CDFIs Making History Interview

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Mark Pinsky, President & CEO of OFN, conducted this interview on July 15, 2014.

Mark:
Is there one thing that stands out from your time, particularly at domestic policy and in the Clinton Administration, about the CDFI industry, about the CDFI Act, about maybe something that happened that people do know about or don't know about. Is there one thing that stands out to you?

Paul:
I suppose what drove home to me how serious President Clinton was about creating this—what he originally called a network of community development banks, which then became the CDFI Fund—was that he used to talk about it so much that Saturday Night Live actually spoofed him. And Phil Hartman's great rendition where he is jogging to McDonald's playing President Clinton and proceeds to espouse all kinds of policy ideas that the then President Elect was going to do, which included creating this network of institutions to support lending and investment and banking services in distressed communities.

That always sort of stuck out in my head. It just resonated that here was something that most Americans probably didn't grasp, but the President felt very, very strongly about.

The other thing was that the CDFI Fund proposal was really a major departure for Democrats because until that time much of the effort in trying to deal with issues like economic development, helping people get ahead, and dealing with poverty and distressed communities, had been focused on government-only solutions, and the CDFI Fund was a different approach to that.

It basically said, look, the government has a role, but ultimately it's the private sector that has to take the lead. There were a lot of democrats prior to that period in '92 who didn't really understand that.

Mark:
I remember basically being dismissed from [Rep.] Barney Frank's [D-MA, 1981-2013] office, because this was the government's responsibility, right? We're not going to let the government off the
hook was basically message. Barney became a big supporter later. But at the time....

In fact, today, one of the archival documents we pulled up from the Clinton Library was a memo from you to, I think it was to, Bruce Reed [chief domestic policy advisor and director of the Domestic Policy Council for the Clinton Administration] about legislative strategy on this. You had singled out Senator [Paul] Sarbanes [D-Maryland, 1977-2007] that he was not too friendly to this and we needed to reach out to him.

Paul: There was not a lot of support for this with a few exceptions. The "Bill Bradleys" [D-New Jersey. 1979-1997]...

Mark: Yeah.

Paul: ...and others who got this. This wasn't necessarily even just about the CDFI proposal, but the broader debate about government's role versus the private sector's role, and this belief that had kind of seeped into the party in the late '60s, early '70s and up until the '90s that basically you could just regulate industry to do things and that these incentives were not appropriate. Or you just do direct government assistance.

And the CDFI Fund, the Low Income Housing Tax Credit [LIHTC], making that permanent, the Brownfields Tax Expensing proposal, which were three of the things I worked on. Plus I also did Empowerment Zones, which were not quite as successful, and the expansion of housing vouchers. All these things were basically recognition that—and quite honestly also the Earned Income Tax Credit—a recognition that you had to leverage the private sector.

That was very important in order for this to work.

Mark: Yeah. Absolutely right and I think back to your first story about Saturday Night Live skit, I remember that. I'll never forget that. I fell off my seat with the idea that something about the President's persistence on this had caught the public imagination enough to put it on Saturday Night Live.

At that point, we had no idea whether this was ever going to go. We had no idea whether this was going to make it from campaign to governing and all that. It was huge.

Paul: Right.
Mark: It's really quite remarkable.

Was there anything in the process, because it happened quickly, right? It happened in what, 14, 16 months? Something like that? From the time the President introduced the bill in July of '93 until it was signed in September of '94. Do you remember being surprised? Did you expect it to go through that quickly?

Paul: Oh sure.

Mark: Legislating is a slow battle sometimes, right?

Paul: [LAUGHS] Yeah, people don't really realize this. We had a lot of legislative success in those first two years. It didn't necessarily make us popular, but we were very successful.

National service was created, AmeriCorps, The budget deal was passed, the Earned Income Tax Credit expansion, Empowerment Zones. The crime bill was passed, the Brady Bill, and Family Medical Leave.

I think the biggest issue was that we had a lot on our plate. There were a lot of policies that the President wanted that were priorities for him.

I think the policy shops, we were very aggressive in putting those together. We were very effective at juggling the balls.

I think the Congressional Affairs Office, which tended to be very deferential to the Hill, was not always as eager to push as hard. But a number of us who also worked on the Hill had pretty good senses of how to move this stuff and knew that there would be opportunities. You had to take advantage of the political capital that you had when you had it.

You never know if something's going to happen. I think the question is we were pretty driven to make it happen.

There were certainly lots of roadblocks that were thrown up in the way. You mentioned a few. There was not exactly a warm reception from a number of people within the President's own party. Clearly there was opposition from Republicans. The fact we had a lot moving at the same time. But we had a pretty good team and we had support across the Administration.
We at the Domestic Policy Council were co-leads with the National Economic Council on this. We worked very well with them. Treasury was incredibly cooperative. One of the important decisions we made early on, one of the things that I pushed and I know a couple other of my colleagues pushed, was making sure that the CDFI program was placed at Treasury.

In fact, a lot of the folks on the Hill were like, “why don't we put this at HUD,” for example.

Mark: Right.

Paul: It was very important that the perception be that this is about financial institutions that are involved in some aspect of investment lending, banking services, credit capital. It had to be perceived as legitimate.

Placing it at HUD or Commerce, some people suggested USDA, we felt very strongly that would be problematic and you would lose some of the cachet. By placing it at Treasury, I think it gave it a sense of legitimacy and seriousness.

Treasury, of course, was very wary of that, because they typically don't run programs. They've certainly had their issues over the years with running the program, but overall I think they've done a much better job than what you would have seen elsewhere. But I think that that helped us a lot with the Hill by placing it there. It was placed in that appropriations bill.

Then we had these other issues. [Rep.] Floyd Flake [D-NY, 1987-1997] came in and basically captured half the money through the bank.

Mark: Only a third. He wanted half.

Paul: A third. He wanted half, you're right. He tried to take half. We got him down to a third and then a lot of us figured out a way to try to do basically a runaround so it would still somehow get back to the CDFI industry.

Mark: Yeah.

Paul: It's not an ideal program to this day, in my opinion, but it's still better than the alternative.
[Barbara] Mikulski [D-MD], who is the appropriating sub-committee in the Senate, was very concerned. We pointed out that the take-up rate would take awhile, so they went along after that.

There were issues all over the place, but I think persistence in pushing that through.

We did not have perfect relations with the Hill, but we certainly had an ongoing dialog and regular interaction and so forth that I think was helpful in the long run.

I think that there were a lot of efforts, what I would call gorilla efforts, done by people in the CDFI industry, which may have not been united at the time, but certainly was effective in their efforts.

In the end, Riegle bought in on this. That was incredibly helpful.

Mark: Yeah. Talk a little about Senate Chairman [Donald] Riegle [D-MI, 1976-1995]. My perception always was that because of his background with Keating, he was really determined to drive something through that showed he wasn’t all about banks.

Paul: I think he saw it as an opportunity to do something positive, and he had a very good staff.

Mark: He did.

Paul: Obviously Jeannine [Jacokes], Konrad Alt, some people I'm forgetting now.

Mark: Matt Roberts was there, too.

Paul: Right, right, yes. That's one of the people I was forgetting. He was very important.

Smart people. People who knew what they were doing. We worked very closely with them. We had drafted the bill, but obviously they, as is Congress' prerogative and they're also very good at it, they redrafted it. I remember doing a first draft actually in my office.

We worked very, very closely with them through each stage and they were willing to get down to the nitty gritty. When the Flake issue came up, in some ways we were able to play Riegle off of Flake a little bit. [LAUGHS]
Mark: Yep, that's right.

Paul: There were certain advantages to that.

Once it became an issue of negotiation, then you felt more confident that something would happen.

Mark: Yeah.

Paul: Getting something actually to the table is half the battle.

Mark: Yep.

As I look back through all the old archives from the Administration, it's really fascinating to see. I knew a fair amount about what was going on, but the various ideas you guys tried. You tried a lot of things and you explored a lot of directions before you came down where you came down on the legislation.

I think people will be really interested in the amount of effort that went in to figuring out what the President's proposal, what it was going to look like. It's really quite astonishing.

Paul: Yeah. We had a very large working group.

Mark: Yeah.

Paul: There were a lot of agencies that were very interested in this. We had a lot of people. Bruce Reed and Gene Sperling who were the deputy directors of the respective DPC [Domestic Policy Council] and NEC [National Economic Council] at the time were both very committed to it.

All of us had come off of the campaign. I think those of us who came from the campaign already had a lot of Hill experience. We were young, but we were not inexperienced. We weren't uber-experienced, but we certainly had enough.

I had already done two presidential campaigns in four years. Two years in the House, two years in the Senate. I'd already worked on a House-Senate conference. Others were similar. Bruce had worked for many years for Gore on the Hill. Sperling had worked for Cuomo; he had worked on Capitol Hill as well. Paul Dimond, Paul and Sheryll Cashin.
These were good people, these were bright people.

Mark: Right.

Paul: We all had a good relationship. There was no sense of rivalry, which is not always the case. We all got amazingly along. I'm not sure that could be replicated today.

Mark: Yeah. The fund has been really critical. We were a two billion dollar industry then, we're about a fifty billion dollar industry today. You deserve a huge amount of credit to that. Thank you.

Paul: I appreciate it. Best of luck.

Mark: Thank you. Talk to you again soon I hope.

Paul: Sure.

Mark: Thanks Paul.