Remarks by Caitlin Cain of Rural LISC to the CDFI Fund Advisory Meeting held on 8/27/2020

Thank you, Chairman Jett for the kind introduction and thank you to members of the Advisory Committee for having me here today. I am relatively new to the CDFI space, having spent the past 20 years as an economic developer and urban planning practitioner, working directly with communities and the business sector. As such, most of my feedback today will come from the vantage point of an economic developer as opposed to a more traditional lender.

For those of you less familiar with Rural LISC, we are a part of the national LISC network - one of the country's largest social enterprises supporting projects and programs to revitalize communities and bring greater economic opportunity to residents. Rural LISC partners with over 92 rural community-based organizations, including five financial intermediaries, helping to strengthen community investment, particularly in rural, minority and lower-income geographies. Together we are working to transform rural communities in more than 2,200 counties across 45 states.

We recognize that rural America is incredibly diverse, and because of this, our focus is equally multi-pronged. Rural LISC strives to address community development challenges in a variety of unique ways, including our 5 main focus areas: Access to Capital (grants and loans for housing and small businesses); Broadband/Infrastructure; Workforce; Disaster Planning; and Place Making.

I was asked to come today to discuss the future orientation of CDFIs and areas where organizations like mine can and should have real impact. Today, I want to highlight two critical, yet non-traditional, areas of focus that LISC has identified and responded to, and for which I see an ever growing role for CDFIs, especially in rural, minority communities:

The first area of opportunity is in strengthening upward mobility by investing in workforce and broadband infrastructure. Why is this needed? One of the most pressing issues facing rural America today, for which the pandemic amplified, is upward mobility which is directly correlated to one's ability to access the internet and corresponding workforce opportunities. Currently, 44% of low-income households in the U.S. lack internet access and (according to the FCC) ¼ of rural America lacks connectivity – this is a big problem for America's future workforce.

Because we at Rural LISC focus on high risk, rural communities, we know that an individual's ability to access a job is often hamstrung by his or her immediate social condition. Are they hungry? Do they have child care? Do they have transportation? These questions must first get addressed before an individual can effectively connect with and up-skill for a quality job. We have solved for this through instituting a unique workforce/Financial Opportunity Center (FOC) model in rural communities that addresses these immediate individual needs first. Then, we partner with employers and layer in career coaching, training and up-skilling to better connect an individual with a specific career opportunity. We have learned that FOCs improve the odds of getting and retaining a quality job by 50% (compared to traditional job-readiness practices). LISC has over 100 FOCs across the country with 13 (and growing) in rural communities. However, more is needed to link this type of a model with enhanced broadband connectivity, especially in rural America.

Tomorrow's workforce requires CDFIs to continue to invest in unique workforce programming, but rural America needs more of these centers to be directly tied to broadband opportunities and operational knowledge. At Rural LISC we created the Digital Navigator model to do just this. Digital Navigators work with FOC/workforce clients as coaches helping to assess home internet access, including corresponding technology needs and devices. Digital Navigators work to strengthen digital skills and internet knowledge, including home internet service options and set-up.

However, in order to achieve a broader level of digital inclusion, and more fully address the digital divide, CDFIs must move beyond traditional community-based stakeholders and embrace partnerships with the private sector (forging PPPs) and the government sector, particularly at the regional and state levels with entities such as COGs and/or MPOs that are federally mandated to prioritize larger scale infrastructure investment, like broadband.

The second area for which I see growth opportunity for CDFIs is in Disaster Assistance, particularly as it relates to serving as a disaster recovery advocate and as a first financial responder. Why is this needed?

The current pandemic has shown how critical it is for CDFIs to play a prominent role in both disaster preparedness and response, especially as it relates to deploying capital quickly, efficiently and with targeted technical assistance. We've witnessed the frustration and desperation of businesses that weren't able to access capital during a disaster. Unlike a large bank or a government agency, a CDFI knows their community because of robust on the ground partnerships. These partnerships and know-how allow us to quickly deploy funds (to the neediest of individuals) providing immediate relief to both a home owner and a small business.

But, the CDFI's role goes beyond that of a financial lender or "first financial responder". The major differentiator of a CDFI, is that we are in the business of community development and thus possess the technical know-how to help communities think through social and economic restructuring post disaster. CDFIs can better help communities address housing and small business needs, including navigating the red tape that comes with receiving federal disaster funds (such as understanding compliance and instituting appropriate financial structures).

There needs to be a recognition of the growing role of CDFIs as not just community lenders but also community builders. As such, existing CDFI technical assistance funding sources need to be flexible enough to adapt to these changing conditions. So what is needed?

CDFIs need dedicated disaster funds in order to move the needle on complex, long-term recovery projects. A dedicated disaster assistance fund should provide CDFIs with technical assistance and capacity-building support to achieve the following:

- Quick deployment of small business grants and loans after a disaster
- Provision of technical assistance to non-profits and small businesses post disaster
- Development of partnerships with rural communities who need longer term disaster resilience planning/assistance.
- Development of partnerships with state agencies who lack a small business focus and/or capacity – Funding would allow CDFIs to co-develop and <u>execute a more coordinated small business disaster response</u> that includes small business lending and technical assistance, especially for small and rural communities.

HUD could also strengthen the role of CDFIs in disaster recovery. Currently, states and eligible communities receive disaster CDBG funds, which have the flexibility to be utilized for small business disaster relief.

However, many states lack the capacity to develop a small business disaster plan that both integrates small business lending and technical assistance. Funding directly from HUD to CDFIs for this purpose could change that dynamic, allowing CDFIs, states and communities to co-develop a small business disaster response strategy that more fully integrates lending with long-term technical assistance and capacity development needs.

I realize I have posed some very high level thoughts in a very short amount of time. Given that I am at the end of my 6 minutes, I will pass the baton to the next speaker and look forward to getting into the details during the Q&A.

Thank you for your time and consideration of these ideas.

Caitlin (Cait) Cain, CEcD, MUP
LISC Vice President and Rural Director
Rural LISC | Local Initiatives Support Corporation
C 504.343.9585
E ccain@lisc.org
www.lisc.org/rural