CDFIs Making History Interview

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Mark Pinsky, President & CEO of OFN, conducted this interview on July 29, 2014.

Mark: Is there a moment or a couple of moments, or ideas, or events, or accomplishments that really stand out to you, as you’ve sort of been around the CDFI world. This is not meant to be about OFN, this is about the field in general.

Mike: There are two things that were really incredibly exciting moments for me, or moments in time. One of them...both of them involve you and both of them not [INAUDIBLE] involve the NEXT Awards. I have to say that the coming together of you and Debra from the MacArthur Foundation...the whole coming together of that idea. I can remember sitting in my home office on the phone with you late into the night and where we're thinking about this and pushing on it and what was the right number and how would... I was struggling with how I would sort of translate this, if you will, to the 12 highest executives in the bank. Because they essentially made up our foundation board and would likely I have no idea what a CDFI was or why this much money needed to be put into it, and how transformational it could be.

It was a heady time because you were bringing all this subject matter expertise, and Debra was bringing some of that, but she was also bringing a lot of capital. I was trying to learn from you guys, but I knew, I could tell, enough there was really something very potentially transformational here that we could do together. But it was going to take figuring out how to create that message and get buy in the top of our house.

You guys were really good at sort of pushing and being flexible. What felt like in a pretty short time we were able to pull this off. I just remember that and think, gosh, we pulled together between MacArthur and us, we pulled together a pretty large amount of money in a relatively short time and really set something off there. That was really cool.

Mark: How did you translate that? What did you have to do to help the 12 most senior executives at the bank connect to this and what was that? How do you bridge that to folks?
Because the NEXT Awards had been a part of it, but for a lot of other reasons, senior executives of banks know what CDFIs are today. They didn't when we started, and now they tend to.

Mike: One of them was, they are these institutions that are out there that are largely invisible or were at the time, but they’re doing this incredible work every day. Frankly, they were helping us reach markets we couldn’t reach. They were micro lenders who were able to make small business loans that we couldn’t make.

They were making community development loans that we weren’t able to make. They were largely invisible, and I had to just acknowledge that. They probably didn’t know what they were, and if I named even the top five in the country in size, they probably wouldn’t know them.

But that they were doing this work and creating a lot of economic development in our communities, but they were sort of a key link for us if you would. They were key link in this chain that was needed to really have holistic economic development in our communities.

Mark: How did people respond? I’m going inside your board room.

Mike: Yeah. Frankly, I think some of them understood that and some of them didn't, but they trusted us. To be totally frank about it, once we got in, I had a one-on-one with our CEO. I think he got it enough and that helped us carry the day.

Mark: Yeah, so really they trusted you?

Mike: I think so. Yeah, it was an enormous amount, $8 million or something like that.

Mark: No, $16 million.

Mike: 16 over what was it, 5 years, was it?

Mark: 5 years, yeah.

Mike: Yeah, 16. That's right. Yeah, that was...because at the time we were giving away about a $100 million a year. A lot of that was sort of off the top of the house, like matching grants and things like that, so it wasn’t really a hundred disposable, right?
I think you had helped arm me with good language, I think...I just think, I don't know, sometimes timing is important, but I do remember we were under a real gun to get the commitment to have it in time to prepare for your next Conference to announce it or something like that.

Mark: Yeah, that's right. It was insane, but we did it. And then, was there a feedback loop on that? Did you go back to that at some point and say, "This is what we've done," and they say, "Now, we get it." Did they go back and say, "Nice job."

Mike: I did have conversations, and, in fact, even since the Wells Fargo merger from time-to-time, I will have communications with them and I'll say, "I just have to tell you," I'll see a few of them, you know? "I'm really proud of what happened here and thanks for trusting me on this because look at what has happened." That might be a good segue, Mark. The other thing, I was going to mention but I don't want to cut off if you have specific thoughts around that.

The other one was, as you recall the first year, ACCION Texas was one of our selections, Janie Barrera. She had this really cool thing, and again we thought it was very NEXT in that they seemed to have cracked the code on how to efficiently—that was the keyword right?—efficiently underwrite these very, very small business funds.

We said, "Wow, this will really be NEXT." If you can really do this because everybody does this all over the country, but it's terribly labor intensive, it takes a lot of time, which means it's expensive, which means the cost to capital, ultimately, to the small business is more. If we can drive that down we'll have more borrowers, we'd be able to get more capital out there.

We made that. I think it was...I have to say that was a really special night. When we made the award, I remember dancing with Jenny Barrera. Am I saying her last name right, Barrera?

Mark: Yeah.

Mike: Yeah, for color commentary she was a former nun. She's out there dancing and very happy, and her team is there. I thought that was just hysterical. Fast forward, several years later Wells Fargo acquires Wachovia. I get the position I'm in. I'm out making market visits. I go to Denver and I'm sitting down with an organization called, Enterprise.
They are excited to tell me about all they do, and 15 minutes into the conversation they talk about their underwriting that they have adopted that was made possible by this thing called a NEXT Award. And so what ACCION was doing in San Antonio, was able to migrate all the way up to Denver and so that they had that process.

I was just able to sit there and smile and know here we were only two or three years out from that original award, and here it was being implemented exactly as we had dreamed that it would be, and they promised that it would be.

Mark: Yeah, that's a great story. I love that. They didn't know of your role in the NEXT Awards?

Mike: No, and I just sat there and smiled and I said, "Oh yeah, I know something about that." It was cool the way that it unfolded, right?

Mark: That is so cool. Yeah, that is so cool. From a banker perspective ... one of the things we’ve learned over the last 30 years is, "Not all bankers are us, but a lot of banker are us." A lot of bankers who are part of our community and you’re one of them. Do you have thoughts about sort of what the future looks like a little bit from where you sit?

Mike: Let me start here. The thing that is really, really, really on my mind these days is the whole world of the underbanked. As you know Mark, we define the underbanked not unbanked, but the underbanked, as about 24 million people, who have one traditional checking or savings account, but he still uses the alternative delivery system of a check cash paid the lender and the like.

Those tend to be disproportionately people of color and low-income, but they also include millennials. You know it’s a mixed bag of people and populations. The CDFI world tends to be a wholesale world. I’m hoping that there is some migration and some ability for CDFIs to help us serve that world because I think as a bank we have got to do more than we are, but I think best case scenario we will be able to figure out how to serve pieces of that 24 million, but not all of it.

There are CDFIs out there that are piloting some really cool things, but my dream would be there would be some CDFIs that would be able to do some more consumer-oriented things and help us reach these markets.