

Southeastern Community
Development Finance Conference
and OFN Regional Meeting

*The Future of CDFI Capital and
Capacity in the Southeast*

July 18, 2012

Broccoli or Potatoes?



My initial interest almost led to...



The Good News

- CDFIs have been “stepping into the breach” to address lending-related needs during the recession—and have paid a financial price for doing so.
- CDFI portfolio performance has been mixed, but only for a minority of organizations is it an issue that significantly affects overall financial performance.

The Maybe Not-So Great News

Significant scale effects exist in all sectors of the CDFI industry.

i.e. larger CDFIs were more efficient, with lower combined interest and operating expenses and higher deployment rates, lower charge-offs and more impact.

“So what” you may ask?

I must not like small CDFIs – right?

- No
- No
- No
- Still no
- But.... Hundreds of CDFIs are marginal, make few loans, have low deployment rates.....

A new model for CDFIs?

- There is a need to invest in collaboration and infrastructure.
- Need to build collaborative operating networks.
- Are we good at collaboration – c'mon really, are we good at collaboration?
- What are the impediments to building “infrastructure”? Cost? Other?

The CDFI of the Future (spooky music, please)

I walk into my office and.....sign on to the Southeastern CDFI Network, of which I am a member/owner. “What would you like to do today, Mr. Swack?”

- Sell loans to the secondary market? Which one? (click here)
- Get new investors using the new CDFI tax credit of 2032? (Click here for investors)
- Purchase (at the network discount) insurance, supplies, credit reports, that new loan origination system? (click here)
- Develop a customized marketing campaign for your new small business product? (click here)
- Contact the loan servicer who provides better servicing at half the cost you paid two years ago? (click here.)
- Get advice on a problem from experts? (Click here) Take a course?
- Wow – I have all this time to make more loans and increase my impact!!!! And to think – we now reach every community in the Southeast Region

We know something about what generally works and doesn't work in Collaborative Business Models

	Doesn't Work	Works
Initiators	Large Groups	A Few Leaders
Ownership	Third Party	Members Own
Management	Amateur	Professional
Membership	Anyone	By Design
Entity Type	Non-operating association	Operating Entity
Representative	Anyone	CEO or Principal
Revenue Stream	Donations	Earnings (incl. fees)
Driving Rationale	Weak	Strong
Value Proposition	Nice to Have	Must Have
Relation to Members	Non-Responsive	Very Responsive

So, how do we get there?

- Some of this has already begun.

Questions:

- How do we fund it? An infrastructure fund?
- Who will organize it?
- Do we really want it?

And the winner is...

