

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

Minutes

Date: Monday, September 23, 2019

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

Presiding: Shane Jett, Chair of the Community Development Advisory Board (CDAB)

Board Members in Attendance:

Shane Jett, Chair, CDAB; CEO, Citizen Potawatomi Community Development Corporation

Dennis Alvord, Deputy Assistant Secretary for Economic Development and Chief Operating Officer, Economic Development Administration (EDA), U.S. Department of Commerce

Faith Bautista, President and CEO, National Asian American Coalition

Cara Dingus Brook, President and CEO, Foundation for Appalachian Ohio

Jovita Carranza, Treasurer of the United States, U.S. Department of the Treasury

Judy Chapa, President, Chapa Consulting

Mark Cruz (on behalf of Tara Sweeney, Assistant Secretary for Indian Affairs, U.S. Department of the Interior

Greg Fairchild, Isidore Horween Professor of Business Administration, Darden School of Business, University of Virginia

Clinton Gwin, President and CEO, Pathway Lending

Robert R. Jones III, President and CEO, United Bank

DJ LaVoy, Deputy Under Secretary for Rural Development, U.S. Department of Agriculture

William Manger, Associate Administrator for Capital Access, U.S. Small Business Administration

Todd McDonald, Vice President of Strategy, Liberty Bank and Trust

L. Ray Moncrief, President and CEO, Mountain Ventures Inc., Kentucky Highland Investment Corporation

David C. Woll, Jr., Principal Deputy Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development

Remarks and Presentations:

Jodie Harris, Director, CDFI Fund

Bill Bynum, Chief Executive Officer and Founder, Hope Enterprise Corporation

Emily Corcoran, Senior Research Analyst, Federal Reserve Bank of Richmond

Dante Desiderio, CEO and Executive Director, Native American Finance Officers Association
Annie Donovan, Chief Operating Officer, Local Initiatives Support Corporation
Keith Ernst, Associate Director, Consumer Research and Examination Analytics, Federal Deposit Insurance Corporation
Maurice Jones, President and CEO, Local Initiatives Support Corporation
Melissa Koide, Chief Executive Officer and Director, FinRegLab
Patrice H. Kunesh, Assistant Vice-President and Director, Center for Indian Country Development, Minneapolis Federal Reserve
Brett Theodos, Senior Fellow and Director of the Economic Development Hub, Urban Institute
Bruce Weber, Senior Economist, Rural Policy Research Institute and Professor Emeritus of Applied Economics, Oregon State University

Also Present:

Bill Luecht, Designated Federal Official for the CDAB, CDFI Fund

Welcome Remarks and Introduction of Jodie Harris, Director of the CDFI Fund, by Board Chair Jett

At 9:10 a.m., Board Chair Jett welcomed everyone in attendance to the U.S. Department of the Treasury and to the meeting of the Community Development Advisory Board of the Community Development Financial Institutions Fund (CDFI Fund) on the 25th anniversary of its creation. Board Chair Jett extended a special welcome to the three newest members of the Board: Mr. Dennis Alvord, Mr. DJ LaVoy, and Mr. David Woll. Board Chair Jett also welcomed the members of the public who were present, in person as well as online, and thanked them for their interest in the CDFI Fund.

Board Chair Jett welcomed CDFI Fund Director Jodie Harris, to introduce Mr. Bimal Patel.

Introduction of Mr. Bimal Patel, Assistant Secretary for Financial Institutions, U.S. Department of the Treasury, by CDFI Fund Director Jodie Harris

Director Harris stated that it was a pleasure to introduce Mr. Patel. Director Harris reflected that Mr. Patel was confirmed in June 2019, and listed his responsibilities as Assistant Secretary including driving direction for the CDFI Fund.

Director Harris summarized Mr. Patel's background, noting that Mr. Patel previously served as the Treasury's Deputy Assistant Secretary for Financial Stability and Oversight Council. And prior to joining Treasury, Mr. Patel was a partner and head of the financial advisory and regulation practice in Washington, D.C. and New York in the offices of O'Melveny and Myers, LLP.

Director Harris also noted that Mr. Patel holds a Bachelor of Arts in economics and political science from Stanford, a Master of public policy from Harvard's Kennedy School of Government, and a juris doctor from the Georgetown University Law Center.

Remarks by Mr. Bimal Patel, Assistant Secretary for Financial Institutions, U.S. Department of the Treasury

Mr. Patel thanked Director Harris for her introduction and welcomed everyone to the Treasury Department. Mr. Patel noted that he wore a silver tie in honor of the 25th anniversary of the CDFI Fund's creation.

Mr. Patel thanked the Board Members for their service and discussed the important role that CDFIs are playing across the nation. Mr. Patel noted that by leveraging public-private partnerships with banks, foundations, and state and local governments, CDFIs are providing underserved communities with access to credit and capital.

Mr. Patel stated that the capital provided by CDFIs is being used by entrepreneurs to open or grow small businesses, to redevelop commercial real estate, to preserve the availability of affordable housing for low-income families, and to build community facilities, such as charter schools and healthcare centers, in underserved communities.

Mr. Patel noted that since its creation 25 years ago, the CDFI Fund has provided financial and technical assistance to CDFIs to help deliver products and projects that provide access to credit and capital, and drive economic growth and prosperity in communities across the country.

Mr. Patel again thanked the Board Members from both the public and private sector for their willingness to serve and for their expertise and insights.

Mr. Patel again thanked Director Harris and thanked everyone for all of the support.

Convening of Meeting and Opening Remarks, by Board Chair Jett

Board Chair Jett thanked Mr. Patel for joining the meeting. Board Chair Jett stated that he was asked to join the CDFI world in 2011 by his boss, the Chairman of the Citizen Potawatomi Nation, and his first question was, "what is a CDFI?" His next question was, "why have I never heard of this CDFI?"

Board Chair Jett noted that it is a tremendous honor to celebrate 25 years of the CDFI Fund. Board Chair Jett thanked his staff in Oklahoma, Mr. Bill Luecht and Chantal Hart, and members of the audience, and noted that everyone involved is grateful for the opportunity to serve.

Board Chair Jett directed attention to a signed copy of the legislation called the red line, with a handwritten note from Senator Riegle. Board Chair Jett encouraged everyone to take a picture and post it on social media.

Board Chair Jett directed attention to a picture of the signing with President Clinton and Treasurer

Benson.

Board Chair Jett formally began the meeting and conducted a roll call of the Board. Board Chair Jett instructed the Board Members in attendance to respond “present” when he called their names. Board Members Alvord, Bautista, Dingus Brook, Carranza, Chapa, Fairchild, Gwin, Jones, LaVoy, Manger, McDonald, Moncrief, and Woll each responded “present.”

Board Chair Jett noted that Board Member Tara Sweeney was unable to join the meeting and that Mr. Mark Cruz, the Deputy Assistant Secretary of Policy and Economic Development at Indian Affairs, would be representing her. Mr. Anderson replied “present” when Board Chair Jett called his name.

Board Chair Jett called the meeting to order.

Review of Agenda, by Board Chair Jett

Board Chair Jett provided an overview of the agenda for the meeting.

Board Chair Jett stated that after a brief round of introductions of the Board Members, Director Harris would present the Director’s Report, followed by a reflection about why the CDFI Fund was created, how the needs of low-income communities have changed over the last 25 years, and what should be considered looking to the next 25 years for both CDFIs and the CDFI Fund, in light of the CDFI Fund’s 25th anniversary.

Board Chair Jett stated that in the morning session the Board would hear from a panel titled The Changing Needs of CDFI Communities, An Examination of the Capital Needs of Economically Distressed Communities Over the Last 25 Years.

Board Chair Jett stated that the meeting would break for lunch at noon and reconvene at 1:00 p.m.

Board Chair Jett stated that in the afternoon session, the Board would hear from a second panel, titled The Changing Roles of CDFIs, The Evolution in Financial Products and Services for Low-Income Peoples and Communities Over the Last 25 Years.

Board Chair Jett stated that after the second panel, Director Harris will provide an update on the status of two sub-committees, then lead a discussion on topics to focus on next fiscal year.

Board Chair Jett stated that after that, if the Board has no new business, the meeting will adjourn at 3:00 p.m., and a light reception to honor the 25th anniversary will follow.

Board Chair Jett reminded the audience that participation in the discussion is limited to the Board Members and the CDFI Fund and Treasury staff.

Introduction of Board Members, by Board Chair Jett

Board Chair Jett invited the Board Members to introduce themselves by providing their name, title, organization or federal agency, and city and state. Board Chair Jett stated that Board Members Alvord, LaVoy, and Woll, would, as new members, be provided with additional time to introduce themselves.

Board Members Fairchild, Bautista, Gwin, McDonald, Chapa, Moncrief, Carranza, Dingus Brook, Alvord, Jones, Manger, Woll, LaVoy, and Cruz introduced themselves.

Board Member Alvord noted that, for those that may not be familiar with EDA, it is a grant-making organization within the federal government providing grants to economically distressed areas and regions. Board Member Alvord suggested that its ability to capitalize locally and regionally administered revolving-loan funds is highly relevant to the work of the CDFI Fund and the Community Development Advisory Board. Board Member Alvord noted that EDA oversees a nationwide portfolio of revolving-loan funds, over 500 of them, with a capital base of about \$870 million, of which approximately \$331 million is available for lending, that may complement very well some of the activities of the CDFI Fund.

Board Member LaVoy stated that under the leadership of President Trump and Agriculture Secretary Perdue, USDA is committed to increasing the economic development and enhancing the quality of life in rural America. Board Member LaVoy noted that rural regions account for approximately two-thirds of the nation's land mass at only 14% of the population, and that USDA is looking forward to continued partnership.

CDFI Fund Director's Report, by Director Harris

Director Harris thanked the attendees for being here.

Director Harris stated that her report would highlight the CDFI Fund's accomplishments programmatically and administratively.

Director Harris stated that she has been the Director of the CDFI Fund for eight months. Director Harris noted that the greatest accomplishment made by the CDFI Fund in 2019 is getting the programs on track to be administered as close to schedule as possible since the government shutdown.

Director Harris added that the team rallied together after the government reopened, which was her first week in the position, and thanked her staff for coming together this fiscal year to make that happen.

Director Harris stated that the budget for fiscal year 2019 was appropriated at \$250 million, and that 76 full-time employees are on the team across six programs, the certification and compliance team, IT, the legal team, financial strategies and research, as well as operation. This administrative budget also covers the continued development of the Awards Management Information System, or AMIS, contractual obligations, and training and professional development resources.

Director Harris noted that all programs were fully funded and noted funding appropriation as follows: a total of \$199.5 million for the CDFI Program and the Native American CDFI Assistance Program, \$25 million for the Bank Enterprise Award Program, and \$500 million in guarantee authority for the CDFI Bond Guarantee Program. The New Markets Tax Credit Program is authorized to allocate \$3.5 billion annually through calendar year 2019.

Director Harris then offered the following brief reviews of the CDFI Fund's programs:

- **Community Development Financial Institutions Program (CDFI Program) and the Native American CDFI Assistance Program (NACA Program)** – The CDFI Fund is in the 23rd round of its flagship program, the CDFI Program. The CDFI Fund plans to award approximately \$199.5 million in 2019 awards, which includes: \$140.9 million in CDFI Program financial assistance (FA) and technical assistance (TA) awards; \$13.9 million in NACA Program FA and TA awards; \$19.7 million in Persistent Poverty County-FA awards; \$22 million in Healthy Food Financing Initiative awards; and \$3 million in Disability Funds0FA awards. The CDFI Fund received 546 applications from organizations across the country, requesting a total of more than \$579 million.
- **Bank Enterprise Award Program (BEA Program)** - The Bank Enterprise Award Program is only open to FDIC-insured institutions who provide lending and investment in the most severely economically distressed communities, and they have to show a change year over year in their investment. The CDFI Fund received 117 applications requesting over \$150 million from the BEA program. 113 of these banks and thrifts were awarded \$25.2 million. During the one-year assessment period, the 113 depository institutions increased their loans and investments in distressed communities by nearly \$363 million.

- **New Markets Tax Credit Program (NMTC Program)** – In May, the CDFI Fund announced \$3.5 billion in New Markets Tax Credit allocations for the calendar year of 2018. Seventy-three CDEs or community development entities, received allocations. These recipients are headquartered in 35 different states, Puerto Rico, and the District of Columbia.
- **CDFI Bond Guarantee Program** - Over the first six rounds of the CDFI Bond Guarantee Program, which provides CDFIs with access to fully guaranteed loans with up to 30-year terms at below-market interest rates. Twenty-five (25) eligible CDFIs have been issued bonds totaling \$1.5 billion. Director Harris noted that \$1.5 billion is a huge milestone for the program.
- **Capital Magnet Fund Program (CMF Program)** – This year is the fifth round of the program, and the CDFI Fund has \$131 million available for awards to certified CDFIs and non-profit affordable housing organizations. The application deadline for this round was August 26th, and awards will be announced under this round in the winter of 2020. The CDFI Fund awarded the 2018 round earlier this year on February 13th, giving grants to 38 organizations for over \$142 million awards.

Director Harris then provided the following updates on administrative initiatives the CDFI Fund undertook during FY 2019 to maximize performance, efficiency, and program results:

- **CDFI Certification** – The overall asset size of the CDFI industry has expanded from \$4 billion to now more than \$159 billion. Since 1996 the number of CDFIs has grown from 196 to nearly 1,100, and the network of CDFI Fund program awardees has provided more than \$34 billion in loans and investments across America. The CDFI Fund is working on improving the certification process, looking specifically at accountability, target market requirement, and the primary mission test. The CDFI Fund would also like to modernize certification policies so that CDFIs can take advantage of technological advances. The CDFI Fund hopes to share an updated CDFI Certification Application later this year.
- **Capacity Building Initiative** – The capacity building initiative is focused on three areas: the core CDFI capacity builder, building Native CDFI sustainability and impact, and serving individuals with disabilities. The CDFI Fund conducted a CDFI needs assessment to identify innovative, economical, and efficient methods of delivering technical assistance, and will release the findings later in the calendar year. The CDFI Fund is also working with ICF and Oweesta to enhance the ability of Native CDFIs to serve their communities by ensuring that these organizations are well positioned to grow and achieve greater impact. The CDFI Fund received \$3 million in appropriations to provide grants to CDFIs that serve disabled communities, and will provide specialized training and technical assistance to certified and uncertified CDFIs that serve or intend to serve individuals with disabilities.
- **Awards Management Information Systems (AMIS)** – Launched in 2015, this system replaced the prior legacy business systems. Every year the CDFI Fund has continued to receive and achieve more efficiency and more streamlined processes. Last year’s focus

was integrating legacy systems into the award system, and this fiscal year the CDFI Fund completed that integration and successfully transitioned the CDFI certification application, as well as the bond guarantee program qualified issuer and eligible CDFI applications into AMIS. The CDFI Fund will continue to build on the functionality and tools of AMIS moving into next year.

Director Harris noted that the CDFI Fund will be celebrating the end of the fiscal year on Monday, September 30, and thanked attendees for their attention.

Board Chair Jett thanked Director Harris.

Board Chair Jett announced that the Board would take a 10-minute break.

Break

The meeting went off the record at 9:45 a.m. and resumed at 10:02 a.m.

Panel I: The Changing Needs of CDFI Communities. An Examination of the Capital Needs of Economically Distressed Communities Over the Last 25 Years, Moderated by Maurice Jones.

Board Chair Jett introduced the topics for the next two panels, announcing that they will examine the demographic changes of economically distressed communities, and will explore the capital needs that exist today. Board Chair Jett invited Director Harris to add thoughts.

Director Harris thanked the panelists and moderator Maurice Jones, stating that she enjoys getting to look at the trends over the last 25 years of CDFI Fund as she looks and plans for its future.

Board Chair Jett introduced moderator Maurice Jones, and invited Board Members to review Maurice's and other panelist's bios in their materials.

Mr. Jones stated that it is nice to be back in the Treasury Department. Mr. Jones noted that the panel will look at the evolving needs of the communities that CDFIs have been serving even prior to the CDFI Fund. Mr. Jones noted he hopes we all internalize that demand for services of CDFIs has never been greater, as CDFIs provide access to capital and address inclusivity gaps.

Mr. Jones stated that there is a lot of good work left to be done, and introduced the panelists:

- Mr. Brett Theodos, Senior Fellow and Director of the Economic Development Hub, Urban Institute
- Mr. Bruce Weber, Senior Economist, Rural Policy Research Institute and Professor Emeritus of Applied Economics, Oregon State University

- Ms. Patrice H. Kunesh, Assistant Vice-President and Director, Center for Indian Country Development, Minneapolis Federal Reserve
- Mr. Keith Ernst, Associate Director, Consumer Research and Examination Analytics, FDIC

Presentation on Urban/Persistent Poverty, by Brett Theodos

Mr. Theodos thanked Mr. Jones and offered congratulations on 25 years of the CDFI Fund. He noted that he will give a quick overview of CDFIs activity and where they differ from mainstream lenders.

Mr. Theodos referenced a map of CDFI loan volume per person under 200% of poverty. He noted there are some spots where CDFIs are more active and where they are less active. Mr. Theodos noted that 27% of counties have no CDFI activity at all, and that CDFIs are doing more lending in bigger counties, even after controlling for population levels.

Mr. Theodos suggested bigger deals and ease of putting deals together as possible explanations. Mr. Theodos juxtaposed this data with that of other federal investments using CRA data. Mr. Theodos noted differences in how much lending volume there is, reiterating the imperfect measure of 200% of the poverty line.

Mr. Theodos touched on city-specific examples, starting with Chicago. Mr. Theodos presented a distribution of people by their race and ethnicity living in Chicago. Mr. Theodos showed data depicting average annual multi-family loan volume per renter, and then switched to single-family to demonstrate the dearth of activity outside of everywhere except for the Northwest part of the city. He noted the tremendous difference in spatial locations of where lending is happening in the city.

Mr. Theodos asked attendees to consider what it means in terms of market share that they've been now encouraged that CDFIs and their partners in mission investing are much more progressively and evenly distributed across the city. He asked attendees to consider if we can rely on them as partners to be the people to make up for what's not being seen in private and mainstream investment.

Mr. Theodos answered the question by saying they are a meaningful part of the total aggregate lending, but they are still small in comparison with other mainstream lending. Mr. Theodos noted that in Chicago, CDFIs have better penetration into majority African American neighborhoods than they do into the majority Latino neighborhoods.

Mr. Theodos presented maps of Baltimore, including interactive features showing dynamics of capital flows, to depict single-family and multi-family lending data as well as racial data.

Mr. Theodos noted the difference between mission lending and mainstream activity. He observed that he doesn't want all mission lending happening only in poor neighborhoods, and added that it is a problem that the median majority white neighborhood in Chicago had zero federal housing dollars subsidy investments.

Mr. Theodos observed that it is mostly a good sign that CDFIs are getting capital to underserved neighborhoods, however he also noted that there is still a relatively small market share of mission lending in Baltimore.

Mr. Theodos discussed Minneapolis-St. Paul, noting CDFI and CDFI-leveraged activity versus commercial real estate lending. Mr. Theodos discussed Detroit, showing a map of commercial real estate and industrial and multi-family and institutional loans all combined, from 2003 to 2015. Mr. Theodos noted that the Woodward Corridor and areas along the river are getting more activity, and also more local and state federal subsidy dollars. Mr. Theodos stated that in Detroit the marketplace struggles in the outer areas.

Mr. Theodos suggested that CDFIs played a role in stabilizing some of the more central neighborhoods and with the goal of radiating to other areas, but then during the Great Recession, CDFI lending grew from \$8 million to \$200 million as the market plummeted. Mr. Theodos noted this is inflation adjusted.

Mr. Theodos noted that the mainstream market is still very important, and added that there was a compelling step forward of CDFIs in this space, such that the share of all commercial, industrial, multi-family and institutional real estate investment in Detroit for these years, 42% of that was comprised of mission capital, most of that CDFI and subsidy programs, and then the leveraged amount for the same projects.

Mr. Jones thanked Mr. Theodos, and noted that the plan is to let each panelist give presentations and then make time for questions afterward. Mr. Jones then invited Mr. Weber to speak.

Presentation on Rural Communities and Persistent Poverty, by Bruce Weber

Mr. Weber began by telling attendees he would be looking at the persistent poverty counties where the poverty rate has been greater than 20% for the last 50 years. Mr. Weber stated that rural poverty has declined over the past 50 years from about 35% to about 16%.

Mr. Weber then stated that since the early 1980s there hasn't been much change in either rural or urban poverty (about 15% to 16% for rural areas, and about 12% or 13% for urban areas). He noted, however, that high poverty has become concentrated in mostly rural counties. Mr. Weber showed a map of US counties where dark purple represents that 30% or more of the people are in poverty, and lighter purple shades indicate that 20% to 30% of the population is in poverty.

Mr. Weber observed that high poverty counties are concentrated in mostly rural areas, and added that this poverty is persistent. Mr. Weber showed a different map illustrating conditions

for the past 50 years, where the dark blue counties have had poverty rates of 20% or more for the last 50 years.

Mr. Weber observed that poverty is concentrated in Appalachia and the Mississippi Delta, Native American lands, and on the Rio Grande.

Mr. Weber stated that he would like to leave four takeaways: the first is that these persistent poverty counties have many of the characteristics that development economists call poverty traps, where households don't have the level of assets that they need, financial, physical and other, to adopt the poverty-escaping strategies.

Mr. Weber suggested, as a second takeaway, that rural households are becoming increasingly vulnerable to chronic poverty, due to the lagging education rates in rural areas, and to declining marriage and employment rates, particularly among rural men with less formal education.

Mr. Weber pointed attention to the blue lines and dotted gray lines on the first of three charts. Mr. Weber pointed out that these are trends from 1967 to 2015 in the educational attainment levels of urban and rural men and woman. Mr. Weber indicated that educational attainment in urban areas and for rural woman has gone up dramatically over the past 60 years, whereas college attainment for rural men has stagnated. Mr. Weber indicated that marriage rates have declined in both rural and urban areas, but at a faster rate for rural men and women. Mr. Weber also observed that employment rates have stayed relatively constant across rural and urban areas for men and women with college degrees but have plummeted for those without high school diplomas.

Mr. Weber stated that the most distressing story is that half of men without high school education, and about half of women without college degrees are not employed.

Mr. Weber indicated that his third take-away point is that the structure of rural areas has changed in a way that decreases the capacity to escape poverty. Mr. Weber noted that that wages have gone up in the past 50 years for college-educated urban men and women and for rural women, but not very much for rural men. Mr. Weber noted that financial capacity in rural areas has declined.

Mr. Weber cited Charles Tolbert at Baylor University, whose work indicates that rural community banks are rapidly disappearing, mostly in low-income and rural areas.

Mr. Weber stated that his last take-away is that place-based strategies can build comprehensive wealth and combat poverty, particularly those involving sustainable micro-finance institutions.

Mr. Weber stated that comprehensive wealth is not just financial assets or built capital, but also social, political, and cultural capital, and that CDFIs play a role in developing these capitals. Mr.

Weber indicated that he'd like to close with the following questions: What are the assets the enterprises and households need to escape chronic poverty? What are the asset thresholds which households need to escape poverty? What are the asset thresholds businesses need to generate sustainable enterprises? What scale of CDFI is necessary to both be efficient and fully exploit the community benefits of new investments?

Mr. Jones invited Patrice Kunesh to speak.

Presentation on Native Communities, by Patrice H. Kunesh

Ms. Kunesh introduced herself as the Director of the Center for Indian Country Development at the Minneapolis Fed, the mission of which is to support the prosperity of Native nations through actionable research and community engagement. Ms. Kunesh noted that the focus areas are people, land, and capital, looking at Indian Country through an economic lens.

Ms. Kunesh noted a grave concern about persistent poverty and capital needs. Ms. Kunesh acknowledged that there are experts in the room besides himself regarding Native capital needs, specifically citing Jackson Brossy of the Native CDFI Fund and Lisa Mensah of the Opportunity Finance Network.

Ms. Kunesh offered three main considerations to share, noting that the need for capital is especially poignant in Indian Country, traditionally left out of the equation. Ms. Kunesh stated that her organization is looking at residential, commercial, consumer lending and particularly housing and home ownership as ways to build wealth and assets, and create financial stability.

Ms. Kunesh added that the second consideration is support for new and emerging Native CDFIs, noting concern about the reduction recently from 78 to 65, a 17% decrease since 2012. Ms. Kunesh also noted that Native CDFIs have demonstrated the ability to be lending intermediaries for federal loan programs and are making long-term mortgages.

Ms. Kunesh offered background on Indian Country, stating that Native peoples have experienced generations of asset deprivation and plunged into desperate poverty with very little opportunity to develop their economies. Ms. Kunesh notes that systemic oppression persists today, along with the bureaucratic processes that continue to stymie access and make it difficult to realize income equality or to build assets.

Ms. Kunesh noted that despite these hardships, significant gains have been made in labor force participation and per capita income, as well as reduction in poverty and unemployment. Ms. Kunesh stated that Indian Country is the 13th largest US employer, adding that despite the valiant efforts to improve, the low base means it will take decades to match the economic levels of the rest of the country.

Ms. Kunesh stated that roughly 8% of all CDFIs in the US are Native CDFIs. Ms. Kunesh reported that, in a survey conducted by his team and the Center for Indian Country Development, the two leading factors preventing Native CDFIs from providing programs and services are staffing and resources, adding that the estimated additional amount needed to meet these funds is

around \$96 million.

Ms. Kunesh noted that these additional funds would be used to expand existing services and expand areas into which services could be brought, adding that these CDFIs want to become certified re-lenders and sellers of their mortgages. Ms. Kunesh noted the need for access to a secondary market for liquidity.

Ms. Kunesh indicated that the CDFI Fund provides most of the support for the operating funds at the lending for certified Native CDFIs, and added that several banks and foundations are interested in making equity investments in Native CDFIs, demonstrating their confidence in the CDFI model and the track record Native CDFIs have shown in their operation.

Ms. Kunesh noted that Native CDFIs have filled a big hole left from the recession. Ms. Kunesh, citing prior discussion of rural banks disappearing, told Board Members to imagine going into Indian Country and finding no financial services whatsoever. Ms. Kunesh suggested that this is why Native CDFIs are so important and why it is so important to support their growth.

Ms. Kunesh discussed priorities for Native CDFIs, which have enjoyed a rapid growth since 2001, including expanding geographic regions, expanding programs and services, and creating partnerships and collaborations to do bigger deals. Ms. Kunesh stated that housing in Indian Country is a dire need, as there is tremendous overcrowding, and a lack of new development. Ms. Kunesh did note, however, that there are examples of projects transforming Indian Country right now, and these are being led by CDFIs such as the Cheyenne River Sioux Housing Authority, led by Sharon Vogel, whose building 400 new housing units.

Ms. Kunesh noted Healthy Food Financing as a sector that could build the lending capacity and fill the needs of Indian Country, adding that Native CDFIs report that communities are concerned about food deserts and that during the government shutdown the food distribution program couldn't reach Indian Country.

Ms. Kunesh stated that partnerships between CDFIs and Native-owned banks and Native credit unions are beneficial, and noted that she thinks there is an imperative for financial education at a basic level, and that Native CDFIs are key drivers of financial education expansion and overall credit score improvement.

Ms. Kunesh mentioned a few projects that the Center has undertaken: a study measuring the impact of Native CDFIs showing significant positive association on individual credit scores, and a study of Native CDFI consumer loan portfolios. Ms. Kunesh closed by stating that Native CDFIs are playing a key role in funding Indian Country's economic development, in creating jobs, expanding and improving affordable housing programs, and providing financial services within the communities.

Mr. Jones thanked Ms. Kunesh and invited Mr. Ernst to speak.

Presentation on the Unbanked & Underbanked Populations, by Keith Ernst

Mr. Ernst opened his remarks by stating that in the United States, a banking relationship is a

fundamental asset that enables households to take advantage of the economic opportunities in their communities, and that there are still substantial opportunities to expand access and sustainable use of banking services in the United States.

Mr. Ernst indicated that he would be sharing results from the National Survey of Unbanked and Underbanked Households, administered since 2009, and focusing on the extent to which households and households in different demographic segments have a banking relationship, and the extent to which households have a credit history consistent with having a credit score.

Mr. Ernst showed a slide indicating the rate at which households lacked a banking relationship dating back to 2009. Mr. Ernst noted that these households don't have a checking account, savings account, or any account relationship with an insured depository institution. Mr. Ernst observed that coming out of the Great Recession, the unbanked rate has dropped down to 6.5%, but that differs substantially across populations.

Mr. Ernst stated that the unbanked rates were higher among households with lower incomes, households with less formal education, younger households, black and Hispanic households, households headed by working-age individuals with a disability, and households that report experiencing variable incomes throughout the year.

Mr. Ernst referenced results for households by age and year, indicating decline in the unbanked rate nearing that overall in the population, but with the most substantial decline among the lowest-age cohorts. Mr. Ernst noted that those cohorts have the highest unbanked rates to begin with, so they had the most to gain. Mr. Ernst cited that in 2013 one in eight of those households were unbanked, but by 2017 that figure dropped to about one in 12.

Mr. Ernst indicated the unbanked rates by race and ethnicity, stating that black and Hispanic households both had 15% unbanked rates in 2017, while Asian and white non-Hispanic households are at 2.5% and 3% unbanked rates respectively. Mr. Ernst noted that the rates have dropped higher among black and Hispanic households than among white households.

Mr. Ernst indicated the unbanked rate of Native American and American Indian households stood at 15.5% in 2017. Mr. Ernst noted a substantial difference in spatial patterns across the United States in unbanked rate, where unbanked rates tend to be higher notably in the South and also in the West, but tend to be somewhat lower in the Midwest and the Northeast.

Mr. Ernst stated that those who remain outside of the system are increasingly likely to mention that they're not at all likely to open an account in the next 12 months, according to survey results. Mr. Ernst noted that even as the unbanked rate has been declining over time, pessimism is increasing among those outside the system.

Mr. Ernst reflected on the difference between unbanked households who mention that they are likely to open an account and those that say the opposite. Mr. Ernst stated that among those who express skepticism or pessimism about joining the banking system, more than a third, 36%, cite trust as a reason for not being banked, compared with 21% of those who report they are very likely to open a bank account.

Mr. Ernst went on to state that a critical aspect of exceeding and expanding access and use of the banking system is building trust and relevance with communities so that the products and services can be a meaningful part of the choice set that consumers are encountering.

Mr. Ernst reflected on the question of whether the banking system is dynamic or static, indicating that across surveys half of the unbanked households in the United States had previously been banked. Mr. Ernst noted that he thinks this is helpful to keep in mind, both because it underscores the need to think not just about access, but about sustainability of banking relationships, and also because there are some interesting differences between these populations.

Mr. Ernst stated that unbanked households that previously had a banking relationship tend to express more interest in opening a bank account, and they also tend to express more concerns about their recent history with the cost of maintaining an account. Mr. Ernst stated that they see value and they want to rejoin the banking system, but they also have had some experiences that maybe are going to be challenges to overcome for getting them back into the banking system.

Mr. Ernst turned to his second question, concerning the ability to obtain credit when it's needed. Mr. Ernst indicated that among surveys of people who had mainstream credit use consistent with having a credit score, about 19.7% of households had no mainstream credit in the past 12 months, likely did not have a credit score, and had substantially reduced access to credit as a result.

Mr. Ernst described this type of individual as "credit invisible" and stated that the point of these surveys is to bring to light instances where no one in the household would have a credit score and the ability to access credit when it's necessary for the household.

Mr. Ernst discussed those more likely to not have a recent credit history consistent with having a credit score, these being unbanked households, households with lower incomes and less formal education, those headed by working-age individuals with a disability, black and Hispanic, Native American and American Indians, and also foreign-born non-citizens.

Mr. Ernst noted that lower-income households were much less likely to have mainstream credit reported use, but that there are substantial proportions even among households with \$30,000.00 to \$50,000.00 in income, and one in five reported having no mainstream credit in the last 12 months. Mr. Ernst noted that breaking these out by race/ethnicity and income, large gaps exist between black and Hispanic households and white households in terms of access and use of mainstream credit. Mr. Ernst noted that even among households earning \$50,000.00 to \$75,000.00, black and Hispanic households at about 19% were twice as likely to lack access to mainstream credit over the last 12 months compared to white households in the US.

Mr. Ernst stated that a similar pattern to the unbanked rate plays out geographically across the United States, and stressed that he's eager to respond to questions. Mr. Ernst closed by referencing economicinclusion.gov, where users can find a variety of tools to help access and make sense of this data.

Mr. Jones thanked Mr. Ernst and asked Board Chair Jett for questions from the Board Members.

Board Chair Jett thanked Mr. Jones and opened the floor for questions.

Questions from Board Members

Board Member Moncrief stated that his question is for Dr. Weber, and noted that he found Dr. Weber's presentation fascinating. Member Moncrief stated that he lives in the single poorest county in America—McCreary County, Kentucky—and that he's been involved with the CDFI Fund since 1995. Member Moncrief suggested that the same things being discussed now were discussed 25 years ago.

Member Moncrief noted that CDFIs and rural banks are disappearing, and that the combinations of BB&Ts and SunTrust act as siphons in rural America. Member Moncrief thanked God for micro-loans and the CDFIs that manage micro-loan funds.

Member Moncrief asked, "what are we going to do as a society to change what's going on in rural America?" Member Moncrief then asked Mr. Weber, "What do we do next?"

Mr. Weber stated that he doesn't have an answer to that question, but he would like to point out the notion that two things are needed: one is that urban and rural areas have to recognize their mutual interdependence.

Member Moncrief agreed with Mr. Weber's statement.

Mr. Weber added secondly that increased CDFI activity, justified by the fact that rural banks are disappearing and rural creditworthiness is becoming more problematic, is necessary. Mr. Weber added that it's not a satisfactory answer but it's the best he can do.

Member Moncrief thanked Dr. Weber.

Board Chair Jett thanked Dr. Weber and recognized Board Member Chapa.

Member Chapa stated that she concurs with everything Member Moncrief just talked about. Member Chapa stated that she doesn't see a growth in the CDFIs in rural America, particularly in the Hispanic community, but the number of unbanked continue to grow in the Hispanic market. Member Chapa suggested that everybody's leaving rural America, and asked Mr. Weber his opinion on options for solutions including capacity building and capital influx.

Mr. Weber responded by saying that not all of rural America is "just old people struggling." Mr. Weber acknowledged however that a lot of rural America is like that. Mr. Weber suggested that a change in mindset would be helpful, noting asset building around cultural heritage and giving the traveling Smithsonian exhibit on cultural heritage as a specific example.

Mr. Weber suggested that while the markets are smaller in rural places, they can still exist and thrive, adding that microloans are one way opportunity can be created.

Mr. Jones stated the importance of broadband investment, noting that 45% to 50% of rural America today lacks access to high-speed broadband.

Member Chapa agreed.

Mr. Jones noted that attracting rural jobs requires broadband infrastructure. Mr. Jones recalled an instance of being in a coal mine in Appalachia three or four years ago, and gave detail on a memory of a man he saw there driving steel into the ceiling of the mine in order to illustrate that work ethic and talent in rural places is still in abundance. Mr. Jones acknowledged that the broadband issue is a question of political will.

Board Chair Jett noted that Eisenhower did for the interstate highway what a future leader will do for the internet superhighway.

Board Member Jones thanked Board Chair Jett and mentioned that he represents the community banks in rural areas, and noted that he often finds well intended and thoughtful perspective from people that study these areas but don't live there. Member Jones stated that the people who live there are the embodiment of America, and suggested that they have perhaps been suffering in silence and didn't even know they were being treated improperly.

Member Jones pointed out that there is contradiction in the regulatory environment because it's both a cultural and public policy issue. Member Jones noted that he finds in talking to members of the community that people often don't trust banks because of enforcement requirements that exclude them.

Member Jones stated that many of his colleagues in the industry have exited because the reputational risk and the regulatory enforcement actions are so severe that you cannot afford to make certain types of loans and suffer the consequences of unintended actions, adding that they want to make these communities better but struggle to find ways to do it.

Member Jones cited the New Market Tax Credit, suggesting that the reason it's less common in rural spaces is because there aren't many \$5 million transactions that can overcome institutional friction. Member Jones added that pooling transactions helps, and also noted that much time is spent educating public policy and economic developers what a New Market Tax Credit transaction is and can do.

Member Jones stated that national foundations refuse to bring philanthropic support to the South. Member Jones noted that the challenges his state faces require collaboration between institutional capital, private equity, philanthropic, and public sectors. Member Jones mentioned intellectual capital, citing that many people in small communities don't know that certain programs exist, or that they have the ability to access them.

Member Jones stated that he found the statistics disturbing because educational attainment is often focused on college education, adding that not everybody needs a four year degree. Member Jones noted that in the 1960s, the production of basic industries was more common, but the jobs that disappeared in those fields weren't replaced by the better-paying technology jobs that were expected.

Member Jones remarked that people in rural areas are struggling to find a way financially. Member Jones noted that during the recession, his state didn't have a problem with delinquent

loans from persistent poverty communities, instead it was high net worth developers and LLC owners who were often delinquent. Member Jones acknowledged that he is over time, but remarked that he is very passionate, and that these issues can't be solved in a two or three-minute presentation.

Member Jones stated that community banks are important to this country, adding that in the world economy, the US is the only nation with community banks, combining private equity with bringing resources to communities. Member Jones noted that people in rural communities go to a banker first if they have a need.

Member Jones suggested that people working in community banks are more than financial providers, they're consultants, adding that community banks create jobs in those areas and that there is no replacement for them. Member Jones urged the FDIC and Federal Reserve not to punish community banks but to support them in their missions.

Member Jones called for a level playing field, saying that he fights federally supported organizations and GSEs every day to do his job. Member Jones closed by saying that rural America will come back if community banks have the tools to do their jobs.

Board Chair Jett acknowledged Board Member Jones' passion, and invited attendees to give a quick response. Board Chair Jett recognized Board Member Alvord for a question.

Member Alvord thanked the panelists for their informative presentations, adding that the data and background they provided is foundational and critically important to good decision-making. Member Alvord addressed Mr. Ernst to discuss the difference between un-banked and under-banked communities, referencing Mr. Ernst's map of Virginia. Member Alvord asked if Mr. Ernst's survey demonstrated any particular interventions or policies that are in place in certain states that made them more successful than others.

Mr. Ernst responded to say that the maps displayed illustrate state-level results, adding that results for each state can also be broken out for the aggregate of metropolitan areas in the state and for more rural areas as well. Mr. Ernst suggested that what Member Alvord might be seeing is the strong pronounced effect of metropolitan areas of Virginia outweighing rural areas, adding that Virginia has undergone a lot of shifts in terms of the metropolitan population over recent years.

Mr. Ernst reiterated that this is a household survey, where consumers are spoken to directly about their experiences in the banking system. Mr. Ernst noted that it is not an instrument that has been used as a basis for policy analysis. Mr. Ernst suggested that the changes the results they see are often driven by economic changes or by noneconomic factors.

Mr. Ernst reiterated the unbanked rate declined as the economy improved, noting that it is generally true that there is a strong relationship between unemployment and the unbanked rate in the United States but there is also evidence in the survey of instances where those are not in lockstep and more needs to be identified to explain some of these differences.

Mr. Ernst offered the example of the unbanked rate of Hispanic and Latino respondents, which is a larger drop than can be explained by the economic conditions in the communities in which they

are living. Mr. Ernst stated that they don't have hard evidence to identify with confidence what is driving results that are larger than economic trends might suggest, and that they have more work to do to learn the answers.

Board Chair Jett executed Chairman prerogative to recognize Board Member Carranza for a question.

Member Carranza thanked Board Chair Jett and thanked the panel for revealing so much great data that leadership can benefit from.

Member Carranza agreed that broadband should be a priority, and noted that she had points to make that are policy driven. Member Carranza noted that when she interacts with small businesses and entrepreneurs they always discuss bank fees. Member Carranza mentioned that she was born in Chicago before the University of Illinois to suggest that revitalization is very critical and that educational infrastructure is key.

Member Carranza asked Mr. Theodos how the panelists envision the ability to coordinate administration for funding and grants to approach these particular areas and gaps highlighted.

Mr. Theodos thanked Member Carranza for the question, and suggested that federal tools can be drawn together. Mr. Theodos suggested alignment around federal resources and state and local partnership as key. Mr. Theodos also suggested that federal resources need to be 100 times or at least 10 times bigger because in both rural and urban marketplaces there are not enough resources.

Mr. Theodos expressed optimism regarding access to tools and knowledge of their use. Mr. Theodos reiterated that the resources themselves need to be bigger.

Member Carranza thanked Mr. Theodos and asked another question about retreating from marriage, and education, and employment: "how do we do a course correct to try to reverse that trend?"

Mr. Weber noted that he doesn't know how to do that, adding that when persistent poverty communities are discussed it's with recognition that they face challenges but also have assets. Mr. Weber added that he doesn't know if it can be turned around and he doesn't know if it needs to be turned around.

Member Carranza commented that in the Hispanic culture it is now common to pursue education while putting marriage to the side. Member Carranza suggested that perhaps it is a delayed factor for maybe a generation and not so much a total retreat because prioritization, perhaps, is now being considered more so than in the past.

Mr. Weber agreed.

Member Carranza thanked her colleagues.

Board Chair Jett recognized Board Member Gwin for a question.

Member Gwin noted that Mr. Weber has hit on the human capital piece of the puzzle, adding that people with great work ethic live in the markets they serve. Member Gwin urged the CDFI Fund to bring the human capital piece up to the table in addition to the lending component. Member Gwin noted that they won a CDFI award that was directed at human capital in low-income census tracts. Member Gwin reiterated that human, social, and political capital is important to focus on.

Board Chair Jett thanked Member Gwin and recognized Board Member Dingus Brook for a question.

Member Dingus Brook noted that she is a child of Appalachia and is the President and CEO of the Foundation for Appalachian Ohio. Member Dingus Brook stated that she wanted to share the success story of the foundation's 20-year journey to getting CDFI certification in her region last month. Member Dingus Brook noted that in her region, 32 counties of Ohio that are Appalachian, there are 90% less philanthropic assets per capita than in the other parts of Ohio. Member Dingus Brook recalled that the foundation started with \$1 million of government tax money, and today, it has leveraged that to nearly \$100 million. As a part of this work, it led the incubation of a rural economic development organization that is now putting funding and capacity together to start a CDFI. Member Dingus Brook noted that she thinks an important source of capital for us to focus on is philanthropic capital, since in her region it was essential to have philanthropic capital in order to create a CDFI. Member Dingus closed by stating that Appalachian Ohio is a very positive place today.

Board Chair Jett thanked Member Dingus Brook and recognized Board Member Bautista for a question.

Member Bautista commended Director Harris for this panel. Member Bautista stated that she related to what the panelists were saying, and cited the holistic approach represented by the USDA. Member Bautista commented that as a community organizer, she often sees the unbanked and under-banked lack access to capital. Member Bautista stated, however, that now she sees opportunity for the next 25 years.

Member Bautista suggested giving community banks an extra CRA credit, adding that the CRA reform is a great way to change this policy. Member Bautista acknowledged that there is not enough money for everybody but advocated for philanthropic and capacity building for people on the ground. Member Bautista stated that many in the Asian community are underbanked, and the highest dropout are the sub-ethnic group of the Asian community.

Board Chair Jett thanked Member Bautista and recognized Board Member Manger for a question.

Member Manger noted that Treasurer Carranza has been nominated by the President to become the Administrator of the Small Business Administration. Member Manger stated that he would like to hear about a solution involving financial education. Member Manger noted that many bankers come to the Small Business Administration and tell them that people don't trust banks. Member Manger noted the importance of holding a person's hand while they go through the process of accessing capital in rural America. Member Manger closed his question by asking how to improve financial literacy and financial education.

Ms. Kunesh stated that financial education goes hand in hand with community development, adding that in her experience Native CDFIs that have been providing financial education, financial literacy, often in conjunction with a loan. Ms. Kunesh noted that classes are mandatory. Ms. Kunesh stated that banking deserts abound in Indian Country, and a cash economy is dominant.

Ms. Kunesh offered an example from her research introducing financial services into a community that has never had financial services. Ms. Kunesh described a current project in which a Native American bank in a metropolitan area is opening up a branch in an area of Indian Country with another tribal nation which has never had a bank. Ms. Kunesh asked how we can put more effort and resources into Native CDFIs that are providing these services.

Mr. Ernst added that at the FDIC the Community Affairs Program sends people to work with community-based organizations and with civic leaders on economic development. Mr. Ernst noted that the FDIC has partnered with the SBA to develop Money Smart for Small Businesses, a financial literacy curriculum, adding that it is available free of copyright, and free of any claims of ownership, so institutions can white label them and adapt them to their own circumstances.

Mr. Theodos stated that the results of financial education and financial interventions from didactic classroom-based instruction are fairly underwhelming. Mr. Theodos made a comparison to losing weight, asking rhetorically if it would help to sit in a room and get lectured about how to lose weight. Mr. Theodos stated that what his research has looked at instead is something more intensive like financial coaching, noting that he did a randomized controlled trial study of financial coaching that found sizable effects for consumers. Mr. Theodos noted that these services are more expensive and more valuable.

Mr. Theodos closed by advocating for pushing in both of these directions coupled with account access and meaningful access to capital.

Board Chair Jett recognized Board Member Chapa for a question.

Member Chapa noted that she set up the Office of Financial Education at Treasury in 2002, adding that there are hundreds of thousands of curricula available to communities and to banks. Member Chapa noted that she worked on the Money Smart Program at FDIC and is working with Native American communities in New Mexico to educate native populations. Member Chapa noted that the trust factor can be overcome with partnerships in the community and customized teaching methods, adding that everyone has to be involved but none of it matters if access to financial services is absent.

Board Chair Jett recognized the passion in the room and concluded the morning session of the program. Board Chair Jett pointed out that the FDIC slides that identified under-banked or unbanked segments did not include Native American segments, underscoring that hopefully future data sets will reflect them.

Board Chair Jett made note of the protests outside and encouraged attendees to use Treasury's cafeteria 'The Vault' for lunch, and added that the Secret Service has shut down the White House and Treasury campuses, meaning only current appointment holders are allowed access.

Lunch

The meeting broke for lunch at 11:46 a.m. and resumed at 12:59 p.m.

Panel II: The Changing Roles of CDFIs. The Evolution of Financial Products and Services for Low-Income Peoples and Communities over the Last 25 Years

Board Chair Jett resumed the meeting and recognized Director Harris for comment.

Director Harris thanked Board Chair Jett. Director Harris noted the Office of Consumer Policy's Federal Financial Literacy Form which is coordinating and improving financial literacy efforts, adding that this is something Director Harris worked on with the team and for the Board copies are available in the back with more available through Louisa Quittman.

Board Chair Jett thanked Director Harris and introduced the second panel, speaking about the changing roles of CDFIs and how financial products and services utilized by CDFIs have evolved over the last 25 years, and how they are continuing to evolve in order to meet the changing needs of low-income people and communities.

Board Chair Jett welcomed back former CDFI Fund director Annie Donovan who is now the Chief Operating Officer of LISC.

Ms. Donovan thanked the committee and mentioned that she is happy to be back in the Cash Room to moderate this panel. Ms. Donovan noted that first the panelists will offer their point of view, then the floor will be opened for questions.

Ms. Donovan introduced the panel:

- Ms. Emily Corcoran, Senior Research Analyst, Federal Reserve Bank of Richmond
- Mr. Bill Bynum, Chief Executive Officer and Founder, Hope Enterprise Corporation
- Mr. Dante Desiderio, CEO and Executive Director, Native American Finance Officers Association
- Ms. Melissa Koide, Chief Executive Officer and Director, FinRegLab

Ms. Donovan invited Ms. Corcoran to begin.

Presentation on the CDFI Survey, by Emily Corcoran

Ms. Corcoran stated that she works in the Regional and Community Analysis Unit at the Federal Reserve Bank of Richmond, which focuses on community development and supporting economic stability in low- and moderate-income communities within the Fifth Federal Reserve District and the nation as a whole.

Ms. Corcoran stated that she would focus on data collection and research on the CDFI field as a whole and then zoom in to talk about responses to the Federal Reserve's 2019 CDFI survey and

talk about what some of those responses say about CDFIs, adding that the views expressed here are her own and do not necessarily represent the views of her employer.

Ms. Corcoran noted the robust existing research on CDFIs including transaction level report data and the institution level report data that is released by the CDFI Fund, and noted existing questions about the field on impact, scalability, and financing. Ms. Corcoran stated that the Federal Reserve has two initiatives she would be discussing today, one focused on data collection, one focused on fostering additional research on CDFIs.

Ms. Corcoran noted the National CDFI Survey, which is one year old. Ms. Corcoran stated that the National CDFI Survey grew out of the Survey of CDFIs in the Southeast, which is a biennial survey effort that the Richmond Fed started in 2009 because of the opportunity to contribute to the data collection space on CDFIs. Ms. Corcoran stated that this survey originally started to put together a directory of CDFIs, which is still produced and published on a biennial basis.

Ms. Corcoran noted that in 2019, the survey grew to be national, and fellow Reserve Banks were brought onboard, as well as a number of other survey partners, including the CDFI Fund. Ms. Corcoran stated that the survey was open from April through June of this year and collected responses from certified and noncertified CDFIs, adding that five hundred and fifty-seven organizations responded to the survey and those included organizations in the continental United States, Alaska, Guam, Hawaii, and Puerto Rico.

Ms. Corcoran noted that the survey included questions on special topics including workforce development, Opportunity Zones, Community Reinvestment Act modernization and the impact of the partial federal government shutdown.

Ms. Corcoran noted that she will be touching on key findings of the report which will be released on October 16th. Ms. Corcoran stated that the St. Louis Fed is leading an event that they are calling the CDFI Symposium that is specifically designed to encourage academics to use the data available on CDFIs to help answer some questions that require more systematic answers.

Ms. Corcoran stated that the Richmond Fed in partnership with the St. Louis Fed and a few other Federal Reserve Banks, as well as the CDFI Fund is organizing the CDFI Symposium for May of 2020, adding that the call for papers was released last week. Ms. Corcoran offered hard copies to Board Members and encouraged them to reach out to their research channels, as they want the best brains in the room for that event to help grow the research on the CDFI field.

Ms. Corcoran noted the CDFI Survey, and remarked that persistent challenges persist, adding that respondents struggle with access to long-term low-cost capital and they also struggle with staffing. Ms. Corcoran noted the innovations in the long-term low-cost capital space but asked how these products are performing, and what comes next.

Ms. Corcoran stated that on the staffing side, 80% of respondents are not able to perform tasks and provide products due to staffing challenges. Ms. Corcoran asked what workforce development looks like for CDFIs as a whole, and how to recruit and retain the next generations of Annie Donovans and Bill Bynums.

Ms. Corcoran highlighted that CDFIs are continually working to amplify their voices in policy discussions and when asked about modernization of the Community Reinvestment Act, CDFIs gave insightful and precise comments.

Ms. Corcoran stated that the survey sees CDFIs innovating and engaging in emerging issues when it makes good business sense for them, adding that over 170 CDFIs said they were either looking into creating their own qualified opportunity fund or attracting investment from an existing qualified opportunity fund. Ms. Corcoran stated that despite uncertainty among CDFI leaders about how to best engage with opportunity funds, some leaders are stepping into the space.

Ms. Corcoran asked how this information can be shared among CDFIs and scaled to take advantage of opportunities therein.

Ms. Corcoran touched on natural disaster and climate resilience funding as an emerging space where CDFIs are engaging, noting that the survey asked a set of questions about this and heard from about 50 CDFIs who are actively engaging either on the response side or on the climate resilience side and being forward-thinking in how they are designing housing, how they are funding small businesses, and how they are funding infrastructure projects.

Ms. Corcoran asked how these projects can be learned from, scaled, and replicated across the country.

Ms. Corcoran thanked attendees for their time.

Ms. Donovan thanked Ms. Corcoran and invited Mr. Bynum to speak.

Presentation on Banking Deserts, by William (Bill) J. Bynum

Mr. Bynum mentioned that he didn't get on the Board until President Bush appointed him, and then he served during all the years of his administration and the first few years of President Obama's administration.

Mr. Bynum noted that he started in the industry 36 years ago at Self-Help in North Carolina, adding that the industry has experienced significant growth although there is still much work to be done.

Mr. Bynum referenced a group put together by the Bill and Melinda Gates Foundation of which he was part in order to take a serious look at poverty in the United States and to address mobility from poverty. Mr. Bynum noted that it was based on research done by economist Raj Chetty.

Mr. Bynum showed a map illustrating where mobility is greatest and where it is least in the United States.

Mr. Bynum stated Mr. Chetty observed 40 years ago that it is almost a 90% certainty that a child was going to earn more than their parents. Mr. Bynum noted that today, it is a coin flip, and in certain areas, it is even less likely.

Mr. Bynum addressed the map to highlight that low-mobility places overlap with places of

persistent poverty, and that the places where economic mobility is lowest are the same places from 50 years ago.

Mr. Bynum noted that the five states he works with are the ones highlighted: Alabama, Mississippi, Arkansas, Louisiana, and Tennessee, where one-third of the persistent poverty counties in the United States are located. Mr. Bynum noted significant overlap in places experiencing persistent poverty, low economic mobility, and where the rate of people who are unbanked is one half times the national rate.

Mr. Bynum stated that the presence or absence of a bank is a game-changer of responsible financial services. Mr. Bynum added that many of these places are targets for high-cost petty lenders, check cashers, and other financial predators who go in and fill the gaps. Mr. Bynum stated that after the financial crisis, data from Bloomberg revealed that roughly 2000 bank branches closed, 93% of them in low-income census tracts.

Mr. Bynum noted that education, access to healthcare, and access to housing are often treated as the important economic mobility ladders, but they are all driven by access to capital, which is a gap the CDFI Fund has helped to close. Mr. Bynum noted that his work mirrors the journey of the CDFI field: starting as a business lender, and expanding into mortgage lending.

Mr. Bynum stated that a recent analysis revealed a higher rate of manufacturing in the Delta compared to the rest of the country, but not the services. And so the CDFI Fund's evolution to focus programs that help support healthy food financing or charter school lending, targeting resources to focus on what's needed is absolutely critical.

Mr. Bynum reiterated that where indicators of economic mobility are lowest are also places where the persistent poverty is the greatest and where there is also lack of traditional financial services.

Mr. Bynum noted that his organization was created due to lack of affordable responsible financial services in low-income communities, particularly in communities of color in the Mississippi Delta, and many of these persistent poverty places are also places where there are high concentrations of people of color. Mr. Bynum stated that people who are most vulnerable are people who are less likely to have access to basic affordable responsible financial services.

Mr. Bynum noted that after the financial crisis the largest national bank in his region offered his organization 23 branches that they were closing because of their branch optimization strategy. Mr. Bynum noted that they had grown through mergers and acquisitions, and some of these branches that they acquired were not places that they ever intended to have a presence. Mr. Bynum recalled that in the Mississippi Delta his organization took four branches from Regions Bank.

Mr. Bynum recalled being introduced to the new communities by their mayors, who are expected to write proposals and know every federal program when they don't have the wherewithal to do so. Mr. Bynum stated that his institution became the economic development department for that community, adding that the community wanted jobs, schools, and access to health care.

Mr. Bynum noted that they could knock on their Members of Congress' door, or go to a foundation, or go to a bank and import capital. Mr. Bynum stated that his organization got several million

dollars from Goldman Sachs because they also ran the Goldman Sachs 10,000 Small Businesses Program, using it to invest in affordable housing development in Moorhead, Mississippi. Mr. Bynum recalled that it was built outside the city limits so that people in the city would not be able to vote for mayor.

Mr. Bynum noted that the last several of those homes will be renovated this year, and the residents now own those homes, adding that it is a game-changer in any community to have decent affordable housing and access to a bank. Mr. Bynum stated that the CDFIs play this role, although they are fighting the same fights they fought years ago.

Mr. Bynum stated that it is crucial for this advisory board to think about closing the gaps in vulnerable places. Mr. Bynum noted that after the financial crisis hearings were held and experts were brought in, because the banks were closing and the only lifeline people had in vulnerable communities were CDFIs.

Mr. Bynum noted that he believes those lifelines are still needed, perhaps more than they have been any time since the '60s. Mr. Bynum cited wealth gaps, and stated that the Board should be having conversations and having hearings designed to close those gaps.

Ms. Donovan thanked Mr. Bynum and invited Mr. Desiderio to speak.

Presentation on Native Financial Services, by Dante Desiderio

Mr. Desiderio stated that his organization, NAFOA, focuses on economic development for tribal governments, with about 120 different governments from all around the country as members. Mr. Desiderio noted that there are many different experiments playing out in the country with tribes, using their sovereignty and self-determination. Mr. Desiderio noted the difficult in learning different government programs and services, and all additional obligations required just to pull off deals.

Mr. Desiderio gave an example of a community-owned, tribally-owned business, and the first place they went when looking for advice on where to go was looking at the federal government or local banks. Mr. Desiderio noted that local banks turned them down for a loan for a number of reasons, but one of the main reasons was collateral, due to lack of land ownership on federal trust lands.

Mr. Desiderio recalled that the tribe then went to USDA, but USDA felt the deal was too small or the field office wasn't familiar with Indian Country and so they passed on the loan. Mr. Desiderio then recalled that the tribe went to a CDFI which had not done business with an Indian tribe before, but in the end it went through the underwriting with the CDFI, and the CDFI turned them down.

Mr. Desiderio noted that the tribe went back to the CDFI, but was turned down again, and then went a third time, and the CDFI made an exception. Mr. Desiderio stated that the CDFI's position as a community-based organization was "if we don't help you, who else will?"

Mr. Desiderio stated that he wanted to tell this story to highlight the importance of the Native CDFI Program, adding that there's about 70 of them throughout the country who have all sorts of different obligations and different definitions of community but, in the communities they serve, they are often the lifeline for getting reasonable cost-effective capital for businesses, consumer services, and housing. Mr. Desiderio noted that they are also the ones who are looking at underwriting differently, and they are the ones who pool together other federal programs and work hard to build the financial capacity of the constituents that they serve.

Mr. Desiderio noted that the Native CDFI Program is one of the more successful capital programs in Indian Country, and is one of the only resources in some of these communities.

Mr. Desiderio returned to the story to mention that this CDFI in one of the Dakotas was doing well and building this economy around a couple of reservations, the growth rate of the economy that these CDFIs were serving was growing at a faster rate than the state, and normally when that happens there are other banks that step in. Mr. Desiderio noted, however, that this did not happen.

Mr. Desiderio stated that in a policy discussion, that means that we need other capital to come in and feel more comfortable. Mr. Desiderio noted that the New Market Tax Credit skips their population, and when relying on good will in building relationships, their community is the exception for the New Market Tax Credits. Mr. Desiderio remarked that it is the same for Low-Income Housing Tax Credits.

Mr. Desiderio noted that his organization is also looking at the CRA, which has skipped Indian Country as well.

Mr. Desiderio stated that they have health centers, community facilities, schools, and everything else, but if they can't change the way banks look at Indian Country, they'll be at a disadvantage.

Mr. Desiderio suggested that they need to try something different on the flow of capital, and incentivize banks to come into Indian Country. Mr. Desiderio noted that he sees that role growing and the role of the CRA coming in to fund the CDFIs. Mr. Desiderio mentioned the idea of building out the grocery store that has healthy foods with the tribe's own products from their farms, but noted that can only happen with larger deals, requiring more partnerships to come out.

Mr. Desiderio noted that he wanted to leave this part of the conversation with a positive message that these CDFIs are working and there should be more of them in Indian Country. Mr. Desiderio also noted that they should have more funding. Mr. Desiderio encouraged attendees to think about what the federal government can be doing to add additional services and to change the flow of capital to help these communities.

Ms. Donovan thanked Mr. Desiderio.

Presentation on FinTech, by Melissa Koide

Ms. Koide stated that after leaving the U.S. Treasury Department, she founded a nonprofit research organization, FinRegLab, adding that this organization was stood up in reaction to four and a half years leading a team at Treasury tasked with making sense of the increasing role of technology and data in consumers' financial lives.

Ms. Koide noted that she met with hundreds upon hundreds of advocates including consumer advocates, industry advocates, and incumbents. Ms. Koide stated that research to indicate implications for consumers and implications for regulation and policy to aid the safe adoption of data use and technologies in our financial system was lacking.

Ms. Koide stated that FinRegLab is running experiments to provide independent analysis of data and technology used in retail financial services. Ms. Koide noted that this is an opportunity for CDFIs themselves to evolve and use technology and data that can be helping to bring down the cost of serving individuals who often are higher cost to serve, who have higher consumer touch engagement needs. Ms. Koide noted that these findings come from her organization's experience using Direct Express Card in delivering benefits to millions of individuals across the country.

Ms. Koide noted that the use of data and technology by banks and nonbanks can be a means for generating benefits and positive outcomes for consumers and small businesses in communities, but it can also be a risk.

Ms. Koide stated that the use of technology and the use of data that can be used by banks or nonbanks is distinct from the role of nonbanks or fintechs, entities that are leveraging data and technology themselves, but as nonbank entities, sometimes independently from the banking sector, adding that this may be an area of opportunity for CDFIs as well. Ms. Koide noted that whether data technology will be a force for good or harm is dependent on the laws and rules that govern that technology.

Ms. Koide added that important factor for whether or not fintech, and data, and technology are a force for good comes back to the access to capital for the firms who are leveraging and using these sources of information. Ms. Koide noted that CDFIs have challenges of getting patient capital to help them last for the long-term, and this is also true for fintechs.

Ms. Koide noted that policymakers' understanding and stakeholders' understanding of the business models of fintech and technology data will be important for establishing the rules for governing them.

Ms. Koide stated that it is really the sophistication and speed of the computers and the processing that is changing the landscape of how consumers, small businesses, and communities are affected by data and technology and fintech entities. Ms. Koide noted that CDFIs and the Fund itself have an opportunity and a responsibility to understand, evaluate, and guide the way in which data technology and fintechs operate in communities, as the CDFI Fund is at the forefront of understanding the implications of data and tech in the financial system that are at the heart of the lives of underserved communities and individuals.

Ms. Koide noted that prior generations of nonbanks such as payday lenders and check cashers have existed in underserved communities for generations. Ms. Koide stated that now the data is so accessible, whether it's financial data other types of data that can be deployed in rapid time, whether it's around identifying an individual for access to the financial system. Ms. Koide stressed the importance of that especially along the border, where individuals are legally allowed to access the financial system while lacking the identity that is required by the banks. Ms. Koide noted the opportunity for thinking about and leveraging new types of data, adding that nontraditional data can be advantageous for evaluating small businesses and consumers who may not have a traditional form of credit score.

Ms. Koide stated that after independently evaluating cash flow data in underwriting, comparing that with FICO and VantageScore, findings revealed that the data is predictive, and in many cases equally predictive to FICO and VantageScore. Ms. Koide noted it enabled lenders to underwrite to borrowers who did not have a FICO or a VantageScore.

Ms. Koide noted that they asked whether this data can enable lenders to serve underserved populations, and the answer is yes. Ms. Koide commented that the data was evaluated to assess its predictive power, even among subpopulations, adding that they asked if it is independently evaluating and can predict risk without proxying with or correlating with protected classes. Ms. Koide noted that the answer is yes.

Ms. Koide stated that the CDFI Fund could better focus on understanding how fintechs can be used for underserved populations, adding that there are positive developments with using data for personal financial management tools helping individuals meet their near-term goals and longer term financial aspirations.

Ms. Koide cited companies Honest Dollar and Steady that are aiming products at 1099ers and gig workers. Ms. Koide added that there are companies in the U.K. bringing the financial picture of the individual back to them to notify for risk of delinquency. Ms. Koide specifically mentioned U.K. company Air, which is thinking hard about the incentives of business and the value to notifying a borrower before they are harmed by not making a timely payment.

Ms. Koide noted that part of what's driving this opportunity for the positives around data and technology use are the fact that that data and technology can be lowering some of the costs associated with serving all consumers. Ms. Koide noted that one take-away from implementing the Direct Express card is the way in which individuals were in need of understanding what their balance was and when the payments were going to be hitting the Direct Express account. Ms. Koide added that real-time balance alert via mobile device meant a lot for the individual and saved money by avoiding a customer service call.

Ms. Koide noted the importance of banks as anchors in communities, comparing it with the importance of accessing information in a timely fashion on your mobile device that is personalized to consumers and their needs.

Ms. Koide stated that the opportunities are significant, but so are pressing questions around the risks and potential harms. Ms. Koide mentioned that data privacy and data security are really pressing, adding a list of important questions to pose concerning liability and responsibility.

Ms. Koide acknowledged that these questions extend beyond the focus of the CDFI Fund, but recognized the importance of understanding the CDFI Fund's role in these evolving questions nonetheless.

Ms. Koide listed other factors being considered including Gramm-Leach-Bliley and the Fair Credit Reporting Act, with respect to nontraditional data being used in underwriting, adding that they are working to avoid solidifying a two-tier financial system. Ms. Koide noted that the individuals in underserved communities are the individuals who are going to sort of see the benefits but also the potential risks.

Ms. Koide suggested the CDFI Fund could contribute research and supporting research, dedicating more time, effort, and energy to understanding where technology and data use may be advantageous and where it may be harmful. Ms. Koide referenced discussion around the CRA, and expressed support for thinking through what a modernized CRA looks like.

Ms. Koide cited her work on the CDFI Loan Loss Reserve Fund. Ms. Koide recalled that the House bill had \$10 million in it, while the Senate has zero. Ms. Koide stated that there is an opportunity to study, assess, and understand but also take an active hand in trying to drive alternatives to high-cost credit, as well as testing new strategies around data use for underwriting.

Ms. Koide suggested that patient capital is a longstanding issue for CDFIs, and added that thinking about patient capital, and enabling and supporting CEOs who are building products that are aimed for good would be an important role for the CDFI Fund. Ms. Koide closed and thanked Ms. Donovan.

Ms. Donovan thanked Ms. Koide.

Ms. Donovan asked the panel to consider the rapidly changing environment, the use of data and technology, and problems in communities in discussing how to align and increase scale and impact.

Mr. Bynum stated that the CDFI Fund has to understand different federal resources. Mr. Bynum acknowledged that state and local resources are a major part of his region. Mr. Bynum noted, however, that state budgets are thin, and added that CDFIs are critical institutions because they can mitigate the things which people can't control, like where they were born and raised and their gender. Mr. Bynum noted that someone who has more relationships, more so than the local mayor, like the CDFIs can provide these valuable resources.

Mr. Bynum suggested that a way to equip those resources is to put a thumb on the scale at the CDFI Fund to make sure that resources are focused on places and people that need it most. Mr. Bynum referenced the reality of politics and the Electoral College to suggest that he doesn't believe that happens. Mr. Bynum stated that he believes that's why the CDFI Fund was created 25 years ago.

Ms. Donovan asked if others had comments.

Mr. Desiderio suggested that CDFIs are responsive to the communities that they are serving in trying to make headway in those communities, whether via environmental impacts or lending practices. Mr. Desiderio stated that on the other hand the federal government needs to be engaged in serving minority communities.

Mr. Desiderio stated that the motivations for the financial services industry are centered on the shareholders or the corporate aspects of it, and that the federal government needs to play a role in making sure fintech is serving communities.

Ms. Corcoran noted that it can't just be CDFIs, adding that CDFIs are the local experts and should be the expert voice in their community and there should be an appreciation for the diversity of the communities and the ways in which CDFIs can support these communities, but it can't just be CDFIs expected to solve these huge problems.

Ms. Donovan opened the floor for questions.

Questions from the Board

Board Chair Jett recognized Board Member Gwin for a question.

Member Gwin asked Mr. Bynum how he would invest \$10 million right now, and how he would use it to serve more people and reach more places.

Mr. Bynum stated that it is important to listen to people in the communities in order to bring resources where they are needed most. Mr. Bynum noted that he would focus resources on equipping communities to take control of their future. Mr. Bynum stated that he would do everything he could to anchor resources in the realities that communities experience.

Board Chair Jett recognized Board Member Fairchild for a question.

Member Fairchild stated that he would like to ask a more direct question. Member Fairchild referenced the discussion during Ms. Koide's presentation to ask if panelists would rather have CDFI Fund-created data sets or direct funds put into the communities.

Mr. Desiderio stated that he is not sure that studying his communities any more will change things, adding that the need is so obvious that it should be prioritized over looking at data to figure out nuances. Mr. Desiderio offered an example of being on tour of Indian Country with the Office of the Comptroller of the Currency to make the point that it's not necessarily capital need but steering capital into Indian Country that is the priority, adding that his organization spends a lot of time building relationships with banks and other organization to do that.

Mr. Desiderio acknowledged that Member Fairchild's point is valid. Mr. Desiderio referenced concern over consideration for CRAs, and that the New Market Tax Credits are the only form of patient capital that comes in. Mr. Desiderio stated that the frustration exists in needing programs to pay attention to Indian Country, and restated that the needs there are obvious.

Board Chair Jett recognized Board Member Bautista for a question.

Member Bautista applauded both panels and thanked Ms. Donovan for her outreach efforts. Member Bautista acknowledged that CDFI has a significant role in economic development, and that out of the 1,100 CDFIs there are probably fewer than five doing mortgage loans. Member Bautista asked the panel's opinion on increasing more home organization through CDFIs.

Ms. Donovan asked Board Chair Jett permission to step out of her role as moderator to answer a question. Board Chair Jett recognized Ms. Donovan.

Ms. Donovan responded that nothing stands in the way of more CDFIs doing that, and suggested that there may be more CDFIs doing that as well, referencing the banking segment and the credit union segment of the CDFI sector.

Director Harris asked Member Bautista for clarification on the question, then stated that for banks and credit unions it is the mortgage loans that are the bulk of their portfolio.

Mr. Bynum stated that CDFIs and particularly regulated CDFIs are largely in the data business, and added that he welcomes as much data as is possible to receive because it is relied upon to make decisions. Mr. Bynum stated that what is lacking across the industry, particularly in the most impoverished places is equity. Mr. Bynum noted that the balance sheets of CDFIs when comparing urban areas to ones in rural areas, and comparing ones led by people of color to ones that are not led by people of color, a wide disparity is evident.

Mr. Bynum noted the importance of foundation funds in our ability to do our work, and compared per capita philanthropic giving in the Delta and Appalachia to New York and San Francisco. Mr. Bynum noted that the distribution of funds the CDFI Fund has overseen exacerbates those gaps.

Mr. Bynum stated that New Markets has made winners and losers in the industry, adding that the organizations which have gotten repeat large New Market awards are not in Indian Country, or in the Delta, or in persistent poverty areas. Mr. Bynum emphasized making sure the people and places that need it most benefit greatest from CDFI Fund resources.

Board Chair Jett recognized Ms. Koide for a comment.

Ms. Koide acknowledged hearing Member Fairchild's question, and added that her comments centered on access to transactions, savings, and credit products rather than creating jobs. Ms. Koide state that the CDFIs who are thinking about access to credit for the business of consumers, unlike banks are worth recognizing, adding that there is an opportunity to test new methods of underwriting.

Ms. Koide noted that the cash flow evaluation for small-dollar credit is predictive, and that CDFIs who are thinking about mortgages also have an opportunity to be testing new types of data to assess underserved communities.

Ms. Koide stated that some of the significant policy actors in the mortgage space are thinking

about new types of data for underwriting to get at new methods for evaluating access to what is a long-term asset opportunity.

Mr. Desiderio commented that he supports that for the underwriting and different forms of credit building.

Mr. Bynum stated that while he was the chair of the CFPB advisory board, the first charge was to respond to the mortgage crisis. Mr. Bynum noted that the Fair Housing Act is under siege now. Mr. Bynum noted that there are tools which could address issues if they're enforced, but added that there is a disturbing trend of moving away from making sure the most vulnerable are served by responsible, affordable financial products and services.

Board Chair Jett asked if that adequately addressed the question, then recognized Board Member Jones for a question.

Member Jones referenced an example of customers being unable to meet bank standards, but improved their status through a finance company, and added that there was change in regulation that prevented that, so the finance company had to close. Member Jones continued stating that payday lenders then moved in because there was a gap in the credit needs of the community, and added as a competitor he understands the demand for those services.

Member Jones noted that many of the customers of the payday lenders happen to be customers of his bank, adding that it's common to get a loan for a short term that fills the immediate problem. Member Jones stated that he feels his bank is good at getting a sense of the community needs and creating a product. Member Jones referenced a small business owner who doesn't have a paycheck and a farmer that has a 1099 as customers that don't fit the traditional mortgage market.

Member Jones stated that if his bank did not exist, you would want to invent them, adding that he mentions this because he challenges everyone to find a way to leverage the capabilities already available. Member Jones commented that under the student lending debt forgiveness if you happen to be in the medical field or public education, you can earn your way out of a student loan. Member Jones suggested a similar program for those who work in a CDFI. Member Jones mentioned that when talking to students on university campuses, they never know that his business exists.

Member Jones stated that he calls it the T-Factor at his institution, adding that it refers to "what we can do versus what we can't." Member Jones stated that he believes we can solve the problems discussed if the freedom to solve them without punishment is made available.

Mr. Bynum remarked that if CDFIs are doing the kinds of things Director Harris describes, the people being served will understand and appreciate that. Mr. Bynum added that people in communities he serves are justifiably skeptical of financial institutions, noting that they have historically not been served, they have been redlined, and they have had their land taken away.

Mr. Bynum referenced a study demonstrating that people of color, even people who are middle and upper income, are more likely to go through a payday lender than a bank because they felt

that they would get a positive response, more positive than they would going through a traditional bank.

Mr. Bynum stated that he believes those decisions are made in a rational way, and added that the CDFI Fund has to do a better job making sure that CDFIs are capitalized and equipped to do the work they were created to do. Mr. Bynum suggested that a mission test would help make sure the communities and people who need them most get the services they deserve.

Board Chair Jett recognized Board Member Manger for a question or comment.

Member Manger stated that one of the things often suggested to SBA which could be helpful to the CDFIs is measuring outcomes, rather than just outputs. Member Manger noted that the majority of the time at SBA loans and their dollar amounts are counted, but there's no follow up to see what has actually happened to the recipient of that loan.

Member Manger stated that they have some micro lenders who repay the loan fully and yet their business has actually gone out of business. Member Manger noted that many times they don't know that because they don't capture that data, they just look to see if the payment has been made on time. Member Manger referenced Mr. Bynum's statement that not all CDFIs are created equal, and advocated for interaction between the CDFIs so that those which are struggling could learn from those that are successful.

Member Manger suggested that this would lead to more effectiveness, and added that he is working with other federal agencies to figure out how the SBA can capture outcomes of programs rather than just the number of loans and dollars given out.

Member Manger stated that, for example, it would be essential to know the revenues of a business five years after the loan is made, adding that this is basic information that if captured can be shared to compare with others. Member Manger noted this could strengthen the entire CDFI program. Member Manger reiterated that it is important to measure not just outputs but outcomes to ensure that programs are doing what they are intended to do.

Ms. Koide responded to that by questioning how to calibrate evaluation of the program when half of small businesses fail anyway. Ms. Koide added that thinking about likelihood of success would be important to designing the kind of research that could be done in this area.

Ms. Corcoran noted that the CDFI Fund does collect information on the number of jobs created by small business investment and by CDFIs, adding that it is worthy of additional critical thought and consideration and understanding of how the data can be crafted.

Ms. Corcoran noted that in terms of sharing best practices, Federal Reserve outreach staff coordinate convenings of CDFIs so they can share learnings.

Board Chair Jett recognized Member Bautista for a question.

Member Bautista deferred to Member Fairchild, who was raising his hand.

Member Fairchild thanked Member Bautista and Board Chair Jett. Member Fairchild stated that his suspicion is that a data set that included Mr. Bynum would cover five states. Member Fairchild noted it would be great if all the data could be rolled up into one large data set.

Member Fairchild stated that whether or not there is a 50% failure or success rate, more data allows for better prediction across space and time. Member Fairchild noted that he suspects that across Indian Country, having a large scale data set that controlled for all of those factors would lead to just a better sense of what's being done.

Member Fairchild noted that having large scale data sets that show why for-profit entities should be interested would be useful over time.

Board Chair Jett recognized Mr. Desiderio.

Mr. Desiderio thanked Member Manger for bringing up the SBA measurements, and added that measuring things in Indian Country for gaps is especially important, particularly for the difference in underwriting. Mr. Desiderio noted, however, that communities feel like there is a lot of data already collected, and it may not necessarily be used to better programs for the communities.

Mr. Desiderio noted that what we do with the data is a key question, asking where it is possible to do a recapitalizing business correctly. Mr. Desiderio added that asking the right questions on that data set is important, and it would be helpful to take a look at how we respond to data.

Board Chair Jett thanked the panel and recognized Director Harris.

Update on the Subcommittees, by Director Harris

Director Harris noted that the Board will have a chance to reflect on the two panels, noting that the purpose of having the panels today was not just to look at the last 25 years and think about the role of CDFIs, but it was also to give some input into how the CDFI Fund moves forward as well as how the Community Development Advisory Board advises the Fund.

Director Harris thanked Member Bautista for comments about the panels being great, noting that she shared that sentiment and thanking the team for helping to brainstorm who to bring to the table. Director Harris stated that next up is talking about subcommittees, which are the vehicles of the Advisory Board that typically helps to provide the most information to the CDFI Fund, with one around certification and the other around persistent poverty county work.

Director Harris remarked that each of the subcommittees has met twice so far, and the next step for each of the subcommittees is hinged on the publication of Federal Register, specifically requests for comments related to both persistent poverty and to CDFI certification. Director Harris added that subcommittees are going to be utilizing the request for comments as a framework to organize its recommendations on persistent poverty and CDFI certification to the full advisory board.

Director Harris noted that a delay in getting started this calendar year had an effect on other

supporting roles, meaning both of the requests for comments will not be published until a few months from now.

Director Harris called for questions.

Director Harris stated that she takes a lot of notes, and as a consultant she learned how to organize. Director Harris remarked that she came up with four groups in listening to the panels.

Director Harris noted that the first thing is geographic lens and looking at geographic equity, referencing the discussion around place-based strategy and the unrepresented groups. Director Harris stated that she liked the phrase poverty traps, because there are places where there are continuous disinvestment or a lack of investment which could be a focus for additional CDFI Fund work as well as the broader CDFI industry.

Director Harris noted that rural areas were a very hot topic in the first panel, and added that it resonates closely with a lot of the work of the Board members. Director Harris suggested looking at upward mobility, the areas that are impacted by the bank deserts, Indian Country in particular. Director Harris added that she had the opportunity to attend the aforementioned trip with the Office of the Comptroller of the Currency. Director Harris noted that it is striking to go somewhere and see that the things we take for granted are absent.

Director Harris noted that taking a look at the geographic diversity of CDFIs and the work that they do could be the focus on a new subcommittee. Specifically, looking into how does the CDFI Fund, within the confines of its appropriations and work, identify those areas that have not been served and ensure that they get the resources that they need.

Director Harris noted that the second area of focus that jumped out to her was a renewed focus on looking at impacts and outcomes, and measuring that. Director Harris referenced a comment about best practices and data and how do we figure out, are we measuring the right types of outcomes, how do we figure out where that data resides and how it can be useful to CDFIs as well as with the CDFI Fund. Director Harris noted that this is a very important place to look at, particularly with some of the work around certifications.

Director Harris stated that the CDFI Fund financial strategies and research team has been looking at that and looking at the data collected through the annual certification report, as well as looking at our transaction level report to see if there's data that can be aggregated across all CDFIs

Director Harris noted that the third area of focus that jumped out at her was around capital, adding that she heard a lot about secondary markets and the need for liquidity. Director Harris mentioned that she was talking at lunch, particularly with Board Member Dingus Brook, about the philanthropic community, funding innovation, and making up for long-term patient capital that isn't currently out there.

Director Harris noted the question of level of scale and flow of capital to that CDFI that reaches that level of scale.

Director Harris stated that the fourth category that jumped out today was about partnerships and collaboration, noting the importance of thinking about how the CDFI Fund collaborates with other federal agencies, particularly our partners on the Board, in terms of sharing resources.

Director Harris questioned how CDFIs connect at the state and local levels to be able to tap into those different types of resources, and if there are other resources that we're missing in terms of partnering and collaborating, particularly when it comes to the larger financial institutions and with the Community Reinvestment Act undergoing review, and are there places there where there could be some more intense collaboration with CDFIs.

Director Harris asked what CDFIs have done well in partnering, and how can the CDFI Fund leverage that to help build the capacity of CDFIs.

Director Harris opened the floor to the Board to provide feedback.

Board Member Dingus Brook commented to address the term "poverty trap." Board Member Dingus Brook noted that the language might be counter-productive.

Director Harris agreed and recognized Board Member Gwin.

Member Gwin stated that he's been talking a lot about impacts and outcomes, and that it's an area the CDFI Fund really needs to focus on a little bit, because the historical industry is all about job creation. Member Gwin noted that what's going on in the economy these days is about sustainable wages, living wages, good jobs, growing the GDP of the communities we serve.

Member Gwin referenced Member Fairchild's comments and cautioned against getting caught in a trap and a recession if they have to go tell everybody that our companies didn't create any jobs and that's the only measure out there to work from.

Member Bautista asked if capital gaps is a way to encourage more of the banks to invest on CDFIs.

Director Harris stated that it is one part of the capital gap, and there are various sources where CDFIs are able to leverage capital but there are probably ways to increase the flow in capital to CDFIs.

Member Bautista stated that she agreed, because a lot of the banks don't know the value of CDFIs. Member Bautista noted that it is easy for them also to invest in the CDFI because they got the infrastructure and it's easier to do underwrite, but there's a lot of smaller CDFIs that have outcomes, and actually in talking about the outcomes and impact, they do not get a chance to get funding.

Board Chair Jett stated that he observed that the four groups Director Harris focused on could fit under two groups: financial assistance and technical assistance. Board Chair Jett noted that one is making sure that resources are available and how to use those resources. Board Chair Jett advocated for taking a break to think about how best to serve the market that depends on bring the best possible practice.

Board Chair Jett cited Opportunity Finance Network's upcoming conference as a place to share best practices.

Board Chair Jett, further discussing the equity versus data question, noted that in Oklahoma a statewide survey found that there was equal dissatisfaction in software programs regardless of which program was being used.

Board Chair Jett discussed spreading numbers, and the frustrations of banks having expensive software that rolls out all of the reports and drops all the data into the right place, when CDFIs are doing it by spreadsheet.

Board Chair Jett advocated for a collaboration between academia and government to get the right technologies applied in CDFI country so that more can be done with less.

Board Chair Jett commented that in Indian country and in the CDFI world across the board capital is deployed but nobody wants to buy the loan so recapitalization is impossible. Board Chair Jett noted that CDFIs can deploy a TED bond and it's a junk bond on deployment, and nobody wants to buy it. Board Chair Jett compared this practice to that of oil drilling in Oklahoma.

Board Chair Jett observed that we need to bundle some loans so that when loans were deployed, recapitalization is possible because the market will be willing to purchase them, and if the market doesn't want a bundle of CDFI loans, the loans need to be bundled with the non-CDFI world so that risk is diversified.

Board Chair Jett mentioned marketing, noting that augmenting marketing budgets so that more low-income communities are familiar with the products, which means there will be more demand for resources, would be beneficial. Board Chair Jett noted that marketing is important to tell the CDFI story and to leverage a message where best practices and software are used as a force multiplier.

Member Chapa agreed with Board Chair Jett about marketing, and mentioned that people still do not know what CDFIs are. Member Chapa noted that a lot of government agencies and Members of Congress also do not know what CDFIs are. Member Chapa stated that growing up, she did not know what philanthropy was, and noted that more awareness is necessary.

Director Harris stated that if there are more comments on potential topics for the next subcommittees, the team will synthesize the information and put forth ideas to the Board.

Director Harris noted that she wants to be able to act on these suggestions, noting that the areas of education and technical assistance, within the confines of the CDFI Fund's appropriations, would be the lens through which they'll look through many topics. Director Harris noted that this will be done after this meeting.

Member Alvord stated that the discussion of finite resources came up frequently and asked what opportunities might exist to leverage existing federal programs to support those efforts. Member

Alvord noted that he is thinking in terms of Ms. Corcoran's presentation and the data that are going to be coming out in early October about the emerging items that are coming up on the radar.

Director Harris agreed with Member Alvord.

Member Jones reiterated that the work is being done but impediments are prohibiting or inhibiting the ability of CDFIs to do the job they are trying to do. Member Jones mentioned infrastructure, and encouraged an enumeration of what capacity might be to elevate the structure that already exists so that it can work better. Member Jones remarked that systemic headwinds can be solved through collaborative effort, and reiterated the sentiment that if this isn't fixed, it will continue to be a topic of discussion.

Member Gwin agreed with Member Jones, and stated that a lot of organizations are doing great work and when going to philanthropic or government partners, often they require the creation of something new to be able to access money. Member Gwin stated that he appreciates the SBA microloan program.

Closing Business

Board Chair Jett asked the Board for any more questions. Board Chair Jett stated that, seeing none, he would entertain a motion to adjourn.

Board Chair Jett, having a motion and a second, concluded the meeting.

Board Chair Jett thanked Director Harris and her staff and the Board Members for partnering with the CDFI Fund and sharing this day to celebrate 25 years of incredible work.

Board Chair Jett adjourned the meeting at 3:01 p.m.

Respectfully submitted,



Shane Jett
Chair
Community Development Advisory Board