

The following article from SocialFunds.com is the first in a two-part series that examines the importance of the allocation for Community Development Financial Institutions within the new economic stimulus plan. Leviticus Fund's Executive Director, David Raynor, is featured in the article.

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Economic Stimulus Package Will Help Revitalize Community Investment

by Robert Kropp

Community Development Financial Institutions gain \$100 million in new financing with which to support small business and affordable housing. First in a two-part series.

SocialFunds.com -- If one were to rely entirely upon the mainstream press, then the accommodations made by President Obama to gain the votes of three Senate Republicans for passage of the American Recovery and Reinvestment Act (ARRA) would be worrisome indeed. The economic stimulus package was pared down too much to be effective, argue many noted economists. Others argue that the inclusion of significant tax cuts go too far in diluting the revitalizing intent of the stimulus.

But in gauging the responses of the SRI community and community investment organizations to the economic stimulus package, SocialFunds.com found much cause for optimism in the areas of green technology and community investment. This article focuses on the outlook for community investment; a second, on green technology, will follow.

Among the most successful practitioners of community investment are Community Development Financial Institutions (CDFIs), which stimulate local economic growth by expanding lending and investment services in underserved markets. CDFIs succeed by developing knowledge of the communities in which they do business and by developing relationships with their customers who are often first-time homebuyers who need help with the process of buying a home.

The successes enjoyed by CDFIs encourage conventional lenders to become involved, thereby increasing the amount of available credit in underserved areas.

Donna Gambrell, Director of the Community Development Financial Institutions Fund (the CDFI Fund), issued the following statement upon passage of the American Recovery and Reinvestment Act.

"The fact that the CDFI Fund is included in this significant legislation is an important recognition by Congress that the CDFI Fund plays a vital role in promoting economic revitalization in our Nation's most distressed communities. Funding made available through the stimulus package will enable the CDFI Fund to support CDFIs and Community Development Entities (CDEs) across the country that are providing much needed capital, credit and financial services. These community-based lenders are on the front lines of battling the economic crisis and are well positioned to immediately and responsibly deploy resources to support homeowners and businesses."

The stimulus package provides an additional \$3 billion of New Markets Tax Credit allocation authority divided equally between fiscal year 2008 and fiscal year 2009. The legislation also appropriates an additional \$100 million, of which \$90 million will apply to the CDFI Program, in addition to the CDFI Fund's annual appropriation for fiscal year 2009.

Mark Pinsky, President and CEO of Opportunity Finance Network, the leading network of private financial intermediaries identifying and investing in opportunities to benefit low-income and low-wealth people in the US added, "The American Recovery and Reinvestment Act includes \$100 million in additional funding for the CDFI Fund. The opportunity finance industry is prepared to lend at least \$500 million for small business, affordable housing, and community facilities as soon as the CDFI Fund can put the money out through its rigorous process. We expect the Fund to act quickly. ARRA also includes \$3 billion in additional tax credit allocations under the New Markets Tax Credit program. These resources, too, can move quickly."

"CDFIs are part of the solution this nation needs," Pinsky continued. "Our loan windows are open and loan demand is through the roof. Many CDFIs are juggling increases in demand of 100% or more. We need the capital and liquidity to meet demand. The stimulus package is a solid start."

David Raynor, Executive Director of the Leviticus Fund, a New York-based CDFI, told SocialFunds.com, "In the past three months we have had to turn down \$7 million in loans to people to whom we have lent before and who could not find financing elsewhere. Our largest borrower, who can usually receive funding from traditional banks, has come to us often in past months asking for additional funds. So if money comes to us through the stimulus, we can get it out the door, without any question."

"The hardest part for CDFIs is getting funding," continued Raynor. "This \$100 million in additional funding, while it is much less than the \$250 million we had hoped to see, will help us change our request for CDFI funds from \$400,000 to \$1.7 million. If we get the funds, we can then go out and borrow against them for up to four times the amount."

Joe Keefe, President and CEO of Pax World, a mutual funds company recognized as a leader in sustainable investing, noted the preference for CDFIs in the legislation, and added, "There are also significant funds earmarked for state governments that can be used for a host of issues, including maintaining the fabric of the social safety net and creating jobs."

Referring to the \$275 billion housing plan announced by President Obama one day after he signed the economic stimulus package, Keefe observed, "When one looks at the housing and mortgage package, we see the potential for real growth in sustainable investing." Some socially responsible mutual funds such as those offered by Pax World devote a percentage of their assets to community investing.

The housing plan would help homeowners who are paying high interest rates but cannot refinance because they do not have enough equity in their homes, provide incentives to lenders to alter loans in order to make them affordable for borrowers at risk of foreclosure, and increase by \$200 billion the credit available for mortgages in general.

"Our base of investors has been stalwart in our investment portfolio," said Raynor of Leviticus. "We're in the middle of an economic crisis and nobody's asking for their money back."

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