

Remarks by Tony T. Brown, Director
Community Development Financial Institutions (CDFI) Fund

to the

Annual Meeting of
North Carolina Minority Support Center
Durham Marriott at the Civic Center

Durham, NC
Thursday, June 27, 2002

Good afternoon! It is a pleasure to be here today in Durham, NC. Each time I visit North Carolina, I am always reminded how the mergers of banks and thrifts shifted the nation's financial centers to the South.

The first time I visited North Carolina was shortly after Bank of America (then NationsBank) acquired Barnett Bank. As I rode in my taxi headed to Downtown Charlotte, I thought about all the changes in the financial services industry.

In the early 1980's, I attended a conference in New York where these institutions were referenced as the bastion of the nation's financial centers. Now two decades later, the state of North Carolina boasts 2 of the nation's top 5 financial centers.¹

Yet, this state's leadership in the financial services industry doesn't just stop with banks. North Carolina boasts some of the nation's leading community development credit unions.

The Self-Help Credit Union is one of the nation's largest community development credit unions in the United States with nearly \$82 million in assets.² Self Help has been a major

¹ Top 5 banks: 2 NC; 2 NY; 1 CA. Top 10: 2 NC; 2 NY; 2 CA; 1 RI; 1 OH; 1 IL; 1 GA. List attached)

² Source: Self-Help Credit Union's March 2002 5300 Form.

advocate for regulations to curtail predatory lending.

I have witnessed first hand how the successful efforts of Self Help in North Carolina helped to create a national movement for best practices and state laws to stop predatory lending practices.

I once served on a national panel regarding predatory lending practices with Self Help's founder, Martin Eakes. At that time, I represented Bank of America. I observed Martin to be one tough negotiator! The man knows his business and is a tireless advocate for low-income families across the United States.

I also would like to commend the North Carolina Minority Support Center for recognizing the value and importance of community development credit unions. Thank you for inviting me to speak.

The Support Center is the nation's only statewide intermediary organization for CDCUs. We value the work done by the Support Center and since the Fund's inception; we have awarded the Support Center \$2 million in CDFI Fund investments.

CDCUs in North Carolina have been on the leading end of the Fund's investments in credit unions. In total, North Carolina CDCU's have received \$4.5 million of \$28.7 million awarded to CDFIs nationally – or 16% of total dollars to CDCUs.³

North Carolina bests New York in the number of CDCU certified by the Fund by one, 16 to 15.

I am here today to say thank you to the Support Center and

³ Awards data includes all 1996 – 2002 Core, SECA and TA awards to credit unions as of June 25, 2002.

to all of you for making a difference in the lives of low-income families and communities throughout the state.

We believe in you and the work you do to bring economic stability to our nation's communities. You can continue to count on the CDFI Fund as an effective partner in helping you "provide access to capital to all Americans."

President Bush often reminds people that the great strength in America is not in our government. The great strength in America is in the hearts and souls of citizens all around our country. The great strength in America is embodied in those who work, such as you, in community-based institutions across the country.

President Bush believes in you and the valuable work you do to improve America. He knows that we must work hard and that there is plenty of work to do. And he knows that we can eliminate poverty and despair with love, compassion and decency.

This month, the President outlined his goals for homeownership. The Administration is intent on fostering a climate conducive to homeownership growth, and dismantling and eliminating the barriers faced by minority families. The President unveiled his plan for increasing homeownership with HUD Secretary Mel Martinez. The plan calls for:

- A single-Family Affordable Housing Tax Credit: To encourage the production of single-family homes for sale in areas where affordable housing is needed most.

- The American Dream Down payment Fund: To help Americans overcome one of the greatest hurdles to homeownership – high down payments.
- The President wants to triple funding for the Self-Help Homeownership Program so that community-based organizations can turn low-income families into homeowners by relying on “sweat equity” in return for assistance.

CDCUs have been an important network of compassionate organizations and we know that you will take a leadership role in helping our nation achieve its goal of 5.5 million new minority homeowners before the end of the decade.

Many of you know the Fund’s purpose is “To expand the capacity of financial institutions to provide capital, credit and financial services in underserved markets.”

We believe that our success towards this mission will be achieved when “America is a place in which all people have adequate access to affordable credit, capital and financial services.”

As credit unions dedicated to serving low income members, we know that you believe in this mission as well. We also understand that your commitment to this market makes it even tougher for your credit unions to maintain adequate capitalization than mainstream credit unions.

As certified CDFIs, CDCU’s represent 16% of our customer base and to be true to our mission it means being organized in such a way to help you meet the credit needs of the markets you

serve. To do this, we have set forth goals that are intended to streamline our internal processes so that the capital we provide can be on the streets and working faster for the betterment of our nation's communities.

Let me give you some details...

Quicker award decisions & disbursement

We are not meeting our mission nor does it help the economy in our nation's underserved communities when it takes on average approximately two years to get from application to award disbursement.

To rectify this, we have made the following changes:

1. We reorganized the Fund in order to better mobilize staff participating in the awards process.
2. Staff is no longer assigned to a specific program. They are now assigned to a region so that they can become familiar with the conditions in that region and can work with the same organizations from certification to application to funding.
3. We are currently revising our investment approval process so as to disburse funds within 12 months of application.
4. We will soon be launching our first electronic application (under the NMTC Program), which will help streamline internal processes.

I am happy to report that these efforts are proving fruitful. As of today, we have already announced 53 awards under our

2002 round totaling \$20,122,145, with more announcements forthcoming. This is a full 90 days earlier than last year.

- Four of these awards are to CDCUs in North Carolina for nearly \$1 million.
- Two weeks ago, I announced a \$2 million award to the National Federation of Community Development Credit Unions. This will enable NFCDCU to provide more secondary capital investments to small and emerging CUs.
- In total, we announced 21 awards to CDCUs and the Federation for over \$5.5 million.

More focused performance measures for award recipients

We are currently working on a plan to streamline the investment closing process. We expect to implement this change within the next several months as we start to negotiate our FY 2002 awards.

The Fund proposes to develop a process whereby our data collection information shows the impact of your lending and provision of financial services. Our goal is to collect this information through one common source for all investors – the CDFI Data Project.

We are also examining how we can help you report loan-level data so that we can assess specific patterns of lending to report community impact from the awards we make. I want to assure you, however, that any new measures posed will be done in consultation with the regulators and crafted in a way to keep the Fund compliant with the CDFI statute.

Reduced paperwork burden to CDFIs

We hope to eliminate the required semi-annual reports required of award recipients, thereby reducing their reporting requirements to annual reports, annual surveys and annual financial statements. We expect to implement this within the next several months.

As we implement these new measures, you will also see less tolerance for late reporting. Today, we have over 200 awardees technically non-compliant due to late reporting. New measures will be put in place that will reject applications for prior awardees deemed non-compliant and we may de-obligate funds for any undisbursed balance where the awardee is deemed non-compliant and uncooperative.

Improved ability to measure outcomes resulting from Fund awards

One of the highest priorities is to improve our ability to measure the outcomes of the Fund's investments in underserved communities and populations, thus demonstrating the importance of CDFIs in the U.S. economy.

We will need to know the specific uses of our funds and how you have applied these dollars to your operations and loan programs.

Our goal is to make our performance measures reporting specific to the dollars we invested and the applied use of these funds so as to report measurable impact. To do this accurately, we must have timely and accurate information on all awardees.

In addition to these changes, the Fund has launched two new programs under my tenure.

First is the Native American CDFI Technical Assistance, or NACTA Component of the CDFI Program. This is a very unique technical assistance program that will provide the chance to build capacity for long-time underserved, Native American communities.

The second program is a result of the Community Renewal Tax Relief Act of 2000. The New Markets Tax Credits Program is designed to help spur economic growth in new markets in urban and rural communities across the country.

The NMTC Program permits taxpayers to receive a credit against Federal income taxes for making Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs). Substantially all of these investments must in turn be used by the CDE to provide qualified investments in low-income communities.

The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit period. NMTCs will be allocated annually by the Fund to CDEs under a competitive application process.

I see the NMTC as being the single most powerful community and economic development tool to come along in the industry. It will help to stimulate up to \$15 billion, yes billion, of needed private sector investments in low-income communities across the country where disinvestments and disenchantment with the

economy have too long been the norm. NMTC offers us this tremendous chance to focus on these communities.

This program officially opened for applications on Jun 11, 2002. The application period for the first round ends on August 29, 2002.

Now, you may be wondering:

- Can a credit union be a CDE? Yes, it can. To be a CDE you must have a primary mission of community development and be accountable to your market and for those credit unions that are certified as CDFIs, you will be automatically deemed a CDE. For credit unions that are not CDFIs, if you have that low-income designation from NCUA, you will be automatically deemed as meeting the primary mission test by virtue of your status.
- Can a credit union apply for an allocation of tax credits? No, it cannot. In order to apply for an allocation of tax credits you need to be a for-profit entity. BUT, with CDE designation you can potentially sell loans to or receive investments from for-profit CDEs who successfully competed for an allocation of tax credits.
- What else can a CDCU do related to NMTCs? Your members can form an investment pool, and invest in a CDE with an allocation, and take advantage of the credits as individuals.

We understand that there may be limitations to the IRS

temporary regulations, but I encourage you and the Support Center to think how NMTCs can best help you raise needed capital and to provide comments to the IRS on program guidelines you find restrictive to your industry.

We encourage you to check our website for a listing of outreach sessions near you – cdfifund.gov.

In conclusion, I believe that the CDFI Fund has been a valuable government program that has a history of matching the capital raised by local communities to serve the credit needs of underserved populations. We will continue to work with you to develop the best tools to meet the needs of our nation's low-income communities and to help make the CDFI Fund even more impact to your capital fund raising needs.

President Bush expressed that his vision for the country is to provide economic prosperity and security for America's citizens.

At the CDFI Fund, we believe that ALL Americans should have access to affordable capital, credit and financial services.

We believe that communities in need, can be improved.

We believe in you and the difference you make in the lives of your customers and communities you serve.

It has been an honor to join you today and I look forward to working with you in the months to come.

Thank you very much.

Top 10 Banking Institutions as of 3/31/02

	Institution Name	State	Total Assets (\$000)
1	JP Morgan Chase	NY	541,342,000
2	Bank of America	NC	540,610,000
3	Citibank	NY	454,867,000
4	Washington Mutual	CA	241,831,862
5	Wachovia	NC	226,897,000
6	Fleet	RI	178,224,000
7	US Bank	OH	160,955,131
8	Bank One	IL	157,768,000
9	Wells Fargo	CA	141,221,000
10	Sun Trust	GA	103,675,077

Source: FDIC.