An Informed Discussion: Achieving Sustainability, Scale, and Impact in Community Development Finance

A Conference Summary

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OVERVIEW

On April 21 and 22, 2005, the Consumer and Community Affairs (CCA) division of the Federal Reserve Bank of Chicago, in conjunction with the Aspen Institute's Economic Opportunities Program, convened “An Informed Discussion: Achieving Sustainability, Scale, and Impact in Community Development Finance.” The Aspen Institute's study, “New Pathways to Scale for Community Development Finance,” published in the December 2004 issue of Profitwise News and Views, set the stage for this meeting and created a framework for the discussion. The conference formed part of a broader Federal Reserve System initiative and conference series aimed at assessing the state of the community development industry and bringing forth new ideas to increase its impact.

The conference highlighted business models and industry structures that have led to successful products, organizations, and industries both within and outside of the community development finance field, and issues faced by Community Development Financial Institutions (CDFIs) and the community development industry in trying to achieve greater impact. Often, at least historically, CDFIs and community development entities (CDEs) have identified needs in areas that are not well served by mainstream financial organizations (or other services/amenities), organized the means to meet those needs, and only later given consideration as to how to sustain the venture, product, or service over an extended period of time. This approach, despite all good intentions, is not the route to long-term success, ostensibly defined as sustainability and enhanced community-level impact. One reason attributed to this approach is captured in Aspen's study: the “customer” — the end user of products and services — does not figure prominently in the industry model.

Conference panels explored the role of business models in planning for growth, regional strategies for expansion, strategic partnerships, alternative forms of affiliation, the relationship between sustainability, growth, and impact, and the compatibility between mission and profit. The goal of the conference series is to advance both dialogue and action in support of new organizational and industry practices.
Session I. “New Pathways to Scale: Key Findings”
Kirsten Moy and Greg Ratliff of the Aspen Institute contrasted the concept of product innovation and replication in the CDFI context to the process of research, development, and roll-out in the for-profit sector.

Kirsten Moy and Greg Ratliff, Aspen Institute

Ms. Moy and Mr. Ratliff noted that scale is a word frequently discussed in the CDFI industry. Often, the underlying goal of reaching scale is to create a larger organization and provide credit access to as many low-income people as possible. “Scale” is an often used term that is frequently a proxy for other types of impact that are harder to describe or measure.

Moy stated that the classic nonprofit model for developing a product or service is to go from an idea, to experimentation, to early application, and then to best practice and scale (Figure 1). The private sector does not use the phrase “going to scale,” but seeks economies of scale; the goal is to reach certain levels of profitability, or return on investment, and achieve a certain market share or brand dominance. Achieving scale at the product level is an iterative process that includes research and development, standardization, infrastructure building, testing and evaluation, and then wide-scale roll-out (Figure 2). It is these steps that are missing in the classic nonprofit model.

In contrast, CDFIs attempt to provide a whole range of products, even if the uptake on some of them is very low. The CDFI product mix is developed in response to community need. Of ten types of loans, only two or three may attract a substantial number of customers. Nonprofits usually do not have the money to undertake research, development, and roll-out.

Figure 1: Model for Taking an Innovation to Scale

Moy and Ratliff further expounded on models for scale at the organization and industry levels. At the level of the organization, scale cannot be achieved without sustainability. A viable business model incorporates long-term profitability. In addition, scale requires sufficient geographic scope for an organization to expand. Key investments in infrastructure can also raise an organization to a new level of activity. Organizations need new partnerships as they grow. Reaching scale at the level of the organization can take a long time, possibly better measured in decades than in years.

Figure 2: A Better Model for Taking an Innovation to Scale

“Scale” of a product or innovation is sometimes more associated with the industry level. The original Visa card, one of Moy and Ratliff’s 10 case studies, gave birth to a new financial service, and ultimately a new industry. Most industries have five major groups of players: (1) customers, (2) industry members, (3) a trade association or industry intermediaries, (4) funders and investors, and (5) regulators/policymakers (in regulated industries). The ability to collaborate across the entire chain of the industry universe is critical to the success of CDFIs.
Access to common infrastructure can enable networks of organizations to work cooperatively to deliver greater volumes of product with increased efficiency. Cooperation among industry members can lead to a more supportive legal, regulatory, and policy environment.

In the CDFI industry, primary relationships are with the funders (investors) and regulators/policymakers, given the subsidized nature of the products offered by CDFIs. This creates a disconnect between the industry members and customers.

A promising and already successful method for CDFIs to achieve greater impact is to partner with mainstream financial institutions, while carefully distinguishing the roles of each, and the value each brings to the relationship. Another, largely untested method, is to develop networks of CDFIs that work cooperatively to deliver products and services, and a supporting infrastructure.

Ratliff discussed the organizational case studies conducted during Aspen's research. The organizations studied included: Banknorth Group, 7-11 VCOM, Visa, Ace Cash Express, Allied Capital, The Reinvestment Fund, Fannie Mae Self Help, ACCIÓN, Dell, and Unified Western Grocers. The lessons taken from the case studies include:

- The primary drivers of whether products and services should be scaled up are (1) demand for services, and (2) a clear market gap. The profitability of new product introductions is the primary driver of product development.
- When companies create partnerships, they work with organizations that have specific knowledge or expertise in an area where they do not, or with partners that produce a needed component of the product or service.
- Investment in technology often leads to increased efficiency and cost savings. Investments often increase integration of operations and facilitate product development.
- Capital is raised several times at strategic points during a product's growth and scale process.
- Geographic expansion is central to generating sufficient volume of transactions.
- Successful organizations acquired the management expertise needed at different points in the growth process.
- Several organizations changed their legal structure to accommodate future growth.
- The ability to adapt to changing market conditions in a timely manner was critical to organizational growth.

Moy and Ratliff acknowledged a fundamental tension between being community- or place-based and going to scale. Scale is not a realistic goal for the majority of place-based development finance organizations. Growth for growth's sake can reduce the community development impact. But for those who want to achieve scale, the focus has to shift from innovating products to developing a stronger infrastructure and delivery system. Investing in infrastructure is critical to future growth and successful scale-up. Changes in the funding environment must parallel these changes as well.

Panel Respondents:

Bruce Gottschall, Neighborhood Housing Services (NHS) of Chicago

Mr. Gottschall raised the question, referring in part to his own organization's experience, "...are we mature enough as an industry to figure out what is our real core strength, what we need to do directly, and how we work with others who have capacities that will leverage our core efforts?" He stated that once an organization realizes its core strengths, it can determine how to partner, how to outsource, and how to work with others to produce a broader impact and more sustainable, efficient organization. NHS has outsourced its loan servicing to a financial institution. This has worked out well, despite the fact that NHS would not have done so in earlier years, given the profile of its clients and their frequent need for more proactive servicing.

One issue to consider is how to develop a revenue driver that can support a significant investment in infrastructure. Another issue is the replication versus roll-out distinction. It is not always an either-or situation. Products that work in one market may not work in the same format in another market, but the replication model makes sense in a lot of situations. The question is how to combine them in ways that elicit the value of each at the local level.

Gottschall closed discussing the difficulty in achieving efficiency and standardization, while remaining flexible and responsive to the demands of the marketplace, noting that it is an important objective for the industry.

Michael Lohmeier, General Board of Pension and Health Benefits of the United Methodist Church (GBOPHB)

Mr. Lohmeier stated that while scale is not for everyone, there is a need for a segment of the CDFI industry to achieve scale in order to attract institutional capital. Sustainability ultimately drives the degree to which an organization should scale up, and although there may be a desire to serve a given geography and the requisite demand present, it is not practical for some organizations...
to grow beyond a certain size. GBOPHB wanted to develop a loan-to-lender program on the order of $5 to $10 million to serve low-income communities. Most CDFIs are not in a position to lend on the scale that would be necessary to specify that amount of funds, but programs of smaller scope would not be cost effective for GBOPHB. Accordingly, GBOPHB partnered with larger CDFI intermediaries.

In this vein, Lohmeier noted that standardization across loan products and the infrastructure to ensure quality control, greatly enhance the attractiveness of investments to institutional investors. The GBOPHB found that it is hard to buy large volumes of loans every year if each loan is underwritten differently with different loan documents. GBOPHB works closely with leading CDFIs who are helping to enforce standardization and act as intermediaries to aggregate loans from smaller CDFIs. Fannie Mae's infrastructure is the ideal benchmark, and though it sets a very high standard, Lohmeier contends that something approaching that model is what it takes to attract institutional investment at scale.

Mary Houghton, Shorebank

Ms. Houghton, to put her remarks in context, noted that Shorebank is a Chicago bank, a rapidly growing business, and seven smaller businesses that make up a delivery system for a basic but effective product, loans to entrepreneurs. It is an organization that after 32 years and substantial success and growth, "is still not at the point of wide scale roll-out," referring to the term used in the Aspen study.

Houghton pointed out that Shorebank’s goal is to lend out approximately two times its net worth annually, and had lent 3.4 times net worth in the prior two years. She raised the idea that a multiple of net worth should be used as a benchmark for getting to scale in the industry.

Houghton focused on the question of how to transition to private capital sources. She noted that it is difficult to raise capital for socially oriented for-profit businesses; but nonprofit organizations, particularly those that do not use some type of leverage model, have a much more difficult time accessing the capital markets. Houghton stated that a good deal of work needs to take place to "evolve a set of financial instruments that will feed our industry."

Houghton remarked that there is capacity for partnerships between CDFIs and banks that has not been explored. There are banks that take a long economic view and understand the potential of untapped markets. It is quite rare that the exact cost structure of each partner, or the value added from the CDFI, is calculated, and that is a necessary step.

Houghton also noted that subsidy is essential for poverty alleviation, but that creativity and efficiency are critical in using subsidy wisely. Finally, Houghton thought an important element was not emphasized in the Aspen Institute's study: the role of and need for talented leadership. The leaders of a unit, division, or a company are often the primary reasons for its success.

Pam Tate, The Council for Adult and Experiential Learning (CAEL)

Ms. Tate reiterated the importance of standardization over best practice, and the need to build infrastructure and capital. Tate also noted that product innovation and organizational innovation must occur in tandem. The organization must continually invest in more sophisticated management expertise as products themselves are innovated.

With respect to partnerships, Tate cautioned that partnerships take tremendous labor and time on the part of the organizational leadership. Organizations need to think carefully about which partnerships are useful or not, since the partner will work with the organization continually.

Tate further highlighted the role of public policy in achieving scale and impact for the nonprofit community. Public policy is extremely important where organizations serve a nonprofit mission and depend on subsidies to reach the targeted population.

Tate discussed the importance of balancing programs and products that serve the nonprofit mission, but may not be profitable, with profitable products that sustain and even help to grow the organization. "Getting to a sustainable structure financially may involve services that are universal. So for example in our case, we could not do a tuition assistance management service or product for companies if it only reached low-income individuals; it has to reach the entire workforce." Low-income individuals are CAEL’s target market, but to serve that market on a sustainable basis, and even to sustain itself as an organization, it must have a portfolio that balances mission goals with profit goals.

Tate noted that CAEL had been discussing with the Casey Foundation the idea of preparing a reflection of the organization’s 30 years of growth, including milestones that had defined new directions along the way. Tate had received a copy of the Aspen study and found it a very useful tool in the discussion, stating, "It turned out to be, literally, the framework for our entire conversation."

Tate concluded with the thought that the study would likely prove a useful tool for other nonprofits, and suggested developing training materials using the study as a basis. “We are starting out ourselves to work with a couple of other [nonprofits] to assist them as they work to be more sustainable organizations. I think that if they understood where they were in this framework, they could be a lot more intentional about their growth than they can without a framework.”
Session II. “The Importance of Business Models”

Langdon Morris of InnovationLabs outlined the role of business models as a tool for understanding the challenges to the CDFI industry and developing strategies that respond to those challenges.

Langdon Morris, InnovationLabs

Mr. Morris argued that businesses have to be captured and expressible in models that illustrate relationships with potential customers. A good model is extremely valuable, but as a baseline observation, he noted that perceptions of what a business model is can vary widely between individuals. Whatever form a model takes, it must be “reality tested.” Successful organizations are ones that respond to changing market conditions and adjust their business model continually.

“Most managers are accustomed to managing by looking in the rearview mirror. They are unable to see reality as it’s coming towards them.”

Langdon Morris

Business model adaptation is very important for the success of a business. Successful entrepreneurs and organizations know that they are not going to have it right at the beginning. New organizations come along and change the game. Successful organizations learn as much as they can as quickly as possible so they can make necessary changes.

The model Morris proposed for the financial industry (see Figure 3) depicts low-wealth customers on the bottom, high-wealth customers on the top, highly differentiated or customized services on the left and commodity/mass market services or products on the right. CDFIs are located on the lower left quadrant (low wealth, high product differentiation), while check cashers are located on the lower right (low wealth, high volume, mass business).

**Figure 3: Financial Services Market**

![Figure 3: Financial Services Market](image)

The chasm model is adapted from the high-tech industry. In high tech, the market is segmented into four categories: (1) early adopters, (2) visionaries, (3) pragmatists, and (4) conservatives.

“All the high-tech companies look for the visionaries who are going to buy a new technology because they have a business need. However, the largest segment of the market is the conservatives. It is a completely different business to be selling to the visionaries versus selling to the pragmatists. The business model has to flip, marketing has to flip, management has to flip, the metric has to flip.”

Langdon Morris

The issue for businesses is that people generally are not organizationally or managerially prepared to deal with the reality of exponential change. As the external environment becomes more complex, that makes it more challenging for a manager to determine how to respond to succeeding challenges. Most top managers are risk averse. When they do not recognize a significant shift in the competitive environment, they continue the same practices that were successful in the past, expecting similar outcomes. When denial persists too long, organizations tend to be marginalized or they go out of business altogether.
Morris offered the “chasm model,” adapted from Geoffrey Moore’s *Crossing the Chasm*, as a way to think about how CDFIs could expand their markets (see Figure 4). For the CDFI industry, with its focus on the lower and middle segments of the financial services market, the chasm is at the lower end of the market rather than the upper end, (Figure 5). The goal could be to extend operations upward, into portions of the lower middle market, (Figure 6). However, the existing low-end market looks and acts much differently than the target toward the middle market, so CDFIs will have to approach the target market differently, perhaps with a different message or a different set of services.

Morris posed some questions to reflect upon regarding potential changes for the CDFI industry.

- Given that there are differences (demographic, educational, etc.) between the existing market and the target market, what are some of those differences, and how does the organization need to change as it scales up to serve the needs of the target market?
- What are the expectations of the target market, and how should CDFIs market to them?
- Recognizing that mainstream financial institutions have enormous shared infrastructure, how much of that shared infrastructure can CDFIs access? Do CDFIs have to create new shared infrastructure for their own industry?
- With a chasm both above and below the CDFI existing market, are CDFIs expected to collide with mainstream financial services providers as the latter move downstream? Are they expected to meet as partners or as competitors?
- Can the CDFI industry raise enough capital? In the existing market, funders understand that this is a subsidy business. As organizations grow, funders might insist that organizations cover more of their own costs. CDFIs will also have to invest in management development, an overhead cost that it has not had before.

Individual CDFIs may not have the means to undertake strategic portfolio development - it takes a lot of time, effort, preparation, thinking, and discussion. But in aggregate, the industry has the means

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**Breakout Session 1**

*Regional Growth Strategies: How to Grow and Stay Connected Locally*

Jeremy Nowak, The Reinvestment Fund (TRF)

Mr. Nowak explained TRF’s place-based focus first in terms of determining the physical area that would represent their target market. Because regions function as economic units (often) irrespective of political borders/boundaries, TRF adopted the region around Philadelphia (where TRF is located) as its marketplace.

The Reinvestment Fund does three main things: (1) it builds products that open up new markets; (2) it provides data and policy analysis; and (3) it provides capital mainly for residential and commercial real estate.

In terms of building products, one of the most important lessons learned by TRF was that it had to have “valuable product” somewhere in the organization. Valuable products help entrepreneurs or developers grow their businesses
while also making money for the CDFI (TRF). These types of products also distinguish the organization as not simply an R&D mechanism for mainstream financial institutions, but one with a competitive advantage and intrinsic added value. Nowak pointed out that if an organization creates value and incurs the costs of developing a product, including the cost of information, it has to be able to extract some value from that. That is an essential aspect of sustainability.

Nowak further raised the notion that subsidy should not immediately suggest inefficiency, as long as organizations understand what subsidy is and how to use it for the right things. “Smart subsidy” is a term coined by Nowak and others at the Development Finance Forum to capture this idea. The CFO at TRF created a model that expresses, product by product, what subsidy if any each utilizes, and to what degree it is needed. A development finance organization must also have a pricing model that reflects an understanding of risks and transaction costs. An underlying element of this model must be an understanding of competition in the market.

In terms of providing data and policy analysis, TRF learned that information was in many instances its most important asset. Early on, the organization grasped the special needs of borrowers and complexities related to its transactions, and had few loan losses, but it was not able to make money. A nuanced understanding of the market and market trends was lacking. The organization had some of the best data in the region in certain markets, but it was being driven from one section of the organization. The lenders who were structuring transactions did not know how to access that information.

TRF accordingly wanted to “re-learn” the market, applying its high-quality information and analysis. It created new data tools. It built sophisticated geographic information data systems, and learned how to create information infrastructure. In the business model where innovation drives business decisions, and where the will to bring new products and services to market precedes considerations of the business process, Nowak noted that business functions such as financial management, compliance, marketing, information technologies, and human resources are supporting functions. Once innovation is understood as a means to improve business processes, and getting these processes to a point in which they will add to productivity, all of these functions move to the fore. At TRF, this shift has led to much more targeted lending and investment intervention on the basis of information and data. It has helped lead to important public policy outcomes through the ability to provide detailed data and information on particular markets. Developing infrastructure has also helped the organization to have enough depth in its balance sheet to support the cost of organizational growth.

Nowak stated that information has become a way to move TRF from an R&D type of organization, “a well-run nonprofit,” to an organization that can intervene with particular products in particular markets in a much more significant way. TRF also profits from the value that it has created. It has further begun to sell data tools to others, and to brand itself and its services in ways that few organizations in the field can.

Nowak closed with the thought that TRF is a successful investor and lender because the integrity of its portfolio is the result of high-quality information. But it does not assume it will make significant change through its portfolio and information alone. Market evaluation tools drive both lending and public policy into particular markets. The capital provided by TRF creates a connection to the local government and commercial sectors beyond the dollars invested. The organization’s portfolio earns it “a seat at the table,” and thereby the opportunity to be an integral player in discussions about community development in the region. The growth of the organization has allowed it to attract diverse and highly capable talent, which has also been a major factor in TRF’s success.

“‘We’ve always had an attitude about permanence. We weren’t there to facilitate something else, we weren’t an initiative, we weren’t a program. That was an important part of the leadership in our market.’

Jeremy Nowak

Tom Munoz, MB Financial Bank

Mr. Munoz discussed the ways in which MB Financial, a Chicago-based bank, has tried to maintain its community appeal after a period of expansion. MB Financial has about 40 branches located throughout the greater Cook County area. A string of mergers and acquisitions in the 1990s created “back room” efficiencies in terms of processing, accounting, and management; but MB Financial did not want to disconnect with the community bank culture, especially in the retail arena. The institution would otherwise lose the value of the assets it had bought.

Part of the strategy was to retain existing personnel at the acquired banks. MB Financial also pursued a concept called the “bank within the bank,” identified certain major cultural influences in different geographic areas, like Korean or Hispanic customers, and ensured that bank staff and automated telephone systems could communicate in the languages and embrace the cultural orientations of customers in these markets.

Another strategy was to allow business loans of up to $1 million to be made through retail lending departments.
This design ensured that small business owners would not be lost for the lack of personal service that might occur in a large commercial lending department. The bank also chose not to credit score small business loan applicants. That allowed the bank to be more flexible in its small business underwriting. More complicated underwriting is directed to the commercial loan department.

A third strategy was to include a CDC as part of the bank. The bank offers community nonprofit organizations that work with the CDC the opportunity to use the bank’s loan servicing and warehousing functions. Bank staff members are paid on the production of CDC loans, giving them an incentive to work with these customers.

**Breakout Session 2**

**Strategic Alliances**

Andrea Hughes, Community Action Project of Tulsa County (CAPTC) and Douglas Hartung, H&R Block

Ms. Hughes and Mr. Hartung spoke about the partnership between the CAPTC and the tax preparation company H&R Block. CAPTC provides services in education, HeadStart, employment, savings, and affordable housing. It served over 20,000 individual clients in 2004 and completed almost 18,000 free tax returns. CAPTC employs a screening tool to determine eligibility for a range of government benefits. The screening tool is called Benefits Eligibility Screening for Oklahomans (BESO). H&R Block is the world largest tax services company. It does a mass roll-out each tax season, hiring about 80,000 tax professionals with 100 hours of training. The alliance is designed to extend the reach of CAPTC using one of the principal methods described in Aspen’s paper, strategic partnerships; but the relationship benefits both organizations, as H&R Block is also able to expand its client base and range of services.

H&R Block brought to the partnership expertise in software infrastructure, centralized data analysis, and knowledge of the tax system, as well as a massive retail network second only in number of franchises to McDonald’s restaurants. The CAP agency brought with it expertise in government benefit eligibility criteria, relationships with the Department of Human Services and other program administrators, and specialists trained in the delivery of benefits.

The H&R Block tax preparation software identified likely clients for CAPTC services. It determined which clients were eligible for approximately 20 different social services programs. The program also generates an electronic PDF file of an actual application on screen, some of it pre-populated with client information. Once completed, the form can be transmitted electronically to the Department of Human Services.

CAPTC and H&R Block found that having complementary goals did not always mean having the same goals. H&R Block’s goal was to complete tax returns during a limited time frame, introduce services related to the tax preparation process, and retain more clients. CAPTC wanted to offer eligibility screening services to as many clients as possible, maximize completion and submission of food stamp applications, and serve more clients. H&R Block wanted to determine if its brand was credible in delivering this kind of service, whether tax professionals were willing to perform this work, the value added for clients, and profitability (shareholder value). CAPTC wanted to informally compare fee versus free distribution channels, test deployment of the re-branded BESO application at a non-CAP site, and test the ability to partner with a perceived competitor and for-profit firm.

Both organizations observed differences in the ways in which clients were made aware of the availability of benefits, and the actual acceptance of the offer, depending on whether the intake process was handled by CAPTC or H&R Block. Through the partnership, CAPTC discovered that H&R Block has a similarly high service orientation; the vast majority of clients who received the offer from H&R Block had a positive experience.

The main lessons they drew from this partnership were:

- Partners (and potential partners) must get past stereotypes, acknowledge differences, and find commonalities.
- Partners must be flexible, expect the unexpected, and make adjustments quickly. When entering a partnership, each organization is better off agreeing on a broad scope of work to be done, rather than the specifics.
- Managing a partnership of this type requires a significant commitment and resources on both sides. Identifying a point person on the larger partner’s side is important. Maintaining focus and communication between partners is critical.
- Organizational development has to occur at the same time as product development. In order for the CAP agency to be successful in expanding the program, it needed both a business planning process and product development process. It also required infrastructure and standardization to keep track of progress.
Mr. Herrera, chairman of LCCU, began by providing some background on the organization and how it got started. An initial motivation for creating a new credit union targeted to Hispanic immigrants was the rapid pace of immigration to the Raleigh-Durham area by a population with little, or in most cases no prior experience with managing a bank account, and the crime that resulted from transacting in and holding large quantities of cash.

LCCU was created with the help of four organizations: NC State Employees Credit Union, Self-Help Credit Union, North Carolina Minority Support Center, and El Centro Hispano. SECU is the second largest credit union in the U.S. with over a million members, has nearly 70 years of experience, a network of 800 ATMs, and experience sharing back-office support with other credit unions. Self-Help Credit Union is an established community development institution that had provided $2.6 billion in financing to home buyers, small businesses, and nonprofits when the partnership formed. In addition to its reputation and credibility, it lent personnel and logistic support to help launch LCCU. The North Carolina Minority Support Center was the nation’s first statewide intermediary dedicated to supporting community development credit unions (CDCUs), and provided critical technical assistance and grant money to LCCU. El Centro Hispano, a community-based nonprofit that focuses on issues facing Latino immigrants, worked with the financial partners to raise $320,000 in start-up grants, and $100,000 in capital required for reserves.

With about 1,000 new members per month, LCCU is the fastest growing credit union in the country. In addition to targeted financial services, LCCU offers a curriculum of financial education, and holds roughly 600 classes per year in North Carolina. Aside from very little banking experience among its members, LCCU must address language and cultural barriers, documentation issues, and simple distrust of institutions based on home country experience(s).

Herrera noted the importance of the reputations, character, cultural orientation, and strength of LCCU’s partners in ensuring the success of the organization. He also noted that the partnership does not have (and need not have) a complex arrangement, but communication among the partners was key to success.

Jim Blaine provided some perspective on the partnership from the standpoint of SECU. He noted that LCCU has not relied on grants or subsidy (other than the start-up funds) to thrive and grow as an organization, and suggested that organizations that do may not last on a long-term basis. A key lesson learned is the importance of internal capacity building. Blaine also discussed product and market focus, stating that LCCU had achieved success by narrowing its focus and not trying to offer too many products to too many customers, and offered some potential pitfalls in relation to products – such as credit cards – that smaller financial institutions should weigh carefully. Financial education pays a key role for success with LCCU’s target market.

Blaine closed by discussing his thought about essential elements to achieve sustainability, which he boiled down to six rules: [make it] cheaper, better, quicker, simpler, control the point of sale, and stay local. He emphasized the importance of controlling the point of sale stating, “If you outsource, don’t let anybody get between you and your customers.” If the product is a really good one, and particularly if the intermediary is a for-profit entity, they will figure out a way to take the business. “So be careful about who you partner with; stay in contact with your members. Stay local. That is the big dilemma: how do you stay local and personal and yet standardize the product?”
Session III. “Alternative Forms of Affiliation”

The presentations in this section addressed the issues of (1) how local organizations can succeed in a world characterized by consolidation; and (2) how local ownership, control of resources, and responsiveness can be promoted at the same time as efficient operation.

Howard Brodsky, CCA Global Partners

Mr. Brodsky began by sharing some personal motivations for creating his company. It was his father’s dream to have his own business, and after his father died, he took over the family floor-covering business. On a different level, many of his mother’s friends were pharmacists, as was his mother, and all who owned their own pharmacies went out of business when large drug store chains moved into their neighborhoods.

Recognizing that independent, small flooring operations lack leverage on many fronts, Brodsky and a close friend created the industry’s first association, the American Floor Covering Association, later named the World Floor Covering Association.

CCA Global both converts and creates franchises. A converted franchise is an existing business that the organization takes in as a member and orients to its model. In the scenario, CCA assesses the local market and the individual needs of the business, but will allow some leeway in certain areas that is typically not extended to new or “created” franchisees. Created franchises are new businesses. In this scenario, CCA outlines the terms of membership, and the franchisee must accept these terms as a condition of membership.

CCA Global is a well managed and profitable cooperative that offers potential lessons for the CDFI industry, not least that the leverage afforded by collective buying power, and a comprehensive package of management and financial tools, can help sustain and grow an otherwise fragmented industry of small institutions.

Christine Neal and Robert Ling, Unified Western Grocers

Ms. Neal explained that Unified Western Grocers is the largest wholesale distributor of groceries in the Western United States, supplying groceries to about 3,700 independent grocery stores. Members must buy stock, a substantial financial investment in the cooperative, to gain the benefits of Unified’s services, but the size of the investment is determined by the volume of goods that the member purchases. If it was a public company, Unified’s capitalization would place it in the top 500 largest publicly traded U.S. companies. The number of stores owned by individual Unified members ranges from one to 50. Like CCA Global and other cooperatives, Unified offers individual, small grocers the collective buying power, and thereby reduced pricing, that makes it possible for them to compete (on price) with larger competitors.

Membership consists of independent retailers who serve ethnic communities, upscale clientele, and the natural and organic market. Unified’s members compete against the largest grocery chains, regional operators, but also against each other.

The required financial investment ties retailers to the cooperative and provides stability to Unified’s capital structure. At the end of each year, profits over and above advertising, marketing, shared technology platforms and other IT needs, site selection real estate contracts, training, national accounts, store design, and market research for its store owners, as well as recruiting, hiring, and training of staff. The organization trains approximately 18,000 people per year in person, and has trained almost 42,000 online in aggregate. The member services division does nothing but plan meetings, conventions, and speakers for all the groups. CCA purchases all furniture, tools, equipment, and other physical needs for its retailers at a cost commensurate with its collective buying power.

The types of businesses in CCA Global Partners include:

- Retail flooring (domestic and international)
- Factory outlet flooring
- Residential building flooring
- Residential and commercial lighting
- Mortgage aggregation
- Formal wear
- Bicycle shops

From inception, Brodsky and his partner believed they needed to combine buying, marketing, and management together for association members. If not, CCA Global would not have been able to maximize its role. If it focused only on purchasing, its businesses could lose the realized savings because the individual member businesses would not have collective pricing power at the point of sale. If CCA only managed operations, and did not help with marketing, profit margins of partners would be reduced; individual operations do not have the budgets or need to buy advertising time and space in bulk. But representing a collective set of organizations, CCA can purchase ad space and time for its members often enough and in enough markets to gain discounts.

Brodsky explained that CCA Global negotiates or coordinates product purchasing, merchandising,
expenses are rebated back to the customers (members) in the form of patronage dividend.

Neal pointed out that in terms of achieving economies of scale, Unified focuses on three main areas: buying, warehousing/distribution, and technology. With respect to goods purchased by members, the more purchased, the lower the pricing. In terms of warehousing and distribution, Unified stocks over 60,000 items, continually updates its inventory to meet the needs of members, and has the truck fleet necessary to get goods to stores on time. Unified also offers various technologies to retailers. Single store operators do not have the necessary expertise to stay abreast of the latest technologies, or (without membership in the cooperative) the purchasing power to buy equipment and software at competitive prices. Unified sells that technology.

Unified also provides member support services in finance, remodeling, and insurance, and actually owns an insurance company. It facilitates the buying and selling of real estate. If the chains have stores for sale, Unified tries to make those available to their retailers. They provide retailers with loans or loan guarantees. They further advise their members on the latest product demand and in turn what to stock on their shelves.

Mr. Ling discussed some of the important lessons learned by the cooperative over many years of operation and service. He noted that the most important aspect of Unified's success is the dedication and creativity of its members, but also important is the correct infrastructure for buying, storing, selling, and distributing goods. Price alone does not keep Unified's members competitive; they must have goods in their stores as needed. With 60,000 individual items in stock, and new items in demand continually, achieving efficiency is difficult.

Ling stressed the absolute necessity of financial discipline: how (and when) to deal with customers who are financially troubled is critical to the long-term health of the organization. If members don't pay, they don't get their groceries; that is understood. Putting that idea in perspective, he noted that in the members' environment, failure to manage credit risk has much greater impact than losing any single customer.

Also important, Ling discussed, was the sense of ownership and belonging that members have in the cooperative. While many members compete with one another and even hire staff away from each other, they are willing to work together and sacrifice if there is a perceived external threat in their market. Ling noted the importance of diversity in Unified's membership, not only in format of stores it serves and supplies, but geographically. Having a diverse membership ensures that the organization remains financially stable even if one or a handful of members choose to leave, or if demographic or consumer trends change.

Professional management is critical to the health of the cooperative, Ling stated. In the past, the wholesale grocery business had not been noted for high quality management. Unified hires managers from all industries, and focuses on finding the right expertise for positions rather than experience in the grocery business or even cooperatives per se.

Ling also stressed that the process of governing the company over the long term is tremendously important. The ownership interest that members have in the company gives them a sense of control and helps drive their commitment and loyalty to the organization. Unified was one of the first co-ops to have nonmembers on the board of directors. This has lent both expertise and perspective to their deliberations.

Finally, Ling touched on the value of marketplace intelligence. Unified has a team of people who spend considerable time and effort making sure they understand the market at a micro level. They must be aware of consumer trends and demand for particular products to ensure that those products can enter the warehouse and distribution as quickly as possible.

Livingston Parsons, ACCIÓN International

Mr. Parsons recounted the unusual path to growth that ACCIÓN has followed. ACCIÓN is a multinational affiliation of organizations that provides business training and microloans (short-term loans for working capital) to low-income people who want to start their own businesses. ACCIÓN's partners represent different types of programs. Some are nongovernmental nonprofits, some are hybrid finance companies, and some are commercial banks. The local institutions have local boards, local members, and local staff.

"The types of our institutions have changed, from 100 percent nonprofits to about 90 percent financial institutions."

Livingston Parsons

After many years of refining their model, Parsons noted, ACCIÓN experimented in the 1990s with having financial
institutions as the “local organization” that serves the community. ACCIÓN helped to create the first nonprofit microenterprise bank, Banco Solidario in Brazil, which has since expanded to other countries.

In the 1990s, ACCIÓN also undertook a reverse-technology transfer. ACCIÓN applied what it knew about micro-lending in Latin America to the United States. It set up a model to provide technical assistance, training, marketing, and financial support to separate nonprofit organizations. Each organization operated independently. The purpose of this design was to ensure that the actions of one organization would not work to the detriment of another.

This type of diverse confederation has come with challenges. There is significant cost in setting up a new program, a significant timeline, duplication of services, and lost economies of scale. It has also been difficult to get everyone to move in unison. People change, goals change, and organizations focus on their own markets. Whereas one organization might see a particular goal as being very important, another might be caught up with funding or portfolio quality issues. Despite challenges, ACCIÓN determined that a decentralized management approach was more conducive to accomplishing long-term goals.

ACCION has looked to develop new delivery channels for the new century. It has incorporated commercial banks into the network. ACCIÓN has invested in a significant project to develop an online client application tracking software to build a technological foundation to process thousands of loans, including loan application and loan disbursement capabilities. Anywhere ACCIÓN’s loan officers can access the Internet, they can take a loan application, track their contacts for the day, do follow-up, and then disperse a loan. Using the data collected from this tracking software, ACCIÓN plans to target locations, develop partners, and develop a full-scale operation that makes sense without investing a substantial amount of money and time. ACCIÓN is also investigating how to take advantage of the Internet as a source of information for prospective business owners. They have found that over two thirds of ACCIÓN’s clients use the Internet as their most important source of business information.

Going forward, Parsons indicated that ACCIÓN is questioning whether to add brick and mortar to create new associate organizations. The downside of physical buildings is that it usually takes a year to get funding in place, and they also require staff to manage facilities and support the client base. To serve less populated areas, ACCIÓN is looking for new types of affiliation. Local partners could serve as brokers, while ACCIÓN would provide the loan capital and the Internet platform to make loans. These local partners could be banks. ACCIÓN is also working with a major computer company to finance borrowers that major banks and other lenders refused. Parsons estimated that up to 30 percent of small business credits turned away by banks could be approved and serviced by ACCIÓN.

Update from Washington

Arthur A. Garcia, Director CDFI Fund, U.S. Treasury Department

Mr. Garcia outlined some of the accomplishments of the CDFI Fund thus far. In its history, it has certified 740 CDFIs. It has supported many groups involved in consolidating their loan processing systems (ACCIÓN) and increasing their leverage (National Federation of Community Development Credit Unions that packages nonconforming mortgage loans to be sold to secondary market). The CDFI Fund also tracks impact with the Community Investment Impact System (CIIS) tool and provides financial help through the Technical Assistance program that can be used for a range of needs including assessing the market and computer software training.
Session IV. “Perils of Prediction”
Langdon Morris of InnovationLabs returned to discuss an important aspect of growing organizations, or more accurately, preparing organizations to thrive in a changing environment – looking forward strategically.

Langdon Morris, InnovationLabs

The prior day, participants received a questionnaire aimed at the CDFI practitioners attending the conference asking them to discuss their perceptions of their current and potential obstacles to reaching their future, expanded markets. The questionnaire was based on the chasm model that Morris had discussed in his earlier presentation.

The underlying theme of Morris' presentation, as the title suggests, was that it is important to understand the nature of predictions — that they are unlikely to come true. He stressed the importance of flexibility in trying to transform an organization to adapt to marketplace realities, and not adhering to a strategy based on a predicted state (that will most likely not reflect actual circumstances). An even worse scenario, stubbornly clinging to methods that led to past success to address a changing market, he stated, characterizes many once preeminent organizations in their fields that have been supplanted by upstarts more willing to deal with a rapidly changing marketplace.

The broad issues raised by practitioners that responded to the survey included:

- Ability to attract and retain high-quality staff;
- Availability of capital for general operations versus (for) specific products or programs;
- Ways to change business operations to accommodate growth and/or adapt to new markets;
- Marketing channels to reach new and more profitable market segments; and
- Openness to new ideas within leadership.

Morris further discussed his organization’s approach to working with businesses facing rapid change in their industry(ies). The first step generally is to initiate a process of “unlearning,” or essentially learning to break from past practices, and gain consensus in the organization that a new reality calls for a new way of thinking and behaving in the marketplace. Morris referred to this point in time, when management truly accepts the need to change, as the “moment of truth.” He depicted graphically the cycle of denial, acceptance, exploration, and relearning, comparing it to pioneering work by Elisabeth Kubler-Ross, who wrote about the cycle of dying. With or without outside help, Morris explained, organizations cannot transform absent something approaching this process.

Morris went on to point out that most CDFIs are too small and too busy to undertake a long, introspective look at their business model. But as an industry, a community of organizations, in conjunction with financial and other supporters, CDFIs can and should rethink their business model(s).

Morris closed with the idea that innovation and strategy are intimately related. It is virtually impossible to improve performance without discussing these two topics. More broadly, collaboration and communication, at various times, must occur between peers, suppliers, funders, and even competitors for the CDFI industry to remain financially viable, sustainable, and to accomplish its mission-oriented goals. He encouraged the industry and cohorts to collaborate and create a “strategic portfolio of options” to choose between and adopt as appropriate.

Figure 7: The Unlearning Curve

Clara Miller, Nonprofit Finance Fund (NSF)

Drawing from years of experience in funding nonprofit organizations, Ms. Miller offered her analysis of some paradoxes in the CDFI world and the consequent challenges to growth. Whereas in the for-profit world, a proven model attracts capital; in the nonprofit world, a proven model repels capital. CDFIs (and nonprofits more generally) seek out and fund what is special and innovative.

Another issue involves the kind of debt capital that is available to nonprofits. CDFIs tend to focus on real estate finance mainly because it is more difficult for organizations without a real estate based model to find capital. Other kinds of enterprise finance methods should include unsecured loans for working capital.

A third issue is that CDFIs have high internal complexity. Nonprofits are often told to diversify their revenue sources, yet organizations that have a dependable single or double source of revenue tend to be much more “scaled.” Internal complexity is expensive and tends to make it more difficult for an organization to grow. As complex organizations expand, expense and complexity tends to grow with them. Shedding some diversification often aids expansion.

Miller underscored that growth and scale, and even maintaining the status quo, all depend on profitability. That is true as much for nonprofits as it is for for-profits. However, unlike for-profit businesses, CDFIs stay in lines of business and continue to offer products that are not profitable, because of their mission. That is the conundrum: to find a way to grow and be more effective, despite operating low-profit or unprofitable businesses. Scaling up a business model that continues to lose money as it grows, and does not make it up in volume, does not lead to health and effectiveness. Some of the largest nonprofits cross-subsidize between profitable and unprofitable lines of business, and manage this balance carefully.

Miller touched on the essential mission of CDFIs. To some extent, success requires nonprofits to move out of, or at least not assert themselves in, markets where mainstream financial institutions move in. Sustainability is not something that is a major part of the mission. It is not considered the highest and best use of time. In fact, nonprofits have moved out of businesses that would probably make them more sustainable because a large number of others have moved into those businesses.

Miller closed with a call to reconsider the structure of the finance system for CDFIs. “I think it’s important for all of us to change the finance system, the model both on the supply side, as well as the way we think about our own financing and our own business models on the demand side. Key assets are changing, access to markets is changing, and many of the ideas in Kirsten’s and Greg’s paper are a great beginning toward that goal.”

Shaw Canale, Cascadia Revolving Loan Fund

Ms. Canale’s presentation brought out some of the questions that Cascadia has struggled with regarding growth and scale. Cascadia is a 21-year-old loan fund that provides financing and business assistance to small businesses and community-based organizations. It has a capitalization of about $13 million, coming mainly from private investors, banks, and foundations.

For Cascadia, three questions drive whether the fund will look to expand in a particular arena.

- Will the endeavor preserve the mission of the organization?
- Will the endeavor broaden or deepen impact? In this respect, Canale emphasized the importance of “transformational” rather than “transactional” work. The former has to do with making a mark on a larger policy discussion – i.e., contributing to a conversation that could not otherwise be had without the organization. In contrast, transactional work consists of the same set of transactions that the organization currently does, perhaps in a more standardized way.
- Will growth help ensure that the organization sustains itself over the long term?

The organization does not want to find itself in a situation where hitting scale actually drives it to rely on subsidy to a greater extent. At the other extreme, standardizing processes can drive an organization to the middle of the market, which does not advance the mission.

Canale also discussed merging with another organization as a means to achieve scale. The upside to a merger is that it eliminates some redundancies in the market. The challenges to mergers concern changes in leadership and management.

Canale repeated the point that the definition of sustainability is not always clear, and expressed some skepticism as to whether merging organizations with different cultures and different goals leads to operating efficiencies.
Steve Dawson, Paraprofessional Healthcare Institute (PHI)

Mr. Dawson's organization, PHI, has the goal of fundamentally changing the workforce development practices of the $200 billion nursing home care, home health care, and personal care industry. The current method in the industry for training caregivers is characterized by low investment, high turnover, and low return. PHI is laying the groundwork for an alternative way of doing business in which there is high investment in this workforce, low turnover rates, greater stability, and a high return in terms of both the quality of jobs and quality of care. Government, and to some degree private insurance, pays for most long-term care. Accordingly, a shift in industry thinking, investment, and practice will require changes to public policy (at a minimum) to make jobs in the field more desirable, and thereby attract and retain more workers.

Building a framework for a mission-driven nonprofit to create change in the industry requires clarity with regard to who are the constituents of the industry and who are the clients, Dawson noted. In the case of the long-term care industry, the constituents are the workers, and everyone else, including the state government that hires the organization, is a client.

PHI considers first what impacts its constituents, and then works backwards to try to create the systemic changes needed to accomplish its goals. PHI has taken on three roles to magnify its impact:

1) PHI developed private home care models.
   - In the mid 1980s, PHI created Cooperative Home Care Associates, a for-profit, worker-owned home health care company and training program, which is now the largest worker cooperative in the country.
   - PHI partially replicated the program with the creation of the Paraprofessional Healthcare Institute, a nonprofit spin-off.
   - The organization also created Independence Care System, a managed-care entity, to coordinate the care of people with physical disabilities who are nursing-home eligible, but live in their own homes.

2) PHI works with states and the federal government to change the rules on issues of reimbursement, training, and supervision.

3) PHI disseminates information on paraprofessional workforce development through a national clearinghouse. This has become the largest source of information on direct care workforce issues in the country, and is a widely used resource in the industry.

4) PHI works with employers, labor organizations, and consumer groups (e.g., AARP, United Cerebral Palsy, Alzheimer's Association, etc.) to bring together different stakeholders, recognize shared perspectives, and advocate on behalf of the industry. PHI is in the process of spinning off its advocacy arm, Direct Care Alliance.

Achieving scale through standardization is extremely hard, at least in the long-term care industry. There is not a single long-term care system in the country. There are 50 systems as each state Medicaid program is different. The community college system in each state is also different. Accordingly, a single curriculum to train workers is not feasible, given different state and local requirements. To have an impact across the system, PHI is working on standard "approaches" that can be implemented across the country, covering how to teach a workforce with low skill levels, strategies for adult education, etc.

Dawson stated that for PHI, scale is a means to an end. Scale is a goal because of the changes in policy it can bring about. The larger the organization becomes, the more leverage it has in terms of legitimacy as an employer and converting that leverage into policy change.

Exponential growth requires different kinds of abilities to manage it, Dawson noted. Management must have a great deal of knowledge. At PHI, the money received from foundations is used to hire and/or develop the best expertise in the country. High-quality management provides value to all industry stakeholders.
Jeremy Nowak, The Reinvestment Fund (TRF)

Mr. Nowak returned to the question of how to define sustainability. Until an organization gets clear what it means by sustainability, and uses some standard language about it, and about impact, discussions of trade-offs between sustainability and impact remain at the anecdotal level.

Nowak went on to discuss degrees of sustainability in the CDFI context. One level of sustainability involves having relatively subsidized capital, but the organization can pay operating costs less the cost of credit losses. A second level includes the ability to pay for credit losses. A third level is no longer relying on subsidized capital, but having risk-based, risk-adjusted market capital. The Reinvestment Fund discovered that it was obscuring its own inefficiencies by not establishing a clear idea of sustainability.

Nowak stated that organizations must decide what kinds of products or transactions meet what kinds of criteria. If an organization decides that there are products that are mission-important, it should be able to demonstrate what the subsidy is, the degree to which it is needed, and be able to justify those products because of their mission-aligned impact. If an organization uses subsidy for things that it does not think can be brought to the market, but still make sense for the mission (e.g., policy work), there is justification. If the organization uses subsidy to obscure the inefficiency of operations, that is a different issue. TRF built its own theory of subsidy in terms of where they would use it and where they would not. TRF tries to understand what the return on an investment is going to be over a certain number of years, and allocate subsidy and other resources accordingly.

Nowak outlined a set of structural dilemmas in the CDFI industry, some of which are self-imposed and some of which are native to the broad CDFI mission. CDFIs seek low-cost capital, despite the market risk of that capital. They try to make subprime loans, but with preferred rates, which simply does not work. CDFIs have a tendency to build markets for products, and then get out of the market as it becomes more mainstream and profitable. But without the ability to cross-subsidize from product to product, it is very hard to be sustainable and reach deeper into scale. Further, social investors have little interest in scale. It is not their primary mission, and perhaps ought not to be, Nowak noted.

One view is that small nonprofits do great mission things, but are likely not financially self-sustaining. The larger TRF became in terms of net worth, the more it could “play the market” in substantive ways and take risks, because it had a balance sheet for it. TRF is not going to change the world loan by loan, Nowak remarked. But if it is sustainable, it has the integrity of its portfolio to lever a set of ideas that can be used to make systemic changes. Organizations can do interesting things and influence others through a combination of their portfolios and the ability to think beyond it.

To create an efficient business model, TRF found that there are five elements:

1) Have a sustainable strategy. Nowak laid out what makes an organization sustainable in his earlier remarks.
2) Have an understanding of the value of information. Information becomes something of the highest value as an organization grows and attempts to penetrate new markets.
3) Learn how to transform backstage functions into front-stage functions, as outlined earlier.
4) Pursue effective geographical expansion. Geographic expansion is closely related to the ability to recognize distressed markets. TRF helped capitalize an affiliated development company.
5) Broaden capital market access. TRF has been able to acquire more predictable resources through bank syndications.

Steven Dow, Community Action Project of Tulsa County (CAPTC)

Taking the issue of impact to the household level, Mr. Dow explained that the CAPTC focuses on how to use the tax system to move some of the income received by lower-income households, albeit limited and less disposable, to the household’s balance sheet – as savings. CAPTC initiated a project to increase access to the Earned Income Tax Credit (EITC). The EITC is the largest source of income, on an aggregate basis, that comes to some of the lowest-wage working families in the country – roughly $35 billion. An underlying purpose of the initiative is to reduce the amount of money lost in transaction costs, for example the money paid to tax preparers and others who make high-cost refund loans, as it moves from the Treasury Department to individual families. CAPTC wanted to test some models that work around the EITC, change financial behavior with individual households, study those models, and possibly bring the lessons to the attention of policymakers, or perhaps sell information to others who are operating systems at scale.

Dow stated that CAPTC is beginning to address some issues related to accessing the EITC and fostering saving habits among low-income households. CAPTC had taken part in a four-year national demonstration program. For their part, CAPTC had combined financial education with a financial match on IDA accounts opened using EITC refunds for a group of 500 recruited households, and followed a control group of 500 with similar income and characteristics, but not the training or benefits conferred.
on the recruited participants. While the results are still under analysis, the 500 households recruited for the program did save at a higher rate despite incomes close to the federal poverty level. Further questions to be addressed by the experiment include:

- Among low-income people, what characteristics distinguish savers?
- When do they save and what makes them save?
- How can CAPTC and other intermediaries encourage savings as a habit rather than a one-time or infrequent event?
- How can they minimize (and eventually eliminate the cost of) incentives to get people to save?
- Once savings is an ongoing event, how can they improve the household “balance sheet.”

In the past year, CAPTC had served roughly 18,000 households with tax preparation services. Dow stated that CAPTC's goal is to bring lessons from its experience to a broader set of practitioners to encourage savings and wealth accumulation among low-income families. The goal of CAPTC's partnership with H&R Block, highlighted in Breakout Session 2, is to facilitate growth in its effort to support wealth building among low-income households.

Conclusion

The partnership between the Federal Reserve System and the Aspen Institute's Economic Opportunities Program is ongoing, and this conference was the first in a series that will be held around the country. The second conference took place at the Federal Reserve Bank of Boston on November 3-4, 2005. Future meetings will take place at the Federal Reserve Banks of San Francisco, New York, Dallas, and at the Board of Governors of the Federal Reserve System. Information on upcoming meetings will be available on the Web sites of the participating Reserve Banks and the Board of Governors. Information about past conferences in the series is available at: http://innovationlabs.com/aspen.

Notes

1 Visit www.aspeninstitute.org/eop.
3 The Development Finance Forum is an international network of independent practitioners whose goal is to help build the field of development finance. Visit www.dfforum.com.

Michael V. Berry and Robin Newberger summarized the conference sessions.

Michael V. Berry is a senior research analyst and manager of the Emerging Consumer and Compliance Issues unit of the Federal Reserve Bank of Chicago's Consumer and Community Affairs division. Mr. Berry is also the managing editor of, and a frequent contributor to, the Federal Reserve Bank of Chicago's Profitwise News and Views publication. Mr. Berry holds a B.A. in political science from Susquehanna University in Pennsylvania and an M.B.A. from DePaul University.

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