

The African American Alliance of CDFI CEOs (the Alliance) is a newly formed coalition committed to 1) closing the wealth gap that exists in Black communities and among Black populations in the United States and 2) identifying opportunities that will result in greater investments in the organizations led by these CEOs.

Over two years ago, in February 2018, 20 African American CEOs of CDFI loan funds convened in Raleigh, North Carolina at the offices of Carolina Small Business Development Fund. The purpose of the meeting:

- to discuss capital challenges experienced by these leaders
- to explore common interests for collaborations
- to share best practices and to ask questions about growth strategies, capacity building, and products and services from peers
- to hear from several impact investors who were invited to the session about their programs and the opportunities available to participants to partner with their organizations.

Some of the CEOs in the room were meeting each other for the first time; others had worked on initiatives together over the years, or they had crossed paths occasionally as co-panelists or presenters at conferences and other public events. While this meeting may have represented the first time that this large a group of African American CDFI CEOs had come together to discuss challenges and opportunities in their field, they all left the meeting committed to becoming a unified voice on issues of importance to the group and to the communities they serve.

Alliance members were interested in identifying investor allies; however, they also recognized the importance of relying on their own skills, abilities and resources to build the Alliance infrastructure and to support each other's organizational and developmental growth.

In 2019, the Alliance was officially established through a Memorandum Understanding, and today 37 CEOs of CDFI loan funds are part of the coalition. These members support the Alliance not only by participating in meetings and on committees, but also by paying annual dues to support operational expenses. Having "skin in the game" has been a priority, and 100% of the members have contributed to this effort.

I have the honor of serving on the leadership team, along with Calvin Holmes (Chicago Community Loan Fund), Victor Elmore (Texas Mezzanine Fund), Inez Long (Black Business Investment Fund of Florida) and Vandell Hampton (True Access Capital).

Members represent CDFIs focused on affordable housing, education, small businesses, and other sectors. Their institutions operate in all 50 states and the District of Columbia and serve major cities in the most populous states such as California, Florida, Illinois, New York, Pennsylvania and Texas, as well as regions such as Appalachia and the Delta.

African Americans bring diversity to our nation—yet there is also diversity within the African American community itself (for example, the experience that African Americans have in Chicago, Illinois, is not the same as in Miami, Florida). By embracing the differences in experiences and leveraging the regional knowledge of CDFI executives, the Alliance believes deeper, more sustainable impact is possible.

The Alliance now seeks to engage a broader audience in support of its vision to:

- Grow the network of African American CDFI CEOs and strengthen their fiscal and impact capacity using best practices to facilitate social and economic advancement in their communities. Members are focused on:
 - Loan capital
 - Net assets
 - Operating budgets
 - Training and development programs for themselves and their staff
 - Leadership capacity and
 - An ability to scale their community and economic development revitalization efforts and investment strategies
- Advocate for institutional and public policies addressing the barriers to community and economic development, Black business growth, wealth creation, and financial protections in African American communities.

- Create a digital marketplace of Black-owned firms to help Alliance members expand their capacity and efficacy while providing marketplace firms with increased revenues to expand wealth creation in the African American community. Ultimately, the Alliance hopes the marketplace will also be a platform that the public and private sectors will utilize to expand Black enterprise.

MEMBERS' EFFORTS TO CLOSE THE WEALTH GAP

COVID-19, the economic downturn, and the recent mass protests sparked by George Floyd's death have illuminated the racial and income inequities in this country. Even before these events, Alliance members were focused on the systemic and social barriers that keep persons of color from achieving and enjoying economic success. Members were concerned about studies showing that:

- The median wealth of White households is 20 times that of African American households in the U.S.
- African Americans are almost three times less likely to have a bank account compared to the general population.
- Only 44 percent of African Americans own a home compared to 73.5 percent of White Americans.

Alliance members have attempted to close the capital access gap for Black Americans and entrepreneurs, especially since the pandemic, which has seen the African American population being among the hardest hit by COVID-19.

Hope Enterprise Corporation has issued 2,700 Paycheck Protection Program loans so far, 80% of which were distributed to entrepreneurs of color.

Capital Impact Partners has launched an Equitable Development Initiative to ensure that real estate developers reflect their communities' diversity and that minority real estate developers are able to participate in growth and revitalization efforts.

The Black Business Investment Fund of Florida is using bank investments to ensure Black and minority businesses survive COVID-19 by providing much-needed technical assistance.

Even though it is not a small business or PPP lender, the **Chicago Community Loan Fund** still set up overnight a virtual pop-up call center for small businesses and non-profits that routed over 100 organizations who believed they had been shut out of PPP.

These are just a few examples of how Alliance members are on the frontlines providing relief for vulnerable communities. For members to better support their communities, they need to have sufficient resources to do so. Yet too often, these CDFIs are challenged by the same issues that afflict the communities and populations they serve: lack of access to affordable capital, to technology, and to relationships that will lead to more abundant resources.

ADDRESSING THE NEEDS OF BLACK-LED CDFIs

In addition to wealth gaps in their communities, Alliance members are concerned about trends within the CDFI industry itself. An April 2020 analysis by the Hope Policy Institute found that minority led CDFIs are seriously undercapitalized and that disparities persist in the amount of resources allocated to support their work.¹

For example, in reviewing data from the CDFI Fund's Institutional Level Report, the Institute found that although the average asset size for white-led CDFIs increased from \$58.1 million in FY2014 to \$169.7 million in FY2017, for minority-led CDFIs the average asset size remained the same at approximately \$71 million. White-led CDFIs, with lower average assets in FY2014, reported increases that more than doubled, while minority-led CDFIs reported no significant differences across the same period.

The Institute concluded:

These disparities have significant implications for CDFIs' ability to do their work and grow. Asset size is important for acquiring collateral for investments and other funding opportunities. Investors perceive large assets as an indicator of an organization's ability to manage more funds or debt. Generally, when CDFIs have smaller asset sizes, their ability to leverage resources for the communities they serve is limited. Although white-led CDFIs with smaller average asset sizes than

¹ "Closing the CDFI Asset Gap," dated April 21, 2020. Hope Policy Institute.

their minority-led counterparts in FY2014 were able to expand their average assets by FY2017, minority-led CDFIs now face the barrier of smaller asset sizes when advocating for their own growth or investments.

To grow and thrive, Black-led CDFIs need

- Grants and equity investments -the most difficult money to raise--to provide a cushion for operating expenses and other uses
- Low-cost, long-term, flexible capital to lend and invest in others
- High-performing enterprise software solutions and
- Developmental services that include mentorships, technical assistance, and other forms of support
- Greater access to CDFI Fund programs

Supporters such as Finastra, the third largest fintech company in the U.S.; JP Morgan Chase, USBank, the McArthur Foundation and the Isenberg Family Charitable Foundation have provided technological and financial support to help the Alliance begin to build its capacity. But more investors willing to provide Alliance member organizations with long-term, sustainable support over several years in the first four areas noted above are also needed. The comparatively small assets of Black-led CDFIs mean that these institutions attract less capital to support growth and market expansion, enhance their technology, market their products and services, and meet communities' credit needs.

OUTLOOK

Due to generations of institutional racism, discrimination, and disinvestment, minority communities are particularly vulnerable to economic downturns and are left behind in periods of recovery. Early signs during this crisis are not favorable to the plight of African American communities, particularly for small business owners. The owners that did not receive federal assistance are struggling to keep their doors open and avoid the cascading effect of losing both their businesses and their homes.

CDFIs are uniquely positioned to address the issues of access to capital and technical support. The Alliance is the only organization leveraging African American CDFI CEOs' decades of expertise, relationships and intellectual capital to

change the odds and the outcomes for African Americans in underserved communities across America.

Most of the goals mentioned earlier reflect the Alliance’s shorter-term plans as it mobilizes to become a formal corporation. The longer-term impact objectives of the Alliance will be articulated in its first strategic plan, which will be completed in early 2021. The plan will detail the goals, objectives, strategies and tactics that the organization will implement to close the wealth gap and accelerate revitalization of African American communities through investments in Black businesses, affordable housing, commercial properties, health, education and community facilities.

The Alliance looks forward to continuing to work with mission-oriented partners to further its mission and growth.

Thank you.

.

.