CDC Movement Addresses New Challenges
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Representatives from state community economic development associations from across the country gathered to participate in the fifth annual NACEDA Policy Summit, held May 23rd and 24th in Washington, DC. NACEDA, the National Alliance of Community Economic Development Associations, brings together statewide and citywide associations representing the overwhelming majority of the nation's community development corporations (CDCs).

Two topics covered at this year's conference were the changing role of the financial industry and the changing role of government. The financial industry panel included three banking representatives— Natalie Abatemarco, Managing Director, Citi Community Development; Dennis Lageux, Senior VP of Community Development, TD Bank; and Ken Wade, Senior Community Affairs Executive, Bank of America. As the titles make clear, all work on the "community development" side of the banking industry. Moreover, all three had had some background in community development before working in the banking industry. Most notably, Ken Wade, until last year, was the Chief Executive Officer of NeighborWorks America. Perhaps as a result, much of the discussion centered on the "translator" role that community development departments play within banks. In other words, community development officials at banks are often in the role of "explaining the bank" to community development corporation partners and of "explaining community development" to bank officials in other departments.

For example, Dennis Lageux of TD Bank noted that, "From a business perspective, you are our customers. Banks are here to make money … Our job is to build our customer base, understand what the needs are, translate those needs inside the bank." Natalie Abatemarco at Citi made a similar observation, addressing how CDCs can work with banks. CDCs, Abetermaco aid, "can articulate what the needs of the community are – and then you can influence bank strategies. I really want to emphasize that. The heavy lifting of really understanding communities could fall to you. I know you're stretched, but that could be a good place to start for collaboration." Ken Wade, now at Bank of America, defined the situation this way: "One of our responsibilities is to be the voice of consumer advocates – we have a seat at the table to voice what we think would be a more advantageous way to go. In all of those debates, you don't always win out. But we do have a seat at the table and we get to weigh in."

Another theme of the discussion centered on the Community Reinvestment Act. Since 1977, the Community Reinvestment Act (CRA) has placed on banks an "affirmative obligation" to provide credit in under-served areas. All three bankers voiced strong support for CRA. Lageux of TD Bank went so far as to call the degree of CRA's success "amazing." That said, the panelists felt that CRA's focus need to be updated. In 1977, bank branching predominated and the primary rationale was to prohibit redlining – that is, prohibit the practice of drawing a "red line" around areas (typically minority neighborhoods) where banks would refuse to lend. Today, the main fair lending obstacles concern predatory lending, the banking industry has consolidated, and bank branches are not as central as they once were. One complaint Legrieux made about CRA exams, was that "community development lending is counted in number of units, not dollars. " Abatemarco at Citi argued that because, "CRA focuses on access to credit and lending. Savings and asset building are undervalued."

Ken Wade noted that, "When CRA was passed, banks were mostly local. In 2011, you have internet banks, special purpose banks, and national banks." Wade noted that for a national bank like Bank of America, given the way CRA is currently implemented, "rural communities will tend to be under-served. DC, New York, Atlanta, San Francisco, Chicago: lots of competition: But not in Joplin, Missouri. That's how the law plays out."

Of course, the conversation between CDC state associations was occurring in the context of the continued credit crunch. Dennis Lageux of TD Bank acknowledged that, "The system is really constrained right now. The risk environment today is burdensome." Laguex added that, "CRA is needed more than anything at this time. It is an obligation you will fulfill. It helps us to pilot through deals that typically have a lot of pieces to them. A developer can do a 400-unit deal and it's done. Our deals have more pieces … [CRA] gets us in the door."

All three bankers also expressed at least support for the idea of supporting CDC infrastructure. For example, Abatemarco saw Citi's support of NACEDA is one way it could help support the work of CDC statewide associations. Ken Wade said he was "More than willing to broker relations with state associations" and Bank of America.

While there are prospects for more CDC partnerships with banks, at the federal level the horizon was, in the words of NACEDA Executive Director Sam Yoons, "chaotic." Xavier de Souza-Briggs, Associate Director, Office of Management and Budget (OMB), conceded that for programs that support community development work such as "CDBG, HOME [and] other programs, we're going to be living with uncertainty for a bit." Tammy Treviño, Administrator of the US Department of Agricutlure's Rural Housing Administration conceded that in her department budget cutting means a likely "need to streamline our programs."

The above said, the Obama administration officials present sought to highlight some initiatives that were being implemented to increase effectiveness and make government programs more "user-friendly" to CDC practitioners. Treviño, for example, touted a new " oan certification program with nonprofits". It will "allow you to package our loans, charge a fee to sustain your work, and submit them to us for funding – a lot like originators do in a guarantee program. We have queues that get really long; we have folks who are waiting – it is 'win-win' for the borrower, for you because you get to charge a fee, and for us. Valerie Piper, the new Deputy Assistant Secretary for Economic Development at the U.S. Department of Housing and Urban Development (HUD), emphasized that HUD is working to "target our technical assistance and align our programs with sister agencies" in order to increase overall effectiveness.

For more information on the National Alliance of Community Economic Development Associations, see: http://www.naceda.org