

**COMMUNITY DEVELOPMENT ADVISORY BOARD**  
**Community Development Financial Institutions (CDFI) Fund**  
**United States Department of the Treasury**

**Minutes**

**Date:** Tuesday, May 17, 2016

**Place:** Main Treasury Building  
The Cash Room  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20220

**Presiding:** Calvin Holmes, Chairman of the Advisory Board, Chicago Community Loan Fund

**Board Members in Attendance:**

Calvin Holmes, Chairman of the Advisory Board, Chicago Community Loan Fund  
Brian E. Argrett, City First Bank of D.C.  
Audrey Choi, Morgan Stanley Global Sustainable Finance  
Xavier de Souza Briggs, Ford Foundation  
Tanya M. Fiddler, Native CDFI Network  
David C. Lizarraga, TELACU Education Foundation  
Douglas H. Low, Kidz Express  
Ann Marie Mehlum, U.S. Small Business Administration  
Lisa Mensah, U.S. Department of Agriculture  
Ronald Phillips, Coastal Enterprises Inc.  
Rosie Rios, U.S. Department of the Treasury  
Lawrence Roberts, U.S. Department of Interior  
Harriet Tregoning, U.S. Department of Housing and Urban Development

**Remarks and Presentations:**

Annie Donovan, CDFI Fund  
Adrienne Harris, White House, National Economic Council  
Lisa M. Jones, CDFI Fund  
Amber Kuchar, CDFI Fund  
Rosa Martinez, CDFI Fund  
Jeff Merkowitz, CDFI Fund  
Jessica Milano, U.S. Department of the Treasury  
Ray Sendejas, U.S. Department of the Treasury  
Marcia Sigal, CDFI Fund  
Mia Sowell, CDFI Fund  
Dr. Miriam Jorgensen, Native Nations Institute

**Also Present:**

Andrew Givens, U.S. Department of Agriculture, Chief of Staff to USDA Designee  
Miles Janssen, U.S. Department of Interior, Counselor to Interior Designee  
Bill Luecht, Designated Federal Official for the Advisory Board, CDFI Fund

**Welcome, Roll Call, Call to Order, Agenda, Introduction of Board Members, by Calvin Holmes, Chairman of the Advisory Board**

At 9:11 a.m., Chairman Holmes convened the 2016 meeting of the CDFI Fund's Community Development Advisory Board and welcomed the Board Members in attendance and acknowledged Mr. Lawrence Roberts, a new Board Member who represents the Department of Interior and would be joining the meeting presently, as well as Mr. Miles Janssen, also of the Department of Interior, who would be sitting in for Board Member Roberts until his arrival. Chairman Holmes also welcomed the members of the public in attendance and those watching the meeting via the webcast.

Chairman Holmes stated that two Board Members, Ms. Lisa Green Hall and Mr. Matt Erskine, would be unable to join the meeting. Chairman Holmes conducted the roll call, noting that Board Members Tanya Fiddler and Harriet Tregoning were absent but would be arriving later. Chairman Holmes then called the meeting to order and briefly reviewed the agenda. Chairman Holmes stated that his goal for the meeting was to foster robust discussion among Board Members so that the Board could leverage its expertise to advise the CDFI Fund on its way forward.

Chairman Holmes then asked the Board Members to introduce themselves. After the introductions were completed, Chairman Holmes thanked the Board Members for their service to the CDFI Fund, and also extended special thanks to Ms. Adrienne Harris, Special Assistant to the President, and Ms. Jessica Milano, Deputy Assistant Secretary for Small Business, Community Development and Housing Policy, U.S. Department of the Treasury, who would be providing remarks later in the meeting.

**Opening Remarks by Calvin Holmes, Chairman of the Advisory Board**

Chairman Holmes stated that the Obama Administration has provided invaluable assistance to the CDFI industry by encouraging more federal agencies to partner with and support CDFIs. Chairman Holmes acknowledged partnerships with the Department of Agriculture, Small Business Administration, Department of Commerce, Department of Housing and Urban Development, Department of the Interior (especially the Bureau of Indian Affairs), Department of Education, Department of Health and Human Services, the Department of Justice, and the Government-Sponsored Enterprises, noting that the new resources provided by these agencies combined with the higher level of interagency cooperation has allowed the industry to be more effective.

Chairman Holmes acknowledged that, while the industry realizes that it has more work to do, it

appreciates the efforts of its federal partners to help the industry stabilize neighborhoods and serve people that have been left behind.

Chairman Holmes noted that Board Member Tregoning had joined the meeting and asked her to introduce herself. Chairman Holmes then invited Director Donovan to give her Director's Report.

### **CDFI Fund Director's Report, by Director Annie Donovan**

After thanking Chairman Holmes, Director Donovan greeted all in attendance and expressed her appreciation for the work the Advisory Board and its subcommittees had done over the past year. Director Donovan recalled that 2015 was her first year as the Director of the CDFI Fund and stated that it has been a great privilege to serve in this role.

Director Donovan stated that her report would highlight the CDFI Fund's accomplishments in 2015 and its priorities for 2016.

Director Donovan began by discussing the CDFI Fund's budget, noting that the budget for fiscal year 2015 was roughly \$230 million, an increase of \$4.5 million over fiscal year 2014, and that Congress also authorized \$3.5 billion in allocation authority for the New Markets Tax Credit Program and \$750 million in guarantee authority for the CDFI Bond Guarantee Program. Director Donovan added that in fiscal year 2016, the CDFI Fund's budget increased again, reaching \$233.5 million, and that the New Markets Tax Credit Program again received \$3.5 billion in allocation authority and the Bond Guarantee Program again received \$750 million in guarantee authority.

Director Donovan expressed her deep appreciation to the Obama Administration for the 115 percent increase in funding for the CDFI Fund over this period. Director Donovan noted that during the Obama Administration, the CDFI Fund has more than doubled in size, increased the number of certified CDFIs by 20 percent, and has added new programs, including the Healthy Food Financing Initiative, the Capital Magnet Fund, and the CDFI Bond Guarantee Program.

Director Donovan also noted that, as Chairman Holmes had stated, there have been extraordinary efforts to partner with other federal agencies, and that the emphasis on integration has been very helpful to CDFIs in the field. Director Donovan stated that the CDFI Fund is humbled and empowered by this confidence.

Director Donovan reviewed the accomplishments of the CDFI Fund's programs. Director Donovan reported that through its flagship program, the CDFI Program, the CDFI Fund has awarded more than \$1.5 billion over 20 years to build the capacity of CDFIs. Director Donovan noted that since the first awards in 1996 to 31 CDFIs, a nationwide network of more than 1,000 CDFIs has developed, and that there are CDFIs in every state, the District of Columbia, Guam, and Puerto Rico.

Director Donovan discussed the impact of the Native Initiatives, noting that the program was

formed in 2001 in response to the CDFI Fund's *Native American Lending Study* and made its first awards to Native CDFIs in 2002. Since then, Director Donovan reported, there has been tremendous growth in the Native CDFI sector and there are now 70 Native CDFIs creating opportunity in American Indian, Alaska Native, and Native Hawaiian communities.

Director Donovan announced that on this day the CDFI Fund was releasing a follow-up study to the 2001 *Native American Lending Study* called the *Access to Capital and Credit in Native Communities Report*. Director Donovan noted that, while the first study focused on status and barriers, the new *Report* focuses on change and opportunity. Director Donovan stated that, in the last session of today's meeting, the Board would hear from the author of the *Report*, Dr. Miriam Jorgensen.

Director Donovan stated that the CDFI Fund has awarded more than \$429 million over the first 20 years of the Bank Enterprise Award Program, and is conducting its first evaluation of the program.

Director Donovan stated that the CDFI Fund has awarded \$43.5 billion in tax credit allocation authority over the 15-year history of the New Markets Tax Credit Program. Director Donovan noted that later in the meeting, the Board would hear about the upcoming training and technical assistance program that will be provided to minority Community Development Entities and the recent announcement about the combining of the 2015 and 2016 rounds of the New Markets Tax Credit Program that will make \$7 billion in allocation authority available in the autumn.

Director Donovan reported that over three rounds of the CDFI Bond Guarantee Program, a total of seven bonds have been issued for \$852 million, noting that this program marks an important milestone in the growth and development of the CDFI Fund network from its grassroots beginnings to the day when it will be able to access traditional capital markets.

Director Donovan acknowledged the Program Manager of the Bond Guarantee Program, Ms. Lisa Jones, who earlier in May had been named as one of 32 finalists for the Samuel J. Heyman Service to America Medals, which highlights excellence in the federal workforce. Director Donovan noted that the CDFI Fund is very proud that Ms. Jones is among this distinguished group, and that the medal recipients will be announced in September.

Director Donovan reported that in 2015, the CDFI Fund relaunched the Capital Magnet Fund, which was created by Congress in 2008 through the Housing and Economic Recovery Act (HERA) and had been dormant because its funding was to come from mandatory contributions from Fannie Mae and Freddie Mac, institutions that were placed into conservatorship shortly after HERA passed. Director Donovan stated that in December 2014, Federal Housing Finance Agency Director Mel Watt directed Fannie Mae and Freddie Mac to begin funding the Capital Magnet Fund, and that CDFI Fund staff are currently reviewing the first round of funding proposals since the pilot round in 2010, when Congress appropriated \$80 million to jumpstart the program.

Director Donovan discussed the Innovation Challenge, which the CDFI Fund conducted in 2015 to seek new ways to expand or increase investments in underserved communities across the

country. Director Donovan reported that in November 2015, the CDFI Fund announced a \$1 million award to the Association for Enterprise Opportunity (AEO) for its proposal to develop a screening and assessment tool that would match small businesses searching for loans from banks or online lenders with a CDFI that may be able to meet their needs. Director Donovan stated that AEO is testing the platform with four CDFIs: Access to Capital for Entrepreneurs, the Intersect Fund, Justine Petersen, and LiftFund.

Director Donovan stated that during the preceding week, the CDFI Fund had published a Request for Information in the Federal Register on the CDFI Prize Competition, which will reward selected applicants with monetary prizes for proposing innovative ideas for increasing the capacity of CDFIs to make investments in underserved rural areas, especially areas of persistent poverty. Director Donovan noted that the CDFI Fund expects that it will award no less than \$1 million of fiscal year 2016 appropriated funds through the competition.

Director Donovan added that the Innovation Challenge and the Prize Competition are ways that the CDFI Fund is approaching capacity building from the bottom up, by soliciting ideas and approaches that can be tested in the field, rather than from the top down.

Director Donovan noted that, during fiscal year 2015 and through April 2016, the CDFI Fund had undertaken a variety of significant administrative measures to maximize performance, including replacing legacy information technology systems with an integrated system, the Awards Management Information System (AMIS); launching the Annual Certification and Data Collection report; developing the CDFI Assessment and Risk Management Framework; and launching the CDFI Fund's new public website.

Finally, Director Donovan discussed the development of the CDFI Fund's Framework for the Future and five-year strategic plan. Director Donovan reported that the CDFI Fund has been actively pursuing the multi-step process that began with the development of the six areas of inquiry that the Board contemplated during its meeting last May.

Director Donovan stated that last summer, the CDFI Fund took those six questions on the road, conducting a national listening tour during which nearly 400 stakeholders in five cities engaged in discussion with the CDFI Fund, as well as two conference calls for stakeholders in rural communities and in Hawaii, Alaska, and the Territories. Director Donovan noted that the CDFI Fund also developed an electronic survey to ensure that all of its stakeholders would have the opportunity to provide input, and that the survey generated 268 responses

Director Donovan reported that, after several months of sifting through this input and engaging with CDFI Fund and Treasury Department staff, the CDFI Fund has developed five guiding principles to help the CDFI Fund build out its five-year strategic plan:

1. Increase the impact of the CDFI Fund network by supporting the growth, reach, and performance of CDFIs and CDEs
2. Foster a diversity of CDFI and CDE activities and geographies while holding certified CDFIs and CDEs to high standards of integrity
3. Build the capacity of the CDFI Fund and its network to capture, produce, and utilize data

- to improve decision-making, performance, and accountability
4. Ease the customer experience and create on-ramps for new and emerging CDFIs and CDEs to access the CDFI Fund's programs
  5. Promote awareness of CDFIs in order to expand their access to new resources.

Director Donovan stated that over the preceding few months, the CDFI Fund's leadership team, in collaboration with the CDFI Fund's staff, had developed draft strategic goals and objectives based on the five guiding principles that are the core of the five-year strategic plan.

Director Donovan stated that the next step in the process would begin with the Advisory Board, and that during the next session of the meeting, the CDFI Fund would ask Board Members to envision success—to identify the highest-level outcomes that they would like the CDFI Fund to achieve as a result of this five-year strategic plan, and to define what success looks like five years from now in each of the strategic goals that the CDFI Fund has drafted.

Before closing, Director Donovan offered her sincere thanks and appreciation to the incredibly hard-working and extremely dedicated staff of the CDFI Fund.

Director Donovan then introduced Ms. Jessica Milano, the Deputy Assistant Secretary for Small Business, Community Development and Housing Policy, U.S. Department of the Treasury, who would offer brief remarks and introduce the next speaker, Ms. Adrienne Harris, Special Assistant to the President for Economic Policy.

#### **Remarks and Introduction of Ms. Adrienne Harris, by Deputy Assistant Secretary Jessica Milano, U.S. Department of the Treasury**

Ms. Milano thanked Director Donovan for her guidance and leadership during the past year, and also thanked Board Members for helping in the work of building the CDFI Fund's five-year strategic plan. Ms. Milano noted that this meeting of the Board would be last one during the Obama Administration, and expressed confidence that completing the strategic plan would ensure that the CDFI Fund and its programs would continue to support communities in need.

Ms. Milano stated that Treasury Secretary Lew shares this commitment to the CDFI Fund and views the CDFI Fund and the CDFI network as critical to efforts to connect more Americans to the financial products and services they need to succeed. Ms. Milano noted some of the achievements that Secretary Lew's leadership has made possible, including Treasury's partnership with the National Credit Union Administration to double the number of CDFI-certified, low-income credit unions in 2016; the forthcoming release of the revamped fiscal year 2017 CDFI Program Application for public comment; and the double allocation round for the New Market Tax Credit Program. This \$7 billion award round will enable faster access to much-needed economic stimulus in low-income communities.

Ms. Milano stated that Secretary Lew was on his way to Alaska to conduct a financial inclusion roundtable with business and community leaders, and planned to visit a CDFI-funded small business there. Ms. Milano stated that the Secretary had recently visited a facility in Los Angeles

that houses two organizations, L.A. Prep and L.A. Kitchen, that had received a combination of state, small business credit initiative funding, and New Market Tax Credit allocations that enabled them to open their facility.

Ms. Milano noted that Treasury is just one part of a broader Administration effort to support financial inclusion and community development, and stated that, as a Special Assistant to the President for Economic Policy at the White House National Economic Council, Ms. Adrienne Harris is at the front lines of this work. Ms. Milano provided a brief overview of Ms. Harris's career and capabilities, and invited the audience to welcome Ms. Harris.

### **Remarks by Ms. Adrienne Harris, Special Assistant to the President for Economic Policy**

Ms. Harris thanked Ms. Milano and Director Donovan, and expressed her gratitude for the opportunity to join the gathering and to speak about the year ahead.

Ms. Harris stated that financial growth, financial inclusion, and access to capital have all been priorities of the Obama Administration from the beginning, and that, over the past seven years, President Obama has offered policies to advance an economy that offers opportunity for everyone willing to work hard and play by the rules. Ms. Harris noted some of the policies enacted to that end, including Wall Street reform, which made critical repairs to the financial system and put in place new consumer protections to prevent future abusive practices, and investments in innovation, education, and infrastructure, which have helped grow the economy, create jobs, and strengthen the middle class.

Ms. Harris also noted that, over the past seven years, the Administration has made substantial investments in the CDFI Fund, growing its appropriations by 115 percent. Ms. Harris stated that the financial and technical assistance awards distributed under the CDFI Program more than doubled, and that the New Market Tax Credit Program was expanded significantly. As a result, Ms. Harris stated, since the President took office in 2009, there has been a 70 percent increase in CDFI Program awards, a 400 percent increase in New Market Tax Credit real estate investment, an 85 percent increase in jobs created through New Markets Tax Credit investments, and a 20 percent increase in the number of CDFIs.

Ms. Harris noted that Secretary Lew had stated in 2015 that for financial inclusion to work, it must be comprehensive and include transaction services, savings opportunities, insurance, and access to credit. Ms. Harris stated that financial inclusion means that the informal economy will shrink as the more accountable financial economy grows.

Ms. Harris stated that, even in 2016, too many Americans, especially low-income families and families of color, remain outside the financial system, and that for those who are cut off from the formal financial system, it is almost impossible to build the savings and investments that are essential for a secure financial future.

Ms. Harris stated that the CDFI Fund's mission directly connects to President Obama's and Secretary Lew's goals for increased financial inclusion and access to capital, and that the CDFI

Fund's work directly supports the Administration's efforts to create an inclusive economy. Ms. Harris stated that the nation needs more CDFIs reaching more underserved areas, more CDFIs supporting local community growth, and more CDFIs developing innovative solutions to increasing capital access in low-income communities.

Ms. Harris stated that the CDFI industry is growing and increasing its impact, and that organizations that have received awards from the CDFI Fund have invested in businesses, developed affordable housing, created jobs, built health centers and community centers, and provided financial education to Americans across the country. Ms. Harris stated that it is the job of the Administration to encourage the efforts of CDFIs and to ensure that its policies and programs advance the Administration's and the Community Development Advisory Board's mutual objectives for community and economic development.

Ms. Harris stated that the Board is appointed by the President to serve as counsel to the Director of the CDFI Fund, and noted that the diverse makeup of the Board ensures that the CDFI Fund's staff will benefit from a variety of perspectives on the critical issues it faces. Ms. Harris encouraged Board Members to bring their knowledge and expertise to the discussion of the strategic plan so that the CDFI Fund is well positioned to tackle both the present and future challenges of economic development in America.

Ms. Harris concluded her remarks by citing a quote from the President Obama's 2016 State of the Union address: "For the past seven years, our goal has been a growing economy that works better for everybody. We've made progress, but we need to make more."

Ms. Harris stated that the CDFI Fund has made progress as well, and that the challenge before this Board is how to make more progress. Ms. Harris stated that she looks forward to seeing the results of the Board's discussion, and with 247 days remaining for the Obama Administration, that there is plenty of time to make some more progress. Ms. Harris thanked the Board for its hard work.

### **Comments and Questions on the Director's Report**

Chairman Holmes thanked Ms. Milano and Secretary Lew for their support for the work of the CDFI Fund and the CDFI field, and also thanked Ms. Harris, the President, and his Administration for the opportunities they have opened up at the federal level for CDFIs to be more effective, as well as for their focus on economic inclusion.

Chairman Holmes asked the Board Members if they had any overarching questions about Director Donovan's report.

Board Member Briggs stated that one important development that is often tricky to capture in numbers is capability, and asked Director Donovan for her reflections on where she had seen some of the biggest gains in capability.

Director Donovan replied that the CDFI has seen several leaps in capability, particularly in two

areas: in Native American communities, which would be discussed later in the meeting, and in the CDFI Bond Guarantee Program. Director Donovan stated that the program is a zero-credit subsidy program; it is 100 percent guaranteed but has no federal subsidy behind it, which means that no federal entity has funded a loan loss reserve. As a result, Director Donovan stated, the money is guaranteed but the risk is borne by CDFIs. Director Donovan stated that this is a major shift in CDFIs' balance sheets and has really challenged the CDFI industry, but that the program is giving CDFIs access to 30-year, low-cost, fixed-rate capital.

Director Donovan stated that what CDFIs have to go through to access the program is Wall Street-level underwriting. Director Donovan noted that Treasury's underwriting team is very thorough in its due diligence, and that the ability of CDFIs to step up to that level of underwriting means that they are positioning themselves for the larger capital markets and impact investors.

Director Donovan stated that the CDFI Fund wants more capacity to be built in rural areas and areas of persistent poverty, and that that is where the CDFI Fund is channeling innovation dollars.

Director Donovan added that many CDFIs have broadened their scope to incorporate cross-sector strategies—for example, leading efforts in the health sector. Director Donovan stated that this reflects the capacity that CDFIs have built to be agents in their community to attract capital and to create change.

Chairman Holmes noted that another way in which CDFIs are building their capability is with the support of private sector partners, such as JPMorgan Chase, and that the CDFI Fund, through the CDFI Bond Guarantee Program, has created an opportunity for CDFIs to collaborate more effectively. Chairman Holmes stated that this new spirit of collaboration and collective action, which allows the partners to cross-pollinate each other's abilities while it shores up ability to deliver to their customers, is a new frontier for CDFIs, but one that the industry has embraced enthusiastically.

### **Report on the Activities of the Strategy Subcommittee, by Chairman Holmes**

Chairman Holmes acknowledged the Members of the Advisory Board's Strategy Subcommittee—Board Brian Argrett, Xavier de Souza Briggs, Audrey Choi, Lisa Hall, Doug Low, Lisa Mensah, Ron Phillips, and Harriet Tregoning—and thanked them for their engagement, time, and insights over the course of the past year.

Chairman Holmes commended the CDFI Fund's leadership for doing a great job of listening during the listening tour, conference calls, and survey over the past year and a half. Chairman Holmes stated that the CDFI Fund was able to synthesize many voices from across the country into a set of principles and guidelines that the industry seems to have embraced. Chairman Holmes stated that that wouldn't have happened without Director Donovan's instinct to take the five principles and the guidelines on the road. Chairman Holmes added that the industry has largely embraced the five principles because the process of developing them has been thorough,

transparent, and highly engaged.

Chairman Holmes recapped the conference calls conducted by the Strategy Subcommittee during the past year.

Chairman Holmes stated that during the call on February 2, 2016, he provided an update on the progress of the CDFI Fund strategy planning process since the last meeting of the Advisory Board in May 2015, and Director Donovan made a presentation on the five guiding principles that the CDFI Fund had developed and outlined how those principles would help the CDFI Fund as it developed draft goals and objectives for the five-year strategic plan.

Chairman Holmes stated that the Subcommittee Members asked questions about the process and discussed how the principles and the goals and objectives that the CDFI Fund would draft from them would push the industry to become better, smarter, more accountable, more effective, and more focused on outcomes. Chairman Holmes noted that the Subcommittee also recommended that the CDFI Fund elevate the narrative around consumer finance and the importance of having the CDFI Fund serve as a partner-maker with other stakeholders.

Chairman Holmes stated that during the call on April 29, 2016, Director Donovan provided an update on the status of the goals and objectives that the CDFI Fund had been developing and outlined how the full Advisory Board would be engaged to provide advice on the draft goals and objectives during this meeting.

Chairman Holmes stated that Director Donovan would now explain how the Board would conduct its strategic planning process during this meeting.

### **Overview of the Strategic Planning Process, by Director Donovan**

Director Donovan stated that Mr. Jeff Merkowitz and Mr. Raymond Sendejas would facilitate the strategic planning discussion.

Director Donovan stated that in the past, the CDFI Fund's strategic plans have moved quickly from mission to programs, but that the CDFI Fund is approaching this new strategic plan in a different way. Director Donovan stated that the intention has been to create for the CDFI Fund a unifying theory of change and to have, at the highest level, integrated goals and objectives and a big picture of where the CDFI Fund is trying to go. Director Donovan stated that the strategic planning discussion today would take place at that high level, working across programs and looking at the priorities of the CDFI Fund as a whole.

Director Donovan introduced Mr. Jeff Merkowitz, Senior Advisor at the CDFI Fund, who would discuss the draft strategic goals and objectives.

### **Strategic Planning Discussion - Remarks on the Draft Strategic Goals and Objectives, by Mr. Jeff Merkowitz, Senior Advisor, Office of the Director, CDFI Fund**

Mr. Merkowitz stated that he would discuss the CDFI Fund's draft strategic goals and objectives, and provide more context about what went into their development. Mr. Merkowitz noted that the goals and objectives closely reflect the five guiding principles of the CDFI Fund's Framework for the Future.

Mr. Merkowitz stated that one of the overarching themes that the CDFI Fund heard on the listening tour was the industry's desire for the CDFI Fund to use its tools to push for greater impact in the most challenging low-income communities and populations, while still maintaining flexible, organization-level funding. Mr. Merkowitz stated that the CDFI Fund network—the array of organizations supported by CDFI Fund programs—has led the way in demonstrating that there are opportunities for investment in underserved communities, but that when mainstream financial institutions move into markets behind the CDFI Fund's awardees, the CDFI Fund wants awardees to blaze new trails and find the next community that is even harder to serve.

Mr. Merkowitz stated that that is why Goal 1 of the strategic plan is to increase the impact of the CDFI Fund network by supporting the growth, reach, and performance of CDFI Fund awardees. Mr. Merkowitz stated that there are three strategic objectives under this goal: to more closely align CDFI Fund awards to applicant performance and program objectives, to drive the CDFI Fund network's growth and reach into underserved areas, and to hold certified CDFIs and CDEs to high standards of accountability to a primary mission of promoting community development.

Mr. Merkowitz stated that solutions to overcoming poverty can vary from community to community and, for this reason, Goal 2 is to foster diverse activities and geographies in CDFI Fund programs. Mr. Merkowitz stated that the intent is to support the full range of activities contemplated in the CDFI Fund's governing statutes.

Mr. Merkowitz added that, as the CDFI Fund seeks to expand its geographic coverage, it also wants to ensure that its award decisions are fairly distributed wherever there is need and take into account the unique characteristics of the country's various regions and cultures.

Mr. Merkowitz stated that on the listening tour the CDFI Fund also heard a strong desire to base efforts on evidence of what works. Mr. Merkowitz stated that the CDFI Fund shares this desire and established Goal 3—to build the capacity of the CDFI Fund and its network to capture, produce, and utilize data to improve decision-making, performance, and accountability—as a result.

Mr. Merkowitz discussed the CDFI Fund's intention to explore ways to make better use of the data it collects, as well as to share as much of that data as possible with the CDFI network. Mr. Merkowitz stated that Goal 3 includes three strategic objectives: to increase the CDFI Fund network's access to and ability to use CDFI Fund data, to use data to inform the CDFI Fund's desired program outcomes, and to make better use of data and evidence to drive CDFI Fund award decision-making.

Mr. Merkowitz stated that participants in the listening tour praised the CDFI Fund's customer

service but reported that there is room for improvement and that, in particular, the CDFI Fund's application and compliance processes are time consuming and expensive. Mr. Merkowitz stated that that is why Goal 4 is to ease the customer experience and create on-ramps for new and emerging CDFIs and CDEs to access CDFI Fund programs. Mr. Merkowitz stated this goal includes three objectives: to minimize application and reporting burden and cost, to increase transparency, and to make better use of the Help Desk and website to improve customer service.

Mr. Merkowitz stated that, while the demand for investments that provide both financial and social returns is growing and offers CDFIs new opportunities to diversify their sources of capital, many potential investors remain unfamiliar with the work of CDFIs. Mr. Merkowitz stated that that led to Goal 5: to promote awareness of CDFIs in order to expand their access to new resources. Mr. Merkowitz stated that the CDFI Fund is in a unique position to help demonstrate the impact CDFIs have in their communities and can provide tools and information that CDFIs and CDEs can use to tell their story to external audiences and engage with external stakeholders and government agencies.

Mr. Merkowitz stated that the CDFI Fund has an obligation to be a good steward of federal funds and to maintain effective operational systems and resources for its programs and initiatives. Mr. Merkowitz stated that that is the rationale for Goal 6: to create organizational excellence by increasing workforce engagement, enhancing team performance, and improving operational efficiency.

Mr. Merkowitz noted that, as conditions and technology constantly change, the CDFI Fund's ability to respond to these challenges depends upon the strength of its staff. Mr. Merkowitz stated that the CDFI Fund's staff consistently demonstrate a high level of dedication and commitment to the mission of the CDFI Fund.

Mr. Merkowitz introduced Mr. Raymond Sendejas, Manager, Office of Strategic Planning and Performance Improvement, U.S. Department of the Treasury, to lead a discussion on how the CDFI Fund should measure success.

**Strategic Planning Discussion - Success Measures, Introduced and Led by Mr. Raymond Sendejas, Manager, Office of Strategic Planning and Performance Improvement, U.S. Department of the Treasury**

Mr. Sendejas stated that the meeting was now moving into the interactive portion of the strategy discussion. Mr. Sendejas stated that before the Board Members gathered in breakout groups to discuss success measures for each of the goals, it would be helpful to have a brief discussion about the big-picture outcomes from the strategic plan. Mr. Sendejas stated that the framing device for this discussion would be the question, what other needles is the CDFI Fund trying to move through the actions associated with the strategic plan?

Mr. Sendejas then invited the Board Members to offer their thoughts.

Chairman Holmes initiated the discussion by asking how CDFIs can measure over a defined

period of time whether they are helping to increase the earnings and the financial security of the low-wealth individuals they serve.

Board Member Mensah replied that she did not have a precise reaction to Chairman Holmes's question, but thought that all six strategic goals were terrific and, as Undersecretary for Rural Development, wanted to commend the CDFI Fund for establishing Goal 2, to foster diverse activities and geographies in CDFI Fund Programs.

Board Member Mensah stated that, regarding Mr. Sendejas' question, the needle to be moved is the number of CDFIs receiving awards through the CDFI Program that are from rural and Native geographies. Board Member Mensah noted that there are fewer sources of philanthropic and CRA-obligated capital for those areas, and so the federal government plays a tremendously important role in building and extending the reach of CDFIs in rural and Native geographies.

Board Member Argrett commented that the needle the CDFI Fund is trying to move is that of the individual communities and the families within those communities—their access to financial services, housing, and jobs, and the improvement of their underlying economic conditions.

Board Member Argrett stated that the challenge, for the CDFI Fund and for individual CDFIs, is how to measure that, and that it would be extraordinary if the CDFI Fund could lead the efforts of CDFIs to address that challenge. Board Member Argrett stated that this is particularly important when looking at different demographic communities, specifically minority communities.

Chairman Holmes asked Director Donovan to respond to Board Member Mensah's suggestion. Director Donovan replied that she thought both Board Member Mensah's and Board Member Argrett's suggestions were great and exactly the kind of feedback the CDFI Fund is seeking on the question of how to define success.

Chairman Holmes observed that, in recent years, the CDFI Fund has been moving in the direction of making sure that its programs are serving low-wealth communities and rural America in particular. Chairman Holmes suggested that the Program Directors' reports later in the meeting about how they think they can meet the objectives of the strategic plan would provide insight about the work that has already been done along those lines.

Director Donovan added that the challenge is where capacity meets need, and that that is why the tools the CDFI Fund has are so important. Director Donovan noted that the Capacity Building Initiative is especially important in this equation, because the ability to absorb capital has to be present in order for CDFIs to be effective. Director Donovan stated that, in many cases, CDFIs are not just making deals but are creating deals, and so the ability to get to that level of capacity building is going to be central to CDFIs' ability to make headway in some communities.

Board Member Tregoning stated that she entirely agreed with Board Member Argrett, and that improving the condition of households and individuals is the primary measure of success. Board Member Tregoning added that every place where a deal gets done is a locus of opportunity to introduce all kinds of other sorts of services, such as financial literacy education and banking

services.

Board Member Tregoning noted the lack of services for the unbanked and stated that getting people into the banking system as a first step is incredibly important. Board Member Tregoning added that setting those kinds of goals would push creativity and innovation and help the CDFI Fund remain focused on improving conditions in the communities where CDFIs are working.

Chairman Holmes remarked that what he was hearing from Board Members Argrett and Tregoning was that the challenge is to identify all of the aspects of helping a disadvantaged person to live more independently and to thrive, to have more resources and more financial security. Chairman Holmes stated that while that goal is fantastic, it might be difficult for the CDFI industry to evaluate and document the effectiveness of CDFIs' efforts.

Chairman Holmes invited Board Member Briggs to share his thoughts on the question.

Board Member Briggs stated that measuring the impact of CDFIs traditionally focuses on two buckets or conversations—the impact on individual lives and the impact on geographic areas—and that measuring the first is very hard and the second is even harder, because it is extremely difficult to account for all the things that are causing change in a larger geographic area.

Board Member Briggs noted that technology is the CDFI industry's friend in this regard, and that Big Data is making it easier to get real-time evidence on people's lives, subject to privacy concerns. Board Member Briggs stated that one thing worth aspiring to would be for CDFIs to have, as close as possible, real-time intelligence on the things they are providing to particular consumers that the evidence says are associated with better outcomes.

Board Member Briggs stated that working out the details of that would be the topic of a longer conversation, but that the goal would be to know, as continuously as possible and with as high a level of reliability as possible, whether CDFIs are in fact doing the things which the evidence says are strongly related to improved outcomes.

In an effort to summarize Board Member Briggs's comments, Chairman Holmes stated that if the CDFI Fund could help the field identify those evidence inflection points and ensure that CDFIs are investing in those activities, then it would be easier for CDFIs to correlate their investment and developer services activities with the changes in the quality of life for the individuals that they serve. Board Member Briggs expressed his approval of Chairman Holmes' summary.

Director Donovan stated that one of the advantages the CDFI Fund has from a strategic standpoint is that it does not make investment decisions at the ground level, and so it knows what it is not good at and what it does not want to do. Director Donovan added that the CDFI Fund is a compeller of data, and that data can be turned into an asset that can be used to help the CDFI Fund meet its mission and use its resources more efficiently. Director Donovan stated that the CDFI Fund can bring resources to the field to help the field develop, and so the question is, how does the CDFI Fund use its resources to build the capacity of the field to make a shift more meaningfully toward using data and evidence?

Chairman Holmes asked Board Member Low if he wanted to comment on the issues discussed or switch to a different issue. Board Member Low replied that he simply wanted to add to what Board Members Tregoning, Briggs, and Argrett had said, noting that creating access to capital and building capacity are important, but that, at the end of the day, the issue is how these impact the individuals living in these communities. Board Member Low stated that the challenge the CDFI Fund has is defining the metrics and finding ways to determine how its programs have helped a CDFI improve the lives of individuals in its community.

Chairman Holmes replied that the CDFI Fund is really focused on pushing its partners to go deeper to find a way to support the quality of life of people who continue to exist outside of the mainstream. Board Member Low stated that, while that is something that is being attempted, it is not succeeding on the West Side of Chicago. Chairman Holmes assured Board Member Low that the CDFI Fund will keep forging ahead on that.

Chairman Holmes invited Board Member Choi to comment.

Board Member Choi stated that it is not only hard to measure impact, but that there is an issue of attribution, because there are many partners in the chain and so it is difficult to determine how a particular outcome happened. Board Member Choi acknowledged that this fact makes it difficult for the CDFI Fund to measure impact at the community level.

Board Member Choi discussed how the issue of measurement reflects the tension between growth, reach, and performance, and is about the relative weighting and importance of each of those factors.

Board Member Choi stated that one of the things that the Board should spend more time thinking and talking about is that the CDFI Fund has a unique combination of tools that allow it to make investments where other institutions cannot.

Chairman Holmes invited Board Member Rios to comment.

Board Member Rios discussed how her experience working for the City of Oakland as the Director of Economic Development shaped her perspective on using funds from programs such as the New Markets Tax Credit Program, and suggested that the Board look at the funds as an investment, a way to leverage, and a way to grow.

Board Member Rios stated that very specific metrics are used to analyze an investment, and suggested that before the Board tries to define metrics, it look at the issue in the same way that local organizations do and think of it as an investment.

Chairman Holmes invited Board Member Phillips to comment.

Board Member Phillips commended the CDFI Fund for the transparency of its strategic planning process.

Board Member Phillips stated that Goal 1 is key, because once the CDFI Fund has built capacity,

the other goals come through. Board Member Phillips stated that there are two parts of Goal 1 that are not as evident as they ought to be: engaging in policy at the state or federal level, and defining what is human or social capital and what is just lending.

Board Member Phillips discussed five other suggestions: expanding the diversity of participation in the program; leveraging private and public resources and formulating interagency agreements; using the reduction of hardships to LMI populations as a metric; ramping up partnerships among CDFIs; and exploring ways to link development in rural and urban areas.

Chairman Holmes invited Board Member Lizarraga to comment.

Board Member Lizarraga discussed the importance of building the capacity of local CDFIs and CDCs, stating that if they are not building self-sustainability and cannot exist without tools provided by the CDFI Fund, they are only as good as the latest program and latest innovation.

Board Member Lizarraga reflected on when his organization was a recipient of support from the Ford Foundation, stating that the greatest tool the Foundation provided was the understanding that they were providing a loan rather than a grant. Board Member Lizarraga stated that this helped his organization understand that what was important was not how adept the organization is at bringing in grants but how well it utilizes the grants to create an institution that no longer depends on these innovative tools. Board Member Lizarraga stated that innovative tools can only make an organization better and cannot save it if it does not have the capacity.

Director Donovan thanked the Board Members for their valuable comments and suggested taking a 10-minute break before resuming the discussion. Chairman Holmes concurred.

### **Strategic Planning Discussion – Overview of Breakout Sessions, by Mr. Raymond Sendejas**

Chairman Holmes resumed the meeting and asked Mr. Sendejas to explain how the Board would break into smaller groups to discuss ideas for measuring success.

Mr. Sendejas explained that the Board Members would divide into three small groups, one to discuss Goal 1, another to discuss Goal 2, and another to discuss Goal 3. Mr. Sendejas stated that each group should consider the highest-level outcomes it would like to achieve for the goal it is discussing, as well as what success would look like in five years for that goal.

Mr. Sendejas introduced his colleagues from OSPPI, Mr. Matt Madden, Mr. Mike Rojas, and Ms. Gitanjali Borkar, who would facilitate the group discussions. Mr. Sendejas stated that each group would spend 20 minutes discussing its goal, and then rejoin the other groups for a discussion of the findings.

Mr. Sendejas stated that, during the breakout sessions, others in the room could share their ideas for what success measures would look like for these goals by writing their comments on Post-it Notes and putting them on the whiteboards in the back of the room.

Mr. Sendejas asked the Board Members to convene in the groups.

### **Strategic Planning Discussion – Summary of Group 1 Breakout Session**

After 20 minutes, the Board Members returned, and Mr. Sendejas asked one representative from each group to summarize the group's discussion, after which the Board Members from other groups could offer comments.

Chairman Holmes formally welcomed Board Member Roberts, from the Department of the Interior, and Board Member Fiddler, from the Native CDFI Network, who had just joined the meeting.

Chairman Holmes stated that his group had a very interesting and complex conversation about Goal 1 and started by dividing the goal into two parts. Chairman Holmes stated that the group determined that one part of the goal was about the growth and reach of CDFIs, and thought about how the CDFI Fund affects the growth and the reach of CDFIs.

Chairman Holmes stated that the group developed some measurable data points. Chairman Holmes discussed how if the CDFI Fund could establish a baseline of what is on the balance sheets of certified CDFIs today, it could then determine where those CDFIs stood in five years.

Chairman Holmes stated that the group also looked at the idea of region and considered how many LMI census tracts the CDFI Fund reaches today. Chairman Holmes stated that if the CDFI Fund had that baseline, it could imagine a future in which there is not a single low-income census tract that is not supported by CDFI dollars.

Chairman Holmes stated that the group came back to the question of people—how do CDFIs get low-income people out of poverty, and can CDFIs be effective in that arena?

Chairman Holmes stated that the group concluded that consumer-facing CDFIs that make small loans to individuals have a direct connection with their customers and are better able to measure how their financing changes lives. Chairman Holmes stated that the group suggested that the CDFI Fund could support more of that work of documenting the effectiveness of those consumer-lending CDFIs.

Chairman Holmes noted that the group recognized that the vast majority of CDFIs are loan funds—enterprise lenders that lend to corporations that turn around and push benefit out to a beneficiary—and that measuring their effectiveness is more difficult, because enterprise lenders track data at the project level rather than at the individual level.

Chairman Holmes stated that the group thought that the CDFI Fund could work with its partners to offer best practices for capturing individual-level data and that enterprise lenders could then share those practices with their borrowers. Chairman Holmes stated that the group also considered the idea that, through CDFI Funding mechanisms, more dollars could be brought to bear to help pay for staff that conduct longitudinal analysis and robust impact tracking at the

individual level.

Chairman Holmes stated that the group also recognized that CDFIs cannot change a person's life all by themselves, and need to be better on the policy side, working with other federal, state, local, and philanthropic partners who bring resources to capture what is happening in a person's life. Chairman Holmes stated that the group recognized that CDFIs have to step up and quarterback more of that activity so they can own information about what is happening to their borrowers. Chairman Holmes noted that that is something CDFIs need to take to another level with support, guidance, and perhaps even some funding from the CDFI Fund.

Chairman Holmes invited Board Members to comment on his summary of his group's discussion.

Board Member Briggs stated that it is interesting to think about the CDFI sector not merely as providing capital but also providing data to enable a more holistic understanding of where people are in their lives and whether they are getting ahead. Board Member Briggs stated that it would not be difficult to convene an action-oriented conversation about the kind of data supply that can come from those who are touching financial lives and how that could join up with other kinds of data that CDFIs would not be responsible for.

Chairman Holmes replied that, in some of the tactics that eventually end up in the strategic plan that is the kind of opportunity that the CDFI Fund could try to execute. Director Donovan agreed.

### **Strategic Planning Discussion – Summary of Group 2 Breakout Session**

Chairman Holmes invited Board Member Briggs to report on his group's discussion of Goal 2.

Board Member Briggs stated that the group began by interrogating the language in the draft plan and then outlined the high-level goals and defined what success could look like in five years.

Board Member Briggs stated that geographic reach remained an important goal and that the group defined success in terms of "no coverage deserts," raising the issue of whether the program could aspire to being able to reach every part of the country over time.

Board Member Briggs stated that the group recognized that, even in communities where there is a CDFI, some CDFIs are single purpose and are not able to address a range of needs for capital. As a result, Board Member Briggs stated, the group shifted its focus from measurably reducing the coverage deserts to measurably increasing the versatility of institutions in the sector, and concluded that that is a worthwhile goal.

Board Member Briggs stated that the exchange about geographic reach and functional versatility led to a rich conversation about organizational capacity, performance, and resilience to various kinds of "storms" or shocks, such as appropriations risk and regional economic risk, with the group going back and forth over what is worth achieving and how it is built and measured.

Board Member Briggs stated that the group recognized that factors such as talent, succession planning, and generational change in the industry needed to be factored in, but thought that in this particular domain, the aim would be to ensure that the goals of achieving greater geographic reach and greater versatility do not make the program deemphasize quality, performance, resilience.

Board Member Briggs stated that the group concluded that, at present, there are solid foundations to build on but not necessarily anything that constitutes an industry standard that the field and the CDFI Fund could use to define growth and success, and that goals such as a greater number of CDFIs or even a greater number of versatile CDFIs felt quite incomplete.

Board Member Briggs asked the members of his group to add any comments they had.

Board Member Lizarraga praised Board Member Briggs' summary and stated that the group's discussion reflected the awareness that more isn't necessarily better and that capability and self-sufficiency are the challenges to be addressed going forward.

Board Member Choi added that the group discussed thinking more strategically about where grant-making capacity investments are being made, so that organizations in underserved areas become resilient and capable organizations that can get awards from the CDFI Fund and other sources.

### **Strategic Planning Discussion – Summary of Group 3 Breakout Session**

Chairman Holmes invited Board Member Mehlum to report on her group's discussion of Goal 3.

Board Member Mehlum stated that while her group did not get far enough in this conversation to define a five-year vision of success, it did agree on strategic direction recommendations for the CDFI Fund.

Board Member Mehlum stated that the group attempted to envision what effective CDCs, individually and as an industry, would look like in five years, and concluded that they would be more successfully "leveraging" and "collaborating." Board Member Mehlum stated that that led to a conversation about the need for more collaboration in policy with agencies such as USDA, SBA, and HUD, and the possibility of having a clearer road map in five years for how those agencies could support the efforts of CDFIs.

Board Member Mehlum added that the group also discussed how some policies and statutes limit the implementation of programs, which presented opportunity for progress. She noted that her group spent a significant amount of time discussing the importance of data collection, the type of data that would be helpful to follow, and the measurement of it over time to help assess the impact of a more comprehensive investment in the economic health of specific communities and regions. This was also a challenge that the group believes could be better addressed with collaboration among agencies and stakeholders.

Board Member Mehlum invited Board Member Phillips to add his remarks about the group's discussion of leveraging.

Board Member Phillips stated that the group recognized that the CDFI Fund is an important source of equity and discussed how that equity might be used to leverage other resources and to make investments. Board Member Phillips also discussed the emerging interest in impact investing and suggested that the five-year plan should include how CDFIs can better position themselves as vehicles for those kinds of investments.

Chairman Holmes invited other members of the Goal 3 group to comment.

Board Member Argrett stated that the group also discussed how individual CDFIs may make use of the data. Board Member Argrett said the group discussed best practices in data use and thought that the CDFI Fund is in a unique position to share data and to educate CDFIs on best practices.

Chairman Holmes asked Director Donovan if comments from the public that were posted on the whiteboard would be discussed now or reviewed later. Director Donovan replied that the comments would be reviewed later.

Chairman Holmes asked the Board Members if they would like to comment on measuring success for Goals 4, 5, and 6.

Board Member Lizzaraga stated that his organization's experience has been that if you can't measure it, you can't justify it, and so, when the CDFI Fund is coming up for appropriations, it won't be successful in continuing a program if it doesn't have tools measuring the success of the program.

Chairman Holmes acknowledged Board Member Lizzaraga's point, and stated that Board Members had noted the same issue for some time, which is why measuring success is such an important part of the discussion that is taking place today.

Board Member Fiddler discussed the importance of measuring growth and impact on an individual basis and commended the Board for its awareness of some of the demographic and geographic challenges that collecting data on individuals involves.

Chairman Holmes stated that one of the things the CDFI Fund and Board want to learn from Native CDFIs is how they have been able to measure impact at the individual level.

Chairman Holmes stated that he had one idea for improving the on-ramp for smaller and emerging CDFIs to access the CDFI Fund's programs. Chairman Holmes stated that the CDFI Fund has an opportunity to plan the NOFAs and NOAAs for various programs in a way that does not disadvantage smaller CDFIs that do not have large development and capitalization teams. Chairman Holmes suggested staggering the programs in a way that allows CDFIs that want to apply for multiple programs to do so.

Board Member Briggs offered comments on the second objective of Goal 5. Board Member Briggs stated that the National Advisory Board on Impact Investing is charting its next chapter, which will have two main emphases: promoting helpful policy changes and building investor preparedness and commitment. Board Member Briggs stated that that is where the second objective of Goal 5 comes in to play, because there is an opportunity to have a much deeper dive on the question of how to make CDFIs a fully investible asset class for large pools of capital, especially institutional investors.

Chairman Holmes asked Mr. Sendejas to close the plenary session. Mr. Sendejas thanked Board Members for a robust discussion, and asked Director Donovan to talk about the next steps for the ideas collected during the session.

Director Donovan stated that the CDFI Fund has already begun to think about the action steps and success measures underneath each of the objectives, and will work on those over the next month. Director Donovan stated that the CDFI Fund will be looking the Board's input, as well as input from the CDFI Fund staff, and do another draft of the plan and send it Treasury for approval by the end of the fiscal year, so that the CDFI Fund will be ready to start implementing the plan when fiscal year 2017 begins. Director Donovan added that the CDFI Fund will send the final version of the plan to the Strategy Subcommittee before the plan is released to the public.

## **LUNCH**

### **CDFI Fund Programs Updates**

Chairman Holmes introduced Ms. Amber Kuchar, the Program Manager of the CDFI Program and Native Initiatives, the first of five CDFI Fund staff members who would provide updates on the CDFI Fund's programs.

#### **Presentation by Ms. Amber Kuchar, Program Manager of the CDFI Program and Native Initiatives**

Ms. Kuchar reported that the CDFI Program and the Native American CDFI Assistance Program (NACA) in fiscal year 2015 made awards totaling more than \$200 million to almost 200 CDFIs in more than 41 states, and that 28 of those awardees were first-time recipients of a CDFI Fund award. Ms. Kuchar stated that the CDFI Fund fully integrated its fiscal year 2016 award application process and evaluation process for the programs into AMIS, the new IT infrastructure. Ms. Kuchar reported that the programs had a 20 percent increase in applications for the fiscal year 2016 round, despite the transition to the new IT system.

Ms. Kuchar added that the CDFI Fund is aligning the fiscal year 2017 application and evaluation process for the programs with the strategic goals that have been discussed during the meeting.

Ms. Kuchar stated that, through the Capacity Building Initiative, the CDFI Fund provided more

than 4,000 hours of technical assistance to build the capacity of Native CDFIs and finance health centers. Ms. Kuchar noted that the training sessions and technical assistance were created from the ground up, rather than from the top down, to meet the needs of Native CDFIs.

Ms. Kuchar stated that the CDFI Fund has invested directly in Native CDFIs for more than 10 years, and that that direct, targeted outreach through the NACA awards and Capacity Building Initiative has increased the depth, breadth, and reach of Native CDFIs. Ms. Kuchar noted that the number of Native CDFIs has grown from a handful to more than 70, and that the NACA Program had its largest round to date last year, providing almost \$20 million in awards.

Ms. Kuchar added that in the past two years two Native CDFIs received awards through the Healthy Food Financing Initiative, which speaks to the fact that Native CDFIs are increasing their reach and capacity and are able to compete in very competitive award rounds.

Ms. Kuchar stated that, after more than four years of research and outreach to key stakeholders, the CDFI Fund and the Native Nations Institute are publishing the *Access to Capital and Credit in Native Communities Report*.

Ms. Kuchar stated that, to ensure that the application for the CDFI and NACA Programs aligns with the CDFI Fund's statute and strategic plan, the CDFI Fund is dedicated to engaging with the CDFI industry during the summer on ways to improve the 2017 application for those programs.

Board Member Roberts commended Ms. Kuchar and her team for the work they have done to support Native CDFIs, noting that there is no greater need for such support than in Indian Country.

Chairman Holmes noted Ms. Kuchar's statement that there was an increase in the number of CDFIs funded in the last financial assistance round, and asked if the CDFIs were brand new CDFIs or existing lenders that had become certified and therefore were eligible to apply.

Ms. Kuchar stated that the specific numbers could be found in the Awardee Highlights book, but that the vast majority of the new recipients of financial assistance awards were credit unions, and that the vast majority of technical assistance award recipients were loan funds.

Chairman Holmes stated that it appeared that the number of credit unions receiving financial assistance awards has given the CDFI Fund a chance to impact more individual and small businesses that need financing. Director Donovan concurred, and stated that the CDFI Fund is working with the National Credit Union Association to make it easier for credit unions to meet the qualifications for CDFI certification, which will enable the CDFI Fund to create more impact in terms of banking the unbanked and the underbanked.

Board Member Mensah asked Ms. Kuchar if the trend for the next five years would be to increase the number of Native CDFIs or to strengthen the existing 70 Native CDFIs.

Ms. Kuchar stated that the emphasis over the past four years has been to deepen the strength of Native CDFIs and that, as a result, Native CDFIs have grown in staff size, assets under

management, and reach. Ms. Kuchar stated that over the next five years, she wants to leverage the analysis done by Dr. Miriam Jorgensen in the *Access to Capital and Credit in Native Communities Report* and to use data and evidence to build and to direct resources to the Native Communities. Ms. Kuchar stated that the CDFI Fund would continue to add new Native CDFIs and to build existing Native CDFIs.

Board Member Fiddler commented that she believed the Native CDFI industry would see growth on both fronts.

Board Member Phillips asked Ms. Kuchar if Native CDFIs had tried to engage tribal owners and managers of casinos to access some of the cash flow generated by casino activity.

Ms. Kuchar replied that discussions about that have started with the Native CDFI Financing Officers Association, as well as with individual Native CDFIs.

Board Member Fiddler discussed how the Native CDFI Network has expanded policy advocacy this year to demonstrate strategic partnerships with the federal government and state, tribal, and municipal governments.

Board Member Argrett asked Ms. Kuchar what lessons the CDFI Fund has learned over the ten-year period it has worked to develop Native CDFIs and whether those lessons could be applied to the broader CDFI industry.

Ms. Kuchar stated that there has been a lot of thinking about how the CDFI Fund can employ a bottom-up approach and be more of a partner with the industry, instead of leading or following.

Director Donovan added that the two lessons that the CDFI Fund wants to extract from the experience over the past ten years focus on the “what” and the “how.” Director Donovan explained that the way the CDFI approached the “what” was very bottom-up, allowing Native CDFIs to define what topic areas the CDFI Fund should be covering, and that the “how” involved doing peer-to-peer and experiential learning, which has been powerful.

Chairman Holmes thanked Ms. Kuchar for her report and introduced the next speaker, Ms. Rosa Martinez, Associate Program Manager of the New Markets Tax Credit Program.

### **Presentation by Ms. Rosa Martinez, Associate Program Manager of the New Markets Tax Credit Program**

Ms. Martinez stated that the New Markets Tax Credit Program (NMTC Program) had a very productive year making 76 awards totaling \$3.5 billion in tax credit allocation authority to Community Development Entities (CDEs). Ms. Martinez stated that the objective was to extend the program’s reach to underserved communities, including states that have received fewer allocations in the past, and to non-metro areas.

Ms. Martinez stated that 39 of the 76 CDEs receiving awards committed to investing in

innovative activities, such as investing in states that have historically received fewer allocations. Ms. Martinez stated that each year the CDFI Fund identifies the ten states that have received fewer allocations and includes that list in the NMTC Program application. Ms. Martinez stated that 28 CDEs committed to investing in these types of activities in these states.

Ms. Martinez stated that Congress has required the CDFI Fund to ensure that a proportional amount of NMTC Program investments are made in non-metro areas, and that the CDFI Fund in 2007 set its benchmark for NMTC program allocations dedicated to these areas at 20 percent. Ms. Martinez stated that last year 31 CDEs committed to invest in non-metro areas.

Ms. Martinez stated that the CDFI Fund has acknowledged that the NMTC Program could do more to serve minority CDEs, and last year the CDFI Fund awarded a contract to provide training and individual technical assistance to enable minority CDEs to play a larger role in the NMTC Program.

Ms. Martinez stated that CDFI Fund staff last year conducted site visits at nine CDEs in several cities: Tulsa, Oklahoma; Kansas City and St. Louis, Missouri; Chicago; Portland, Maine; Boston; and New York City. Ms. Martinez noted that the principle objective of the site visits is to understand how CDEs use their allocations and make investment decisions. Ms. Martinez described her visit to two CDE allocates in Oklahoma that focus on serving Native Communities.

Ms. Martinez discussed three ways that the NMTC Program will advance the CDFI Fund's Strategic Priorities. Ms. Martinez stated that the NMTC Program will build the capacity to make decisions based on timely, effective, and quality data by collecting data through the NMTC Program application process and also through reporting after awards are made, noting that the NMTC Program plans to use its new Awards Management Information System to capture more timely investment data.

Ms. Martinez stated that the NMTC Program will ease the customer experience and create on-ramps for CDFIs and CDEs to access CDFI Fund programs by addressing the challenges minority CDEs face and by providing training and technical assistance to minority CDEs.

Ms. Martinez stated the NMTC Program will increase the impact of the CDFI network by continuing to identify areas or higher economic distress that are not being served, and in particular, by continuing to serve underserved non-metro areas. Ms. Martinez noted that the NMTC Program has exceeded its benchmark for proportional investments in non-metro areas, directing 21 percent of its allocations to these areas.

Ms. Martinez invited Board Members to offer questions and comments.

Board Member Phillips commended Ms. Martinez and the CDFI Fund staff for the work they are doing to administer the NMTC Program, noting that the commitment to dedicate 20 percent of its allocations to non-metro areas has been a hugely effective tactic.

Board Member Argrett asked if the NMTC Program had developed a standard for measuring the effectiveness of its efforts to build the capacity of minority CDEs and to increase their

participation in the program, and what combining the two rounds of the NMTC Program will allow the CDFI Fund to do, operationally or strategically.

Ms. Martinez addressed Board Member Argrett's first question, stating that the most important measurable outcome that the CDFI Fund wants from the minority CDE contract is to enable the CDEs themselves to assess whether or not they have the internal capacity to participate in the NMTC Program—to understand where they are and what they need to do to participate.

Ms. Martinez stated that the second objective is for the CDFI Fund is determine if there are things in the application that it can ask in a different way. Ms. Martinez noted that there are many different types of CDEs, and that the CDFI Fund's challenge is to ask questions in the application that capture the work of such a diverse set of participants.

Director Donovan addressed Board Member Argrett's second question, stating that the CDFI Fund has never done a \$7 billion allocation round of the NMTC Program, and that the size of the round means that everything will be pushed back just a little bit. Director Donovan stated that the award will come later in the year and that the 2017 round will open as early as possible in 2017. Director Donovan added that the round offers the CDFI Fund the opportunity to do bigger awards and to go down the list further.

Chairman Holmes asked if opportunities for underserved states and non-metro areas would be elevated in this round.

Director Donovan replied that the opportunities would not be especially elevated. Ms. Martinez added that the criteria for allocations to those markets were established before the round opened, and Director Donovan concurred.

Director Donovan added that the demand for tax credits exceeds the supply, and that many high quality organizations do not receive NMTC Program awards. Director Donovan state that this year the CDFI Fund is looking forward to being able provide awards to most, if not all, of the highly qualified organizations.

Board Member Argrett asked if successfully putting out \$7 billion in awards in one fell swoop put the CDFI Fund in a good position to ask Congress to increase appropriations for the NMTC Program.

Director Donovan stated that she would throw that question back to the Board, and that it is one of those questions that is better answered by the Board than by her.

Chairman Holmes thanked Ms. Martinez for her report and introduced the next speaker, Ms. Mia Sowell, Associate Program Manager of the Bank Enterprise Award Program.

**Presentation by Ms. Mia Sowell, Associate Program Manager of the Bank Enterprise Award Program**

Ms. Sowell stated that, for fiscal year 2015, the CDFI Fund made awards through the Bank Enterprise Award Program (BEA Program) totaling \$18 million to 85 banks or thrifts. Ms. Sowell added that there is great demand for awards through the program, noting that banks provided investments, loans, and services totaling \$418 million to CDFIs and businesses and residents in distressed communities, which far surpassed the awards the BEA Program was able to provide.

Ms. Sowell stated that in fiscal year 2015, the CDFI Fund kicked off the BEA program evaluation, an independent evaluation administered by the CDFI Fund's our Financial Strategies and Research Team that will assess whether the program provides financial incentives for banks to expand investments in CDFIs and to increase their lending, investments, and service activities in distressed communities.

Ms. Sowell stated that the most significant accomplishment for the BEA Program in fiscal year 2015 was the introduction of small dollar consumer loans as a qualified activity. Ms. Sowell stated that the CDFI Fund had issued a request for public comment in fiscal year 2014 asking if there were any current products or services being offered by the industry that directly impact distressed communities that hadn't been captured in the BEA Program application.

Ms. Sowell stated that the CDFI Fund received many comments stating that small dollar loans to consumers were not being captured in the application, and that the CDFI Fund included this product as a qualified activity to encourage banks and thrifts to provide safe and affordable alternatives to payday loans and other forms of predatory lending.

Ms. Sowell stated that the CDFI Fund defines small dollar consumer loans as loans that are made to residents of distressed communities and that have principle values ranging from \$500 to \$5,000 and terms of at least 90 days. Ms. Sowell noted that the CDFI Fund has found these loans to be important because the loans are repaid over a longer period and offer more affordable payment amounts, and thus help customers establish or repair their credit,

Ms. Sowell stated that for the last round of the BEA Program, 20 applicants—or about 19 percent of the overall applicant pool—reported making more than 1,200 small dollar loans totaling \$2.2 million, and that 19 of those 20 were CDFIs and three were Minority Depository Institutions. Ms. Sowell noted that this indicates that CDFI banks are at the forefront of efforts to provide this product, adding that most of these banks were small or intermediate-sized institutions and that the average transaction size was just over \$1,800.

Regarding the BEA Program's connection to the CDFI Fund's strategic priorities, Ms. Sowell stated that the program's first strategic priority relates to Goal 1, which is about increasing the impact of the CDFI Fund network. Ms. Sowell stated that the CDFI Fund plans to utilize the recommendations from the BEA Program evaluation to increase the impact that banks make in distressed communities. Ms. Sowell noted that the CDFI Fund is looking forwards to the comments from the surveys and interviews that have been conducted as part of this evaluation, and will use that information to explore ways to enhance the program and application.

Ms. Sowell stated that the BEA Program's second strategic priority relates to Goal 2, which is

about fostering diverse activities in CDFI Fund programs. Ms. Sowell stated that the program will continue to demonstrate the importance of offering financial products and services to individuals in distressed communities, which is consistent with Treasury Secretary Lew's efforts regarding financial inclusion, and that program staff will seek public comment with the program's application during the summer.

Ms. Sowell stated that the BEA Program's third strategic priority relates to Goal 6, which is about creating organizational excellence by improving operational efficiency. Ms. Sowell stated that the program will use AMIS to increase efficiencies in its programmatic administration, and that staff are excited about being able to offer, for the first time, an application that is 100 percent electronic and has full system controls to perform several checks and balances that in the past have been conducted manually.

Ms. Sowell invited Board members to offer comments or questions.

Chairman Holmes asked if the CDFI banks offering small dollar consumer loans had indicated how effective they felt those loans had been to their customers, and if they felt they were building a more permanent customer base with the borrowers.

Ms. Sowell replied that feedback that the CDFI Fund has received from site visits and phone calls to its Help Desk has shown that, because the loans are more affordable, customers enjoy a sense of relief, knowing that they will be able to pay back the loan and that their payment history will be shown on their credit report.

Ms. Sowell also stated that many banks that serve these communities are interacting with people who have never established credit or have had a negative experience with a bank, and that once these customers establish a relationship, these banks can offer them accounts that do not charge a significant fee for overdraft protection or can set up automatic loan payments that come out of the account each month.

Chairman Holmes added that it is also about having a permanent relationship with an ethical lender. Ms. Sowell concurred.

Board Member Phillips noted that the beneficial effects of the BEA Program are strictly focused on census tract poverty statistics, and asked to what extent rural banks and CDFIs are benefitting from the program? Board Member Phillips went on to note that pockets of poverty are often masked within more affluent rural census tracts, and that the BEA eligibility criteria was biased towards urban census tracts.

Ms. Sowell replied that the eligibility requirements for the program are related not only to poverty, but also to the level of unemployment and the population for that particular census tract. Ms. Sowell stated that, by statute, the program serves census tracts in urban communities much more than in rural, but that the program has a tremendous impact in rural areas because of that population requirement.

Board Member Argrett applauded the CDFI Fund for including the small dollar consumer loan

program in the application and suggested also including financial education. Board Member Argrett noted that the number of banks certified as CDFIs has increased in recent years but the BEA Program hasn't also expanded, and asked what challenges it presents to have and increasing pool of applicants but not a significantly increasing pool of capital.

Ms. Sowell replied that the most direct impact is that the CDFI Fund is providing awards to more organizations but providing smaller awards. Ms. Sowell also noted that the program's regulations require the CDFI Fund to award CDFIs first in each of the three BEA Program categories, and that in the last couple of rounds the CDFI Fund has faced the challenge of not having the funding to provide awards to non-CDFI banks that have clearly demonstrated that they have provided investments and services to residents and businesses in distressed communities.

Chairman Holmes thanked Ms. Sowell for her report and introduced the next speaker, Ms. Lisa Jones, Program Manager of the CDFI Bond Guarantee Program.

### **Report by Ms. Lisa M. Jones, Program Manager of the CDFI Bond Guarantee Program**

Ms. Jones stated that the CDFI Bond Guarantee Program was authorized by the Small Business Jobs Act, noting that the program has no federal appropriation for loan losses, which is an important distinction.

Ms. Jones stated that since the inception of the program, the CDFI Fund has had guarantee authority of \$2 billion, and has received applications requesting \$1.9 in guarantee authority. Ms. Jones stated that to date the program has guaranteed \$852 million in bonds, a figure that reflects the program's very robust underwriting process.

Ms. Jones added that of that \$852 million, \$211 million has been dispersed, noting that borrowers have five years to disperse the funds after receiving the authorization to issue bonds.

Ms. Jones stated that, in 2015, the program had guarantee authority of \$750 million, applications requesting \$680 million, and bond issuances of \$327 million.

Ms. Jones stated that, since inception, the program has had 15 borrowers, noting that the limited number of participating institutions is the result of the requirement that the minimum size of a bond that can be issued is \$100 million.

Ms. Jones stated that the program has \$750 million in guarantee authority for the current round of the program, and that the CDFI Fund is now reviewing applications for the round. Ms. Jones added that the CDFI Fund has to close the bond issuances by September 30, 2016, or it will lose the guarantee authority.

Ms. Jones stated that the CDFI Fund has received a lot of feedback from CDFIs stating that they wanted to ensure that the guarantee authority is geographically dispersed and is being used across various asset classes. Ms. Jones stated that, with the \$852 million that has been committed to date, the CDFI Fund has representations from rural communities, the Appalachian region,

urban communities, and Native Communities.

Ms. Jones described how the program lends funds to CDFIs that then lend to 12 asset classes, noting that in the current disbursement, a majority of the funds will be used for commercial real estate, rental housing, and charter schools. Ms. Jones noted that the CDFIs update their capital distribution plans annually and have the flexibility to change how they lend to particular asset classes.

Ms. Jones stated that one of the program's biggest accomplishments in the past year was to use leasehold mortgages, which allowed the program to lend to Native Communities and to CDFIs that use leasehold mortgages. Ms. Jones stated that developing this policy was a two-year effort that involved extensive work with the Department of Interior's Bureau of Indian Affairs. Ms. Jones noted that the policy allowed the program to lend directly to Native CDFIs, such as Citizen Potawatomi Community Development Corporation, and also encouraged non-Native CDFIs, such as Clearinghouse CDFI, to lend to Native Communities.

Ms. Jones stated that the program's goals connect to the strategic plan in three areas. Ms. Jones stated that the first relates to Goal 5, promoting awareness through outreach. Ms. Jones stated that, because the program is extremely complex, it provides two-day outreach sessions to help applicants understand the program, as well as daylong sessions to help CDFIs understand the processes and requirements they need to follow after the funds are issued.

Ms. Jones stated that the program's second goal is tied to Goal 4, easing the customer experience with technical assistance. Ms. Jones stated that program continues to provide very good technical assistance and customer service throughout the entire lifecycle of the loan, and intends to continue doing so.

Ms. Jones stated that the program's third goal ties to Goal 3, building capacity by providing uniform data. Ms. Jones stated that this is the real watershed moment for the program, and that the program is collecting standardized performance data on CDFIs, which will help to further the assessment of the risks of CDFIs and to attract additional capital.

Chairman Holmes invited Board Members to offer comments and questions.

Board Member Briggs asked Ms. Jones what her sense was of the absorptive capacity in the field, given the complexity and given the enormous potential of the program to be market making?

Ms. Jones stated that the program will need to do a version 2.0 and develop a viable off-balance sheet structure that would increase the demand for this program.

Board Member Choi asked whether this division of the pie chart is actually the most strategic and best uses of those dollars, and whether we should we be trying to nudge the pie charts that all of us have influence over to be more towards the highest impact dollar.

Director Donovan stated that that is what the strategic plan is trying to get at; that it is starting

the long-term process of building up some data and evidence about what works, which feeds back into how the CDFI Fund should be investing its funds. Director Donovan added that the CDFI Fund doesn't have the answer yet.

Board Member Tregoning commented that funding priorities and investments across federal agencies are likely to shift over the next months and years, and suggested that the CDFI Fund consider convening a conversation among some of the federal agencies and other entities to discuss how they will collectively shift their investments to make sure that they don't leave any communities—especially communities of concentrated poverty—out as things begin to change.

Board Member Briggs, referring to Board Member Choi's question, suggested that a slightly different way of approaching the matter is to ask the question in a different way and to ask, what do we know about the importance of each of these sectors as a foundation for a good life or a vital community? And then, within the sectors, what do we know about capital availability and what we're doing to change it?

Director Donovan stated that she and Chairman Holmes had discussed morphing the Strategy Subcommittee into the Data and Evidence Subcommittee, because there is a lot of work to be done on these issues, and that there are more questions than answers. Director Donovan added that many CDFIs are taking on these same questions but cannot do it on their own, and that the CDFI Fund is in the position to convene a broader conversation to explore these questions.

Board Member Phillips commented on the use of the CDFI Bond Program in rural communities, emphasizing the importance of ensuring that the program is a flexible tool for CDFIs.

Chairman Holmes thanked Ms. Jones for her report and introduced the next speaker, Ms. Marcia Sigal, Program Manager of the Capital Magnet Fund.

### **Report by Ms. Marcia Sigal, Program Manager of the Capital Magnet Fund**

Ms. Sigal stated that the Capital Magnet Fund (CMF) was relaunched in February 2015, because the Federal Housing Finance Agency lifted the suspension on the allocations to the CMF by the Government Sponsored Enterprises. Ms. Sigal stated that, to implement the program, the CDFI Fund updated and reissued the regulations, issued the NOFA, and designed an application, all within the past six months.

Ms. Sigal stated that the demand for the program has been strong, and that the CDFI Fund has received applications requesting \$609 million in funds through the program, although just \$91 million is available during this round.

Ms. Sigal stated that, with the relaunch of the CMF, the CDFI Fund wanted to be thoughtful about the purpose and policy priorities of the program and examined potential avenues to deepen the impact of the program. Ms. Sigal stated that, through the NOFA, the CDFI Fund targeted the development of affordable housing for very low- and extremely low-income households, which was a change from the first round, and also has prioritized awards to applicants that leverage

private third-party capital.

Ms. Sigal stated that the CDFI Fund also looked at ways to establish areas of high housing need based on the criteria in the statute and the regulation, including non-metro and rural areas, in order to make sure that it is the CMF's requirements for geographic diversity.

Ms. Sigal discussed how the goals of the CMF connect to the CDFI Fund's Strategic Priorities. Ms. Sigal stated that the CMF staff will advance Goal 1, which is to foster activities in diverse geographies in the CDFI Fund's programs, by looking at the applications it received and analyzing where those applications came from and where the gaps in capital for affordable housing are, so that the CMF staff can understand where its future outreach needs to be fostered in the program.

Ms. Sigal noted that the CDFI Fund structured the CMF application this year to ensure that it can address rural and non-metro areas, and will look at those results to see if any of that needs to be recalibrated.

Ms. Sigal stated that, to advance Goal 2, building the capacity of CDFI Fund to utilize data and improve decision-making, CMF staff plans to develop additional data sources that will help it to hone in on the areas of economic distress that can be addressed with awards.

Ms. Sigal stated that, regarding Goal 3 and creating organizational excellence, CMF is the first application to use AMIS. Ms. Sigal stated that the CDFI Fund is soliciting public comment on the application and a new interim rule, and will use those comments as part of the effort to reexamine the program to ensure that it is meeting the high standards for operational efficiency that the CDFI Fund has set.

Chairman Holmes invited the Board Members to offer comments and questions.

Board Member Lizarraga asked if CMF funds can be leveraged with HUD dollars in any way.

Ms. Sigal replied that it is allowable to have public funds to leverage, and that there is a 10:1 leverage requirement. Ms. Sigal noted that the purpose of the program is to attract private capital to distressed areas to develop affordable housing and related economic development activity, such as community facilities, and so that is the priority.

Chairman Holmes noted that CDFIs are increasingly trying to invest in large, transformative, mixed-use and multi-purpose projects, and that the current configuration of the CMF can make that more difficult. Chairman Holmes asked about the caps the percentage of funds that can be used for non-housing purposes, or whether CDFIs have some programmatic discretion.

Ms. Sigal replied that there is a regulatory cap for economic development activities of 30 percent of the CMF Award. Ms. Sigal stated that the statute specifies that the primary purpose of the program is to develop affordable housing, and that that is how it was implemented in the first round of the CMF. Ms. Sigal added that there is a healthy discussion about what the purpose of the program is, and that how it can be implemented is definitely on the table for the next round.

Chairman Holmes expressed the hope that that discussion would keep going.

Chairman Holmes thanked Ms. Sigal for her report and introduced the next speaker, Board Member Tanya Fiddler, the Chairwoman of the Advisory Board's Native Subcommittee

### **Report on the Activities of the Native Subcommittee, by Chairwoman Fiddler**

Board Member Fiddler stated that the Native Subcommittee has met once so far. Ms. Fiddler stated that the Subcommittee has received the *Access to Capital and Credit in Native Communities Report* and the data report, and will be meeting in the near future to discuss what is in these reports and how the findings can be moved out to tribal communities and other community development practitioners. Board Member Fiddler added that she has asked the Department of the Interior for its support in these efforts to distribute the reports.

Board Member Fiddler recalled that the original lending study conducted in 2000 reported that there was a seemingly insurmountable deficit of financing activity in Indian Country, and seeded the launch of the CDFI Fund's Native Initiatives. Board Member Fiddler stated that the two updated reports reflect better data and a more refined approach to the data, and indicate that in some ways conditions have improved in Native Communities, although they are still not good.

Board Member Fiddler stated that over the next 12 to 18 months, the Subcommittee will come up with a plan to ensure that these reports are distributed to other audiences so that they can enliven the field as much as the first lending study did.

Board Member Fiddler stated that the original lending study provided the foundation that was needed in Indian Country to show the disparities in financing activity. Board Member Fiddler stated that the disparities still exist, but that those disparities present an opportunity for developers and foundations to help Native Communities develop assets.

Board Member Fiddler stated that looking at building assets for Native families is the most impactful thing to be done, because Native families don't have assets and cannot get out of poverty without them. Board Member Fiddler expressed gratitude for the Native Initiatives program's willingness to get feedback from Native Communities over the years, as well as for the two new reports, which she stated will create meaningful dialogue, recommendations, and conversations in the future.

Chairman Holmes thanked Board Member Fiddler for her report.

Chairman Holmes reiterated that earlier in the day, the CDFI Fund had released the *Access to Capital and Credit in Native Communities Report*, which is a follow-up to the 2001 CDFI Fund report called the *Native American Lending Study*. Chairman Holmes noted that, while the *Native American Lending Study* focused on the barriers to lending in Native Communities, the *Access to Capital and Credit in Native Communities Report* focuses on what has changed since the first report and what opportunities exist to improve the access to capital in Native Communities.

Chairman Holmes then introduced the next speaker, Dr. Miriam Jorgensen, the principal author of the *Access to Capital and Credit in Native Communities Report* and the Research Director for the Native Nations Institute at the University of Arizona and for its sister program, the Harvard Project on American Indian Economic Development. Dr. Jorgensen joined the meeting by telephone from Australia.

### **Presentation by Dr. Miriam Jorgensen on the Access to Capital and Credit in Native Communities Report**

Dr. Jorgensen discussed why access to capital and credit is important to Native Communities, stating that, at current rates of growth, it will take 40 to 50 years for per capita income levels in reservation-based communities to converge with the national averages, which underscores the critical nature of access to capital and credit in Native Communities.

Dr. Jorgensen stated that the development of the *Access to Capital and Credit in Native Communities Report* was guided by two main questions: What has been learned across a set of key topic areas that relate to access to capital and credit in Native Communities, and what do we know about changes in the supply of capital in Indian Country since 2001?

Dr. Jorgensen stated that the CDFI Fund would be releasing a companion report that reviews a variety of data sources that speak to the availability of capital and credit to Indian Country. Dr. Jorgensen stated that her presentation today would focus on some of the successes related to access to capital and credit in Indian Country and also would preview some of the information found in the forthcoming companion report.

Dr. Jorgensen discussed how the research for *Access to Capital and Credit in Native Communities Report* was conducted, noting that the CDFI Fund's Native Initiatives underwrote a variety of consultations, focus groups, and virtual outreach sessions across the United States to identify the critical issues around capital and credit access that needed to be highlighted in the report. Dr. Jorgensen stated that there were six key topics that communities wanted to talk about and know more about: CDFIs, financial capability, Native entrepreneurship, housing, tribal government and tribal enterprise capital needs, and legal infrastructure that supports capital access.

Dr. Jorgensen stated that her remarks would highlight a few things that came out about each topic, and then would be available for questions from Board Members.

Dr. Jorgensen offered a brief overview of the Native CDFI field, noting that Native CDFIs are located throughout the nation and that the number of Native CDFIs began to increase in 2001, with the advent of Native Initiatives programming. Dr. Jorgensen added that, while more and more Native CDFIs have had more and more capital to work with, most Native CDFIs still have relatively little loan capital.

Dr. Jorgensen discussed three of the top challenges remaining for Native CDFIs: the ongoing

need for loan capital and operating capital, the need for greater collaboration with tribal governments, and the need for impact and performance data. Dr. Jorgensen noted that most Native CDFIs are not yet able to produce highly specific data and will need support to do that.

Dr. Jorgensen discussed the growth of financial education in Native Communities, stating that, according to data from the First Nations Development Institute, since 2005, 20,000 individuals have been enrolled in classes within the Building Native Communities curriculum developed by the Institute. Dr. Jorgensen noted that the 2001 *Native American Lending Study* reported that, while most people in Native Communities had some access to counseling around home buying, they had no access to financial education per se. Dr. Jorgensen stated that to have financial education of some type available in more than 200 tribal communities today is a tremendous outcome.

Dr. Jorgensen added that it also is pleasing that financial education is starting to address issues that are unique to Native Communities, such as minors' accounts. Dr. Jorgensen noted that some Native Communities are no longer dealing with people who are low-income but with those who are newly middle class, and so there is a transition toward financial education about investing.

Dr. Jorgensen stated that there is a concern in Native Communities that where there are revenue distributions and growing economies that are just starting to take root, there is a need for people to think about economic citizenship and how they use the resources they have to benefit their tribal community and their nation. Dr. Jorgensen stated that that is one of the things that financial education is just starting to grapple with.

Dr. Jorgensen discussed the state of Native entrepreneurship, stating that the available data indicate that the number of Native American businesses that actually exist in the United States is significantly less than the number of Native American businesses that would be expected to exist based on the proportion of Native Americans in the population of the United States.

Dr. Jorgensen discussed some of the innovations in housing that are taking place in Native Communities, including fee land infill—i.e., building housing on fee simple land within the boundaries of the reservation. Dr. Jorgensen also discussed some of the ongoing issues related to housing, particularly the depressed credit scores of anyone—not just Native people—living within the boundaries of a reservation. Dr. Jorgensen discussed how the HUD loan guarantee program is helping to bring more mortgage capital into Indian Country.

Dr. Jorgensen stated that tribes have responsibilities to move forward on developing better leasing policy and better policies around tribal land status reports (a responsibility that the BIA shares), and that lenders need better information to engage with tribes around housing.

Dr. Jorgensen discussed tribal governments' and tribal enterprises' access to credit, noting that tribes have found creative ways to pledge things other than their land to gain access to capital. Dr. Jorgensen added that tribal governments and tribal enterprises still have difficulty convincing lenders that it is safe to lend to tribes, even when they have collateral to pledge.

Dr. Jorgensen discussed the importance of legal infrastructure and how critical it is for tribal

communities to develop their codes—including commercial, secured transaction, business licensing, business ethics, and zoning codes—and to strengthen their court systems so that dispute resolution is clearly depoliticized and independent, and that courts are competent to enforce the tribal laws that are in place.

Dr. Jorgensen stated that there are many opportunities to invest in Native Communities, but that many lenders still have in their minds that Indian Country is a risky place for investment. Dr. Jorgensen stated that much work still needs to be done by tribes and community members and Native CDFIs to help educate the broader population about the real risks and opportunities in Indian Country.

Dr. Jorgensen invited Board Members to offer comments and questions.

Board Member Phillips observed that there are few Native CDFIs in the eastern part of the United States, and asked what the plan is for more Native CDFIs in underserved areas.

Dr. Jorgensen acknowledged that there aren't federally recognized tribes in many of those places in the East where there might be a CDFI, and invited Board Member Fiddler to respond to that question. Board Member Fiddler concurred with Dr. Jorgensen's statement. Ms. Kuchar added that, in the last round of the Native Initiatives, the CDFI Fund gave an award to United Southeastern Tribes, a sponsoring entity that seeks to create a CDFI to serve Eastern tribes.

Chairman Holmes commented that he was excited to see that there is more financial education available in Native Communities, and asked Dr. Jorgensen what factors have driven that and what the non-Native community could learn from Native Communities about increasing financial literacy.

Dr. Jorgensen replied that the key factor was that, back in the 1990s, the Fannie Mae Foundation gave money to First Nations Development Institute, and the two organizations wrote the Building Native Communities curriculum that reflected Native Community-specific ways of thinking about financial education. Dr. Jorgensen stated that the Native Financial Education Coalition and early Native CDFIs, such as Lakota Funds and Four Bands Community Fund, helped to advance that curriculum.

Dr. Jorgensen stated that something that has made a critical difference and has been a hallmark of the Building Native Communities curriculum is its focus on training the trainer and having trainers who have the ability to adapt the curriculum and the way it is taught to the needs of each Native Community.

Board Member Briggs asked Dr. Jorgensen to elaborate on what convincing lenders to invest in Indian Country entails, and to share her thoughts about which of the many discrete recommendations in the report are most likely to reinforce each other and to be the most catalytic in terms of impact.

Dr. Jorgensen stated that academics and others in community development are sometimes reluctant to become involved in advocacy, but that everyone, to the extent that they can, has to

take on the task of reminding the financial sector and others with lendable capital that Native Communities are a great place to invest and, especially, that there is a growing middle class in Indian Country.

Dr. Jorgensen stated that the story of the last 20 years in Indian Country is that tribes have been working hard to solidify a trustworthy legal foundation, and so the task is to remind people that when they lend in Indian Country, there are backstops to protect them if, for example, a loan goes into foreclosure. Dr. Jorgensen emphasized that this is the job of tribes, Native CDFIs, housing directors, and others who work with Native Communities.

Dr. Jorgensen added that the onus is on both sides—that tribes have to put the institutions in place and be willing to talk about what those institutions are capable of doing, and that lenders have to open their ears to that and get to know Native Communities and the opportunities there.

Dr. Jorgensen stated that the greatest opportunities for catalytic growth may be in housing. Dr. Jorgensen stated that housing is interesting because other things tack on to it—for example, small businesses that do building contracting—and so it produces growth not only in the housing sector itself but also in other sectors that are important from an economic development standpoint.

Chairman Holmes invited Director Donovan to discuss the ways the CDFI Fund can use the *Access to Capital and Credit in Native Communities Report*—for example, integrating ideas from the report into the strategic plan, or working in the public policy arena to advance the report.

Director Donovan stated that the report is an opportunity for engagement because it is more than a look at CDFIs and looks more broadly at access to capital across Native Communities. Director Donovan stated that the report can serve as the underpinnings of discussions the CDFI Fund can have with government agencies, tribal governments, and the CDFI community.

Director Donovan stated that, having commissioned the report, the CDFI Fund needs to pick up the work of getting the findings out there and engaging in discussions around them. Director Donovan stated that the findings already align with the goals of the strategic plan, and that the report offers the CDFI Fund a way to focus on a particular part of its work and go deeper into it.

Director Donovan stated that, as the Chairwoman of the Native Subcommittee, Board Member Fiddler would lead this work. Director Donovan asked the Board Members to brainstorm some ideas about how the CDFI Fund should approach engagement.

Board Member Fiddler thanked Dr. Jorgensen and Ms. Kuchar for their work on the report.

Board Member Fiddler invited Board Members who want to participate in the Native Subcommittee to do so. Board Member Fiddler stated that looking at the work that has been done in Indian Country and trying to replicate it in other places is important, especially for the governments, and that regular meetings around these matters will be coming up and that the Subcommittee has natural networks that it will use to disseminate the report.

Board Member Fiddler reiterated that Indian Country is not looking to be special or different but does pay attention to the findings in the report, such as the 40-year gap between Native and mainstream per capita incomes. Board Member Fiddler stated her belief that the gap is in assets, and that if Native Communities invested in equity and asset building, they would catch up more quickly.

Board Member Fiddler stated that Native Communities are still catching up—that the history of Indian Country is a relatively new history, and that, although Native people have been here forever, they are now organized in communities that are not traditional and also are subject to non-traditional constructs of economy. Board Member Fiddler noted that financial education is important because it helps Native Communities that once knew how to thrive and survive deal with the different dynamic.

Board Member Fiddler stated that the rates of disease and dis-ease are significantly higher in Native Communities than anywhere else, and that she is committed to making sure that Native people sound off as loudly, tactfully, and passionately as they can, because the time is now.

Board Member Fiddler stated that the CDFIs in Native communities are the ones that are shining the light, and that the learning and the growth in these poverty pockets are coming from the community development groups. Board Member Fiddler also stated that the Federal Reserve has been a great partner, and discussed how the Federal Reserve helped compile some of the data about Native and non-Native creditworthiness that was included in the report.

Board Member Fiddler stated that there is so much to learn about Native Communities, and that she is excited to be able to spend the next 12 to 18 months answering questions and providing information to make the case for asset building in Native Communities, because “if you don't have assets, you can't get out of poverty.”

Chairman Holmes stated to Director Donovan that he saw two pathways forward for the task of engaging the report. Chairman Holmes stated that the first pathway is that the Native Subcommittee, led by Board Member Fiddler, would work to integrate many of the actionable recommendations from the report into the CDFI Fund's strategic plan. Chairman Holmes stated that the second pathway is that the CDFI Fund would set up a task force of government agencies to have a robust conversation about moving things forward in Native Communities.

Chairman Holmes noted that CDFIs have a lot of access to Government Sponsored Entities, and stated that another possible pathway is that CDFIs could convene conversations with GSEs and other allies to advance this work in Native Communities.

Chairman Holmes asked Director Donovan if he had correctly summarized the options for engaging the report.

Director Donovan stated that he had, and added that the CDFI Fund will be convening a meeting of the Native Subcommittee and would let Board Members know when the call will be taking place. Director Donovan added that the CDFI Fund has already received good ideas for

gatherings that will be happening in the next couple months, and that Board Members can help with that.

Director Donovan asked the Board Members if they had any other ideas or questions.

Board Member Tregoning asked if Board Members can be represented on the Native Subcommittee by someone else.

Director Donovan stated that they can, and that the statute even allows the CDFI Fund to appoint outsiders to subcommittees. Director Donovan asked Board Members to let the CDFI Fund know if they have any suggestions for appointments to the Native Subcommittee.

Board Member Phillips asked about leadership within the Native American community, noting that he didn't have a sense of who is doing what and where it is being done at the grassroots level within the Native American community.

Board Member Fiddler replied that there is a lot of catching up to be done in Native Communities, and that, until there is a critical mass of tribal community members that have been invested in, the grassroots can't be lift up. Board Member Fiddler stated that the good news is that there are now Indian business alliances in four or five states, as well as other asset-building and housing coalitions.

Board Member Janssen suggested that the White House Council on Native American Affairs would be interested in the report, and expressed hope that they can get the report and do good things with it. Chairman Holmes agreed and thanked Board Member Janssen for his suggestion.

### **Closing Business**

Chairman Holmes acknowledged the forthcoming retirement of Board Member Phillips, on May 31, 2016. Chairman Holmes commended Board Member Phillips for his consistent leadership on the national, regional and local policy levels and for bringing to this work an indomitable spirit, a great sense of humor, and an ability to play really well in the sandbox. Chairman Holmes congratulated Board Member Phillips and stated that the Advisory Board and entire CDFI field would miss him.

Chairman Holmes asked a Board Member to move that the Board adjourn, and Board Member Argrett so moved.

Chairman Holmes thanked the Board Members for their participation in the meeting, as well as for their work and leadership throughout the year and their commitment to helping the CDFI Fund complete the Framework for the Future.

Chairman Holmes adjourned the meeting at 4:20 pm.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Calvin Holmes". The signature is written in a cursive style with a large initial "C" and a distinct "H".

Calvin Holmes  
Chairman  
Community Development Advisory Board