CDFIs Making History Interview

Clara Miller
Founder and President, Non-profit Finance Fund 1984-2010

Mark Pinsky, President & CEO of OFN, conducted this interview on September 11, 2014.

Mark: I want to—now that Emily made sure I was actually recording what you’re saying—I want to invite you to share. Is there a moment or an achievement or an idea or an event that really stands out for you? Maybe it’s two or three that stand out for you—we’re thinking in the 30-year timeframe of OFN—about anything about CDFIs and maybe it’s about NFF [Non-profit Finance Fund] and maybe it’s about being an investor, however you want to think about it. Is there something that really jumps to the front?

Clara: Sure, I think that as an overview, one thing I can recall is—and they’re kind of what I would call early and repeating themes. They were themes that way back in the early days when we were the National Association of Community Development Loan Funds, and even before Mark Pinsky was recruited and became the Executive Director, when Martin [Paul Trimble] was still there. I remember a variety of both Conferences or meetings or Board meetings in which there was the kind of repeated theme of—and you know this better than I do Mark—are we an industry or are we a movement. That was one, and Jeremy [Nowak] would always describe this as creative tension in order to get people to calm down, I think. Because we were constantly trying to present ourselves—for the purposes of raising capital—as highly professional and disciplined lenders, and people who could really put capital on the street. For the purpose of staying close to our constituency and being able to really do something different and transformative with the capital itself, we were trying to stay close to the heartbeat of the movement as it were. Of course, the answer is you have to be both.

In a closely related, I would say, early theme that’s become a drumbeat is are we going to be an elite group or are we going to be a “y’all come” organization? I know we had board meetings from the very beginning or from the early days where we really struggled with here’s a small loan fund just starting up in an extremely poor community. They desperately need this organization, but they don’t really have much of a track record. They don’t have a whole lot of
things that probably they should have if they’re going to be making loans and getting repaid, raising capital.

The notion of, is this is a big tent that everybody who likes the idea gets to come into, or is this essentially a standard-setting body that starts to create almost an elite of organizations that can grow? Is that more what OFN should become? I think that probably we’ve gone past that almost. Now it’s, I think interestingly enough, more of a movement and a network, perhaps, than a standard-setting body—much more of a “y’all come” than a lot of worry about the elite.

I think that those are themes that exist until these days. Now, especially considering the fact that things are not getting better in the states in particular but I think globally we can say that. We do think we’ve made a difference in the communities we’ve been able to reach, but we haven’t made enough of a difference to say that poverty is somehow on the decline nationally.

I think it pushes us to really examine how we can go to the next level. One of the themes I always liked was something Jeremy Nowak said frequently, which was, ”How do we capture the value we have created?” I think we have to take that very seriously and I think we have to think of new and interesting ways to do that.

How do we influence the whole economy, not just the kind of marginal part of the economy that’s low income and that we think needs access to capital in order to develop? How do we make this one economy rather than saying towards health, okay we’re going to always be on the cleanup crew but we’re not going to look at the rest of the economy and say, you know something, it’s not a reliable source of jobs. It’s not a reliable source of income.

We’re not just tasked with cleaning up and fixing things in the margin anymore and providing people access to the mainstream, which is reliable and creating jobs for people. We’re actually saying, “How can we help create jobs for people?” I think the job has broadened as we have grown, unfortunately.

Mark: I think you’re thinking on that has evolved. To over simplify it a little bit, it evolved from sort of a business model question to sort of an economic role question almost. Is that fair?

Clara: Yeah, I think that's absolutely fair. I wish I could say that I felt we’d been so successful – of course, the thing that nonprofits take on is
that you don't want to scale a nonprofit to deal with a scaling bad problem. You actually as a nonprofit you have a very ambivalent business proposition.

You want to say to yourself, gosh, we want to find a way to put ourselves out of business. We want to find a way to create a society where you no longer need this specialized group of financial institutions that reach into the corners of the economy where banks fear to tread.

Actually, we don’t want to scale problems, we do want to be big and strong enough to get rid of them. It’s just a kind of funny combination of factors.

Mark: To what extent is that a self-image problem, how we think about ourselves, and to what extent is that a sort of a structural change in the way financial institutions or the way the economy’s operating or fiscal policy–

Clara: It’s very interesting. I think it’s actually both. I guess that if I didn’t think that banks were now suffering from giantism in a way that they probably weren’t in 1979 or ’80 or whenever we want to start the clock. I think that they’ve become less able to carry out their work to the thing that society expects of them and more inclined to be essentially creating financial products and services that don't deliver value to the economy that most people experience.

Mark: I think ...

Clara: I wouldn’t say all banks. I think money center banks in particular. But so I think that that's changed. I think the nature of income inequality has, the gap has widened. It’s a different economic proposition as well as a different – it’s a business model reality for us.

Mark: In some ways, the opportunity is there’s an expanding market for us.

Clara: Yeah. We’re not supposed to want that to happen.

Mark: No, I know. But it’s right, right?

Clara: We’re supposed to want—I’ve said in the past, we don’t really want to scale low-income housing, we want to eliminate the need for it. How do we do that? In the meantime, oh by the way, it contributes, of
course, to people’s ability to hold jobs and get themselves out of poverty. There is a conundrum.

Mark: Right and then there's the work. As you know, I never felt like we were quite getting to it but Surdna now has this big push on quality of jobs and that's a huge issue in terms of not just what kind of jobs, not creating jobs or keeping jobs, but what kind of jobs and who do they reach and all that sort of stuff.

Clara: Oh, yeah.

Mark: Very different...

Clara: You can say a job is, generally speaking, better than no job. A job with benefits is definitely better than just any old job. A job with benefits and opportunities is better than the other two. You build your portfolio hopefully out of as many homeruns as you can get but you also might have to accept some one baggers, especially these days because jobs are being rung out of the economy.

Disintermediation is happening, not just to low-income folks. In fact, sadly, in way low-income jobs are growing. The middle class jobs are going away. In a way, it’s a hollowing out of the role of labor and a renegotiation of the relationship of the machine and the worker, in manufacturing in any event, but probably in all areas of life. Information technology has just changed the game hugely.

I think we’re all kind of struggling to understand how best to address those issues. I would say that, compared to 30 years ago where we could still persuade ourselves that there were certain place-based things happening in the economy, you could think of the economy within a context and do that kind of work.

I think things have just completely changed. The reality of work, the reality of the global economy, information technology, all of those things have changed. If we didn’t think it was already changing then, we sure know it now.

Mark: Yeah, we should’ve, probably. Let me ask you. I don’t want to run out of time so, I want to ask you, sort of, two questions and ask you to answer them in two, sort of, parts. First part is when you look back, were there things we did right or the things we did wrong, and were there things we were just lucky at. You can answer any one or part of those.
Looking forward, to take that and play it forward, what are the things we need to do right going forward. You touched on that a little bit. I want to reframe it a little and hear your thoughts, if you don’t mind.

Clara:

I think the things we did right—and a lot of this actually, Mark, you can take at least some if not the lion’s share of the credit for—I think the whole CDFI Fund experience was... We should be quite proud of ourselves on that account. For one thing it ended up in the Treasury Department, not in Health and Human Services or wherever else.

It was rigorous. We had developed ourselves—and this was another thing I think we did right—we were clear about creating standards and improving the way we did business and being disciplined lenders and being highly professional, and we built that into the work of OFN from the very beginning.

When the CDFI fund came along we had a track record—or maybe it was we had a track record to bring to that conversation—that meant that we could succeed. It wasn’t, sort of, a new flash in the pan, we’ve got a new idea for a program, and we want to just get a bunch of money for it and try it out. It was much more of a true community-based effort; people on both sides of the aisle. All of those things I think were really commendable. I think we should be happy with ourselves about that.

I think that the technical assistance that OFN provided, the camaraderie, I think all of that has been instrumental to good growth in the sector. I guess as far as things wrong, I mean, it’s...

Mark:

Too long a list, I know, but... [LAUGHS]

Clara:

[LAUGHS] No, it’s not that long a list, I think that maybe what’s complicated about having the—wanting to grow as businesses each of us individually and collectively as a field—is that we had to find reliable revenue. To do that we really had to make a bargain with the government about financing receivables. While that didn’t mean that good projects didn’t get done, we have actually pushed ourselves into a place where we’re very focused on a certain type of finance. It’s real estate-based. It’s government-funded primarily.

We’ve had less growth in things like cash flow financing or general, kind of, mezzanine finance for businesses, which I think right now, if we had built capacity to be able to do that, we’d be in a wonderful place from both a strategic and a mission point of view right now.
Because, boy, the economy could use skilled lenders who know how to do things like that.

If I were to look back and say should’ve, would’ve, could’ve that might be something I’d tag.

Mark: Yeah, that's great. Before I lose you—because we’re running up on a half hour here—what do we need to do right going forward?

Clara: Um, I think... Let’s see, the future...

Mark: It’s easy, it’s the future. You can make it up, Clara.

Clara: [LAUGHS] Yeah, the future, it’s really going to be great. I am going to keep myself from telling you an anecdote. The Jack Benny thing, you know, your money or life, your money or your life. “Wait a minute, I’m thinking.” [LAUGHS]

I think we need to be much stronger advocates about the health of the economy as a whole as opposed to being focused on our needs as a trade organization. I’m not sure exactly how to do that.

I do think OFN has a real place in kind of saying to the world, to basically being in a sense the moral high ground for financial institutions for defining their absolutely indispensable role in economic health, and helping the regulators and helping the whole economy understand how that can work and where it’s breaking down.

I don’t see anybody else actually doing that.

Mark: I think that’s right.

Clara: I think that we do have to step from the margins into the mainstream and decide and carve out a place for ourselves there.

Mark: That's great. I love it. That’s inspiring and I love it and I agree. Anything else before we let you get off?

Clara: No, it’s so much – I really look forward to hearing what others have to say.

Mark: You will really... [CROSS TALK]

Clara: It was such an exciting time.
Mark: It still is!

Clara: Yes, indeed! Absolutely, it’s even more exciting now. I totally agree.

Mark: It really was and people are incredibly thought… People, you know, I think people really feel a deep appreciation that something happened, something significant, in some sense, historic happened in the building of this industry. I think there’s a real appreciation for that. That’s what we’re trying to capture in some way.

But I think you’ll really like it. It’s really interesting how much we’ve heard that consensus about the movement vs. industry. You know everybody… We both nodded when you said it has to be both, that’s where everybody comes down. Even Jeremy comes down.

Clara: Yeah, yeah. No, it does...

Mark: I think if Chuck Matthei were still here he’d probably say, “No, it has to be a movement; forget the industry.”

Clara: [LAUGHS] Well, it could’ve been a movement, but then we never would’ve actually survived long enough to make any loans. [LAUGHS]

Mark: Well, that's exactly right. We would’ve made three and lost them. [LAUGHS]

Clara: Yeah, and gone out of business. [LAUGHS]

Mark: Well, thank you, Clara, very much.

Clara: Alrighty, kiddo.

Mark: We’ll talk to you soon.

Clara: Great to hear your voice. Take care.

Mark: Bye-bye.

Clara: Bye-bye.