

Where federal banking money should go

If the treasury can pour \$700 billion into corporations, surely it can and should inject \$5 billion or \$10 billion into CDFIs

BY ERIC WEAVER

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OPINION The federal government is shelling out hundreds of billions of dollars to prop up failing financial institutions, with no end in sight. Taxpayer money is going to commercial banks and insurance companies that took outsized risks and participated in extraordinarily complex financial transactions, motivated by no purpose beyond the hunger for profits. They were allowed to engage in this destructive behavior despite being among the most heavily regulated companies on earth. This is a terrible mess, and we're all paying for it.

Yet there is one type of financial institution that remains unsullied by the current crisis - community development financial institutions, or CDFIs. CDFI is an official federal designation given to community loan funds, credit unions, and community development banks that have a mission first and foremost to address the financial needs of working people and low-income communities.

To be designated a CDFI, a financial institution must go through a rigorous screening process administered by the Treasury Department and prove that its core mission is to bring about economic benefits for the underserved and that it's accountable to the communities it serves.



In the Bay Area, active CDFIs include the Northern California Community Loan Fund, One California Bank in Oakland, and my own organization, Opportunity Fund.

CDFIs make microloans to new and emerging small businesses. They offer fair and non-predatory mortgage loans to first-time homebuyers, often combining their loans with homebuyer counseling. And they finance the construction of new affordable rental housing, health clinics, and social service facilities. Opportunity Fund, for instance, has invested more than \$120 million into some of the most troubled neighborhoods in the Bay Area, with a loan loss rate of less than 1 percent. And we have somehow managed to do this without the use of complex derivatives, credit default swaps, or exotic mortgage products. We have done it by taking prudent risks on hardworking people who deserve a chance.

Unlike lenders motivated by greed and empowered by questionable financial "innovations," CDFIs are generally in much healthier financial condition than their mainstream counterparts. Despite being regulated by nothing more than our mission to make our communities better, we are not in need of a bailout.

We are, however, forcefully and unapologetically asking for a major share of any economic stimulus that Congress approves.

If the treasury can pour \$700 billion (and counting) into corporations that pushed the envelope way



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too far in pursuit of profits, surely it can and should inject \$5 billion or \$10 billion into CDFIs, which will invest that money in our neighborhoods and into a better life for those who are struggling most right now.

The Treasury Department invests in CDFIs through its CDFI Fund, so this stimulus can be administered with no new bureaucracy. Furthermore, we are ready to put the money to work right away instead of salting it away like many banks did with the first round of bailout money. Opportunity Fund has identified \$50 million in shovel-ready affordable housing developments that we could finance immediately if we had the capital, and our sister organizations also have real deals in their pipelines.

Let's work together to make sure that this time around some of the money ...

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