NATIONAL COMMUNITY INVESTMENT FUND

REIMAGINING MISSION-ORIENTED BANKING

2021 VIRTUAL CONFERENCE

CONFERENCE SUMMARY

CONFERENCE AGENDA

DAY 1: **Macro Focus: *Initiatives to Enable Further Growth of the Sector***

DAY 2: **Investor Day: *Raising Capital***

CONFERENCE AGENDA

DAY 3: **Policy & Impact Day:** ***Measuring Change and Community Impact***

DAY 4: **Technology Focus:** ***Deploying Fintech Solutions***

REIMAGINING MISSION-ORIENTED BANKING

Over the years, the Community Development Financial Institution (CDFI) and Minority Depository Institution (MDI) bank sector has been recognized by various stakeholders for the impact it generates in low- and moderate-income, high-poverty, high-unemployment, and/or underserved communities nationally. They support small- and medium-sized businesses that create jobs and also help finance hospitals that provide services to medically underserved areas, schools that provide quality education, grocery stores in food deserts, and affordable housing (both rental and for sale) for people who are unable to access it otherwise. They provide affordable and accessible financial products and services to people, places, and businesses. NCIF has recognized them as Anchor Financial Institutions that are critical for long-term economic growth, sustainability, and social impact.

The escalation of social and economic injustices systemic to our society, the Black Lives Matter movement, the tragic death of George Floyd and many others, as well as the disproportionate impact of the pandemic has increased the focus on the sector with significant amounts of capital being invested by both the public sector (for example, the Emergency Capital Injection Program and CDFI Fund programs) and the private sector (Bank of America, Chase, Wells, Citi, etc.). But what if it is now possible to achieve 10 times that impact? Or even more? Here is what we believe needs to be done for and by the sector to achieve scale:

1. Business Models: CDFIs and MDIs must reimagine themselves and think about growth in a radically different manner. With new and expanding sources of capital, the sector must change its business models, invest in human capital and physical technological infrastructure, and enter into partnerships to originate assets and implement programs that meet the impact goals of their work.

2. Stakeholder Orientation: The CDFI and Minority Bank sector must create robust strategies to broaden and deepen investor relationships while continuing to formalize its long-standing approach to stakeholder capitalism. The CDFI and MDI sector needs to provide return on (and return of) capital to investors within a reasonable period of time and ensure they can align with investor impact goals. Those that adopt this approach can access more capital and, hence, scale.

3. Investors Must Commit Capital: Investors and funders need to make long-term commitments to the sector, not "one-time" contributions. We are witnessing this transformation with several large banks, corporations, and financial technology companies committing capital and funding to the sector. NCIF believes this capital has to have three characteristics:

    a. Significant amounts of capital: Investors should commit capital at scale to fund both new and innovative strategies and to build the capacity of a well-established sector to solve the scale of social and economic justice issues that are so deeply ingrained in society.

    b. Long-term capital: Investors and funders need to commit long-term capital — allowing banks to align it to the long-term social and economic development needs of the communities they serve.

    c. Flexible capital: Capital should be deployed across the impact investment continuum, combining different structures and cost of capital — particularly focusing on lower-cost capital.

4. Impact Focus: The CDFI and MDI sector needs to do a far better job of measuring and communicating its quantitative and qualitative impact. Data utility must be improved to do this. This will allow benchmarking and longitudinal analysis. Evidence-based impact will help make the case for scale and innovation.

5. Technology Partnerships: Technology partners are enablers, and the CDFI and MDI sector needs to adapt to and partner with them to transform business models and infrastructure and to scale up their impact.

We explored these themes during our 2021 conference and are honored to have such broad participation from our keynote speakers and panelists, including NCIF Network CEOs, investors, and regulators — all providing guidance for the future. We appreciate the insights offered by our keynotes — Jelena McWilliams, FDIC Chair; Jodie Harris, CDFI Fund Director; James Lee Sorenson, Founder, Sorenson Impact Foundation; John Rogers, Jr., Co-CEO and Chief Investment Officer, Ariel Investmentss; Sultan Meghji, Chief Innovation Officer, FDIC; and Fran Seegull, CEO, U.S. Impact Investing Alliance. We hope you'll continue to engage with us in advancing this important work.

Saurabh Narain
President and CEO
National Community Investment Fund

DAY 1

MACRO FOCUS: INITIATIVES TO ENABLE FURTHER GROWTH OF THE SECTOR

With investment in the CDFI industry at record highs, there are new ways to create opportunities for growth. Throughout the day, investors and industry executives shared ideas on how to attract long-term investment and tap into new programs, and how mission-oriented banks can achieve scale through capital. They also discussed how to leverage technology for continued growth, promote employees as agents of change, rethink metrics on growth, work together to battle inequality and expand the sector's reach through strategic partnerships. Here are some key ideas.

Reimagine Mission-Oriented Banking — CDFI Fund Directors Perspective

Current and past CDFI Fund Directors — **Jodie Harris, Annie Donovan,** and **Donna Gambrell** — *discussed the current state of the industry and guidance for a path forward.*

Jodie Harris
Director, CDFI Fund

Annie Donovan
EVP, LISC

Donna Gambrell
CEO, Appalachian Community Capital

Focus on strategy implementation. Anticipating unexpected shifts in the industry means that expanding an understanding of the sources of capital is essential, says **Jodie Harris, Director of the U.S. Department of the Treasury's CDFI Fund.** Harris urges CDFIs to better parse through the different partnerships — be it philanthropic, private sector, or government partners — to determine how best to work together. "Being able to understand how those partnerships work and how to grow those partnerships and sustain those partnerships over a period of time is going to be critical in order to maintain this momentum," she says.

Consider fintech solutions through an equity lens. It's important to look for digital solutions that are both efficient and equitable, says **Annie Donovan, Chief Operating Officer at the Local Initiatives Support Corporation.** "We have to be cautious about the ways in which algorithms and artificial intelligence get built with our own systemic biases," she says. Prioritizing users' needs is easier after defining who is on the other side of the technology being offered, and can make it easier to present solutions that are a true benefit, she adds.

Reexamine the industry's approach to social justice. When it comes to social justice, "it's really important that we are turning the mirror on ourselves and that we are not being so arrogant that we are saying others should be doing these things," says **Donna Gambrell, Appalachian Community Capital's President and CEO.** Oftentimes that means rethinking loan metrics along with hiring, development, and training policies. Looking within the organization and how employees can succeed brings together people from the community to create change. "Now is the time to have folks that look like those people in the community leading it," she says.

Make room for back-office improvements. As CDFIs scale up, improving back-office operations to efficiently run the business is critical, says Harris. This was especially important when dealing with Paycheck Protection Program loan applications, as many CDFIs were learning the system and were setting up the ability to compete with larger financial institutions. "Monetization lends itself to looking at ways to become more efficient — whether it be through partnerships or accessing CDFIs on technical assistance grants to build up that infrastructure," she says.

Establish a roadmap to scale the business model. The industry can scale in multiple ways, says NCIF's Saurabh Narain. It's important to increase the size and reach to create more impact, promote stakeholder capitalism within our own organizations, and, externally, generate social, environmental, and financial returns for investors to scale investments, and enhance measurement and communication of impact. Also critical for growth are partnerships with fintechs and nonprofits.

Reimagine Mission-Oriented Banking — CDFI Bank CEO Perspective

Big Ideas: *Meet the bank CEOs sharing their take on a new kind of capitalism. Executives share what it means to prioritize employees, leverage technology, and protect small business in order to promote sustainable growth.*

Providing new credit opportunities. "Our mission is to go deep, be locally based, and listen and evolve with the needs of our community. One focus is on commercial delivery of credit. We think it does leverage that impact because, if I can finance an African-American woman entrepreneur and I can grow her ability to hire within her own communities, in every way we begin to close some of those gaps — recognizing that none of us are going to solve these vast chasms of inequality individually, and it is going to require partnering at every level. That includes nonprofits that are actually affiliated with us and help us compound and deepen impact within our communities in ways that we could not do as a national bank."

– **Brian Argrett,** CEO and President, City First Bank/Broadway

Promoting our small businesses. "We are hyperlocal. The wealth gap in New York, our market, is much more evident. What we see is that there are many small businesses — particularly black and brown small businesses — expected to close their doors or have done so already directly tied to this pandemic. What that ultimately means is that the communities will continue to lose more of the small businesses that have been here for a number of years, and we see our role as critical in terms of helping those small businesses survive the interest rate environment. Specifically, African-American women are the fastest growing segment of small businesses that are launching across the country — but they're last on income. We see ourselves as a catalyst to help play a critical role in closing that gap, and that's why we spend a significant amount of time and focus on minority business."

– **Michael Pugh,** CEO and President, Carver Bancorp, Inc.

Scaling through technology. "Capital is our only major constraint to growth and impact. When you think about 10x growth and 10x impact, those have to go hand in hand when it comes to leveraging capital in terms of our mission-driven organizations. Technology is at the core of it all. We're going to need the capabilities digitally in which to scale the organization — and I would say from experience: Don't forget about the operations and compliance, because they go hand in hand. We need technology in which to grow and scale a bank and obviously remain safe and sound and out of regulatory trouble. I do think there are some significant opportunities on the partnerships and we've seen large corporations interested in partnering with minority institutions as well as CDFIs."

– **David Reiling,** CEO, Sunrise Banks

Prioritizing our people. "The decisions we make really help shape and determine the future. We've embraced stakeholder capitalism in the last four years to become a benefit corporation, signaling to the world we are a CDFI; but, more than that, we are legally bound and required to focus on our social impact. One group we spend a lot of time focusing on is our employees. We created an employee stock option plan inside of the 401k plan, and 98% of our employees are also owners of the organization. If you want to talk about changing the culture of an organization, let people understand they own the organization. They are turning lights off; they are turning temperature down; when out for a company dinner, they support each other. We also have a 1% home ownership loan, so employees who have been here for two years or longer are eligible. We believe in living and breathing our mission."

– **Darrin Williams,** CEO, Southern Bancorp, Inc.

Fireside Chat and Keynote: *FDIC Chairman Jelena McWilliams*

Chairman **Jelena McWilliams** understands that success depends on access to credit and revolutionizing the metrics we use to deem creditworthiness. As the keynote speaker at the ***NCIF 2021: Reimagining Mission-Oriented Banking*** conference, McWilliams joined **Saurabh Narain** for a fireside chat to share her vision for increasing access to credit and turning to CDFIs to lift up low- and moderate-income (LMI) communities. She commented in detail about her efforts around the FDIC's proposed new Mission-Driven Bank Fund. Highlights from the conversation are below.

Chairman Jelena McWilliams has been a champion for providing greater access to banking credit and supporting mission-driven banks that provide safe and affordable products and services in underserved minority, low-income, and rural communities. As the keynote speaker at the NCIF 2021: Reimagining Mission-Oriented Banking conference, McWilliams joined Saurabh Narain for a fireside chat to share her vision for increasing access to credit and turning to MDIs and CDFIs to support minority, low-income, and rural communities through capital, innovation, and storytelling. She commented in detail about her efforts to facilitate the new Mission-Driven Bank Fund. Highlights from the conversation are below

Creating an inclusive financial system is a personal mission for me. I came here as an immigrant with only $500 in my pocket on my 18th birthday. I'm someone who understands firsthand the perspective of those who cannot make ends meet by holding multiple jobs, who have challenges in qualifying for credit, and who watch their checking account balance deplete.

Expanding our engagement and collaboration in support of FDIC-insured MDIs and CDFIs is part of our broader commitment to increasing financial inclusion. A CDFI/MDI is often the financial lifeblood of its community. It serves individuals and minority-owned small businesses in a secure way to build savings and obtain credit. FDIC research has shown that mission-driven banks have a substantial impact on their communities.

At the FDIC we are thinking outside the box when it comes to facilitating capital investments, including the newly created Mission-Driven Bank Fund. It will channel investor funds to make investments in FDIC-insured MDIs and CDFIs in a variety of asset classes. These investments will help these institutions to build capacity, size and scale to better serve their communities. One of our objectives in setting up the Mission-Driven Bank Fund was to create the opportunity for MDIs and CDFIs to make pitches for funding tailored to their business models, strategic plans, and vision for building the future. Our goal is for the anchor investors to hire a fund manager during the second quarter of 2021 and conduct a fundraising round to be prepared for the fund to accept pitches from MDIs and CDFIs in the third quarter. This will help change the status quo in our nation's long-standing battle to help low- and moderate-income communities prosper.

The FDIC is also focused on technology and innovation and as well as considering how to encourage the responsible use of alternative data by financial institutions. Alternative data is information not typically found in a consumer's credit files. Using alternative data can improve the speed and accuracy of credit decisions and help firms evaluate the creditworthiness of consumers who might not otherwise have access to credit in the mainstream credit system. The FDIC and our fellow regulators issued guidance in December 2019 to encourage the responsible use of alternative data, and this is an area we continue to explore.

Innovation does not necessarily require an elaborate skillset or a new technology to implement; sometimes, it's about simple storytelling. I have learned mission-driven bankers are at the very heart of transforming their communities, and I'm committed to facilitating the telling of their stories and the critical role they play in their communities. I believe that our research on mission-driven banks and our advocacy efforts — whether through speeches, testimony videos, or podcasts, or sharing origin stories — can help in raising awareness about the unique contributions of these institutions to our nation's financial system.

CLICK TO LISTEN TO THE CONVERSATION

NMTC Case Studies — *How to Win Business, Create Impact, and Increase Revenue Using NMTC*

Ruben L. Anthony, Jr.
President and CEO, Urban League of Greater Madison

Michael Burke
CFO, Mile High United Way

Terry Burm
Senior Vice President, Lending, NCIF, Moderator

Brett Magers
President, Legacy Bank and Trust

William Wright
West Region CEO, Southern Bancorp Bank

In the first of two panels on the benefits of NMTC, NCIF was joined by Dr. Ruben Anthony, the President and CEO of the Urban League of Greater Madison (ULGM); Michael Burke, CFO of Mile High United Way; Bill Wright, West Region CEO, Southern Bancorp Bank; and Brett Magers, President of Legacy Bank and Trust. Anthony and Burke provided the perspective of organizations that received NMTC financing; Wright and Magers provided the perspective of banks who worked with NCIF to provide financing to their customers.

From the customer perspective. Anthony, whose project is funding the purchase, renovation, and sale of single-family homes to low-income (primarily African-American) home buyers through ULGM's affordable home ownership program in Madison, WI, stated that the collaboration that led to the use of NMTCs has "paid off in spades."

Burke, whose project recently reached the end of its seven-year NMTC compliance period, discussed how the NMTC subsidy made it possible for Mile High United Way (MHUW) to build an attractive, modern new building in Curtis Park, a low-income neighborhood in Denver, that houses MHUW and a number of nonprofits, and provides conference/gathering space to members of the community. Burke stated that the building was "the first step to trying to bring back Curtis Park and has been a great thing for us, a great thing for the neighborhood, and a great thing for our nonprofit partners in our community."

From the CDFI Bank perspective. Magers discussed Legacy Bank and Trust's use of NMTC financing to fund small business customers that, in total, will save approximately $1 million in interest due to the NMTCs — allowing them to expand their operations and hire employees in low-income, non-metro communities.

Wright discussed an existing customer of the bank that wanted to expand their operations of providing behavioral health services to children with autism to a site in rural Arkansas. Southern Bank tried to make the loan through their traditional lending services but, due to the site being in a low-income community where the beneficiaries would be 75% from low-income families, couldn't get approval through a traditional structure. By working with NCIF to use the NMTC subsidy, the project was able to move forward and provide its low-income community members with services that would otherwise have been unattainable.

Opportunity Zones — *Defining Success*

Driving long-term impact and upstarting innovation through local projects that bring CDFIs and investors together. Executives weigh in on how to make the most out of the offerings and ways those offerings are working for them.

Ross Baird
CEO Blueprint Local

Monika Mantilla
Managing Partner, Altura Capital

Sam Spencer
CEO and Managing Director
CEI-Boulos Capital Management, LLC

Noelle St. Clair
VP, Impact Investing and Strategic Initiatives, Woodforest National Bank

Funding projects in low-income communities often means tapping into a network of Opportunity Zones to fuel economic growth. Opportunity Zones, created in 2017 as part of a tax overhaul, help delay capital gains taxes for investors who sell stocks by investing the proceeds into projects that are part of economically-stressed communities. For CDFIs, it's a chance to collaborate and bring critical investment to the communities in which they operate. "The goal is really to get capital off the sidelines and into low- and moderate-income communities in a way that really benefited residents," says **Noelle St. Clair, Vice President of Impact Investing and Strategic Initiatives** at **Woodforest National Bank.**

Outline your impact. "We have three very specific impact commitments. One is to invest with diverse business holders across the country; the second one to invest in low- and moderate-income communities, and the third one to create high-quality jobs. Those three impacts are what we carry throughout any of our strategies and allowed us to launch an Economic Opportunity Zone Fund to invest in businesses and to continue to invest," says **Monika Mantilla** of **Altura Capital.**

Define social impact in context. When it comes to Opportunity Zones, creating metrics for success means defining the social impact results that are truly important, says **Sam Spencer, CEO and Managing Director** at **CEI-Boulos Capital Management,** a real estate investment fund management company focused on delivering both competitive financial returns and social impact.

For Opportunity Zone investments, that means choosing projects that help create quality jobs, offer affordable housing to the workforce, revitalize main streets with a focus on historic preservation and redevelopment, create developments that service nonprofits, and focus on environmental sustainability. "Opportunity Zones have been somewhat controversial, because there was once no real measure for impact," says Spencer.

For **Ross Baird, Founder and Chief Executive** at **Blueprint Local,** the pandemic created a new sense of urgency. After witnessing how many people were living and working from their homes, while others could not find affordable housing, he decided to take action.

Today, his firm is helping investors find opportunities in communities that can generate financial returns while making meaningful impact. Already, his projects are changing the look and feel of towns such as Richmond, VA, Austin, TX, and Greenville, SC, by offering residents affordable places to live within the city core. Baird believes in investing in communities for the long term — adding to quality job creation, workforce-affordable housing, along with rehabilitation of distressed neighborhoods and civic landmarks. Opportunity Zones are a chance for CDFIs and other impact investors to come together to jumpstart revitalization. "We are hoping to collaborate," he adds.

DAY 2

INVESTOR DAY: RAISING CAPITAL

What investors expect in terms of financial, social and environmental returns

With investment in the CDFI industry at record highs, there are new ways to create opportunities for growth. Throughout the day, investors and industry executives shared ideas on how to attract long-term investment and tap into new programs, and how mission-oriented banks can achieve scale through capital. They also discussed how to leverage technology for continued growth, promote employees as agents of change, rethink metrics on growth, work together to battle inequality, and expand the sector's reach through strategic partnerships. Here are some key ideas.

Fireside Chat: James Lee Sorenson

James Lee Sorenson leads the way on seeking Environmental, Social, and Governance (ESG) impact while getting financial returns.

As the Chairman of Sorenson Impact Foundation, **James Lee Sorenson** is ahead of the pack when it comes to measuring and defining impact within his organization. Since founding the organization in 2012, he's seen results both inside and outside the firm. For one, the firm has a 17% return on the impact investments. Plus, 73% of the fund managers and management teams are people of color or women. Sorenson spoke with NCIF's **Saurabh Narain** about his ethos and the industry. Below are edited highlights of the conversation.

James Lee Sorenson
Chairman
Sorenson Impact Foundation

Saurabh Narain
President and CEO
National Community Investment Foundation

What drives today's need for impact investing? I call this the quiet revolution of the financial market. Impact investing is driven by the knowledge that an estimated three and a half trillion is needed to meet the UN Sustainable Development Goals. Our foundation was designed to be one that would lead the way; we wanted to set a positive example and we want to be as much of an open book so that others can learn from us.

What's the goal for you? The Sorenson Impact Foundation is seeking to inspire action as a first mover and is willing to take early risk for the sake of proving what works and what doesn't for established best practices and benchmarks that can engage a broad array of investors. I believe that impact investing has the power to transform our society.

What is the focus of your investments? We look for enterprises that are innovative and potentially disruptive, and have measurable social impact outcomes that are essential to the business model and that directly meet the needs of (or solve a critical issue for) an underserved population. They also need to have the potential to scale, need strong leadership and a well-thought-out plan, and are usually very early stage.

What have been the results of your investments? The results have been very impressive. We have returned 10.6% per year — outperforming our benchmarks by about 10%. At the same time, we're investing in all 17 UN Sustainable Development Goals. In the past couple of years, we've worked in more than 20 countries and impacted more than 150 organizations.

How are policymakers embracing impact investing? The past few years have been marked by moments of important progress for impact investing policy in Washington thanks to bipartisan leadership and support. The new Biden Administration has shown great receptivity for impact investing. But one of the key things the Administration should consider is focusing on measurement of impact and a requirement for reporting.

Expectations from Investors in Mission-Oriented Banks

Investors shared ideas of how CDFIs can use the growth in available capital to increase their impact.

Daniel Letendre
Managing Director
ESG Capital Deployment

Sampriti Ganguli
CEO, Arabella Advisors

Fran Seegull
President, U.S. Impact Investing Alliance

Jeremy Swinson
Managing Director, Wells Fargo

Secure corporate investments for the long term. With the inflow of investment capital from major corporations — including Google, Netflix, and others — to support local community economic development and racial equity, CDFIs and MDIs can step in to help secure these funding commitments for the long term, says **Fran Seegull, President of the U.S. Impact Investing Alliance.** "Some are skeptical of how long term this [corporate] commitment is or whether it was in response to the crisis, and are trying to figure out how to turn some of these commitments to work directly with CDFIs and MDIs," she says.

Make room for a power shift. Putting this type of regenerative investing to work means making room to shift financial decision making back to communities, says Seegull. That means CDFIs and MDIs need to work with organizations that are "increasingly grounded in ceding power and the transfer of assets back to communities in an element to restore justice, restore wealth, and repair harm," she says.

Refine data and measurement. While there's no need to reinvent impact measurement with a new set of standards, it's important to understand how to work with existing measures to provide proof of success — especially for small MDIs. "Creating measurements that are repeatable, easy, and standardized is not a controversial objective," says **Jeremy Swinson, Managing Director of Investment Banking at Wells Fargo Securities.**

Broaden branding perspectives. Telling the CDFI success story to a bigger audience is critical. "CDFI's remain somewhat inaccessible to those who are not within the broader tent," says Sampriti Ganguli, CEO of Arabella Advisors.

Rethink the business strategy. As more capital flows into the industry, it provides a unique opportunity for "rethinking elements of business strategy," says Daniel Letendre, Managing Director of ESG Capital Deployment at Bank of America. "You'll need to consider where are you going to be geographically, where can you open branches, what is the return on investment and what are the expectations and plans for returning capital to investors," he says.

Capital Raising for Mission-Oriented Banks — CEO Insights and Perspectives

Attracting Investment: *CDFI Leaders on What It Takes to Raise Capital*
Executives Weigh in on How Mission-Oriented Institutions Can Attract Investors

Christopher Malehorn
Vice President, Lending, NCIF,
Moderator

Stand by your mission. Being a rural-based institution presents some real challenges. Generations of young people have come out of these communities that have not been exposed to something bigger and better via a well-paying job. But, within every community, there's a nucleus of people that do see a vision for brighter future. I think that's the real story behind the CDFI mission: partnering with community leaders and economic leaders so we can provide something that has not been available. When we help a company by bringing that missing piece that changes the dynamic — whether it is a rural hospital that is on the verge of closing or a focus on expanding rural broadband — that changes lives.

– **Robert R Jones III,** President and Chief Executive Officer, United Bank

Sell others on your value. "Raising capital is often where mission matters most. People need to see what the bank does for the community and who was going to be involved in the bank and how integrated it is into the community. During the Great Recession, we were able to use mission as the story to raise $8 million. We're now approximately a $700 million bank and we've done three more capital raises for a total of $48 million. It's important to talk all the time about the value of being a CDFI and the way it sets you apart. We don't do things differently in the sense that we don't make small business loans that we believe shouldn't be made, but we make small business loans that take us far more time to understand — something other banks don't always do."

– **William Keller,** President and CEO, Community Bank of the Bay

Court ESG investors. "This is the third bank I've started. That brings the total capital I have raised in my career to about $140 million. I have a large number of investors who are ESG investors, an abbreviation that hadn't entered the common vernacular until about 2017. It's been a fulfilling experience for me because the ESG folks are constantly pushing for impact metrics. We also have a strict negative screen — we call it our exclusionary list — and we won't do business with businesses that are antithetical to our values."

– **Ken LaRoe,** Founder and CEO, Climate First Bank

In-Depth Insights — How to Win Business, Create Impact, and Increase Revenue Using NMTC

Terry Burm
Senior Vice President, Lending, NCIF, Moderator

Robert K. Jenkins, Jr.
Renaissance Equity Partners

Alex Jones
Executive Vice President, United Bank of Alabama

William Turner
Senior Vice President, Wells Fargo

In the second of two panels on the benefits of NMTC, NCIF was joined by industry experts William Turner from Wells Fargo and Alex Jones from United Bank of Alabama. Robert Jenkins from Renaissance Equity Partners also contributed significantly to the presentation but was unable to attend the event.

The panelists discussed structuring aspects of NMTC projects, impact, and lending opportunities for CDFI banks. The panelists emphasized the importance of understanding the unique characteristics of a NMTC project, as well as of working with partners that share mission and are experienced NMTC investors, lenders, and CDEs.

The underlying takeaway from the panel was that many CDFI Banks are making loans to borrowers that would qualify for NMTCs and are well positioned to enter the NMTC industry. By working with like-minded partners, CDFI Banks and other mission-focused lenders can work with partners in the industry to build a track record of NMTC lending that will lead to long-term benefits to their customers and communities, and financial well-being.

Preparing to Apply for Emergency Capital Investment Program

Q&A: *Applying for the Emergency Capital Investment Program (ECIP)*

U.S. Department of Treasury's Steven C. Davidson shares the ins and outs of the program

Steven C. Davidson
Investment Director, U.S. Department of Treasury Small Business Lending Fund

Demetris Giannoulias
President and CEO, Spring Bank

George P. Surgeon
President and CEO, GSJ Advisors, Ltd., Moderator

Christopher W. Wewers
Chief Financial Officer, Southern Bancorp Bank

Steven C. Davidson, Investment Director of the Financial Institution Portfolio at the U.S. Department of Treasury, spoke with **George P. Surgeon, President and CEO of GSJ Advisors, Ltd.; Christopher W. Wewers, CEO of Southern Bancorp;** and **Demetris Giannoulias, President and CEO of Spring Bank** about the program during our 2021 NCIF conference.

Emergency Capital Investment Program (ECIP) was created to encourage low- and moderate-income community financial institutions to augment their efforts to support small businesses and consumers in their communities.

Under the program, the U.S. Treasury Department will provide up to $9 billion in capital directly to depository institutions that are Certified Community Development Financial Institutions or minority depository institutions to, among other things, provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers, especially in low-income and underserved communities, that may be disproportionately impacted by the economic effects of the COVID-19 pandemic.

What are the benefits? For the first two years, you don't need to pay a dividend or interest. Starting in the third year, the rate starts at 2%. The way that's calculated is a comparison of your originations over the prior four quarters. You can take out the PPP loan from that and we're going to compare that to the origination in year two. If the increase is two times the capital that the Treasury has invested, then the rate goes down to 1.25%. If it's four times, then the rate comes down to 0.5%.

How does the ECIP differ from other loan programs? There is a certain disposition protection that did not exist under CDCI. As far as the use of funds, it's like any other equity capital or debt capital you have. There's no restriction on how you use those. The only disincentive is that it takes longer to get to the lower rate.

What does the U.S. Treasury look for in applicants? First, we look at your financial condition and the likelihood that you'll be able to pay the dividend and the interest. Second, we look at the capacity to pick a plan you're submitting to us and your capacity to execute on the plan — along with the increased lending and the responsiveness of that plan to the community served.

What should community development banks keep in mind about the program? This is a unique opportunity to expand and grow and serve your community that's not constrained by capital. We also have an aggressive effort to reach out to the industry, to trades, to the banks. We want your best ideas as we finalize, and we want it to be as interactive as possible. You can email us, call us, talk to us. We want all your ideas, and we don't want to learn lessons after the fact that we should have learned by talking to you.

DAY 3

POLICY AND IMPACT DAY: MEASURING CHANGE AND COMMUNITY IMPACT

Throughout the day, investors and industry executives spoke about how mission-oriented banks can access capital and tap into new programs and policies while pushing to close the wealth gap.

KEYNOTE SPEAKER: John W. Rogers, Jr., Co-CEO and Chief Investment Officer, Ariel Investments

Big Ideas: *Ariel Investmentss' John W. Rogers, Jr., on closing the wealth gap as a fireside chat with Saurabh Narain. Between bridging building generational wealth and growing the customer base of CDFIs, the distinguished investor weighs on how to move forward.*

In addition to running a successful investment firm, John W. Rogers, Jr., is a big believer in giving back through sharing his passion with younger generations. Roger is founder of Ariel Community Academy, an elementary school with a finance and investing curriculum. "My dad helped me fall in love with the market," he says. "Today, I want to give the kids the same kind of exposure that my dad gave to me."

Here, Rogers shares his ideas for making an impact through investing.

John W. Rogers, Jr.
Founder
Ariel Investments

Saurabh Narain
President and CEO
National Community Investment Foundation

We all have to fight together to create opportunities for equal economic and social justice. My great-grandfather owned the Stradford Hotel in Tulsa, OK, that was burned down during the Tulsa race riots and race massacre. In our society, systemic racism continues to be there, generation after generation. At that same time, it was an inspiration for my mother to become a lawyer because she saw her father use his legal skills to save her grandfather's life because Tulsa wanted to arrest my great-grandfather and possibly lynch him.

The wealth gap in our country has gotten so wide because many people of color are not comfortable in the market. Many have not had exposure to the stock market because of the discrimination and racism in our country's history. Using our data, we're making sure CFOs reach out to minority employees to talk about how to get comfortable in the markets. We want to make sure they start early and don't make the same mistakes that have occurred in the past. Robust wealth management would not only be profitable for these local small minority-owned banks, but it would also help to build more multi-generational wealth for local communities over time.

If we can get public schools to do their part with the help of financial institutions and local communities, I think we could have a major impact on the wealth gap. It's not just to teach them how to pick stocks, but how to do research, how to think about the market and get used to the lingo. It's equally important they see leaders that look like them in the financial services industry, and we've had many of the young people who have gone through our Ariel Community Academy decide to engage in a financial services career because of this.

The access to capital is so critical, but the access to customers is equally important. As an entrepreneur I started my company with $200,000 from friends and family — and that was really important. Access to capital is critically important. But, at the same time, after I've been in business for a year or two, those early customers were much more important than more capital. You need customers to grow, and it is kind of common sense. It's great to see these big banks giving microloans to smaller businesses and supporting CDFIs and minority banks. Still, there are many well-meaning leaders that have pushed them to make sure they're providing more capital and never push them to spend money on minority business.

Living the Three P's. Rogers challenges board members to keep track of what he calls the Three P's to enable more equitable communities.

1. **Purchasing:** Better measurement of categories to truly ensure diversity of money spent specifically in professional services
2. **Personnel:** Rethinking diversity of people at all levels of the organization — including the board
3. **Philanthropy:** Making sure money is spent with racial justice organizations among others

Focus on Impact and Policy

CDFIs: Creating New Opportunities for Greater Impact.

With limited access to talent, new policy, increasing amounts of capital, and different needs across institutions, understanding how to capitalize on opportunities is even more important.

Gordon Fellows
President and CEO, Mississippi Bankers Association

Jeannine Jacokes
CEO, Community Development Bankers Association (CDBA)

Alden McDonald, Jr.
President and CEO, Liberty Bank

Mark Willis
Senior Fellow, NYU Furman Center and NCIF Trustee, Moderator

With more capital flowing in and a renewed focus on sustainable growth, CDFIs are at an inflection point. "A lot of industries heard and paid attention to the impact of what MDIs are doing in the community," says **Alden McDonald, Jr., President and CEO of Liberty Bank and Trust Company,** a bank that has grown to $850 million from $630 million in 2019.

Below, McDonald and others share more insights about today's landscape in a virtual session that was moderated by Mark Willis, a Senior Policy Fellow at New York University, at the NCIF 2021 conference.

Measure impact by tracking outcomes. CDFI and MDIs can strengthen their offerings by thinking about their impact through the outcomes achieved, says **Jeannine Jacokes, CEO of the Community Development Bankers Association and Partners for the Common Good.** "We should always measure ourselves by the outcomes we generate in local communities," says Jacokes. "That will absolutely help in terms of strengthening capital and the capacity of CDFI and MDI banks to broaden their coverage."

Consider state partners. State banking associations can help expand the reach of MDIs and CDFIs by widening access to partnerships with neighboring institutions and additional capital — especially in less populated areas of the country. "I think there are a lot of rural states that weren't very aware of the programs, and I think there's an opportunity that has come out of this to really grow the movement and expand CDFIs," says **Gordon Fellows, President and CEO of the Mississippi Bankers Association.**

Share the story. To sustain growth, individual CDFIs need to be able to capture their impact in a way that allows them to share their wins. Oftentimes that means easy-to-use metrics that can make it simpler to continue to attract investment. "We have to get people comfortable talking about what they do," says Jacokes.

Absorb the capital. "With the $12 billion in stimulus, we have an opportunity to show how much capital this industry can absorb and deploy," says Jacokes. That means more CDFIs need to convey how they can take in and benefit from additional investment — be it from cultivating partnerships or via a tightknit community ecosystem.

Celebrate political wins. The banking community, including CDFIs and MDIs, have more to celebrate as the world recovers from the pandemic, says Fellows. But that also means furthering our understanding of the need for additional public-private partnerships that engage policymakers across the political spectrum. "We have a really cool opportunity — as the CDFI sector — to take credit for what we've done to help the economy and build some bipartisan support," says Fellows.

Mission-Oriented Banks as Community Anchors

How Mission-Oriented Banks Create Local Impact Across the Country.

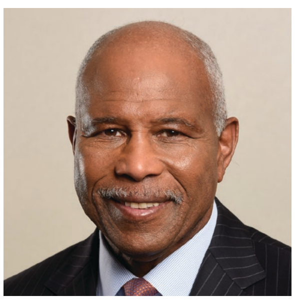
Lasting change means turning to financial institutions that truly understand the needs of customers they serve. Bank CEOs weigh in on how they make that happen.

Terry Burm
Senior Vice President, Lending, NCIF, Moderator

As our industry grows, it's easier to understand the power that local banks have on their communities. They are often the eyes and ears of what's happening on the ground, and the first ones to step up to address critical problems in their communities. Here are three areas where mission-oriented banks are creating lasting impact.

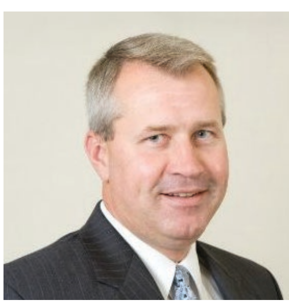
Collins, MS: Supporting small local businesses. "We've always had a very blue-collar customer base and we're proud of that fact. We saw how Small Business Administration (SBA) loans were a great public-private partnership that could really invigorate communities, so we really kind of took off from there. It's been a really good thing. We try to figure out what's preventing wealth creation for customers, including a lack of financial education and no personal savings. We develop some specialty lending products for our community to help with that. We also feel like rural markets have been left behind. There is a real gap for financing in rural areas; we see SBA as a way to bring that money back."

– **Dennis Ammann,** President and CEO, Peoples Bank



Baltimore: Spearheading local investment. "When you speak about a bank being a part of the fabric of a community, it's true. We were the first money to help start the development in many local areas, which are pretty well known today. For instance, we looked at an area that was, by all definitions, probably one of the lowest income communities not only in the state of Maryland, but in the country — with some of the worst statistics — and was severely distressed. We identified 88 acres adjacent to the Johns Hopkins University medical campus we took on as an area to be restructured and redefined as the Science + Technology Park at Johns Hopkins, which now anchors a mixed-use redevelopment. I'm pleased to say that the first science buildings that were done there came as a result of New Market Tax Credits. NCIF was a supporter of that project along with us."

– **Joseph Haskins,** Co-Founder and CEO, Harbor Bank of Maryland



Chicago: Expanding lending opportunities. "Something unique about us is what we call "stewardship"; we put aside 10% of our profits and we give that to our community, including nonprofits. We are a very strong faith-based lender. Recently, 30% of our $129 million in PPP loans went to LMI communities. We've also made $53 million in loans to community development and donated $1 million to nonprofits. Through our Stewardship Foundation Program, we put together a small business lending program that came out of the crisis a lot of our communities went through last year. Now, we're exploring certain types of residential loan programs; we see revitalization lending as a big problem in the south side of Chicago and we are looking for ways we can give access to residential loan programs."

– **Steven Van Drunen,** President and CEO, Providence Bank and Trust

Native American Lending in Focus

An inside look at the challenges and differences of providing financial services to reservation communities across the country.

David Black
Community Development Expert,
Comptroller of Currency

Chad Johnson
Vice President, Lending, NCIF

Julia Nelmark
President and CEO, Midwest Minnesota Community Development Corporation

Joel Smith
Senior Vice President and Chief Credit Officer, Native American Bank

For investors and banking institutions, serving Indian Country comes with its own set of rules. Many are asked to follow tribal regulations that exist apart from the jurisdiction of state governments. It's both a challenging and rewarding market that can fuel growth — and meaningful impact — for institutions.

Here are takeaways from the conversation held virtually as part of NCIF 2021.

Get to know the community. "The first step should be to get to know the community, build those relationships and establish trust, and find out what they perceive as their needs — not what we perceive as their needs. In Indian Country, this tends to be more important than elsewhere because of a long history of distrust for a variety of reasons," says **Julia Nelmark, President of Minnesota Community Development Corporation.**

Study the nuances of tribal leadership. "Tribal Leadership here is a major consideration. Transacting with a government or any of its enterprises means they have authority to sign on loan documents. They can decide quickly on how to structure and how to accept loan proposals. When you're working with tribal governments, that may have to go to a full tribal council. It can take more time, to be frank. And it can be a consideration if there is turnover. Tribal councils do change out via elections, and you know you might spend a lot of time getting someone comfortable with New Market Tax Credits and have to reeducate others that might come into that same role of leadership for a tribe," says **Joel Smith, Chief Credit Officer, Native American Bank.**

Take advantage of governmental support. There are new rules of the Community Reinvestment Act that have been released that really drill into specific allowances for support for Indian Country because of the need. It talks about participating in tribal transactions that might be far from your assessment area — giving very positive CRA consideration. And there are many ways you can look at doing that. The governmental support for trying to expand access to capital in Indian Country via the new CRA regulations is pretty clear, says Smith.

Consider the stability of the revenue. "When you think about having a project that has the backing of a government — and uses the government's own resources and commitment to providing that business and the business services on that reservation to its community members — that might be a little bit of a different calculation than some typical business owner. It's a reason that loans are stable. These are governments that can get pretty stable sources of revenue, whether it be from governmental grants, whether it be from natural resources, for getting anything from providing fresh groceries or clean water to their tribal members," says Smith.

DAY 4

TECHNOLOGY FOCUS: DEPLOYING FINTECH SOLUTIONS

Using Fintech to Get Results

Throughout the day, we gathered with chief executives, startup founders, and policymakers to discuss innovation within the industry and how technology can help CDFIs with their mission of inclusive progress.

KEYNOTE SPEAKER: *Sultan Meghji, Chief Innovation Officer, FDIC*

Tech in Focus: *Mobile, the Branch, and the Customer. Customer acquisition strategies for the next era of mission-oriented banking.*

Sultan Meghji
Chief Innovation Officer
FDIC

Saurabh Narain
President and CEO
National Community Investment Foundation

Using technology to create meaningful change means anticipating what's next while keeping an eye toward inclusive progress. "People all over the world continue to look to our banking sector as the best, as the safest, and the one where innovation and commercial success are most likely to happen," says **Sultan Meghji, a fintech executive who was appointed as FDIC's first Chief Innovation Officer** earlier this year. "We have to make sure it continues to be accessible, cost effective, and best in class."

Take a long-term approach to innovation. At the FDIC, innovation is now structured around four themes: engineering for inclusion, designing for resilience, working together to create amplification, and planning the future in order to protect U.S. competitiveness, he says. "Then you can start asking questions about cryptocurrency, about quantum computing and artificial intelligence, neural elastic computing, nanotechnology — these are all things that are coming and, in some cases, already here," Meghji says.

Create outsize impact through technology. Organizations can tap into advanced technologies to quickly grow their customer base through new products and services, while running operations more efficiently on the back end. "They have the ability to use modern technologies to integrate across data, to integrate across processes, and to make sure that they're operating in a safe and sound way," says Meghji.

Find the Right Fintech Partners

The Smartphone, the Branch, and the Customer — Customer Acquisition Strategies for the Next Era of Banking

Dominik Mjartan
President and CEO, Optus Bank

Steven Reider
President, Bancography

Steven Schnall
Founder and CEO, Quontic Bank

Seun Shonukan
Director, Portfolio and Compliance Management, NCIF, Moderator

Tyson Smith
Senior Vice President, Chief Technology Officer, Beneficial State Bank

With so many different offerings, it's possible to create tailored solutions by tapping into a variety of fintech offerings, says **Steven Schnall, Founder, CEO, President, and Chairman of Quontic Bank.** "If you really want to be able to adapt digitally, there are so many different providers out there, and I'd really just recommend spending a fair amount of time kicking tires, checking references, talking to a lot of different partners, and trying out what's right for you for each institution," he says.

Prioritize in-person interaction. Many customers simply want face-to-face interactions — be it at a branch or elsewhere, says **Dominik Mjartan, President and CEO at Optus Bank.** "There is a desire from our customer base to interact with a live, reliable banker that's accountable to them, that's accountable to the community, that is present and they can see, that's not some fintech that they've never met, but someone they believe will take interest in their financial means more so than just help process their transaction in the branch," he says.

Retool how customers engage with the CDFI branch. Leaping into entirely digital interactions can be a challenge for CDFIs, says **Steve Reider, Founder and President, Bancography.** For many low-income and rural community customers, going into a local branch is still integral to the experience. "The CDFI branch is a powerful signal to the viability and validity of its community," he says. That means weighing the CDFI's ability to provide in-person service with other services such as the interactive teller machines that are centrally controlled by video tellers.

Automate transactional tasks. After the pandemic, working with fintechs to replace services that had been offered in person prior to the pandemic has helped create more instances to deploy virtual services, says **Tyson Smith, Chief Technology Officer at Beneficial State Bank.** "We're bringing on new fintech relationships that kind of help take care of those kinds of transactions that were really just transactional," he says.

Financial Innovation Showcase

Mission-oriented banks need to have urgency in partnering with technology partners to enhance their business models. At NCIF's 2021 conference, innovators in the space share their business models and mission.

BankLabs, Dallas
Matt Johnner, President

The mobile cloud-based solution helps digitize workflow within the bank, including loan management, to cut down time on manual lending. "We take a digital solution and get rid of that paper-based manual solution," says President, Matt Johnner.

Biz2Credit, New York
Dr. Bala Venkatesh, Chief Risk Officer

The program with offerings around the world, including the U.S. and India, provides direct lending to small businesses. "We empower your loan officers to deliver smarter lending decisions and better customer service for your small business clients every day," says Venkatesh Bala, Chief Risk Officer.

Happy Mango, New York
Kate Hao, CEO

As the Founder of Happy Mango, Kate Hao believes in transparency for credit reporting. The company's biggest aim is to provide a platform for delivering micro-financial services for the underserved. Users can tap into small-dollar loans and tax refund advance loans, among others. Since many users don't have a credit history, the company uses a Happy Mango score based on transactional-level data to better indicate an individual's cash flow balance and cash flow stability. Clients include banks, credit unions, and CDFIs that want to rebuild more inclusive consumer lending programs or offer other financial services. "We collect a lot of financial data with the consent of the customers, and there are a lot of tools that we can use to help you gain insight into your local community and into your market," she says.

LoanStreet Inc., New York
Ian Lampl, CEO

Delivering community access to capital may not be feasible for some. LoanStreet steps in by allowing banks, credit unions, and others to scale their partnerships by streamlining the process of sharing, managing, and originating their loans to transact more efficiently. Today, more than 1,000 financial institutions are participating, says Ian Lampl, Chief Executive and Co-Founder of LoanStreet Inc. "You can share credits and go after larger and better and more opportunities than you could ever do manually," he adds.

Lokyata, Washington, DC
Stephen Bireley, Chief Technology Officer

Lokyata helps scale micro-loan, small-dollar, and SME loan portfolios by deploying alternative data and enhanced AI functionality. “We use AI-driven continuous improvement, where we take portfolio outcomes and analyze them and use that data to further improve all scoring aspects of the underwriting process,” says Chief Technology Officer Stephen Bireley.

NYDIG, New York
Patrick Sells, Head of Financial Institutions

NYDIG helps empower banks and credit unions to offer Bitcoin products and services in order to become safekeepers of the asset, says Patrick Sells, Head of Financial Institutions at the company. Users can use the bank’s platform to enter the Bitcoin market in a way that feels more like traditional banking. Banks can set fees and offer their own Bitcoin rewards cards and other services. “NYDIG is really invisible behind the scenes to let you offer these types of products and services to your customers,” he says. “We’re really trying to not just solve the access issue for Bitcoin for banks, but for everyone.”

SoLo Funds, Los Angeles
Khary Cuffe, Vice President

The peer-to-peer mobile marketplace where users can apply to request and fund loans helps the industry fight predatory lenders. The focus is on providing under-$1,000 loans for the underbanked to cover immediate needs — a gap in the market, says Khary Cuffe, SoLo’s Vice President of Business Development. Today, SoLo Funds has about 310,000 users with roughly $12 million in venture funding, and has provided 120,000 loans. The team does 11,000 transactions per month, with 40% month-over-month growth. “Historically, institutional lenders have been unable to really assess this segment’s creditworthiness,” says Cuffe. “COVID helped us realize that people need a service like this, and this service will not go away.”

CONFERENCE STATISTICS

National Community Investment Fund (NCIF) hosted the nation's premier virtual event for mission-oriented financial institutions from April 19-22, 2021. The conference gathered strong leadership and key industry stakeholders, including **70 Presidents/CEOs/Founders, 40 CDFI/MDI Banks,** and **343 participants.**

The virtual conference highlighted mission-oriented financial institutions — including CDFI and Minority Banks and other mission-focused organizations — that play an essential role in addressing underserved communities and economic inequality in the United States. Our keynote speakers and panelists discussed capital sources, government programs, and investor insights on mission and racial equity, impact in urban and rural markets, technology solutions, and ways the mission bank sector could create additional scale in the future.

The NCIF team looks forward to the continued growth of an ecosystem focused on underserved communities across the nation and strengthening our partnerships across the mission-oriented banking, regulatory, and technology sectors.

ACKNOWLEDGEMENTS

NCIF would like to thank everyone who participated in the conference. A huge thank you to **Chris Malehorn, Natalia Paipilla,** and **Stacey Gardner** for the months of work they put into making this conference a success! Your time, dedication, and efforts have not gone unnoticed.

Thank you to the entire NCIF team for your time and efforts put toward the success of this conference and to the work you do in support of mission-oriented financial institutions and the communities they serve.

NCIF would like to thank all of our event sponsors — **Bank of America, Dentons, Woodforest National Bank, Wells Fargo, U.S. Bank, Capital One, Mississippi Bankers, and PNC.** ***Your support is greatly appreciated.***

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