly open-ended question to you. Particularly, what we're interested in is, is there a moment, or a set of moments, or events, or achievements, or ideas in your time working in and around the CDFI industry—and this is not by any means just about OFN, it's about the industry—that really stand out to you as important moments?

Dan: Mark, as you know, I've had the pleasure of working with CDFIs now for over two decades. There are so many great and memorable events, but for me, personally, it's got to be the moment that first pulled me into the CDFI sector. I go back to spring of 1994. Back then I'm still working in the investment banking division of my company, lending to banks, savings and loans, finance companies, and the like, and I'm pulled in to help on a very small transaction, a $100,000 loan to a non-profit called Accion, a micro-lender in Brooklyn, New York.

In that meeting I am fascinated by the business model. It's one part financial institution, things that I know, and one part community-based non-profit organization. We weren't donating the money to Accion, we're lending them money.

The most interesting part of it is when our conversation turns to a recent conference that they're describing, called the CDFI Training Institute held earlier that year in North Carolina. They explain how Accion really wasn't a unique organization. There actually were a couple hundred organizations like Accion operating in, at that time, over 40 states, and that, taken all together, a couple hundred loan funds like Accion had almost a billion dollars in capital under management at that point.
I have to tell you, honestly, I did not know that I was staring at my future at that point in time, but I was excited about what was possible. Not just with one CDFI, but looking at a network of CDFIs and working with a network of CDFIs. That pulled me in. That's where I've been working since.

Mark: How did you get from one transaction to a new career?

Dan: It starts one transaction at a time. We do $100,000 loan with Accion. We do a couple hundred thousand dollar loan to another CDFI. Over time I get comfortable, my institution gets comfortable. The CDFIs start having larger impact. We get more comfortable with them both as financial institutions and as community-based, non-profit organizations having great impact.

Transaction by transaction, year by year, you build on top of it and you end up in a place 20 years later that was unimaginable—or inconceivable—when we started it.

It's the financial performance of the organizations over time and the impact. Whether it's housing, education, healthcare, childcare, small business micro-credit or consumer finance, CDFIs do amazing things and perform exceptionally well.

Mark: What did you learn about CDFIs over that period? What was the secret sauce to you? What was the thing that made you decide you were willing to go this way in your career?

Dan: Yeah. For me, the magic of CDFIs was then—still is now—that a CDFI is both a financial institution firmly anchored in the realities and the economics of lending, and it's a community-based, community-minded, mission-driven organization that meets the needs of underserved communities. It has one foot anchored in both realities.

Mark: This may be a repetitive question, but I'm just wondering was there a moment when you when you woke up and said, "There's no going back. I've made the leap here," or was it just you knew from that first transaction you wanted to go this way and so it was just a matter of time until you could get there?
Dan: I knew from the beginning of the transactions that, if there were a network of organizations that existed like this, it's someplace that I wanted to participate. I will say that when we hit a billion dollars with our portfolio loan, there was no going back at that point [LAUGHS].

Mark: Yeah, right.

Dan: It's 20 years later, and our portfolio is bigger than what the aggregate sum of all of the CDFIs at the point at which I started doing the activity. Yes.

Mark: That's amazing.

Dan: And when I think forward... So, in 1994 it is inconceivable that the network of organizations is going to grow to where it is today. So I'm standing here now, it's a billion dollar portfolio, yes. But I am completely convinced—and need to remind myself—that where we will be one decade or two decades from now is a place that is inconceivable today, just as it was impossible for me to have imagined that we'd be here when I'm looking at the transactions back in 1994, shortly after the Durham conference.

Mark: What are the things that you think are likely to be drivers of that unknowable future? Is it public policy? Is it structured finance? Is it different kinds of partnerships? Is it different kinds of legal structures? Or is it something else?

Dan: We got here and will go from here best on a culture of performance. I think that's what got us to this place. Again, what's unique about CDFIs is that they have one foot firmly rooted in the economic realities of lending and one foot firmly planted in the needs of underserved communities. If they had not achieved the performance against both, we wouldn't be where we are now. Yes, we need subsidy. Yes, we need policy. Yes, we need more capital. Yes, we need to be creative about new products, services that meet new opportunities. But without a culture of performance, we won't achieve what in 10 years is inconceivable today.
Mark: Mm-hmm [AFFIRMATIVE]. Great. I love it. That's great.

Dan: You bet.