

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

**Minutes**

**Date:** Wednesday, February 27, 2013

**Place:** Main Treasury Building  
Cash Room  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20005

**Presiding:** Donna J. Gambrell, Director, CDFI Fund

**Board Members in Attendance:**

Bryan Borkik, U.S. Department of Commerce (for Matt Erskine)  
Audrey Choi, Morgan Stanley Global Sustainable Finance  
Matt S. Erskine, U.S. Department of Commerce  
Tanya M. Fiddler, Four Bands Community Fund  
Lisa Green Hall, Calvert Foundation  
Patrick Kelley, U.S. Small Business Administration (for Jeanne Hulit)  
David C. Lizarraga, TELACU/Millennium  
Douglas H. Low, Kidz Express  
Douglas O'Brien, U.S. Department of Agriculture (for Dallas Tonsager)  
Ronald Phillips, Coastal Enterprises Inc.  
Valerie Piper, U.S. Department of Housing and Urban Development (for Mark Johnston)  
Rosie Rios, U.S. Department of the Treasury  
Edward Simermeyer, U.S. Department of Interior, Bureau of Indian Affairs (for Kevin Washburn)  
Kevin K. Washburn, U.S. Department of Interior, Bureau of Indian Affairs

**Also Present:**

Cyrus Amir-Mokri, U.S. Department of the Treasury

**Presentations by:**

Scott Berman, CDFI Fund  
Greg Bischak, CDFI Fund  
Bob Ibanez, CDFI Fund  
Ruth Jaure, CDFI Fund  
Lisa Jones, CDFI Fund

### **Call to Order: Opening Remarks by Director Donna Gambrell, and Swearing in and Introduction of Advisory Board Members**

At 9:03 a.m., Director Gambrell convened the meeting of the Community Development Advisory Board (the Board) and welcomed Members of the Board. Her first action was to swear in the six private citizens newly appointed by President Barack Obama to the Board: Audrey Choi, Tanya Fiddler, Lisa Green Hall, David Lizarraga, Douglas Low, and Ronald Phillips. After conducting the roll call, Director Gambrell called the meeting to order, welcomed the members of the public who were in attendance, and provided a brief overview of the agenda. Director Gambrell noted that, while the Board's membership consists of six public representatives and nine private citizens, representatives of all six federal agencies and six of the nine private citizens were in attendance; and that the CDFI Fund expected the White House to announce the appointment of the remaining three private citizens to the Board soon. Director Gambrell then asked the Members of the Board to introduce themselves.

### **CDFI Fund Director's Report by Director Donna Gambrell**

Director Gambrell expressed gratitude for the strong support that the CDFI Fund has received from the President, the Administration, and Congress, noting that this support has come at a time when the demand for the CDFI Fund's programs continues to exceed their availability. After stating that five senior staff members of the CDFI Fund would provide detailed updates on all of the CDFI Fund's programs later in the meeting, Director Gambrell briefly explained how several of those programs—the CDFI Program, the Native Initiatives, the Bank Enterprise Award Program, and the New Markets Tax Credit Program—help to strengthen economically distressed communities.

Director Gambrell then discussed a number of steps the CDFI Fund took in 2012 to increase its support for CDFIs through the Capacity Building Initiative; including presenting the first training sessions in a two-year program to build the capacity of Native CDFIs, launching two other training programs to help CDFIs that specialize in microfinance and small business lending, and creating a Resource Bank on the CDFI Fund's website that makes materials used in the Capacity Building Initiative's training programs available to the public. Director Gambrell added that, as part of the Capacity Building Initiative, the CDFI Fund published a report that examines the state of the CDFI industry and its performance through the recent recession, and a study of the lack of access to healthy and affordable foods in our nation's low-income communities. Director Gambrell noted that the Capacity Building Initiative was created based on the recommendations of the previous Advisory Board.

Director Gambrell spoke about the steps the CDFI Fund has taken toward launching the new CDFI Bond Guarantee Program, including designing the program, developing the financial model for subsidy rate calculations, and drafting program regulations. Director Gambrell added that the CDFI Fund's next steps with the CDFI Bond Guarantee Program will include offering online webinars about the program and application workshops for prospective participants.

Director Gambrell discussed several administrative measures the CDFI Fund undertook in 2012 to increase efficiency and reduce costs: relocating the offices of the CDFI Fund, incorporating new information technology services, and enhancing the CDFI Fund's compliance and certification

function. Director Gambrell also discussed the efforts of the CDFI Fund's Office of Financial Strategy and Research to evaluate the impact of the CDFI Fund's programs by collecting and analyzing the activities of program awardees and allocatees.

Director Gambrell discussed the CDFI Fund staff's extensive outreach efforts in fiscal year 2012, which included participating in more than 70 conferences, webinars, workshops, round-tables, and conference calls; issuing press releases and media advisories; publishing a series of fact sheets about the CDFI Fund's programs as well as the CDFI Fund's first-ever Year-in-Review.

Director Gambrell concluded her remarks by affirming the CDFI Fund's commitment to doing even more in 2013 and by identifying some of the CDFI Fund's key priorities for 2012; these include implementing the CDFI Bond Guarantee Program; implementing the Awards Management Information System; strengthening the compliance infrastructure to review and assess the adherence of CDFIs and Community Development Entities to program requirements; evaluating and developing policies and processes to streamline operations and improve administrative efficiency; fostering partnerships with other government agencies, non-profits, and private organizations to leverage resources for CDFIs; and continuing to build the capacity of CDFIs while supporting their changing role in a recovering economy.

#### **BREAK**

#### **Remarks: Board Member Rosie Rios, Treasurer of the United States, U.S. Department of the Treasury**

Director Gambrell reconvened the meeting and announced that Board member Mark Johnston, U.S. Department of Housing and Urban Development, would be unable to attend the meeting and that Valerie Piper, U.S. Department of Housing and Urban Development, would arrive presently and would sit in for Mr. Johnston; and that scheduled speaker Gene Sperling, Director of the National Economic Council and Assistant to the President for Economic Policy, would also be unable to attend.

Director Gambrell introduced Board Member Rosie Rios, the Treasurer of the United States, to provide an economic review. Ms. Rios began by recalling that the nation has come a long way since the height of the economic crisis, and discussed a variety of measures that reflect the current state of the economy.

#### **Presentation: Ruth Jaure, Manager, CDFI Program and NACA Program**

*Please see the attached PowerPoint Presentation.*

Director Gambrell introduced Ruth Jaure, the manager of the CDFI Program and the Native American CDFI Assistance Program (NACA Program), to provide an update on those two programs. Director Gambrell also introduced and welcomed Valerie Piper, from the U.S. Department of Housing and Urban Development, who joined the meeting to sit in for Board Member Mark Johnston.

After acknowledging her staff and their contribution to the success of the CDFI Fund's programs, Ms. Jaure briefly reviewed the purpose of the CDFI Program, noting that it is the only federal program dedicated solely to CDFIs and discussing the pros and cons of the program's dollar-for-dollar matching requirement for Financial Assistance awards. Ms. Jaure also reviewed the purpose of the CDFI Fund's Native Initiatives and NACA Program.

Ms. Jaure then discussed the demand (the number of applications received and the amount requested) for the CDFI Program and NACA Program in fiscal year (FY) 2012, noting that the amount of Financial Assistance requested was twice the amount the CDFI Fund awarded, and that the amount of Technical Assistance requested was three times the amount awarded. Ms. Jaure also reviewed application statistics for the Healthy Food Financing Initiative. Ms. Jaure noted that the application deadline for the FY 2013 round of the CDFI Program and NACA Program was the following day (February 28), and stated that the CDFI Fund hoped to announce the awards by the end of the fiscal year. Ms. Jaure added that, after a solicitation for public comments on the application for the CDFI Program and NACA Program, the CDFI Fund is developing a new and simpler application that will be ready for use in FY 2014.

Ms. Jaure discussed the CDFI Fund's current efforts to update the 2001 study on the barriers to lending in Native Communities, which served as the foundation for the creation of the CDFI Fund's Native Initiatives, noting that the CDFI Fund has issued a solicitation for comments from Native American tribes.

After acknowledging the Board's role in the creation of the Capacity Building Initiative after the 2008 financial crisis, Ms. Jaure summarized the program's latest accomplishments. Ms. Jaure praised the vendors who are providing training and technical assistance through the Initiative, and noted that the first four training programs have been completed, four more are under way, and two are being developed.

Board Member Choi asked if the content for the training programs could be made available after the programs are over, and Ms. Jaure replied that the CDFI Fund requires vendors to provide the materials for the Capacity Building Initiative Resource Bank on the CDFI Fund's website, and that these materials are already being used by the public and other federal agencies.

Director Gambrell asked Board Member Phillips to speak about his CDFI's long involvement in financing healthy foods. Board Member Phillips described a variety of ways that Coastal Enterprises, Inc. has linked access to food to economic development in rural areas, including financing agricultural development, food cooperatives, and local retailing and packaging of foods, as well as advocating for legislation requiring state-funded schools in Maine to purchase food from local farmers.

Board Member Phillips then asked Ms. Jaure whether the CDFI Fund is partnering with other federal agencies in other initiatives besides the Healthy Food Financing Initiative. Ms. Jaure described several such initiatives, including the CDFI Fund's partnerships with HUD in the *colonias* near the Texas-Mexico border, with USDA in Appalachia and the Delta region, and with other agencies. Board Member Phillips praised the CDFI Fund for its flexibility and expressed hope that the Board would encourage and reinforce further partnerships with federal agencies. Director

Gambrell replied that the CDFI Fund looks forward to a very engaged Advisory Board and that there is much more work to be done among federal agencies and between the public and private sectors.

Mr. Simermeyer, of the Bureau of Indian Affairs, thanked Ms. Jaure for the CDFI Fund's efforts to consult with tribes as part of the process of updating the 2001 study, and expressed the hope that the Department of the Interior and other federal agencies could assist with the new study and that that process could enable tribal governments to build relationships with federal agencies. Ms. Jaure stated that the CDFI will reach out to Mr. Simermeyer's agency as the process evolves.

**Presentation: Bob Ibanez, Manager, New Markets Tax Credit Program and Bank Enterprise Award Program**

*Please see the attached PowerPoint Presentation.*

Director Gambrell introduced Bob Ibanez, the manager of the New Markets Tax Credit Program (NMTC Program) and Bank Enterprise Award Program (BEA Program) to provide an update on those two programs.

Mr. Ibanez reviewed the purpose of the BEA Program and discussed the most recent round of the program, in which the CDFI Fund received 71 applications requesting more than \$88 million in funding, and in November 2012 announced awards totaling \$18 million to 59 FDIC-insured depository institutions. Mr. Ibanez reported that these 59 institutions—34 of which were CDFIs and 19 of which were Minority Depository Institutions—increased their loans and investments in distressed communities by \$383.3 million, increased their loans, deposits, and technical assistance to CDFIs by \$21.1 million, and increased the provision of financial services in distressed communities by \$5.5 million. Mr. Ibanez noted that there is \$15 million available under the FY 2013 round of the BEA Program.

At the request of Director Gambrell, Mr. Ibanez explained how the BEA Program differs from other CDFI Fund programs—specifically, that under the BEA Program an applicant need not be a certified CDFI but must be an FDIC-insured financial institution, and that awards are retrospective, i.e., are given on the basis of what applicants have done rather than what they propose to do as is the case with all other CDFI Fund programs.

Board Member Erskine noted that, for the FY 2012 of the BEA Program, \$18 million in awards were made for an increase of nearly \$400 million in investment in distressed communities—roughly 20 times leverage—and asked if the CDFI Fund could make the case that there is a direct connection between the \$18 million awarded and the \$400 million invested. Mr. Ibanez replied that the CDFI Fund is in the planning stages of an evaluation of the BEA Program to answer that specific question. Board Member Erskine stated that the Department of Commerce's Economic Development Administration (EDA) is also researching the issue of federal investment and the leverage that results from it, and would like to work with the CDFI Fund on it.

Board Member Phillips added that his CDFI analyzes how funds it receives from the CDFI Fund and other agencies are leveraged, and reports its findings to those agencies. Board Member Phillips

noted that the leverage figures for one of his CDFI's loan programs capitalized by the EDA run 3:1 or 4:1. Board Member Phillips concluded that the data are available and that it would be good to let Congress know that the funds go a long way. Board Member Lizarraga added that on some of his organization's projects, the leverage can be 5:1 or 6:1. Board Member Phillips reiterated the importance of collecting this type of information and communicating it clearly. Director Gambrell agreed.

Mr. Ibanez reviewed the purpose of the NMTC Program and noted President Obama's signing, on January 3, 2013, of the American Taxpayer Relief Act of 2012, which extended the NMTC Program for calendar years 2012 and 2013 calendar year 2013 at \$3.5 billion for each year. Mr. Ibanez reported that the CDFI Fund has received 282 applications requesting \$21.9 billion in allocation authority for the 2012 round of the NMTC Program, noting that, like other CDFI Fund programs, the NMTC Program is oversubscribed. Mr. Ibanez stated that the CDFI Fund expects to announce awards for the 2012 round of the program in April.

Referring to a previous slide, Board Member Erskine asked if a Community Development Entity receiving allocation authority through the program must be a for-profit entity, and Mr. Ibanez explained that it does, because equity cannot be invested into a nonprofit. Board Member Lizarraga and Board Member Erskine exchanged comments about investing through for-profit entities.

To indicate how oversubscribed the NMTC Program is, Mr. Ibanez noted that, since the inception of the program (and including the 2012 allocation round), the CDFI Fund has received more than 2,600 applications requesting more than \$250 billion in tax allocation authority and has made 664 awards totaling \$33 billion. Mr. Ibanez stated that, of the \$33 billion that has been awarded through the NMTC Program since its inception, \$31 billion in equity has been raised by Community Development Entities and of this, \$26.4 billion in qualified equity proceeds has already been disbursed to approximately 3,500 qualified low-income businesses.

Board Member Lizarraga commented that in California, as many cities go bankrupt, redevelopment dollars are no longer available, and that the NMTC Program is the one program that fills the gap and meets the needs of investors wanting to invest in low-income communities

Board Member Hall commented that the fee income generated by NMTC Program deals has been critical for the sustainability of CDFIs during a period when interest rates are so low that there is not a lot of margin in lending, and that fee income is a critical piece of the business model if the industry is to thrive.

Board Member Hall then asked how much of the NMTC Program allocation authority is being used to invest in real estate projects as opposed to small businesses. Mr. Ibanez replied that in recent years, the Internal Revenue Service, the Department of the Treasury, and the CDFI Fund have worked collaboratively to identify an opportunity to increase the amount of investment in small businesses, and that the IRS has issued a new ruling that defines a non-real estate business and seeks to facilitate investments in the operations of non-real estate businesses, such as working capital and equipment loans. Mr. Ibanez added that the CDFI Fund established a working group to incorporate the new ruling in documents for the 2012 allocation round of the program.

Board Member Phillips asked what issues the Board would want to address going forward, offering his view of the importance of continuing efforts to facilitate investment in small businesses as well as of creating ways to enable the NMTC Program to capitalize venture capital funds. Director Gambrell thanked Board Member Phillips, and then commented on the listening sessions and request for public comments that the CDFI Fund has undertaken in an effort to strengthen the NMTC Program, and stated that the CDFI Fund looks forward to continuing to look at the program and consider ways to strengthen it.

Mr. O'Brien commented that, although the CDFI Fund sent a staff member to USDA Rural Development to educate staff about the NMTC Program, more outreach needs to be done. Mr. O'Brien also discussed venture capital issues and USDA's rural business investment company.

Board Member Lizarraga discussed the importance of interagency collaboration, noting that the resources of all agencies represented at the meeting are needed if communities are to be rebuilt.

Ms. Piper asked if the CDFI Fund has seen an increase in investment in health centers and health services organizations through the NMTC Program. Mr. Ibanez stated that there are many Community Development Entities involved in this type of funding and added that he believed that investing in community facilities was the predominant financing activity of allocatees in the 2011 funding round. Ms. Piper discussed the importance of investing in health centers.

Board Member Choi discussed her organization's launch of the Healthy Futures Fund, which facilitates the development of health care centers by combining the low-income housing tax credit with the New Markets Tax Credit Program as well as with Health Resources and Services Administration, or HRSA, funding for federally qualified health centers.

Board Member O'Brien discussed USDA's community facilities direct loan program and raised the question of how federal entities can work together more effectively on project financing and partner with the private and non-profit sectors.

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**Presentation: Lisa Jones, Manager, CDFI Bond Guarantee Program**

*Please see the attached PowerPoint Presentation.*

Director Gambrell introduced Lisa Jones, the manager of the CDFI Bond Guarantee Program, to give an overview of the program. Ms. Jones stated that her office had just finished conducting the last of four outreach training sessions about the CDFI Bond Guarantee Program, and that attendance averaged 75 to 80 participants at each session. Ms. Jones indicated that written comments on the Interim Final Rule are due April 8. Ms. Jones also noted that recordings of the outreach sessions will be posted on the CDFI Fund's website, and that the CDFI Fund is planning outreach focusing on the program's application.

Ms. Jones provided an overview of the key features of the program, including the 100 percent guarantee of principal, interest, and call premium; the number of guarantees that can be issued each year; the annual program-wide limit; the minimum bond issue size; the role of qualified issuers that issue the bonds; the role of the Federal Financing Bank; the use of bond proceeds; the required

minimum dollar amounts for bond loans; secondary loan requirements, the risk-share pool, and the re-lending account.

Board Member Erskine asked about the rationale behind the 100 percent guarantee, and Ms. Jones replied that the guarantee was included in the statute to ensure the provision of a very cheap source of capital.

Board Member Lizarraga asked what determines the eligibility of a CDFI, and Ms. Jones replied that a CDFI must be certified to be eligible to receive a bond loan.

Ms. Jones spoke in detail about how the bond issue and the bond loan will work, and the roles and responsibilities of the various parties involved, including the Federal Financing Bank, the eligible CDFIs, the secondary borrowers, and the CDFI Fund. Ms. Jones discussed the eligible uses of the bond proceeds—i.e., that the proceeds must be used for eligible community and economic development purposes. Ms. Jones also discussed the role of the master servicer/trustee, which includes disbursing funds to eligible CDFIs, and the role of eligible CDFIs, which includes taking the bond proceeds and making secondary loans to secondary borrowers, such as small businesses and community facilities.

Ms. Jones discussed several other aspects of the program, including the role of the qualified issuer; the timelines for the qualified issuer application and guarantee application; the roles and responsibilities of the eligible CDFI; performance data collection, impact monitoring, and performance requirements; and asset/liability matching.

Board Member Hall stated that there is widespread appreciation in the industry for what it has taken to develop the CDFI Bond Guarantee Program and thanked Ms. Jones for her work. Board Member Hall asked Ms. Jones to clarify whether loan proceeds can be re-lent, and Ms. Jones confirmed that they can and offered a detailed explanation of why and how they can be re-lent. Board Member Hall then asked Ms. Jones to confirm that the qualified issuer cannot also be the eligible CDFI and thus cannot make secondary loans; Ms. Jones confirmed that an entity can be a qualified issuer in one bond issue and an eligible CDFI in another bond issue, but it cannot be a qualified issuer and an eligible CDFI in the same issue and thus cannot lend to itself.

Board Member Hall commented about the importance of clarifying the recourse and the collateral requirements, as well as the qualifications and responsibilities of the qualified issuer. Ms. Jones stated that the agreement to guarantee will clarify the role of the qualified issuer, and that the secondary loan requirements and bond loan documents will cover the collateral requirements. Regarding recourse, Ms. Jones acknowledged that subordination is an important concern and that the program's regulations state that the government's interest cannot be subordinated. Ms. Jones also acknowledged that projection of cash flows will be an important piece of the capital distribution plan.

Director Gambrell encouraged Board Members that represent CDFIs to submit formal comments about the CDFI Bond Guarantee Program since the comment period was open.

Board Member Phillips asked Director Gambrell if the Board should make a recommendation to



Gene Sperling, Director of the White House's National Economic Council, about the language that provides the CDFI Fund with the authority to issue bonds. Director Gambrell indicated that she believed that Mr. Sperling would welcome any input that Board Member Phillips wanted to provide, but was uncertain about whether the Board was authorized to make a formal recommendation. Mr. Luecht stated that the Board would need to form a subcommittee to consider that matter and present a recommendation to the full Board, and if approved the full Board would then pass that recommendation on to Director Gambrell. Mr. Luecht also indicated that letters on the topic from CDFIs to Mr. Sperling or to the CDFI Fund might be advantageous.

**BREAK FOR LUNCH AT 11:53 a.m.**

**Presentation: Greg Bischak, Manager, Financial Strategy and Research**

*Please see the attached PowerPoint Presentation.*

Director Gambrell reconvened the meeting at 1:03 p.m. and introduced Greg Bischak, Manager, Financial Strategy and Research, to speak about his office's accomplishments and priorities. Director Gambrell spoke about the importance of data, noting that accurate data forms the centerpiece of the CDFI Fund's outreach activities, policy development, and other activities.

Mr. Bischak discussed the work of the Financial Strategy and Research department last year, including launching the first evaluation of the CDFI Program that the CDFI Fund has attempted to conduct. Mr. Bischak explained that the evaluation is being conducted by researchers at the Carsey Institute at the University of New Hampshire and the Darden School at the University of Virginia, and is intended to fulfill a requirement of the Government Performance and Results Act to conduct periodic independent analysis to determine whether programs are achieving their mission and goals. Mr. Bischak noted that, under the Capacity Building Initiative, the Carsey Institute had previously conducted an industry-level evaluation of the performance of the CDFI sector, and thus has the appropriate expertise for the current project.

Mr. Bischak discussed a variety of other projects that the department has been engaged in, including examining the social impact measures it typically collects and benchmarking them; undertaking a revalidation or update of a study of the credit risk modeling of CDFIs; conducting a study to generate relevant benchmarks for various measures of job creation; collecting data for the Urban Institute's comprehensive evaluation of the NMTC Program; and contributing original analysis for an economic justification for the CDFI Bond Guarantee Program.

Mr. Bischak identified the department's top priorities for 2013: developing a CDFI credit risk model that will be used by the CDFI Fund's compliance division and CDFI program, and also will provide insight into industry-wide credit risk modeling for both certified and CDFIs and awardees; conducting compliance risk research for the NMTC Program in order to analyze the risk profile of Community Development Entities and to understand the structure of the deals made through the NMTC Program; and evaluating the Bank Enterprise Award Program and looking particularly at Minority Depository Institutions and determine whether the additional investments that BEA awardees make can be attributed to the incentives the BEA Program offers.

Mr. Bischack also discussed the areas that the department will be focusing on in 2014, including building better tools to allow awardees and allocatees to better measure performance and outcomes; looking at historical data and identifying the market niches that CDFIs are actually serving; and gathering data from and evaluating the performance of the Healthy Food Financing Initiative and the Capital Magnet Fund.

Board Member Fiddler asked Mr. Bischack to bear in mind that relying on certain types of data, such as CRA data, means that large segments of the population in Indian Country are overlooked because there are no financial institutions there. Mr. Bischack acknowledged that that is a subject of importance to the CDFI Fund and discussed the agency's intention to focus, through the Native American Lending Study, on developing a baseline of information about the services and lack of services in Native American lands. Mr. Bischack added that his department will assist in that effort. Mr. Bischack acknowledged that CRA data misses a lot and that data published by other federal sources, such as the Federal Financial Institutions Examination Council, does not show who is being served, who isn't being served, and where the gaps are. Mr. Bischack stated that the CDFI Fund is aware of the issue and wants the Native American Lending Study to address Board Member Fiddler's questions. Director Gambrell indicated that the CDFI Fund would welcome any assistance or guidance that Board Member Fiddler would like to provide.

Board Member Phillips stated that he had been part of a group of CDFIs questioning the way CRA data collection is being conducted and what the assessment areas are, and offered to send Mr. Bischack the letter that the group sent to the Office of the Comptroller of the Currency and others suggesting ways to understand better how the assessment areas worked.

Board Member Phillips also asked what relationship CARS—the Community Assessment and Rating System—had to the CDFI credit risk model that Mr. Bischack had discussed. Mr. Bischack replied that the CDFI Fund integrated CARS information into its analysis, but that, because CARS does not analyze a large fraction of the CDFI universe, the CDFI Fund is also developing other data sources.

Board Member Choi commented that the impact measurement estimator would be a very helpful tool and encouraged the CDFI Fund to design it not just for the community development field but also for individual and institutional investors, who are seeking investment options that offer social as well as financial returns. Board Member Choi discussed the difficulty of figuring out how to talk about social impact, and stated that measures that go beyond the usual impact measurements, such as the number of units created, would be helpful. Board Member Choi cited, as an example, the innovative, in-depth analysis that one nonprofit that works with at-risk children conducts to measure its impact.

Mr. Bischack acknowledged the importance of the issue and stated that the CDFI Fund is involved in dialogue with other organizations about these topics. Mr. Bischack discussed the need to differentiate between two separate but related tasks—evaluating programs to assess the social and financial return on investment, and improving data collection on outcomes—and stated that the CDFI Fund is engaged in both tasks.

**Remarks: Cyrus Amir-Mokri, Assistant Secretary for Financial Institutions, U.S. Department of the Treasury**

Director Gambrell introduced Cyrus Amir-Mokri, the Assistant Secretary for Financial Institutions, noting his strong interest in community economic development and the work of CDFIs.

Mr. Amir-Mokri thanked Director Gambrell for her introduction and welcomed the Members of the Board, especially the new Members. Mr. Amir-Mokri expressed his interest in engaging with the Board as it continues to think about what the CDFI Fund does, and thanked Director Gambrell and the staff of the CDFI Fund for the work they do, noting the evolution of the scale and scope of the CDFI Fund and the Administration's strong support for the agency.

Mr. Amir-Mokri affirmed his strong personal interest in community development and then commented on three of the priorities for the CDFI Fund that Director Gambrell enumerated in the Director's Report earlier in the meeting. First, Mr. Amir-Mokri thanked the CDFI Fund for the progress it has made in implementing the CDFI Bond Guarantee Program and, noting that it is an important project. Second, Mr. Amir-Mokri spoke of the importance of intergovernmental private/public partnerships, and expressed a desire to engage with the Board on how the work of community development can be expanded through coordination among government agencies, between government and the public sector, and within the private sector.

Third, Mr. Amir-Mokri discussed building capacity with the CDFI community itself. Mr. Amir-Mokri discussed his conception of community development, citing a variety of statistics emphasizing that low- and moderate-income communities were hit harder by the financial crisis. Mr. Amir-Mokri also noted that statistics do not tell the whole story, and that site visits to CDFIs have helped him to appreciate the meaning of the statistics as well as the sense of hope and optimism that CDFI projects have engendered in communities.

Mr. Amir-Mokri stated that community development requires a holistic approach—i.e., the development of multiple, different types of institutions at the same time—and expressed his desire for discussion about how to apply this holistic approach to investing in communities. Mr. Amir-Mokri also stated that the discussion of institutions should not exclude individuals and that striving to make individuals financially capable and empowering them to make informed financial decisions is also essential for supporting stable communities, adding that bringing technology into the everyday lives of people is a critical part of this. Finally, Mr. Amir-Mokri stated that the reason for focusing on community development is that it goes to a central tenet of the American creed—that everyone should have an opportunity to grow and to make the best of whom they can be.

Mr. Amir-Mokri concluded by thanking the Board Members for their work and by reiterating his desire to engage with and learn from them.

Board Member Phillips commented that the CDFI Bond Guarantee Program is a very important tool and asked what the industry could do to ensure Congress acted on needed fixes. Mr. Amir-Mokri indicated that the issues are clear and that Congress was aware of them and would make a decision.

Board Member Hall asked about Mr. Amir-Mokri's perspective on social impact bonds, which

Board Member Hall stated have gotten the kind of attention that CDFIs have been unable to garner. Board Member Hall noted that there is an opportunity to bring private capital to leverage the public subsidy and to enable CDFI engagement with the investor community.

Mr. Amir-Mokri asked Board Member Hall for more of her thoughts about how social impact bonds are structured and can be integrated into the CDFI world. Board Member Hall discussed the need for CDFIs to measure their impact better and to take that data and talk about their impact as successfully as social impact bonds have done. Mr. Amir-Mokri agreed that, while social impact bonds define the metric beforehand, the government typically defines it after the fact, to see whether a program has achieved what it set out to achieve. Director Gambrell added that this issue has sparked discussion about the need to standardize data across the board so that it is possible to present a consistent picture of different aspects of community economic development.

Board Member Hall offered a final comment, expressing her desire that investments in CDFIs be tax-exempt.

Mr. Kelley acknowledged the need for CDFIs to have better data to promote their programs and discussed the tendency in Washington to rebrand or repackage programs.

Board Member Phillips offered comments on a variety of issues, including capacity building, private philanthropy, and venture capital.

**Presentation: Scott Berman, Manager, Legislative and External Affairs**

*Please see the attached PowerPoint Presentation.*

Director Gambrell introduced Scott Berman, the CDFI Fund's manager of Legislative and External Affairs.

Mr. Berman provided a brief overview of the responsibilities of the Office of Legislative and External Affairs, including overseeing the CDFI Fund's Congressional affairs, interacting with the CDFI Fund's key stakeholders, and managing the Advisory Board, and expressed his desire to working with the Board to ensure that its objectives are met.

Mr. Berman also provided an overview of his office's strategic objectives. Mr. Berman explained that to accomplish the first objective—communicating with the public about the activities of the CDFI Fund—the office last year released more than 50 press releases and participated in more than 70 outreach events. Mr. Berman also noted that the number of subscribers to CDFI Fund email subscription service has increased from 10,000 four years ago to nearly 24,000 today. Mr. Berman also discussed the publication of the CDFI Fund's new program fact sheets, first-ever year-in-review, and bilingual materials—all of which is available to the public.

Mr. Berman enumerated his office's second and third strategic objectives—facilitating strategic partnerships and ensuring that the CDFI Fund's programs and resources are effectively utilized—and explained some of the ways the office is working to achieve those objectives in the current fiscal year, priorities to achieve those objectives, including participating in the White House

initiative on Asian Americans and Pacific Islanders; publicizing the Healthy Food Financing Initiative; collaborating the SBA and HUD on other initiatives; and exploring strategic partnerships to ensure that rural areas receive the outreach and resources they need and to strengthen partnerships between CDFIs and depository institutions.

Mr. Berman discussed the office's final strategic objective—overseeing the CDFI Fund's legislative issues. Mr. Berman noted that, for three years in a row and in a very difficult budget environment,, the CDFI Fund has set new records for the amount of awards made available through the CDFI program, which Mr. Berman stated is a testament to the CDFI Fund's efforts on the Hill and to the CDFI industry's efforts to make Congressional offices aware of the benefits that the CDFI Fund's programs are bringing to their constituents.

Mr. Berman added that, from 1996 to 2008, the CDFI Fund awarded just over \$800 million through all of its monetary programs and that from 2008 to the present, the CDFI Fund doubled that figure and has awarded more than \$1.6 billion. Mr. Berman stated that the Administration's support has enabled the CDFI Fund to expand its programs and resources.

Mr. Berman also mentioned his offices success in getting the legislative language needed to implement the Healthy Food Financing Initiative and in getting the re-authorization of the NMTC Program for 2012 and 2013.

Mr. Berman discussed the current funding levels for the CDFI Fund and the effect of the continuing resolution. Mr. Berman also noted some new legislative priorities regarding the need for the Federal Credit Reform Act language to move the CDFI Bond Guarantee Program forward. Mr. Berman discussed some of the changes in the 113<sup>th</sup> Congress and the leadership of key committees, and the CDFI Fund's strategic outreach to those staff. Mr. Berman mentioned additional legislative priorities, including the extension of the NMTC Program and outreach to the Congressional Black Caucus and the Congressional Hispanic Caucus.

Mr. Berman concluded his remarks by expressing his thanks to Bill Luecht for putting this meeting of the Advisory Board together.

Board Member Low asked Mr. Berman if he could share some of the investment and demographic data that the CDFI Fund has compiled for the initiative focusing on Asian Americans and Pacific Islanders. Mr. Berman indicated that we would be happy to provide that information.

Mr. O'Brien commented that USDA would love to support the CDFI Fund's efforts on rural outreach and would recommit to that, and also congratulated the CDFI Fund on its recent appropriations numbers.

Board Member Phillips asked Mr. O'Brien about the work of the White House Rural Council and the Council's direction and recommendations. Mr. O'Brien briefly described the structure of the Council and its work to facilitate interagency collaboration. Director Gambrell noted that there had been some intersection with the Rural Council and HUD and the CDFI Fund on the Border Initiative.

Board Member Phillips commented on climate change and the possible return of energy tax credits, and invited Mr. O'Brien to speak to the issue. Mr. O'Brien replied that renewable energy is one of the sectors that his agency is focusing on in its attempt to get more capital in rural America. Mr. Berman acknowledged that it is an important for the Board to consider going forward.

### **Discussion: The Role of the Community Development Advisory Board and Meeting the Needs of the CDFI Industry**

Director Gambrell started the discussion of the role of the Advisory Board by reminding Members that the statute calls for the Board to provide recommendations to the CDFI Fund Director that will advance the work of the CDFI Fund. Director Gambrell listed a number of potential topics for the Board to discuss that included the need to:

- mitigate the significant impact of the Great Recession on low-income communities at a time when government support for social and economic programs is decreasing;
- develop a holistic approach to community development that integrates real estate and infrastructure development with human and social development such as child care and job training;
- address widespread unemployment in low-income communities by providing services to help people develop high quality job skills;
- attract more private capital to CDFIs and provide investors with a sufficient return on their investment;
- incorporate green practices in initiatives such as the Healthy Food Initiative that support healthy lifestyles in low income communities;
- develop new partnerships beyond the traditional private/public model, for example, partnerships that combine public funds, philanthropy and private lenders and investors;
- improve the measurement of social impact and promote the sharing of best practices;
- strengthen smaller CDFIs, especially those working in rural areas, small cities, and Native Communities; documenting the CDFI industry's capacity to manage risk; and
- assess the future role of the CDFI Fund and, in particular, the certification and compliance processes and their impact on CDFI accountability.

Director Gambrell then opened the discussion to the Board. Board Member Lizarraga stated that he would want to address every one of the topics Director Gambrell suggested and asked Director Gambrell to explain the mechanism for responding. Board Member Lizarraga also noted that private Members of the Board have no restraints on advocacy and emphasized that testifying on the Hill in support of the CDFI Fund's work will be very important. Director Gambrell explained the process by which past Boards have made recommendations; that process involved the formation of subcommittees, which upon approval of the full Advisory Board, sent their policy recommendations to the Director of the CDFI Fund. Director Gambrell noted that that process was responsible for the creation of the Community Development Capital Initiative, which enabled CDFI insured institutions to receive TARP funding

Board Member Low stated that the concept of taking a holistic approach to community development seemed nebulous, and that it would be helpful if the Board first defined the structure of a holistic approach so it could build policies and strategies upon that structure. Director Gambrell agreed and asked Board Member Low how he would define a holistic approach. Board Member

Low stated that the Board should define the outcomes it wants to achieve and then work backward from that to identify strategies and the roles of the various stakeholders.

Board Member Choi commented that considering who else needs to be part of the conversation is also important because the composition of the Board, although great, is limited. Among the agencies and sectors that Board Member Choi suggested including were Health and Human Services and the Labor departments, the rural BICs (business investment companies) and philanthropy sectors, and transportation departments, other municipal agencies and corporations with experience in workforce development, worker retraining, community security, crime prevention, and other issues.

Board Member Low commented that healthcare is another critical issue in community and economic development.

Ms. Piper added that the idea of taking a holistic approach to community development is central to how the Administration is approaching community development and related issues, and suggested that the Board could perhaps play a role in informing some of those conversations.

Board Member Low agreed that the CDFI Fund can be a critical factor in a holistic approach but added that the holistic approach can't be the only approach and that on its own it will not have much impact.

Mr. O'Brien expressed appreciation for Board Member Low's comment, noting that there is a tension between wanting to prescribe a specific approach and realizing that each community has its own needs and goals. Mr. O'Brien stated that the challenge for the Board is to decide how prescriptive it wants to be, because a development strategy needs to be based on the assets and goals of the community.

Board Member Low agreed that this is not a simple task in which the Board can sit in a room and write its recommendations on a whiteboard, because there are many conflicting interests. Board Member Low stated, however, that it is good place for the Board to start addressing the question of how it wants to have an impact on the CDFI Fund.

Board Member Phillips stated that Community Development Corporations and CDFIs have long used holistic community development as a way of doing business; that when one of these organizations invests in, for example, a business, it eventually becomes involved in a variety of other related issues, such as workforce development, childcare, wages and benefit policy, and healthcare; and so the approach is not siloed but evolves to become holistic. Board Member Phillips noted that the organization then packages those things, drawing from different federal, state, and private resources and, unfortunately, applying separately to each of them, and asked if there is a way to improve that process.

Board Member Phillips also noted that the CDFI Fund is an important source of capital to help a local organization develop business plan so it can continue to invest in strategies that might be successful.

Board Member Low commented that Board Member Phillips raised an important issue—that what goes on in inner city Chicago is going to be completely different than what goes on in rural Maine or in impoverished Asian-American communities—and that this makes the idea of creating a holistic approach much more difficult. Board Member Low suggested looking at the matter from a perspective of best practices that can be used not as a template but as something for people to take into their own communities and adjust accordingly.

Board Member Choi expressed agreement with everything that had been said about taking a holistic approach, but added that it is important for the Board to strengthen and assert the unique and distinctive role that CDFIs play. Board Member Choi noted that there is a lot of pressure to say that every single institution should be as safe and sound as possible, but stated that if you put every institution on the same exact risk frontier, you do not have differentiated capital that serves different needs. Board Member Choi stated that it is important to ensure that there are better credit and risk reviews for CDFIs, but also that CDFIs have leeway and flexibility so that they can continue to provide critically needed capital.

Mr. Borkik stated that the Department of Commerce has worked with other federal agencies to make it easier for applicants to apply to several federal programs for the same project, noting that, although the project is a huge undertaking, the process is improving with each round. Mr. Borkik added that the department would welcome participation from the CDFI Fund.

Director Gambrell asked the Board to consider this matter of the complexity of the application process, because it is one of the challenges that the CDFI Fund has had when working on an interagency basis because it funds comprehensive business plans that are not project-specific. Certain of the CDFI Fund's programs are not place-based, Director Gambrell explained, which creates challenges when working across agencies because, although there are wonderful projects and initiatives underway, they are so specifically project-based that it is difficult for the CDFI Fund to be involved.

Mr. Borkik suggested that, while the work of improving the application process continues, all agencies can try to work together and accept plans submitted to the other agencies.

Director Gambrell asked if there were other ideas that the Board needed to be thinking about.

Board Member Fiddler expressed agreement with Board Member Phillips's comment about how a CDFI's approach can over time become more holistic, noting the experience of her own CDFI and stating that CDFIs become network weavers. Board Member Fiddler also suggested a conversation on scale, because CDFIs need to achieve self-sufficiency and sustainability, and noted that the issue isn't always the scale of the fund but its impact and that the solution needs to make sense in each place.

Board Member Hall suggested that the CDFI Fund could be helpful in recommending what types of regulatory changes need to be made to the Community Reinvestment Act to support investing in CDFIs.

Board member Phillips stated that CDFIs are often a part of local or regional networks of



development organizations and these networks should be improved, and their efforts continued. He also stated that the CDFI Fund is the most flexible organization within the network.

Board Member Lizarraga stated that the financing made possible through the CDFI Fund's programs is often the "glue," the resource that brings a project to fruition.

Mr. O'Brien discussed USDA Rural Development's community development mission and its recent initiative asking its state offices and national components to develop an asset map that will enable the agency to better target its resources.

Board Member Choi commented on the need to increase understanding of the work of CDFIs, because increasing understanding can help to attract more private sector capital to CDFIs. Member Choi suggested that the Board can play a role advocating for CDFIs.

Board Members Phillips and Hall commented on the importance of the Social Responsible Investor sector, now called Impact Investing. Board Member Hall noted it is an emerging part of the financial marketplace and an important sector for CDFIs and the CDFI Fund since it is increasingly being viewed as part of this impact investing sector.

Director Gambrell called for a short break at 2:55 p.m.

## **BREAK**

### **Discussion: CDFI Fund Interagency Collaboration - Creating Synergy with Other Federal Agencies**

Director Gambrell reconvened the meeting at 3:03 p.m. and stated that the purpose of this portion of the meeting was to discuss interagency collaboration. Director Gambrell asked the public sector Members to talk about how they have worked with CDFIs or what is going on in their agencies that may be applicable to CDFIs or the CDFI Fund and to share any thoughts about the CDFI Fund and Board might work more closely with other agencies. Director Gambrell asked Board Member Rios to speak first.

Board Member Rios stated that she is a senior advisor to the Secretary in the areas of community development and public engagement, and that her job is to try to connect the dots on some of the resources that are available. Board Member Rios stated that the CDFI Fund is one of the largest players in the field, but noted that Treasury has had other programs, such as the Small Business Lending Fund Program and the State Small Business Credit Initiative Program, that were offered as part of the Recovery Act and the Jobs Act.

Board Member Rios stated that all of these programs work on a program basis rather than on a project basis, so it is important to find ways to be more connected and find ways to do even more on some of the issues of importance to the organizations represented on the Board.

Board Member Rios discussed her long involvement with the New Markets Tax Credit Program, and expressed her belief that the tax credits are a valuable tool because they have helped especially

to facilitate real estate projects that have served as catalysts to revitalize areas that might not have been revitalized otherwise. Board Member Rios also expressed the hope that the ancillary benefits—such as sales tax and property tax—that those real estate projects generate will be included in the discussion of how success is measured.

Board Member Rios provided a brief overview of the history and purpose of the Small Business Lending Fund, noting that the program has provided \$3.9 billion in funding to enable 281 community banks and 51 community development loan funds to expand their lending to small businesses. Board Member Rios also noted Treasury's extensive role in the interagency Strong Cities Strong Communities Initiative (SC2), and discussed two successful partnerships, in Chester, Pennsylvania, and Memphis, Tennessee, that were made possible by SC2.

Board Member Rios noted that the White House recently convened a symposium to discuss how public/private partnerships can be leveraged even further and has also created a one-stop website to enable businesses to find resources for job creation.

Director Gambrell invited Ms. Piper to speak. Ms. Piper discussed three HUD initiatives involving collaboration with the CDFI Fund and CDFIs: a rural community capital initiatives pilot program involving HUD, the CDFI Fund, and the Department of Agriculture; the HUD Rental Assistance Demonstration for housing authorities and multi-family rental property owners; and efforts involving HUD, SBA, and CDFIs to expand small business contracting opportunities around the housing and residential construction market. Ms. Piper also briefly discussed a program at the Federal Reserve to invest in capacity building for community development.

Director Gambrell invited Mr. O'Brien to speak. Mr. O'Brien stated that USDA's priorities, especially regarding rural economic development, fit well with the work of the CDFI Fund, noting that access to capital is one of the key goals that the Secretary has established. Mr. O'Brien explained that the agency is trying to use its programs to support rural economic and community development on a regional scale.

Mr. O'Brien discussed several of USDA's interagency initiatives, including the Intermediary Relending Program and other revolving loans; the Rural Housing Direct Loan program; the Know Your Farmer Know Your Food initiative; asset mapping initiatives involving Treasury, HUD, and other agencies; and the White House Rural Council.

Director Gambrell invited Mr. Kelley to speak. Mr. Kelley discussed SBA's Community Advantage pilot program, which for the first time opens SBA's 7(a) lending program to CDFIs and other community-based lenders. Mr. Kelley explained that the program features loan guarantees that help entities manage their liquidity but expressed his belief that the industry needs to use the program more widely. Mr. Kelley noted that over the past 24 months the agency has worked closely with the industry and enacted every piece of feedback that it has offered. Mr. Kelley invited Board Members to contact SBA and learn more about the program.

Director Gambrell invited Mr. Borkik to speak. Mr. Borkik discussed potential opportunities for EDA to collaborate with the CDFI Fund. Mr. Borkik explained that EDA serves as the federal lead for the economic recovery support function within the National Disaster Recovery Framework, and

that it is leading efforts to assess the economic impact of Hurricane Sandy and to develop a strategy for economic recovery. Mr. Borkik noted that he would see a role for the CDFI Fund in those efforts. Mr. Borkik also briefly discussed other areas where the CDFI Fund might participate, including presentational performance evaluation and the Make it in America challenge.

Director Gambrell invited Mr. Simermeyer to speak. Mr. Simermeyer briefly discussed three potential opportunities for the CDFI Fund to collaborate on initiatives in Indian Country. Mr. Simermeyer stated that Interior's Bureau of Indian Affairs wants to continue partnering with CDFI Fund on the updated version of the Native American Lending Study. Mr. Simermeyer also stated that the Office of Indian Energy and Economic Development may wish to explore ways its loan guarantee program can be used for CDFI loans. Finally, Mr. Simermeyer noted that the Bureau of Indian Affairs and Bureau of Indian Education are exploring opportunities for capacity initiatives.

### **Closing Business and Adjournment**

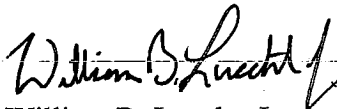
Before closing the meeting, Director Gambrell reminded the Board that the CDFI Fund is awaiting the White House appointment of three additional private sector members, and stated that, after they are appointed, those three will join the other six private sector Members and will select a chairman for the Advisory Board.

Director Gambrell also invited Members to submit any additional thoughts and recommendations they may have regarding the priorities the Advisory Board should pursue going forward.

Director Gambrell concluded by thanking Bill Luecht for his efforts to put the meeting together.

Director Gambrell adjourned the meeting at 3:44 p.m.

Respectfully submitted,

A handwritten signature in black ink, reading "William B. Luecht, Jr.", with a stylized flourish at the end.

William B. Luecht, Jr.  
Designated Federal Officer  
CDFI Fund