CDFIs Making History Interview

Peter Metzger
Development Analyst and Writer, Ways to Work, Inc.

Phebe Quattrucci, Principal, Quattrucci & Company, conducted this interview on September 15, 2014.

Phebe: So, let's start with the first question. When and how did you first discover the CDFI industry?

Peter: I've been working in the non-profit fields since I came out of college here in Milwaukee. I first learned about it actually through Ways to Work that I currently work for. And so, Ways to Work is a consumer lending CDFI that operates in partnerships with other community-based organizations across the United States. I worked for the program, the Human Service organization in Milwaukee that was operating Ways to Work at the time.

I thought, “Wow this is a really neat program because this is actually very effective at getting people out of poverty. Helping people become self-sufficient.” That is how I first learned about the CDFI field. I did not know that it was called CDFI until I got here and then I began learning and reading more about CDFI and educating myself, it is just like these are really impactful organizations that truly make a difference in the communities they serve and the businesses they serve and in the families and individuals they serve. I do not know I was just hooked. I was impressed.

Phebe: That's great. What did you do when you were in the Human Services organization? What were you doing there?

Peter: I was a grant writer and policy analyst and that is similar to what I am doing here for Ways to Work. I am the lead grant writer, as well as analyzing policy and the market place in general both in the for profit consumer finance side and other CDFIs.

Phebe: Wow, great! Out of curiosity, what did you major in, in college?

Peter: I actually majored in English and I’ve got a minor in Urban Studies.

Phebe: Oh there you go, I was a History major so you know we both obviously went for the big money to start college education. It’s actually one of
those fun things about the CDFI industry is all the different backgrounds that people have and you know, the stories of how they have come to the industry are of course fascinating, which I'm sure is why Mark wanted to do these interviews. What was it that attracted to the industry? Obviously you are saying it is practical and effective way to alleviate poverty? What impact has the industry had the greatest impact on you at the time and today? How long have been with, working for Ways to Work?

Peter: I have been with Ways to Work going on 20 months.

Phebe: All right, congratulations. So there's a congratulations.

Peter: Getting there toward two years now. But the thing that has impressed me most, I think, and like you had mentioned too is the diversity of backgrounds and of thought of the people that are in the field and also it's very impactful. You know, things I guess, there has been a war on poverty for years now and the Community Action agency that I was working for and we would often discuss the war on poverty. It was just looking for those things that actually truly make a difference, and CDFIs are one of those programs, one of those projects, that make such an impact and difference in communities and families’ lives, and all around economic well being.

I've also been attracted to non-profits in general but just I always wanted to work in a job that doesn't feel like work. At the end of the day I have helped accomplished something. Maybe growing up in a rust belt city of Milwaukee, where it's not you know where I could be like my dad and grandfather worked in factories while I work in CDFI fields and that is still making as much of a difference and tangible product at the end of the day as they might have. That is what attracted me mainly.

Phebe: So looking ahead what idea or vision do you think is going to shape our sector in the next 30 years that's a big question. I am interested in hearing your answer because I feel like the consumer side of the CDFI world is really cutting edge right now and merging in different and broader ways. So it seems like you are in a really exciting side of the industry right now.

Peter: I hope the consumer lending side of CDFI continues to grow. I think that CDFIs that are doing consumer lending really serve a niche. We are really getting at the heart of what banks and some of the mainstream credit unions, this is the population that they won't touch.
They are already being labeled as risks averse and things of that nature. At CDFIs we shouldn’t act on things but we should make our decisions based more on the character of people and the character of their ideas versus their credit score or their bank worthiness and this is why we exist in the first place. So I would really hope to see that the consumer lending side of the CDFI field continues to grow, especially as we continue to battle things like payday lending and other predatory lending practices. Also, you know online lending. I think that’s going to be one of our biggest challenges is the online lending marketplace, where it just seems so easy to go out and get a loan online but those loans...there are still predatory lending practices behind that, and I think that CDFIs need to be out there kind of going, “hey we are here, we are not predatory, we are a safe place to come get your money from.” I hope the CDFI field continues to grow in that direction. CDFI loan funds, like myself, as well as CDFI credit unions. I guess it would be my hope that every community would have a strong CDFI consumer lending organization within it.

Phebe: Do you see CDFIs as getting more tech savvy to combat that online lending piece or is that a blip do you think? Will that get regulated out or go away?

Peter: You know with the whole online piece it is a little hard to tell. I would think there would be some more regulation behind it. I would assume and kind of hope that there would be more regulation behind it, but I also think at the same time that CDFIs should use their ability to quickly adapt to new and emerging technologies. I think that is what makes us competitive in the marketplace. We’re the large bank that is going to have to have all of this overhead to turn over and do things in a new way. I hope that CDFIs continue to be more quick and nimble than their banker counterparts, and I hope that would help us go into the online marketplace as well and offer more consumer lending products but also any of the loan products that we offer.

Phebe: Because of my age I am not as tech savvy, perhaps, as you are, and I wonder about doing that character based lending online. You know, I wonder if that will be more difficult.

Peter: Even here at Ways to Work we have that struggle. All of our loan decisions are still made locally, still with community members in the room making those decisions. I think the loan decision part is probably going to be the toughest thing to put online, but I think if we put a lot of our basic application materials online, the sorts of financial literacy and financial education components that a lot of CDFIs offer, including
Ways to Work. I think if we put a lot more of that online up front we will have a lot more people come in the back and apply for a loan and actually go through that lending process. I don't really see a way to replace, to make character based lending online in the decision making stage, but I think there is a lot more that we could do online to bring more people, to help make more people aware to see that CDFI lending is an option.

Phebe: Yes, yes. I agree with you. I feel like despite all of the work that OFN in particular and individuals CDFIs have done to raise the profile that CDFI lending, we are still not known among the general public.

Peter: Oh, I agree. I think that OFN and others have done great things with the governmental side with CDFI Fund. You know we have done great things around organizing around what are best practices. OFN in itself is a great example of that, but I think where we still lack is the everyday consumer, especially the everyday consumer. But as well as the everyday person trying to start their own business or improve, other well-meaning developing agencies. We are not looked to first. The banks are who you look to first. Some of these online lending are looked to first and that is going to be biggest challenges going forward is how can CDFIs be looked at equally with banks. So when somebody wants to go out and get a loan they look at a CDFI equal with the banks and where am I going to go to first?

Phebe: Yeah, that's a big challenge. We've been working on for 30 years. It's hard.

Peter: Yeah, it is. You think how much marketing is behind these banks and other lenders versus how much marketing is behind the CDFI field. I mean there is some within the community, but it is still ... for Ways to Work, for example, it is still word of mouth. "Oh I heard about this because my friend found this." Or, "Oh, I heard about this because I read about some little blurb somewhere else."

Phebe: Right.

Peter: Proactively getting folks connected to CDFIs and getting projects connected to CDFIs, that seems to still be a challenge.

Phebe: Yeah and we don't have the bricks and mortar investment to do it either. You don't walk into a low-income community and see six CDFIs on every corner like you do the payday lenders.
Peter: Exactly. Exactly.

Phebe: We just can't do that; we don't have the capital to do that.

Peter: Correct.

Phebe: I'm not sure that is how you get the kind of borrowers that you want anyway, but maybe it is, I don't know.

Peter: We certainly seem to have a disconnect between the people. You know, it is a greater market out there that I think we can serve that frankly CDFI missed because we aren't there like the payday lending options. We aren't there like some of the online lending options. There are a lot of lower income communities that don't even have a bank or a brick and mortar bank branch or a credit union. There are some but it is just ... There is such a disconnect where CDFIs could fill that gap.

Phebe: Right, Right! Well, this has been a great conversation. I don't want to go beyond your 15 minutes.

Peter: My pleasure!

Phebe: All right, thank you. Bye.

Peter: Bye, Bye!