



Capital for Opportunity and Change

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President and CEO of CEI
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INTRODUCTION AND THANKS

Thank you Trinita, and thanks to the OFN board for selecting me for the Ned Gramlich award. Some of my colleagues are with me here today, and they and the 125-member CEI family of staff, board, subsidiary boards and advisors must be recognized for their contribution to the development of CEI and why I'm receiving this recognition. *We all know that the heavy lifting belongs to the team.*

But in this moment, I need to say how grateful I am personally, and I want to thank you very much. It means a great deal to me in trying to do the right thing in a very troubled world, ravaged as it is, but also filled with good things to build on and celebrate.

It's inspiring also to follow in the spirit of Ned Gramlich—a Fed Reserve governor and teacher. On the eve of the financial crisis in 2008 in Maine, we passed one of the strongest laws in the nation to drive out egregious nonbank lenders whose agents had rained such havoc on low income families and the elderly.¹ Before his death in 2007 Ned Gramlich had warned of these injurious practices. With this award we honor his work.

I also want to extend special thanks to Mark Pinsky, and the staff and board of OFN. They and many others here today—foundations, religious groups, banks, corporations, federal agencies, wealth managers, academics—are providing the building blocks for our collective success as a community development finance industry.

ROOTS IN THE CIVIL RIGHTS MOVEMENT

It's probably no surprise to some when I say the founding of CEI had its roots in the Civil Rights Movement, which has been the continuing source of inspiration for me, enriched by the dreams and hopes of Dr. Martin Luther King, Jr.

His assassination elevated the ultimate vision we've built into our field of economic opportunity. In my view, the experience of the African-American, Hispanic, Native American and minority communities, and faith-based advocates of human rights in this nation provided the momentum 50 years ago for underpinnings of our field, and the vision for what freedom in our democracy truly means when distributed justly, and realized equitably, with a threshold of basic economic rights and security.

But it's hard to imagine, and seems like only yesterday, that CEI sprouted as it did in Maine. I moved to Maine, my wife's home state, from NYC, with our young family, intent on starting a CDC, the grassroots economic development entity with which I had become familiar after graduating from Union Theological Seminary. While in NYC I helped to start a group connected to the National Council of Churches, which later became the Interfaith Center on Corporate Responsibility. We challenged multinational economic interests that often worked against or did not contribute to local economies, minorities, inner cities, employment practices, or rural development.

In my capacity there, travelling throughout the U.S., but also, internationally, I often "ran into" local, grassroots groups protesting harmful investment practices and organizing for alternative investment resources.ⁱⁱ

The CDC represented non-corporate ways to aggregate capital and invest, and to conduct commerce in our capitalist society in the tradition of social equity—to "ameliorate the conditions of poverty"—as described in the Equal Opportunity Act of 1965. The vision then was for an entity that was locally-owned and controlled by residents through membership, very much in the spirit of communitarian movements, land trusts, cooperatives, worker-owned enterprises, and shareholder democracy—all evident throughout this country's economic history.

And all of this rolled up into the CDFI Fund in the mid 90s...and here we are, today, a formidable industry!!!

CEI'S START

CEI got its start in 1979 with our first major investment in a fish processing cooperative in Boothbay Harbor, an historic fishing village. Our goal was to create a locally-owned enterprise employing 70 people and providing a market for 15-20 family fishermen through a value-added investment that would ensure that no fish would leave Maine with its head on. [LAUGHTER] (Actually, rather a grim thought).

The investment put us on the map and set a trajectory for where we are today, with the same narrative of investing in and espousing local ownership and development of

community economies. We went on to diversify investing in the entrepreneurial spirit of Maine's job creating manufacturers, self-employed workers and microenterprises so critical to rural communities, linking employment training or child care as essential to economic opportunity, and spurring private and public resources for affordable housing, community facilities, and even venture capital equity investing to start or expand companies that create good jobs. We eventually helped to create the New Market Tax Credit program and we're now the largest allocatee in the nation, focusing these resources in rural America, in health care facilities, yogurt companies or dairy cooperatives, sustainable timberlands and land trusts, renewable energy, child care, or eco-tourist facilities—diverse projects representing the diversity of rural economies, and home to 20% of America's population.

Back then I had no sense at all that these many years later we would be adding up billions in direct financing, housing or tax credits for community development enterprises as a full-fledged industry—no longer an alternative, but a mainstream of finance!

ACHIEVEMENTS EACH DAY

So credit is due to many of our national trade groups, intermediaries and associations like LISC, on whose national board I serve; the Ford Foundation, which sponsored CEI as far back as the mid 80s and taking us through the 90s *with year upon year of capital and operating support*; and OCS in DC, the remains of the War on Poverty, which provided equity so vital to our capacity; and many other foundations, religious organizations, government agencies; and OFN, for building this field, and the CDFI Fund and its advocates, and for supporting me and CEI in achieving some measure of impact.

This rich history of how CEI was nurtured, and the networks that carry us through come into play every day when we finance organizations such as Maine Community Health Options, Maine's new non-profit CO-OP health insurance plan in Lewiston, offering health care to 230,000 uninsured Mainers; or Maine's Fair Trade Lobster in Prospect Harbor, creating 125 new jobs and adding more value to the lobster catch for many of Maine's 8,000 fishermen; and Spears Farm in Waldoboro, supplying fresh, nutritious food for SAD 40 school lunches and the local Good Shepherd Food Bank; and Look's Gourmet in Whiting, employing 25 people, some 20% of the town residents in Lincoln County, Maine's most "downeast" and poorest county, where the sun first rises on America! The list goes on.^{iii iv}

FOUR CHALLENGES TO OUR FIELD

Let me share with you what I've learned on this CDFI journey.

These four challenges have stuck with me and still hold: the need for (1) *patient capital, equity and smart subsidy* from government and philanthropy—this is essential; (2) the *leveraging of these resources* with mainstream capital markets and banks, such as the FHLB; (3) the importance of *policy and lobbying* with our networks for resources and regulations conducive to community development, like CRA. I can't overstate state how essential lobbying has been for CEI: lobbying for the mission of economic justice and opportunity, working with colleagues and in coalitions, chipping in our nonfederal dollars—an absolutely necessary ingredient to inducing investment; and finally^v, (4) *investing for scale and impact*, to make a difference in specific markets, regions and the lives of underserved people and communities—very much along the lines of the NEXT awardees accomplishments and proposals we heard about last night.

FINAL THOUGHT

We know we're about mission: how we reduce inequality, or deal with climate change, healthy foods, job-creating enterprises, or transacting a LIHTC or NMTC project, or REIT, or perfecting our work as Triple Bottom Line investors for a return on economy, equity, environment in our underwriting each and every day if we're to steward this planet with the justice it deserves, or any other development finance initiative or product a CDFI can bring to the table.

To this end, and the topic came up at the opening plenary yesterday, we need to project our field prominently in the world of *impact investing*, the “buzz” these days to describe a whole set of ways those with resources are looking—or should be looking—to direct their capital to some worthy end.

We must also urge the managers of the \$700 billion in private philanthropic assets to place a *big chunk* of capital—both as grants for operations and also deployed as equity and smart subsidy, investments, and debt, in us—and *I mean, a big chunk*. We need to introduce our products and ways of doing business to the very rich and well-connected. We need a lively and well-capitalized partnership with these networks to invest in our work. We need to open up the capital flow from the trillions represented in this private marketplace.

We need to serve as a *Great Exchange* between those with resources, and those without.^{vi}

For CEI, our NEXT level is a \$128 million Platform for Sustainable Lending and Investing, a plan involving nine economic sectors, and specific outcomes including 6,500 jobs in rural small towns of Maine. This Platform can benefit from an infusion of capital from impact investors, on our terms as Mark would argue, and targeted to the underserved people and places we all are here to help.

Each of these four challenges—patient capital, leverage, regulatory policy, and impact—are a tall order. But CDFIs are positioned as a delivery mechanism. At places like this gathering we share, network and go home and implement the practical within each, keeping up the work from where we started, *50 years ago in the civil rights era*, work that is also timeless, and a part of our evolving humanity to realize equality and the just stewardship of the created world.

CLOSING - LEARNING FROM EACH OTHER

In closing, I've learned a lot from my association with each and every one of you, from my colleagues at CEI who've stuck together to build it, and from prior award winners.^{vii}

I would love to go on here and filibuster this luncheon with more expressions of gratitude. Thank you again, and thanks to the team, and to Mark and the OFN board, and to all of you, and to Ned Gramlich. I am truly grateful for this recognition.

Thanks again to all.

THE END

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<sup>i</sup> CEI continues to be Maine's largest provider of homebuyer education classes and also the only in-state resource for HECM reverse mortgage counseling as well. The majority of our efforts, unfortunately, still remain focused on the foreclosure epidemic - which we have not yet seen abate. Maine's Bureau of Consumer Credit Protection recently indicated that over 4,500 foreclosure filings and over 20,000 default notices have gone out to Maine homeowners in 2013 to date.

This is a truly significant number for a state of our size, eclipsing even 2009 and 2010 levels. Our counseling program is one of the most comprehensive in dealing with foreclosure in Maine. Not only do our counselors meet with homeowners to assess their current situation and work with them in dealing with their mortgage companies and banks, but we also are heavily involved with Maine's Foreclosure Diversion Program (mediation). Counselors have partnered with Maine's judicial branch to facilitate informational sessions for homeowners facing foreclosure summons every month at various locations and often accompany distressed borrowers into their mediation sessions when they are unable to afford legal assistance. Our hope was that the foreclosure epidemic which began years ago would have lessened by now but, as that has not been the case, we continue to dedicate ourselves to helping Maine homeowners retain what is often their most significant asset for themselves and their families."

<sup>ii</sup> And indeed our field is international in solidarity with like-minded groups and individuals all over the world doing the same work of creating economic opportunity. A decade ago at the World Conference on Sustainable Development in Johannesburg, South Africa attended by 20,000 alternative community developers. A site to behold and a network of global activists of which we are a part. One of my favorite narratives of this worldwide work is that produced by the Ford Foundation by Peter Plastrick called Sustainable Solutions: Building Assets, Empowerment and Sustainable Development.

<http://community-wealth.org/content/sustainable-solutions-building-assets-empowerment-and-sustainable-development>

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<sup>iv</sup> All this network comes into view when we finance a -

- or Maine Behavioral Health offering child and adult mental health and counseling services and helping families heal and function in society;
- or, Gelato Fiasco – Maine's own brand of high quality Italian ice cream of all flavors growing and expanding its market into New England and beyond.
- or Gilman Place family housing, the renovation of a high school in Waterville into 35 lovely apartments retaining the feel and quality of the old high school, with many of the rooms a traditional blackboard retained in place for historic value.

<sup>v</sup> It is important to mention here that a lot of the major resources available to the CDC or CDFI Field are a result of many years of lobbying among various networks. Programs like the SBA Micro, USDA Intermediary Relending, HHS Office of Community Services, the CDFI Fund of the U.S. Treasury, the NMTC, the bond program, the FHLB membership, have been a result of intentional lobbying sponsored often by national trade groups, or groups of CDCs/CDFIs paying lobbyists with nonfederal funds to press our case. We literally created the resources for our field. Much has been accomplished; more can be done.

<sup>vi</sup> As an example CEI is helping to finance a high-quality dairy enterprise involving 15 northern and downeast Maine farmers called MOO Milk – Maine's Own Organic Milk company – where – as some branding experts might explain - being put out to pasture can be a good thing. Of the over \$5 million or so in invested capital, as little as 15% is derived from government sources...the rest, purely from private, revenue-focused social investors attempting to build value, while building social benefit. And it's not just the money, but also the talent and discipline these

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individuals and investors can bring to the project. Each week, for example, we assemble as an executive committee of the board review the week's numbers in what we all a "Flash Report", getting right down not just to the shrinkage or returns and how to minimize that loss, but also, the connections into the retail outlets – the Whole Foods of this world – or the Starbucks in their purchase policies at a regional level.

<sup>vii</sup> Cliff Rosenthal, formerly CEO of the National Association of Community Development Credit Unions; Jeremy Nowak, formerly CEO of The Reinvestment Fund; Martin Eakes, CEO of Self Help; Sister Corinne Florek, CEO of the Sisters of Mercy Loan Fund; Julie Eades, CEO of New Hampshire Community Loan Fund; all of whom along with us are ready to engage with our Congress and the private sector on our NEXT iteration