CDFIs Making History Interview

Mary Mathews
Co-Founder, Aim High Network; CEO Mathews & Company; and President & CEO, Entrepreneur Fund, August 1989-March 2013

Mark Pinsky, President & CEO of OFN, conducted this interview on July 25, 2014.

Mary: I have two events or two pivotal moments. One was the SBA Community Advantage Program. SBA Community Advantage, I remember you and I spending time in Washington with the SBA staff and helping them think about and shape the potential of adapting the SBA 7(a) program for CDFIs. It was a long available banking program, and the Community Advantage program really opened up that opportunity for what had become a mainstream tool for use with CDFIs. That was a pivotal time and I think a pivotal moment for business lenders who are CDFIs.

The other one that I’ve been...So the learning from that for me was about looking to adapt existing public policy for use with CDFIs, in addition to creating whole new policies. That was one.

Mark: That's beautifully said.

Mary: The other one was our meeting with Federal Reserve Bank Chairman Bernanke. Can we talk about that?

Mark: Absolutely.

Mary: I was part of the first meeting between Federal Reserve Bank Chairman Bernanke and the OFN Board. Four of us, including you, Mark, and Ignacio Esteban met with the Federal Reserve Bank Chairman, and he listened to us talk about our organizations at home and what it was like at the grassroots during a very difficult financial period for the country. Him listening to us and engaging us over the long term, I think, was a really pivotal moment. It raised our awareness of our standing in the economic future of this country.

Mark: You know, there was a time when I first came into this world, more than 20 years ago. I can remember being in Martin Trimble’s backyard in Philadelphia, with the—then NACDLF—Board, and the policy agenda was—this was before there was a CDFI Fund—the policy agendas were, if we could just get access to the Federal Home Loan Bank
system for housing lenders and the SBA Community 7(a) program for business lenders, all our problems would be solved. That was like the end-all, be-all. We have in both cases but it hasn't quite solved all our problems. Bigger opportunities, bigger challenges, right?

Mary: Sure. But opportunity that OFN always presented for helping bridge the grassroots to the policy, federal policy agenda, was always really exciting. That engaging in that was always really critical.

Mark: So, there you are in Duluth, which in this country I think Duluth and Peoria go together, right? They're like somehow middle American, some conventional idea of what middle America is.

Mary: Right.

Mark: There you are in Duluth and working across the Iron Range and then policy things open up. When did that happen? What was that like, that all of a sudden you realize that what you were doing in Duluth had relevance? Was it through AEO? How did that... How did you become a national player? What was it that... I don't mean you personally, I mean you the Entrepreneur Fund, right? How does that happen? What was that like?

Mary: It started by thinking more broadly and looking, recognizing that we had things to learn outside the region. That's what took me to participating in national associations. It was really the connection that I was able to make with Paul Wellstone, who was then my Senator, which really expanded my awareness of the opportunity to influence federal policy. He engaged with us directly and invited me to Washington to testify. That was really the door that opened.

The other door that opened was being an early part of the SBA Microloan Program and the policy work that opened up through both AEO and then the Friends of the Microloan Program. Being able to directly influence how the program was rolled out in Washington really opened my doors, through my eyes, to what was possible.

We became... The Entrepreneur Fund was able to get or able to apply for and receive a full SBA 7(a) license because of how we're structured in Minnesota, but it made me think that there were more opportunities and more ways to use the 7(a) program for other CDFIs.

Mark: Right, and then Community Advantage modified a little bit to make it work a little bit better. A lot of the things you're talking about, and
that's why I ask the question, are really about how the work at the grassroots, the work in the communities, wherever CDFIs are, became relevant, right? Became relevant at a...It was no longer just a matter in North Duluth or South Duluth, right? It mattered to people everywhere and what you were doing mattered.

Mary: Right.

Mark: It must have been an amazing realization. That's what I'm so fascinated by, this sense of one day we're making loans in Virginia, Minnesota, and the next day we're going to the State of the Union. Right? Didn't you go to a State of the Union?

Mary: Right, I did. Right. We received one of the microenterprise excellence awards in 1999 from President Clinton, so going to the White House and having that work be recognized across the country was amazing, when I think about the smallest loan we ever made was $176.

Mark: How much? A hundred?

Mary: $176. It was for a down payment on a 12 foot wide retail space in downtown Virginia, Minnesota. [Crosstalk] The largest loan... and today, the Entrepreneur Fund, as a full SBA 7(a) lender, could make two and 1/2 million dollar loans.

Mark: Wow.

Mary: The range is between that. Every one of those loans affected a person and a family. Each one changes the culture from what for us was being sort of a company town to an ever-increasing entrepreneurial culture in our region.

Mark: How did it affect you as a citizen, as a civic player? What changed for you in Duluth, across the Iron Range, in Minnesota, both your sense of yourself but other people's sense of you?

Mary: For me, as co-founder of the Entrepreneur Fund in 1989, the industry, the organization, it was like we all grew up together. The national exposure provided me personally with experiences and resources that helped me grow beyond anything I had known to date.

We grew up together and as I learned more, the organization evolved and I evolved. I look at the Entrepreneur Fund today as continuing to
have a tremendous impact in the region, now with new leadership and doing the same kind of work in different ways.

Mark: You're living proof that transition is possible, right?

Mary: I am living proof. I couldn't be prouder of how the transition occurred and how strong and vital the organization is today.

Mark: Yeah. It's always been one of the tests we have to hold ourselves up against, and so far, I think it's across the industry, we're passing it. You certainly did. You did it through a challenging time, right? The recession came along and made things bumpy and harder for you as you were going through it.

Mary: Well, and we went through ups and downs. We went through periods of growth, periods of tightening. The opportunity to expand our work in entrepreneur development in the mid to late 2000s is work that continues to go on. We were one of the original organizations working in pipeline development for entrepreneurs. There needs to be new entrepreneurs coming through that pipeline for a region to continue to grow. That work continues today and I'm excited about that.

Mark: Let me turn to the future a little bit because you're not too far away from the CDFI world and you're now...You have your new business, right, which is coaching women entrepreneurs.

Mary: Right. Mm-hmm (AFFIRMATIVE).

Mark: Put that together and something made you decide to move forward in some way for you. Think about the industry. What moves the industry forward? Try to think, 30 years may be a long time, but think forward. What’s important to the industry as you look at the world, the CDFI industry, as you look at the world going forward?

Mary: I continue to think about, for business CDFIs, particularly rural, that it needs to be a comprehensive approach. That not just lending, but also entrepreneur development that builds a pipeline of entrepreneurs who are going to continue to grow, expand, and see new opportunity in rural communities. I think that, for rural CDFIs that are working in a business environment, that comprehensive approach that looks beyond loans is absolutely critical.

Mark: What's it going to take...What has to change in order to be able to support that? It's a hard thing to do. It's a costly thing to do. We know
rural business lenders have to drive a long way. That's like one of the...right? You've got to cover a lot of territory and you got to be there in person.

Mary: Be there in person or using technology. One of my colleagues uses “GoToMeeting” or video conferencing for every conversation.

Mark: Really?

Mary: “GoTo” site is about seeing people face-to-face. In rural communities, video technology helps replace some of the travel business.

Mark: That's working? You're seeing that working? That has significant potential, assuming there’s internet access, right?

Mary: Right. It needs internet access. We need broadband capacity, just like we built telephone systems in the early part of the 20th century.

And so it has to be more than just loans. Loans help at some point, but if we want businesses to grow, we need to help entrepreneurs grow. It takes money to do that and that entrepreneur development is an extra cost.

One of the remarkable things I think about the SBA Microloan Program is the tie between capital and the provision of support for technical assistance. That was originally envisioned recognizing that technical assistance mitigated the risk in a high risk loan portfolio, but it also is a model for how loan programs at a federal and a state level could combine the two to really make a difference. It's important not just at the micro level, but at any level of business finance. Some entrepreneurs don't need technical assistance or can purchase their own, but many entrepreneurs do and would benefit from the combination.

I know for us, when I think about lessons learned, when we started, microenterprise programs sort of divided into training-led or lending-led programs. At one point when pushed to think about it, I thought about a different category, which was a training-led lending organization. That the training we provided improved the quality of the businesses that we could lend to and the technical assistance made us better lenders, because we understood what was happening in the business. So the combination of those two for us from day one was really critical. It continues today even though the organization is
making bigger loans. It still is about helping that entrepreneur improve their ability to run and manage that business.

It's not unlike what we've always heard from venture capitalists. They invest in entrepreneurs, not in business concepts, because it really is the ability of the entrepreneur to run and grow that business that's ultimately going to make it successful. It's not different than that. Some of the worst loans we ever made were I thought were unbelievably great ideas, but the entrepreneurs didn't have the ability to implement it. At any level, it's investing in the entrepreneur.

Mark: Good. Let me give you a last chance, Mary, and we'll have more chance to talk otherwise, but a last chance if there's anything else you wanted to say about the past or the future.

Mary: I'm just incredibly grateful to you and to the organization for giving me an opportunity to be a Board Member and ultimately Board Chair. I learned so much from that ability to network with larger CDFIs. I represented the smallest CDFI in the Boardroom and I still had a voice and an opportunity to engage. I learned from you, I learned from others I met in the Boardroom, and others I met at the conference. These are relationships that are standing the test of time and will continue in my life.