

State of the Industry Address

# "10X"

Prepared Text with Graphics

**Mark Pinsky, President & CEO**

Delivered Tuesday, November 10, 2015  
At the Annual Opportunity Finance Network Conference  
Detroit, Michigan

Thank you, Sucheta.

I asked Sucheta to speak today to represent not just the 2015 Intern Class at OFN, not just OFN's partnership with NYU Stern School of Business, and not just the next generation of exceptional CDFI industry talent... though she represents all that.

Sucheta speaks for the future we mean in OFN's vision of a world where all people have the resources and opportunities to act in the best interests of their communities, themselves, and future generations.

She and her peers represent all the things that we aspire to that are yet out of our reach.

*Can we give Sucheta another round of applause?*

At the Policy Link Equity Summit 2015 in Los Angeles two weeks ago, during the closing plenary on multigenerational leadership, I was moved most by something Nick Tilsen said. Nick runs the Thunder Valley Community Development Corporation on Pine Ridge Reservation in South Dakota.

He described the Lakota Sioux people's belief in the philosophy of seven generations—honoring the three generations before you, the three after you, and your own.

I thought about Nick's Dad, Mark Tilsen, a friend who has been working to create opportunities on Pine Ridge for decades. I met Mark more than a decade ago, when he told



me about his father, Ken Tilson, who was a lead lawyer for the American Indian Movement during and after its occupation at Wounded Knee in 1973 and a civil rights lawyer all his working life.

I thought about my family.

Last year you heard about my son, Nathan. Some of you may remember my father, Al Pinsky, from OFN's New York Conference in 2003 or the Miami Conference in 2006.



In April, my Dad passed away in his sleep, reportedly with chocolate on his lips. He was 93, going on 94.

Or maybe 13, going on 14.

A writer, he was a very quirky, very clever guy who had the rare ability to laugh at things that are not funny.

He epitomized for me one of the fundamental qualities of success that *Good to Great* author Jim Collins told us about in 2008—the ability to see the facts before you with brutal honesty and to believe, at the same time, that you will prevail.

Let me show you what I mean: In 1987, he wrote his own obituary for a writing class:



(Believe it or not, the text is even funnier than the headline. I am going to post it on OFN's Facebook page later today.)

My Dad's odd and determined spirit influenced my career choice to work with you in this field at this time.

In that sense, at least, he is here with me today.

And he is here also in words he wrote. At some point in the last 10 or 15 years, at the insistence of his grandchildren, he wrote an autobiographical narrative about growing up in Hartford, Connecticut:

"I really don't know much about [what] my father did before he got to Hartford," my Dad wrote about my grandfather, "except that he married Minnie, and he went to Detroit to work on Henry Ford's new assembly line... He and Henry didn't get along, but I don't know why."

My grandfather was a labor organizer who came of age as a Bolshevik in Tsarist Russia. And he was a Jew.

Henry Ford was anti-labor unions and even more anti-Semitic.



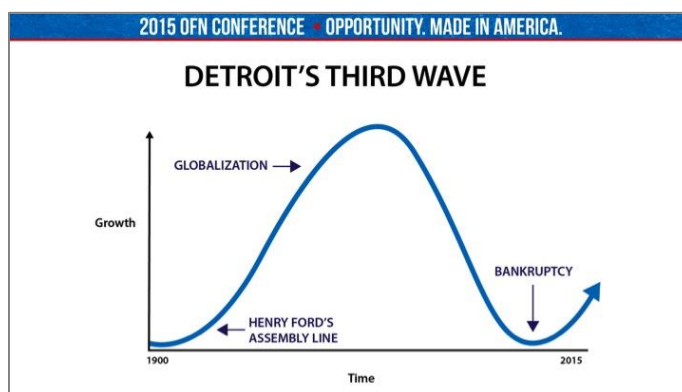
I didn't know until recently that my grandfather had lived in Detroit, or that his spirit would be with me today, but I can GUESS why he and Henry didn't get along: Henry Ford probably didn't like communist Jewish labor Organizers.

Detroit has a long history of push and shove between labor and management, between black and white, and between left and right.

But today, Detroit is a lighthouse over turbulent water for each of us who needs to see the facts with brutal honesty yet believe she or he will prevail.

We are here to learn from Detroit... three generations before us, three generations after, and today.

Since my Grandfather's time on the assembly line, Detroit rose on a wave of industrialization, fell in a rip tide of globalization, and is rising again on a new tide of entrepreneurship, innovation, and technology.



Our CDFIs working in Detroit—and this week all of you—are part of this city's third wave.

And the CDFI industry is on the cusp of a third wave of our own, as I will discuss today, as we will discuss at OFN Connect tomorrow morning, and as I hope all of you will discuss with each other.

OFN's Conference Team is giving us a glimpse into that history and the opportunity to look to our future.



Please take a moment to show your appreciation to Donna Fabiani, Aishah Miller, and Lina Page... and the entire OFN team! This is the best—and BIGGEST!—CDFI event ever!



Thank you, Detroit, and all of our CDFI hosts here, for welcoming us so warmly, and for sharing with us how you have made opportunities in Detroit!

It seems to me that Henry Ford might not know what to make of you.

He would scratch his head at this room full of accomplished financial and community development professionals who span the political spectrum, racial differences, and ideological chasms.

Like so many others, he would observe that CDFIs work great in practice but will never work in theory. We are here, in part, to prove that conventional theory is wrong.

We owe special thanks to our Lead Conference Sponsor, Bank of America!



Our Lead Sponsor for the ninth year running! Dan Letendre's comments, as always, will cause us all to think and to respond creatively.

Please also help me thank our Platinum Sponsors, The Kresge Foundation and JPMorgan Chase, both of which have done so much for Detroit and to make this Conference a success.



Join me in recognizing *all* of our 63 sponsors and 52 trade show exhibitors, record numbers in both categories!



The OFN Conference is the place to do CDFI business.

I want to extend a special welcome to our first-time sponsors, including AARP, Standard & Poors, and Rock Ventures; more proof—if you need it—that important people from a widening circle are interested in what you do.

And I need everyone’s help with one last, very important set of thanks...

This week our nation honors and appreciates the women and men who have defended our nation. Can I ask our veterans to stand so that we can thank them for their service ... and their loved ones for their sacrifices?

In fact, let’s take this further: can I ask everyone to stand who has a veteran in the current generation or the three generations before you?

My Dad served in the Marines during World War II—mainly on the front lines of Cambridge, Massachusetts, and San Clemente, California. He loved to tell self-mocking stories about his War years—like how he slept through an air raid on the one and only night he served on the front lines.

My Dad makes me appreciate REAL soldiers.

Whenever I headed out for work or fun, my Dad would yell, “Have a Big time!”

Today, I plan to do just that.



We have BIG things to talk about this week and I am excited to get to them.

Big... as in, 10X big... Orders of magnitude bigger, different, better.

As in model Ts, not horse drawn carriages; Teslas, not Model Ts.

I am eager to talk to you about our 10X CDFI future.

As in grow-change-or-die big. No! Bigger!

Marc Andreessen, the 10X coder who wrote the first web browser and who is now one of Silicon Valley's most respected Venture Capitalists (VC), says that software is eating the world. I started thinking about 10X last year as I watched Silicon Valley start to eat the lending business.

Silicon Valley types talk like that—about 10X. VC investors want 10X returns. Management wants 10X production. 10X coders want 10X companies. Everyone seems to want 10X Initial Public Offerings. If all else fails, they'll settle for 10X disruption.

"Ten is an order of magnitude in a discipline that uses orders of magnitude to estimate things," I read this summer in a special issue of *Bloomberg Businessweek*. "Ten is an attractive and thus suspicious number," it cautioned.

We work in a world of 10X expectations, aspirations, and hopes. These days, everyone in the CDFI business seems to be seeking 10X ideas. But in Silicon Valley, they call 10X start-ups "unicorns" because that is how rare they are.

CDFIs are NOT 10X institutions—we are 1X tortoises, not 10X hares. That's not a bad thing. I remember my Dad as a 10X person because of what he did as a professional and as a reluctant activist one day at a time over 34,214 days.

10X anxiety—known as FOMO, or Fear of Missing Out—makes you forget that the tortoise won the race.





Very, very few organizations are 10X organizations, but the CDFI industry produces 10X results and impact because of how and why you do your work:

*Persistently*, like water carving new channels in stone.

*Collectively*, by leaning together against the long moral arc of the universe to bend it toward justice.

*Passionately*, with dedication in our hearts both to the people we serve and the purposes we aspire to.

At our best, together, CDFIs exert 10X influence on how government works, how banks lend, how people live, and how communities thrive.

Today I am going to share with you OFN's plans to support and extend your 10X results, to move the needle toward a world where all people have the resources and opportunities to act in the best interests of their communities, themselves, and future generations.

Our history makes that possible.



Today OFN is releasing an exciting, unprecedented new study of CDFI achievements over the past 20 years.



The headlines are eye-opening...

First, financing production over 20 years, from 1994 through 2013, grew among CDFIs in the OFN Membership at a truly astonishing compound annual rate of 15 percent on average...

The average among the one-third of those Members that grew the most was 23 percent... Among the middle one-third was 15 percent... and among the last one-third was a still-remarkable eight percent compound annual growth rate.

These are WOW growth numbers!

The report was done for OFN by BBC Research & Consulting, an economic analysis firm in Denver. You will receive a link to the full report when we wrap up lunch today.

BBC also found 10X performance.



The study reports that OFN Member financing has resulted in significant, impressive impacts.

Congratulations!

It confirmed that CDFI average annual loan loss rates over 20 years were on par with FDIC-insured banks, also remarkable.



It concluded that CDFIs in the OFN Membership on average produced net annual operating results comparable to profits of those same FDIC-insured institutions.

Think about that.

Finally, the study documented that when bank lending declined 16 percent from 2008 through 2012, CDFI lending increased.

Never before has the CDFI industry stood on such solid quantitative ground, proving an exceptional track record!

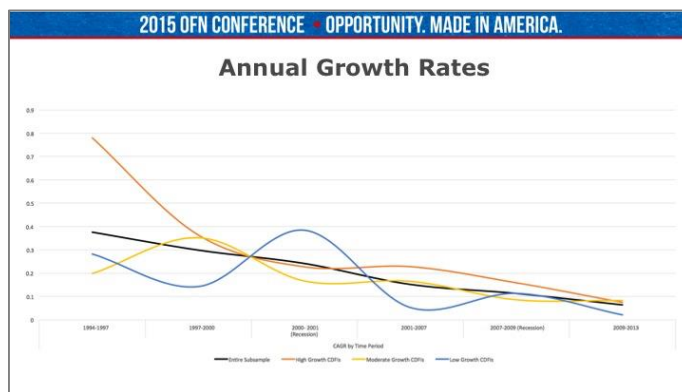
But my job is to stand back from the data and the analyses that others provide, hold it up against the things you tell me, and try to do some forensic forecasting.

Let me share with you five things I think I see:

**First, CDFIs are remarkably durable but we are not inevitable.**

The new report documents our resilience, agility, creativity, and determination.

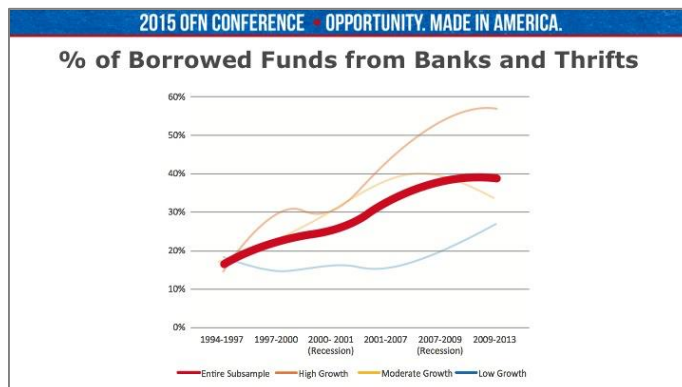
But the data also show some trends that concern me, and might concern you.



Here's one: The growth rates averaged over 20 years hide the fact that growth rates in all three segments—high, moderate, and low growth—have declined substantially.



And here's another one: bank lending as a share of CDFI debt is plateauing. Diversity of sources is a good thing, but who are the new sources going to be?



### **Second, The CDFI industry is growing ... rectangular.**

For many years, there was a large base of new, small CDFIs, a smaller strata of mid-sized CDFIs, and a select tier of large and mature CDFIs.

Not any more.

The top tier is fuller than ever, the middle third is fuller still, and the group of smaller and newer CDFIs is shrinking. The rate of creation of new CDFIs across all CDFI types has slowed to a stall over the past decade.

### **Third, The CDFI industry is getting greyer.**

My point is not just that the first-generation CEOs are aging or even that CDFI professionals are settling in as career mid-level and senior executives, though both are true.

CDFIs themselves are aging, and we can't miss seeing the signs of it.

Others attract more attention, out-innovate us, and we seem to be growing more conservative and settled in our ways.

(No, I'm not projecting.)



**Fourth, CDFIs have met the enemy.**

As the cartoon character Pogo warns, “We have met the enemy and they is us.”

OFN sees too many CDFIs that have made themselves dependent on CDFI Fund grants for operations, instead of using awards for net worth. That is not a sustainable approach.

In addition, more than half the CDFIs in the OFN Membership have structured their balance sheets using a combination of secured and unsecured debt. OFN sees evidence that at least some of these CDFIs are not managing fully for the risks that can present.

We are at risk due to inconsistent practices across the industry—among CDFIs but also among funders, investors, and auditors—in how we run our businesses, borrow and lend our money, and account for what we are doing.

And did I mention that we seem to be growing more conservative and settled in our ways?

**Finally, As a result, CDFIs are vulnerable to disruption.**

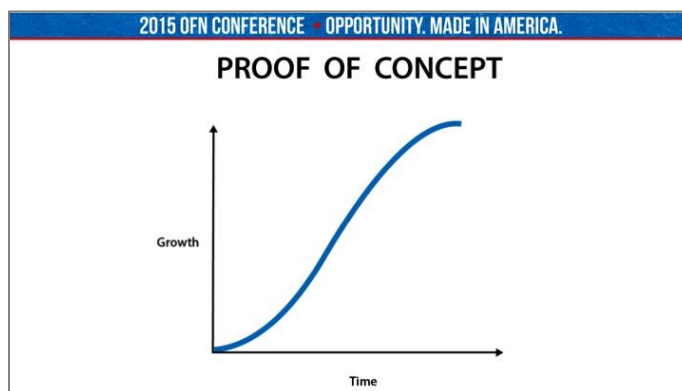
I think many of you feel it in your organizations—whether you are the CEO or the newest junior employee. I know we feel it at OFN. I know we hear it in the Citi Leadership Program, at Regional Membership Meetings, in our Strategic Consulting, and elsewhere. People are ready to try new things.

The gap between the promise and the real production of Impact Investing has opened a timely opportunity for CDFIs to work with new sources of impact-motivated investors. That is a key part of the conversation we will have tomorrow at OFN Connect, when we will unveil the findings from a second groundbreaking report on CDFI Capitalization and Growth.

When I put all of this together, I see us in a turbulent transition between one wave of our industry’s growth and the next. The last time we did this, 12 years ago, we called it “Grow, Change, or Die.”



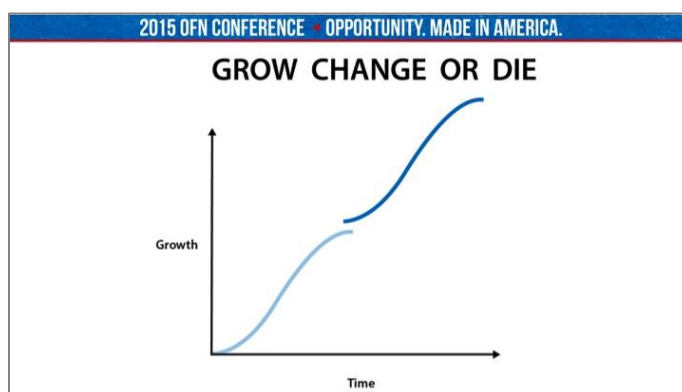
From the 1980s through the early 2000s, our first wave was “proof of concept,” demonstrating that lending to underserved, low-income, and low-wealth people is possible and sustainable.



When, to our surprise, we succeeded in influencing the form and practices of what became the CDFI Fund and the priorities of the Community Reinvestment Act, “proof of concept” accelerated into go-go growth.

Go-go growth plateaued as the rush to create CDFIs slowed and the election of President George W. Bush seemed to threaten the Fund’s future.

We recognized then that the path we were on was ominous—that we risked drifting into irrelevance and obsolescence—and that we needed to “Grow, Change, or Die” or we would soon be irrelevant. “Grow, Change, or Die” is our second wave.





And over the past 12 years we made ourselves relevant to financial institutions, government policy makers, and most important—to our communities.

Politicians from both parties in Washington, D.C., tell us that we are on the shortest of short lists of bipartisan support. Senior financial executives—including Brian Moynihan, Jamie Dimon, Lloyd Blankfein, even Warren Buffett—now talk about “CDFIs” as casually as they talk about Qualified Terminable Interest Property Trusts.

CDFIs—YOU!—are part of the DNA of your communities and the lives of the people you serve, and you are essential civic and political contributors.

Now we are relevant yet we seem to be losing steam, if you believe the story inside the story of the data I shared with you.

Our third wave... must leverage our standing... into influence we exert to impose our theory on conventional thinking about the purpose and potential of capital.



...To harness our power to make capitalism serve our purpose, to leverage its power to our ends.

We will measure success for our third, 10X wave—if there is one—by the ways we redefine the operating environment that you and your customers work in—



...Can we *use* our assets, experience, abilities, resources, and resilience to begin to bend the arc of... CAPITALISM...

the government and private institutions that enable it...

and the culture that surrounds it...

to better serve our core purpose of aligning capital with social, economic, and political justice?

There it is: Our "10X" challenge—to influence capitalism to create an inclusive prosperity based on one economy, not two.

Earlier this year, David Erickson at the San Francisco Fed suggested to me that this turbulent transition is as if CDFIs are at the end of our first industrial revolution and need to push through to our second industrial revolution. There's something to that analogy, because the first industrial revolution disrupted business and society, and the second made that disruption mainstream.

But CDFIs do not aspire to be the mainstream.

We seek to *influence* the mainstream by working from the margins, just outside the boundaries of convention, disrupting conventional thought using unconventional practices that produce unexpected results. When the margin moves, we move with it.

Our influence needs to do for the world around us and our communities what Microsoft did when it created PCs out of the Altair 8800 programmable computer... and what Apple did when it created the iPhone out of the Motorola RAZR flip phone and Sony Walkman cassette players.

You might only vaguely remember what Altair, RAZR, or Walkmans were, or you may never have heard of them... in either event, I rest my case.





They were the technological sensations of their moments—nothing seemed more relevant. But they were 1X innovations in a bigger, 10X digital revolution.

They are you; and you are them.

You and I know that capitalism doesn't have to be a system that fosters extreme income inequality, wealth inequality, racial inequality, and injustice. It doesn't have to be that way.

We *can* change it...

If we can increase our influence by an order of magnitude—by 10X—and use our collective power to achieve our common purpose.

That will be brutally hard to do. It will require CDFIs doing their best day-in and day-out, maybe for the next 3,400 days, or 34,000, days—the next three generations of CDFIs.

Our work is ahead of us. It is 10X hard. But I believe we will prevail.  
Are you with me?

OFN is learning that we are all more effective when we communicate in ways that are pleasing to hear, simple to understand, exciting to embrace, and easy to repeat. I repeat that to myself over and over and over again, of course, because all four steps grate against my most deeply etched habits and tendencies.

Today I am going to try to tell you—in a way that is pleasing to hear, simple to understand, exciting to embrace, and easy to repeat—the 10X things OFN is doing in five areas:

- Policy
- Money
- People
- Visibility, and
- Racial Equity

Las Vegas puts my odds at 10-1, so I will start with the easy stuff.



Today... OFN is unveiling the Opportunity Investment Act of 2016, the CDFI industry's first comprehensive policy agenda.

It is 10X in at least three ways:

- OFN intends to change how the Federal Government does its work,
- OFN intends to change who invests in CDFIs and how they invest, and
- OFN intends to increase funding for the CDFI Fund by, well, a lot.

Are you still with me?

Congress makes laws, and the Executive Branch applies them. How the Executive Branch does that is set by the Office of Management and Budget, or OMB.

If we can change how OMB thinks about CDFIs and the laws that we touch, we can change for the better how the federal government functions.

We have a REAL chance to do that.

The CDFI Bond Guarantee Program—the program that most of you believed would never produce much good—has opened the door for us. The Bond Program triggered the Federal Credit Reform Act, which OMB has long interpreted as requiring federal agencies to focus singly on the assets at the end of any federally guaranteed loan.

That approach has frustrated everyone involved in the Bond program because we want Treasury, the CDFI Fund, and OMB to underwrite us—CDFIs. Intermediaries.

Just imagine what would happen if many, or all, federal agencies had the option of spending money like the CDFI Fund—as balance sheet net worth rather than as project financing.

That would change everything. That, alone, would spark a new, 10X CDFI era.

We are in discussions now with senior OMB officials about making this happen.



Are you interested?

I want to take a moment to thank everyone who served on the CDFI Bond Guarantee front lines—



- The 16 CDFIs that today are managing \$852 million in Bond proceeds,
- The three Bond issuers, Community Reinvestment Fund, Bank of America, and OFN
- And the staff at The CDFI Fund, Treasury, and OMB who have wrestled with the devil in the details of this challenge.

You are our version of the Boston Tea Party! Everyone knows about *THAT* tea party, right?

We all owe special thanks to OFN's CDFI Bond alchemist and Chief Operating Officer, Cathy Dolan.

Most of you know by now that Cathy has decided to retire in February.

Thank you, Cathy. Remember, Fairways and Greens!

Transforming federal practice by changing practices at OMB is the first part of the Opportunity Investment Act.



Second, to bring new investors to CDFIs and to give them new options for investing, OFN will seek tax code changes to incent and reward individuals—high net-worth, moderate net-worth, and even low net-worth—to invest in CDFIs;

...tax incentives for non-bank corporations that invest on favorable terms;

...and tax benefits for impact-motivated investors generally, again with incentives to encourage capital to meet community needs.

The Department of Labor's recent ruling on investments from retirement accounts could set a precedent that we hope to build on. And the final rules under the JOBS Act could help as well.

Third, to strengthen the community development infrastructure, OFN will support appropriations for agencies that fund our partners and customers—CDFI Demand, if you will—ranging from Agriculture to Education to the Small Business Administration to HUD, as well as programs that support CDFIs.

Fourth, as we prepare for the first round of the Capital Magnet Fund financed, as the law intended, by levies on the business of Fannie Mae and Freddie Mac, we intend to apply the levy model to other agencies and programs to expand funding for CDFIs.

Fifth, The Opportunity Investment Act will call for a new study on access to capital by peoples of color. Our intent is to do for communities of color something like what a similar study of access to credit for Native peoples did for Native communities. This week we are again breaking bread with one great result of the Native study, a robust Native CDFI sector!

Sixth, OFN will call for restoration of regulatory focus on underserved, low-income, and low-wealth peoples under the Community Reinvestment Act. Earlier this year, OFN Board Members pressed Federal Reserve Chair Janet Yellen as well as Governors Daniel Tarullo and Jerome Powell on this point. We believe CRA has been diluted, at real cost to our communities.



That is just some of the Opportunity Investment Act of 2016. You can pick up a summary at OFN's Policy booth in the trade show and offer recommendations at the Policy session this afternoon led by OFN's Policy Team.

And there is one more thing...

Starting today, OFN's goal—endorsed by the OFN Board last month—is to secure \$1 billion a year in funding for the CDFI Fund by 2020!

I hope you will endorse that, too!

Since the Fund opened its doors, the assets of certified CDFIs have increased by at least 30X, but appropriations for the Fund are up just over 6X.

At the \$1 billion level, Fund programs will need to incorporate changes, such as flexible use of capital for start-up and emerging CDFIs, larger award options for high-production CDFIs, expanded support for the Innovation Fund that CDFI Fund Director Annie Donovan announced this year, and more.

I can't wait to hear from Annie Donovan tomorrow.

Are you ready?

After policy, the next easiest thing to talk about is money.

OFN believes CDFI practice should drive federal policy, not the other way around. Practice should drive the flow of capital, as well.

Tomorrow morning, at OFN Connect, we will share "10 Premises" that emerged from powerful research done for us by Jeremy Nowak, one-time OFN Board Chair and a former CDFI CEO. Jeremy has been analyzing our data and talking to a wide range of people who are, or should be, important to our work.

His focus is on CDFI Growth and Capitalization, and his findings will motivate us all.



The conversation tomorrow will kick off a concentrated effort by OFN, with your participation, to find and mine capital in new ways and from new sources.

Will you join us?

After policy and money, People.

In just the past year, OFN's talent development programs—this Conference, our Consulting services, our Knowledge Sharing work, our Certificate Program for new entrants to the field, our intern programs, and others—have served more than 4,000 participants.

You and your peers are always striving to learn, improve, and expand. As a result, Talent Development has become one of OFN's major focuses, and we are ramping up.

In 2016, for example, we will...

- Expand our introductory training for people new to the field,
- Increase our focus on CDFI Governance to help Boards better fulfill their responsibilities to institutions that are increasingly complex and are working in conditions that are consistently more challenging,
- Implement a partnership with the Association for Historically Black Colleges and Universities,
- Significantly increase our work to recruit, train, and retain a new generation to CDFIs.
  - OFN's summer internship program—with six or seven positions annually—draws well more than 2,000 resumes! We want to share the talent pool so we have established a national CDFI internship job bank that everyone should use.
  - Under the guidance of our 2015 intern class, we are piloting a collaborative effort by Universities in the D.C. area to find interested students and match them to local CDFIs. Eventually, we want to support similar efforts in other places.
  - The NYU Stern Opportunity Finance program that brought us Sucheta is a success, with undergraduates learning about the industry from CDFI practitioners and preparing for possible careers in the field. It is replicable, and we are eager



to find additional business schools to work with. In fact, we are issuing today a new report on the partnership so that others might build on what we did.

And now we are adding something big!

Today, with generous support from BBVA Compass, I am very proud to unveil OFN's **Center for Opportunity Finance Leadership**... to train CDFI professionals to lead transformational change in their communities by more effectively addressing inequities in access to capital for peoples of color.

We will base the effort in Birmingham, Alabama, where it will help anchor our work to expand CDFI coverage in underserved places across the Southeast, building on decades of hard work by some of you.

Two years ago, with generous support from the Citi Foundation, we piloted the Leadership Program for Opportunity Finance. It was a great success!

This new initiative is our next effort, joining the lessons of the Leadership Program to our renewed focus on Equity.

Policy. Money. People. **Visibility.**

If you build a CDFI in a credit desert and no one notices, does it still make a difference?

OFN is leading a series of efforts to increase the visibility of CDFIs and opportunity finance well beyond our usual audiences. We intend to reach a mass market of people by making your work pleasing to hear about, simple to understand, exciting to embrace, and easy to talk about.

Two examples:

First, I am writing a book about CDFIs for a mass market audience. I have published several books before, all on technical topics, but writing this book on this topic in a way that is



pleasing to hear, simple to understand, exciting to embrace, and easy to repeat... is not pleasing, simple to do, or easy. But it is exciting!

Second, we are trying some things that are 10X different and new:

Tomorrow morning at 8, when we kick off OFN Connect, if you get there in time, you will be treated to an advance peek of a mass market campaign unlike anything we have ever tried before.

With the backing of the Sam's Club Giving Program and the expertise of GMMB, a cause marketing agency, we are preparing to launch a mass audience public education campaign focused on small business owners, particularly business owners of color and women business owners.

Our goal?

Fifty million online and media impressions resulting over five years in 250,000 business owners able, as a result, to make informed decisions about credit even as they face a tsunami of aggressive new lenders—the ones eating lending and, sometimes, businesses.

Of course, we also intend to point them to tools—including CDFIs—to help them succeed.

Policy, money, people, and visibility—each is a major challenge, but they are easy compared to **Racial Equity**, as we learned last year.

Right before I walked off the stage in Denver ...

after I talked about OFN, CDFIs, and racial equity...

after I recognized the courageous participants in last year's opening plenary who set a brutally honest tone for us around Equity...

after I explained our industry's virtues, assets, and unrealized potential as engines of Equity and acknowledged my shortcomings and OFN's...





after I told you what I—and OFN—intended to do and to do better...

and after I promised you OFN would immerse all of our work in racial and ethnic equity...

I said this:

“When we meet in Detroit next year, I will want to hear what you’ve learned and what you’ve done to make access to opportunity more equal.”



Every interaction and discussion at this Conference, every breakout session and plenary moment, every side conversation and reunion... is a chance to think about, talk about, and act on Equity. To experience it, see it, and not to take it for granted.

Maybe you’ve heard about the two fish out for a swim?

They swim past a big fish going the opposite direction, and the stranger asks, “How’s the water today?”

They keep swimming for a few minutes before one fish turns to the other and asks, “What the hell is water?”

Racial equity is the water in which we do our work to align capital with social, economic, and political justice.



Yet too often we take it for granted and look right through it.

Equity is also a source of tension and anxiety.

Last year, one OFN Board Member somberly said to me, “Be prepared. You have raised everyone’s expectations.”

Exactly, I thought.

OFN’s commitment to equity is not the path of least resistance or low expectations. It means swimming against the current, but it is how we have to swim if we are serious about aligning capital with justice.

Let’s get in the water.

We will succeed only if we swim together.

Are you in?

Today OFN is introducing the effort we promised to help you and your peers find your place in this work. Last month, the OFN Board approved OFN’s CDFI Industry Equity Plan to support, encourage, and challenge each of us to learn about and act on Equity.

It starts, as we have learned it must, with basics:

In the coming year, OFN will convene a series of CDFI-centered conversations:

- Each of our four Member Regional Meetings will feature a session on Equity.
- We will dedicate four of our Staying Connected calls to Member-led presentations on their Equity work.
- I will visit with the Boards and staff of at least 10 Member CDFIs, if you'll have me, to talk about CDFIs and Equity.



OFN Board Members will participate in each of these 18 events.

To support the industry's work, OFN will build out and share the Equity resource library we are assembling.

To strengthen its ability to oversee OFN's Equity work and its industry leadership, the OFN Board will do two things:

*First*, it will establish a Board Equity Committee, which like most OFN Board Committees will include non-Board Member Committee Members.

*Second*, it will spend one day in January as part of its Board meeting in the water—engaging in Race Matters Institute's Equity training, as the OFN staff did in 2014.

If all of this seems 1X, I would guess that you haven't yet dipped your toe in Equity. If OFN's experience at staff and Board levels is a fair indication, Equity is 10X hard.

This industry effort builds on OFN's work.

Since Denver,

- OFN's internal Equity Working Group answered the question—"What is Equity for OFN?"—by developing a framework that we are using to begin to learn about, talk about, and act upon Equity.

Can the Members of the Equity Working Group please stand?

To our guests, I want to urge you to talk with these people to hear from them directly. To the OFN staff, I want to tell you that your work has transformed OFN, it will help transform your industry, and it is transforming me and my career.

Thank you for your leadership.

- In May, the OFN Board approved OFN's first-ever Equity Policy, mandating that OFN use its resources and capacity to pursue Equity. The Policy—which is available online, at the OFN Booth, and tomorrow at OFN Connect—has hard deadlines for re-thinking



all of OFN's work through a racial equity impact lens and a regular schedule for me to report to you, starting early next year.

Part of the impact of our equity policy is that we are seeking different partnerships than we used to; fortunately, many of our partners are also developing plans and offering services aimed at increasing equity.

OFN is pleased and proud to be a partner with Wells Fargo in its Diverse Community Capital program to bring \$75 million to CDFIs benefitting small business owners of color.

OFN is holding itself to the goal we set for Members—to have a Board and staff that reflect the diversity of the people our Members serve. We have a ways to go, but we are working to make OFN a more inclusive organization with more support for diverse thought and actions.

OFN has rededicated itself to racial equity because it is the outcome we mean to achieve by aligning capital with social, economic, and political justice.

The *I Ching* teaches that, "Water reaches its goal by flowing continually."

You are making capital flow in ways and places that cut new channels in the bedrock of capitalism.

You influence capitalism each time you etch new streams so that capital flows into underserved communities to benefit deserving people who are stuck in the sediment of inequity, injustice, and poverty.

You work hard day every day to make our communities and our world ready for righteousness when it pours down like water and justice like a mighty stream.

That is what it means to use transactional tools to create transformational change.

That... is influence.

Now, imagine 10X influence!



Imagine Silicon Valley.

"[Silicon] Valley has the world in its sights," *Bloomberg Businessweek* explained. "Government, industry, social services, human sexuality, agriculture: They want to get in there and influence the whole shebang."

Well... So... Do we... have the world in our sights!

Add health care, education, small business, philanthropy, tax policy. Closer to home, financial services. And the big brass ring: Capitalism.

Are you with me?

My speech last year ended badly for me, though you would not know it. It went wrong in slow motion as I was walked off the stage.

It flew off the rails when Gerald Sherman told me during the Native Awards that he really liked the music I played as I walked off.

"It's one of my all-time favorites," I explained. I told him I had decided to make it my CDFI Theme music.

He wanted to know why.

"It's called *We Shall Be Free*," I said excitedly. "It pretty much says it all for me about what we work for—it's a redemption song that honors race, ethnicity, gender, sexual orientation and expression, and more."

You know that great feeling when the whole table is with you?  
How about the warning to never sell past the sale?

"The singer is Sam Moore, the classic R&B singer from Sam & Dave," I continued. "You know, *Soul Man*"?



Everyone at the table nodded.

“But the best thing,” I offered recklessly, “is that you won’t believe who wrote it!”

“Who?” Jael Kampfe, Gerald’s wife, asked with a big smile.

“The country singer Garth Brooks,” I said, returning her smile.

And then *this* happened:

Jael’s face turned stone and Gerald’s smile melted.

“You mean...,” she asked sharply, “The Devil in Indian Country”?

Uh... Oh.

During a performance, Brooks reportedly had mistreated a Native American artifact—some reports say a rug, others say pottery.

I reflexively pulled out my phone to search for proof, but Jael’s look was all the proof I really needed. Because equity.

I was swimming with the devil.

... I try to make smarter mistakes each year, so I am back to try again.

This year I have a new CDFI theme song.

I really hope you like it.

Whatever you think, please know that I scrubbed it for controversy using every digital tool I had: I Googled it and I Bing-ed it and I spent too much time on Reddit.



I covered *every* angle... except the one someone is going to tell me about later, I'm sure.

I needed a song that was authentic to who I am but equally genuine to everyone here.

I was looking for a song that spanned generations, cultures, races... that was inclusive and real.

It had to be edgy but catchy—pleasing to hear, easy to understand, exciting to embrace, and simple to repeat.

As I chose my song, I thought about my Dad, since the song spanned his generation and the three that followed, and it reflected his spirit. I mused about Nick Tilson. And I remembered the best story I ever heard at an OFN Conference:

In Oakland in 2002, OFN hosted a delegation of microlenders from India. One of them told me about a woman who appeared outside his stall. Maybe he told you, too.

The first day, she sat opposite and stared in, but declined when he asked her if she wanted to talk. For several more days, she sat outside looking in.

Late in the week, the man tried harder.

"Why are you here?" he asked. "Is there anything we can do to help you?"

"I need money," she said.

That's a start, he thought.

"What would you like to use the money for?" he asked.

"I don't know."

He tried again.



"Do you want to start a business?"

"Yes."

"What kind of business?" he asked.

"I don't know."

The man learned that the woman's husband—and source of income—had died and that she had young children. She said cooking was the only skill she had.

"Very good. Maybe we could lend you money so that you could cook for others," he said.

"Do you have any collateral?"

"What's collateral?"

After some time, the man ran out of questions: "You come here wanting to borrow money! You don't know what you want to borrow money for! We talk about cooking but you say you don't know how to run a cooking business. We try to lend you money but you don't even know what collateral is!"

"Do you still think we should lend you money?" he asked in frustration.

Collecting herself, the woman said: "I don't know. That's your job. My job was to find the courage to come in here to ask."...

MY job today is to tell you with brutal honesty what I see and what I see possible; Why I believe we will prevail.

Your job is to choose whether to join together to bend capitalism toward justice.

"It's deyn America," my Grandfather would say.





It's your America.

When you go back to your work on Friday or Monday, and every day after, all you have to do to join is to reach for the brass ring, the 10X one... capitalism

...to ask yourself, "What the hell is Equity?"

...to answer it in the loans you make, the people you talk to, the things you say to investors and government officials, and what you choose to advocate for.

...and to think about your work in a way that honors the three generations before yours and the three generations to follow.

To get in the water and swim.

Our new theme song was written 27,654 days ago—that's three generations—to bend the arc of capitalism.

It grounds aspiration in brutal honesty.

Here it is: Sharon Jones and the Dap-Kings singing Woody Guthrie's *This Land is Your Land*:

**Thank you!**

**It's deyn America!**

**Have a BIG time in Detroit!**