During this historic period of economic expansion in the United States, there are many communities that remain untouched. To highlight the untapped economic potential of such communities, President Clinton launched his “New Markets Initiative” with a four-day trip in early July to six communities. The first two stops highlighted the distress and the possibilities in Appalachia and the Lower Mississippi Delta with visits to two CDFI Fund award recipients.

Continued on page six
We are delighted to welcome Owen Jones as our new Deputy Director for Management/Chief Financial Officer. Owen joined us on August 16, from the Department of Housing and Urban Development where he served as the Deputy Assistant Chief Financial Officer for Financial Management. Owen brings more than 24 years of federal experience and a wealth of skills. His spirit and understanding of the community development field will be a tremendous addition to the work of the Fund.

Paul Gentille, who joined the Fund in late 1997, accepted a position at the OCC, assuming new responsibilities on July 30. Paul provided outstanding service to the Fund and we wish him well in his new endeavors.

In this issue you will read about the President’s New Markets Initiative. Under Secretary Gary Gensler, Deputy Assistant Secretary Michael Barr, Deputy Director Maurice Jones and I accompanied the President in Kentucky and the Mississippi Delta for two of six visits that comprised his New Markets Domestic Tour in July. Also in this issue, you will read about Secretary Lawrence Summers’ visit to Harlem where he announced the formation of a new BusinessLINC partnership at the site of a major new commercial development.

We will have a special edition of the “CDFI Fund Quarterly” at the beginning of October that will list all of the 1999 awards for the Core, Intermediary and Technical Assistance components of the CDFI Program, and the Bank Enterprise Award Program.

I would like to thank all of the CDFI Fund staff for their hard work over the past several months. We are continuing to think of ways to make our programs effective and efficient.

Thanks to all of you for your ongoing support and feedback.

Meet Owen M. Jones, Deputy Director for Management/CFO

The Fund welcomes Owen M. Jones as the new Deputy Director for Management/Chief Financial Officer.

Mr. Jones will be responsible for day-to-day administrative operations, grants, award and financial management activities as the Chief Financial Officer for the Fund. The CDFI Fund received a $95 million appropriation from Congress in FY 1999 and the FY 2000 request in the President’s budget is for $125 million.

Mr. Jones brings more than 24 years of federal experience in management controls, consolidated financial statements, financial management systems, organizational analysis, audit resolution, and program compliance to this position. Most recently, Mr. Jones served as the Deputy Assistant Chief Financial Officer for Financial Management at the Department of Housing and Urban Development. Prior to that, he held management positions at the National Endowment for the Arts, United States Naval Surface Warfare Center, Action/Peace Corps and the Department of Transportation.

Mr. Jones graduated with honors from Washington and Jefferson College with a B.A. in Accounting and Political Science, and Masters of Public Administration and Business Administration from The Pennsylvania State University.
# New Faces at the Fund

The CDFI Fund welcomes several new employees who have joined in our mission to promote access to capital in America’s distressed communities. The following includes recently hired staff:

- **David Bowers** has joined the Fund as a Financial and Programs Advisor. Prior to joining the Fund, David served as Senior Legislative Assistant to Senator Barbara A. Mikulski (D-MD). He holds a BA from the University of Virginia and a Masters of Divinity from Howard University. David is an Associate Minister at Amistad United Church in Lanham, Maryland.

- **Patricia Krackov** joined the Fund as a Financial and Programs Advisor. Previously, Pat was with the International Center for Research on Women where she served as an International Development Specialist. Prior to that, she served as Senior Program Associate at The Aspen Institute. She holds a BA in Development Studies from the University of California at Berkeley and a Masters in International Relations from the School of Advanced International Studies at Johns Hopkins University.

# FY 2000 Program Calendar

## CDFI Program

**Core Component:**
- NOFA Published: Nov 1, 1999
- Information Sessions: Nov 8-19, 1999
- Application Deadline: Jan 20, 2000

**Intermediary Component:**
- NOFA Published: Nov 1, 1999
- Information Sessions: Nov 8-19, 1999
- Application Deadline: Jan 18, 2000

**Technical Assistance Component:**
- NOFA Published: Jan 4, 2000
- Information Sessions: Jan 17-28, 2000
- Application Deadline: March 28, 2000

## BEA Program

- NOFA Published: Sept 1, 1999
- Information Sessions: Sept 13-24, 1999
- Application Deadline: Nov 23, 1999

## Presidential Awards for Excellence in Microenterprise Development

- Program Opens: May 2000
- Application Deadline: July 2000

# Information Sessions for 2000 BEA Program

The CDFI Fund will conduct free information sessions for institutions interested in learning about the BEA Program. The half day information sessions will include an overview of the regulations, a review of the application, and a forum to ask questions. Information sessions will be held in the following cities in September 1999:

- Albuquerque, NM: Sept 27
- Billings, MT: Sept 22
- Boston, MA: Sept 16
- Chicago, IL: Sept 24
- Denver, CO: Sept 28
- Kansas City, MO: Sept 22
- Miami, FL: Sept 17
- Minneapolis, MN: Sept 17
- Nashville, TN: Sept 28
- New Orleans, LA: Sept 21
- New York, NY: Sept 13
- Pittsburgh, PA: Sept 27
- San Antonio, TX: Sept 23
- San Diego, CA: Sept 24
- San Francisco, CA: Sept 27
- Seattle, WA: Sept 24
New CDFI Certifications

As of August 5, 1999 the Fund has certified 325 CDFIs nationwide. For a complete listing, please refer to our website at www.treas.gov/cdfi. The following are CDFIs certified since June

Cape and Islands Community Development, Inc.
Hyannis, MA

Community Collaboration for Economic Development
Champaign, IL

Community Housing Services/Wichita/Sedgwick County
Wichita, KS

ECD Investments, LLC
Jackson, MS

Inglewood Neighborhood Housing Services, Inc.
Inglewood, CA

Long Island Small Business Assistance Corporation
Plainview, NY

Neighborhood Housing Services of Phoenix, Inc.
Phoenix, AZ

Neighborhood Lending Services
Chicago, IL

Neighborhood National Bank
San Diego, CA

Northeast Louisiana Delta Community Development Corporation
Tallulah, LA

Raza Development Fund, Inc.
Washington, DC

Roberto Clemente Federal Credit Union
Bronx, NY

Sustainable Jobs Fund, LP
Kansas City, KS

The Dane Fund
Madison, WI

Virginia Community Development Fund, Inc.
Richmond, VA

Ways to Work
Milwaukee, WI

Pictured left to right: Bob Friedman, President, Corporation for Economic Development (CFED); Gary Gensler, Under Secretary for Domestic Finance, Treasury; Clifton Kellogg, Senior Policy Advisor; and Ellen Lazar, Director, CDFI Fund. Mr. Friedman presented Under Secretary Gensler with a leadership award for Treasury’s commitment to community economic development at CFED’s 20th Anniversary Conference in Washington, DC on June 24, 1999.
TREASURY SECRETARY VISITS HARLEM DEVELOPMENT, ANNOUNCES LOCAL BUSINESS MENTORING PROGRAM

Under the new program, a task force will be set up by the New York Chamber of Commerce and the New York City Partnership and will match big and small companies. Ten entrepreneurs will be selected in each of the next two years.

Through the President’s New Markets Initiative, the Administration is ensuring that economically distressed communities and the businesses located in these areas are full participants in the economic mainstream.

Secretary Summers met with CEOs from the New York Partnership and Chase Manhattan Bank to discuss their local BusinessLINC efforts.

State CDFI Initiatives Take Hold Across the Country
By Laura Schwingel, Interim Director, CDFI Coalition

While many people in the CDFI industry are familiar with the federal CDFI Fund, less well-known is the burgeoning support for CDFIs at the state level. The increased visibility of CDFIs and the advent of the CDFI Fund have spurred the interest of a number of state governments.

In the last several years, New York, New Jersey, and Pennsylvania have established CDFI programs. A number of other states have introduced legislation to create mechanisms to support CDFIs.

State support for CDFIs actually precedes the CDFI Fund by several years. In North Carolina, the General Assembly has funded the Center for Community Self-Help to the tune of $27 million since 1988. Self-Help has used the money to support economic development lending in distressed communities, small business lending, and more recently, the development of a secondary market for low-wealth home mortgage loans. Over the past decade, the Assembly has also provided operating support to numerous community development credit unions.

(Continued on page ten)
On July 5th, President Clinton began his tour in the heart of Appalachia with a visit to Annville, Kentucky and the Mid-South Electrics Company, an investee of the Kentucky Highlands Investment Corporation (KHIC). KHIC, a community development venture capital fund created in 1968 to provide capital to businesses in nine southeastern counties of Kentucky, is a 1997 CDFI Program award recipient. KHIC’s investments have generated 5,200 jobs, accounting for 40% of all manufacturing jobs in the region. The President completed the Appalachia leg of his trip with a public address before approximately 5,000 people in Hazard, Kentucky.

Seeking to mobilize corporate America, President Clinton’s next stop brought him to Clarksdale, Mississippi where he participated in a roundtable discussion with local and national business leaders. Several hundred people braved the sweltering Delta heat to attend the roundtable discussion hosted by the Waterfield, Inc., a local cabinet manufacturer, and the Economic Corporation of the Delta (ECD). The discussion focused on the need for investment capital in the Delta region, examples of small businesses that are making a difference and the investment potential for corporate America. The President also announced nearly $15 million in new private sector investments in ECD, which helped create Waterfield, Inc. ECD was awarded CDFI Program awards in 1996 and 1998.

The President’s New Markets trip also included visits to inner-city neighborhoods in East St. Louis, Missouri, south Phoenix, Arizona, the Watts area of Los Angeles, and a Native American reservation in Pine Ridge, South Dakota.
President’s New Markets Initiative

In the six years since President Clinton took office, nearly 18 million new jobs have been created. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country.

The evidence is clear -- there are attractive business opportunities in distressed inner city and rural communities that are not being served. A key step to tapping these markets -- with purchasing power of over $85 billion per year according to the Harvard Business School -- is expanding access to private equity investment in businesses and industries that serve these communities.

The President’s New Markets Initiative is designed to make it more attractive to invest in these communities and ensure that the opportunity to stimulate job growth, neighborhood and economic development of America’s untapped new markets is not lost.

The America’s Private Investment Companies (APIC) initiative is a key component of the President’s New Markets Initiative. It will be administered by the Department of Housing and Urban Development (HUD) and supported by Small Business Administration, combining SBA’s venture investment expertise with HUD’s expertise in large scale economic revitalization in distressed areas. It will complement SBA’s equity investment programs, encouraging substantial business expansion into inner cities and rural areas.

President Clinton’s FY 2000 budget includes a New Markets Tax Credit to help spur $6 billion in private sector investment for business growth in low- and moderate-income rural and urban communities. Businesses in our nation’s inner cities and isolated rural communities often lack access to equity capital to grow and succeed. To help attract new capital to these businesses, President Clinton has proposed a new tax credit for equity investments in these communities. Investors will be able to claim a tax credit worth 25 percent of the amount invested, in present value terms. Investments in a wide range of vehicles focused on serving these communities will be eligible for the credit. Over the next five years, these funds will be able to attract an aggregate of $6 billion in new equity capital eligible for the tax credit.

See page nine for more information on New Markets Initiative.
As Summer 1999 came to a close, the CDFI Fund completed four more Native American Lending Study workshops. The workshops were held in Prior Lake, MN, Rapid City, SD, and Hawaii. Each workshop had representatives from tribal organizations, banks, nonprofits, Native American businesses and federal and state agencies. The goal of the workshops was to gather information regarding the barriers to lending and investment in Native American and Native Hawaiian communities. Workshop participants identified barriers, developed and prioritized strategies for eliminating the barriers, and created actions for implementing the strategies. The workshop information will assist in forming a central database for the study. In addition the Fund anticipates conducting a survey to gain further information from organizations that were not able to attend the workshops.

Nine workshops have been completed. In the Fall of 1999, the Fund will facilitate workshops in Alaska, New England and Florida, and will conclude this phase of the study.
At a series of workshops held this spring in six cities around the country, the U.S. Small Business Administration (SBA) launched its “New Markets for the New Millennium” initiative. The goal of the initiative is to spur significantly greater levels of private capital investments in businesses located in distressed urban and rural areas. While the economy is demonstrating unprecedented levels of strength, and new financial tools are helping many companies grow very quickly, such strengths are not found in all areas of the nation.

A keystone of the President's New Markets Initiative (see page seven) is a new targeting of the SBA's existing Small Business Investment Company (SBIC) program. SBICs are private-sector venture capital firms that are licensed by the SBA and may access capital from the SBA to be used to invest in small businesses. Most SBICs are limited partnerships, typically with private capital in excess of $10 million. With a license from the SBA, such SBICs are eligible for an additional 200% to 300% of private capital through government guarantees. Funding from the SBA may take the form of a debenture or a participating security, in which SBA will participate in returns of the SBIC's investments. The maximum financing available from SBA to any one SBIC is $102.5 million.

SBICs typically make investments between $300,000 and $5 million in small businesses, smaller than the investments made by traditional venture capitalists. SBICs have funded a number of once-small businesses that have become nationally recognized leaders, including: Intel, FedEx, and Outback Steakhouse. Currently there are 332 SBICs, including 90 bank-controlled SBICs.

The New Markets Initiative will provide incentives to SBICs that target their investments in businesses in low- to moderate-income (LMI) areas or in firms that employ significant numbers of residents of such areas. These LMI areas have poverty rates of at least 20% or median family incomes less than 80% of that of the area; they also include HUB Zones, and certain other distressed areas defined by other Federal entities.

The available incentives for such LMI investments are both financial and regulatory. For financing, the SBA will provide “patient” debentures to such SBICs with interest payment deferred for five years. In addition, SBA will relax certain requirements imposed on traditional SBICs. Among these, SBA will allow the SBIC to make investments shorter than five years in duration and to assume temporary control of a business at the time of financing.

Other components of the New Markets Initiative include elements that require new legislation. Among these are a 25% tax credit for investments into SBICs which make 60% or more of their investments in LMI zones. SBA has also proposed to create New Markets Venture Capital Companies, which will provide capital ranging from $50,000 to $300,000 and more technical assistance to smaller businesses. SBA also proposes a pilot program to allow a limited number of New Markets Lending Companies to make SBA guaranteed loans (up to 80%) to small businesses under its 7 (a) loan program. These Lending Companies need not be insured depository institutions. Finally, an initiative led by the Department of Housing and Urban Development would allow for the creation of America's Private Investment Companies (APIC), which will reproduce the Overseas Private Investment Company in the domestic sphere, allowing certain SBICs to invest in larger American businesses using a combination of public and private sector capital.

A related program that is already underway is the BusinessLINC (Business Learning, Information, Networking and Collaboration) project coordinated by SBA and the Department of the Treasury, to stimulate effective linkages between large and small companies, particularly in distressed communities.

For more information on the SBA component of the New Market Initiative, contact the SBA's Investment Division at www.sba.gov/inv.
In January 1995, New Jersey Governor Christine Whitman announced a five-year, $10 million community development bank initiative that evolved into the Fund for Community Economic Development (FCED). Established in the fall of 1996, this statewide financing entity seeks CDFIs as a primary borrower constituency. FCED targets its lending to urban economic development initiatives, and leverages its money through partnerships with commercial lenders, utility companies, and other State agencies. These partners have already pledged more than $20 million to FCED. To date, FCED has provided $1.6 million in financing to 11 projects.

In consultation with local CDFIs, the Commonwealth of Pennsylvania established the Pennsylvania Community Development Bank (PCDB) in 1997. The PCDB’s primary purpose is to make capital available for community and economic development by “support[ing] existing and new CDFIs which are community directed and leverage significant private sector resources.” Governor Tom Ridge committed a $17 million appropriation to the initiative in the FY98 state budget. With this seed capital, the State has leveraged more than $19 million in private sector capital commitments since it began operations in March 1998.

Characterizing its role as “a leading advocate for the development of a network of private organizations to meet community needs,” PCDB made a proactive commitment to CDFIs. One of the goals of the program is to support creation of CDFIs in every county in the state. In addition, PCDB contracted with National Community Capital Association, a national association representing non-profit CDFIs, to provide training to bolster the capacity of emerging CDFIs. Since November 1998, PCDB has awarded more than $600,000 to CDFIs or organizations seeking to establish CDFIs serving 60 of Pennsylvania’s 67 counties.

Grassroots pressure in New York and California helped push two key proposals through state legislatures. In New York, a statewide Coalition of CDFIs launched a two-year campaign to build public and financial support for CDFIs. In 1997, the Coalition won an initial $2 million appropriation from the state legislature. The State subsequently established a grant program to strengthen and expand CDFI capacity, products and services related to small business lending. Over its first two funding rounds, the CDFI Assistance Program awarded almost $2.6 million to 44 CDFIs.

In the fall of 1997, California authorized a 20% tax credit for five-year investments of at least $50,000 in CDFIs located in the state. In 1998, California proponents of CDFIs pressed for extension of the tax credit to insurance companies. While they were initially unsuccessful, advocates are seeking new legislation this year which the state assembly has already passed.

State support for CDFIs has great potential—not only can state governments provide much needed financing and matching funds for federal CDFI Fund awards, they increase the visibility and credibility of CDFIs on the local level. State initiatives also leverage private sector money, and serve as a vehicle that CDFIs can use for organizing local support. State support does present challenges—although some initiatives begin with a strong CDFI focus, some states try to respond to such a broad array of community needs with a single program. The initiatives become less targeted in their support, or the funds available are diluted to other sources.

State level support of CDFIs continues to expand. CDFI-based grassroots networks in Illinois, South Carolina, Florida, and Massachusetts are exploring ways in which state governments can assist CDFIs. It is clear that based on the successful track records and the growing exposure CDFIs have received, state initiatives will continue to proliferate.

Laura Schwingel is the Interim Director of the CDFI Coalition, a national network representing more than 465 CDFIs. The Coalition’s mission is to increase public and financial support for the CDFI industry through advocacy and public education, information and outreach, and knowledge building. For more information about State CDFI programs or the CDFI industry, contact the Coalition at 215.923.5363 or visit its web site at www.cdfi.org.
CDFI Fund Management and Staff

Lehn Benjamin  
Financial and Programs Analyst

James Berg  
Financial and Programs Analyst

Jeffrey Berg  
Legal Counsel

David Bowers  
Financial and Programs Advisor

Rodger Boyd  
Native American Programs Manager

Barbara Brennan  
Budget Analyst

Van Bynum  
Office Support Assistant

Ronald Chung-A-Fung  
Attorney Advisor

Fredric Cooper  
Program Manager

Sarah Crowley Geisler  
Financial and Programs Analyst

Donna Fabiani  
Financial and Programs Advisor

Joseph Firschein  
Financial and Programs Advisor

Janis Hockenberry  
Awards Management Specialist

Carolyn Horlor  
Senior Staff Accountant

Jeannine Jacokes  
Program Manager

Matthew Josephs  
Financial and Programs Analyst

Maurice Jones  
Deputy Director for Policy and Programs

Owen Jones  
Deputy Director for Management/CFO

Terry Keyfauver  
Computer Specialist

Patricia Krackov  
Financial and Programs Advisor

Steven Laughton  
Deputy Legal Counsel

Ellen Lazar  
Director

William Luecht  
External Affairs Specialist

Rosa Martinez  
Financial and Programs Analyst

Ashanti McCallum  
Awards Management Specialist

Jean Morrow  
Awards Manager

Yoo Jin Na  
Financial and Programs Analyst

Margaret Nilson  
Financial and Programs Advisor

Jim O’Connor  
White House Fellow

Deattra Perkins  
Financial and Programs Analyst

Donna Prokop  
Assistant Awards Manager

Louisa Quittman  
Financial and Programs Analyst

Kurt Rakouskas  
Administrative Services Specialist

Dawn Reiff  
Financial and Programs Analyst

Enitza Rodriguez  
Accounting Technician

Lisa Salzman  
Financial and Programs Analyst

Carolyn Smith  
Contract Specialist

Deborah Smith  
External Affairs Specialist

John Smith  
Office Support Assistant

Paula Smith Arrigoni  
Financial and Programs Analyst

Helen Szablya  
External Affairs Officer

Yvette Toliver  
Office Support Assistant

Michael Troop  
Legislative Affairs

Jennifer Westerbeck  
Financial and Programs Analyst

Pamela Williams  
Financial and Programs Analyst

LaSean Young  
Administrative Services Specialist

Sean Zielienbach  
Financial and Programs Analyst

Sheila Zukor  
Financial Manager

CDFI Fund Advisory Board

John A. Litzenberg, Chairman  
Program Officer  
Charles Stewart Mott Foundation

Frank T. Ballesteros  
Deputy Chief Executive Officer  
PPEP Microbusiness and Housing Development Corporation, Inc.

Arthur C. Campbell  
Deputy Under Secretary for Rural Economic & Community Development  
Department of Agriculture

Cardell Cooper  
Assistant Secretary, Office of Community Planning and Development  
Department of Housing and Urban Development

Connie E. Evans  
President  
Women’s Self-Employment Project

Chester Straub  
Deputy Assistant Secretary, Office of Program Operations  
Department of Commerce

Chester Straub  
Chief Financial Officer  
Shorebank Corporation

George P. Surgeon  
President and CEO  
National Community Reinvestment Coalition

Clara G. Miller  
Chair of the Board  
National Community Capital Association

John E. Taylor  
President and CEO  
National Community Reinvestment Coalition
The Community Development Financial Institutions Fund is a wholly-owned government corporation within the U.S. Department of Treasury. Its vision: An America in which all people have access to capital and financial services. Its mission: Promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding financial service organizations’ lending, investment, and services within underserved markets.

The CDFI Fund encourages the dissemination of new ideas and information to further community development in the United States. Articles authored by people who are not CDFI Fund employees, however, should not be perceived as being endorsed by the Fund.

“CDFI Fund Quarterly” is designed and edited by the CDFI Fund’s External Affairs Office and published every three months.

Phone (202) 622-8662
Fax (202) 622-7754

If you receive duplicate issues of this newsletter, please notify us.

VISIT OUR WEB SITE FOR UP-TO-DATE INFORMATION ON THE FUND

www.treas.gov/cdfi

601 Thirteenth Street, NW
Suite 200 South
Washington, D.C. 20005
ADDRESS CORRECTION REQUESTED