

## **“THE POWER OF OPPORTUNITY”**

*PREPARED TEXT*

DELIVERED OCTOBER 31, 2006

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THE OPPORTUNITY FINANCE CONFERENCE  
WASHINGTON, DC

**W**ith pride and pleasure, I want to welcome you to the Opportunity Finance Conference—“The Power of Opportunity”—our 22<sup>nd</sup> Annual Conference. I appreciate how far everyone has come and the effort as well as the sacrifice you have made to be part of this event.

The past year produced signs of seismic change that I will talk to you about today. We have a lot to discuss. It has been a tumultuous year for many of you and for Opportunity Finance Network. This Conference gives us a chance to take a deep breath and pause to see how far we have come and where we can go.

In the next 30 minutes, I am going to look back at our history—and at another industry’s history that inspires me and might inspire you. I will shine the spotlight on a few of your colleagues who have been pioneering important innovations that hint at the future. I will explain what Opportunity Finance Network has been up to and where we are going.

Along the way, in just a few minutes, with considerable trepidation, I am going to tell you something you will never forget something you will never let me forget.

### **THE POWER OF OPPORTUNITY**

In 1858, the abolitionist leader Theodore Parker said that, “The moral arc of the universe is long, but it bends toward justice.”

148 years later, we are still learning that the moral arc of the universe is long, but it is bending toward justice.

We measure the results of our transactions in days, weeks, months, and years. We measure our ability to transform—to produce structural and systemic changes—in decades and generations.

The power of opportunity is the potential to create change. It is both the capacity to help people and communities AND the ability to transform markets and institutions to make them fairer and more just.

“Power, properly understood,” Dr. King said, “is the ability to create social, economic, and political change.”



We ARE the power of opportunity—our ideas and our actions.

The power of opportunity is the words of our Declaration of Independence—“life, liberty, and the pursuit of happiness”—and the promises of our Constitution, but it also is the actions of the women and men who have held our nation accountable for more than 200 years to the ideals we aspire to. It is the stroke of justice in the Emancipation Proclamation and it is the courage and audacity of the Underground Railroad. It is the soaring words of Dr. King and the searing sacrifice of millions of people who together—step by step—were the Civil Rights movement.

The power of opportunity is the capacity to give people a chance. The power of opportunity is an antidote for a culture of fear and hatred. It is the ability to remediate unequal histories, and the commitment to skilled and determined people and places that economics and politics overlook or ignore.

We must be the power of opportunity.

We work in a transactional business, but we harness the power of opportunity, leveraging transformational change one deal at a time. We make inconceivable things real and inevitable. We make impossible things possible. We prove that conventional ideas about risk are wrong. We demonstrate that there are people and places—opportunity markets—that are vital to economic growth.

We are changing the ways people, capital, communities, and policy work together. We are building an inclusive prosperity based on one economy, not two. As we work, we are making a revolution.

## **WASHINGTON, DC**

Washington, DC, is the most powerful city in the world. What happens here defines global markets and market activity, influences where there is peace and where there is war, and decides which CDFI gets how much money from the CDFI Fund each year. If you plan to change the world—no matter how you define your world—sooner or later you will fall under the gravitational pull of this city.

I first set out to change the world in 1979, fresh from college, and I landed here. I worked for Ralph Nader for a while. My main job was to represent Nader at planning meetings for the 1980 “No Nukes” concerts. I earned poverty-level wages in the name of justice to sit quietly in meetings with rock stars’s managers. The music was great, but the experience was not.

So I went to work on Capitol Hill in September 1980 for an idealistic congressman named Ted Weiss. I took that job to change the world, of course, but two months later the Reagan Revolution rolled in and I never got the chance. How many floor amendments could you stand to lose by votes of 400-35? The world was changing, but I was not changing it.

I approached my work on Capitol Hill aggressively, impatiently, and often unrealistically.



As a result, I got a nickname. Until now, no one other than my wife knows what it was. But I will tell you—and I will regret telling you— because I want to make a point. I was known as “Pushy Pinsky.” But wait It gets worse: for short, they called me, “Pushpin.”

It must surprise you to know that anyone would find me pushy. In retrospect, though, it’s hard to believe that a kid like me could stand out as pushy in this town.

In the years since, I have learned from many of you what it means to change the world. As I have grown into my role at Opportunity Finance Network, I am no longer aggressive, impatient, and unrealistic

Now I am bold, demanding, and visionary. It’s been quite a transformation.

The point I want to make is this: 26 years later, seeing what has happened, I wonder now if I was pushy enough? Could I have done more?

## **MY HEALTH**

A couple of months ago, I went to see my doctor—the “grow, change, or die” doctor I told you about in Chicago two years ago.

I entered the office full of hope and expectations that my visit would, once again, produce a good story that would somehow give me insight into our industry. But you know what happens: People make plans and God laughs.

“Your weight’s good,” my doctor said. “Your blood pressure, too. The EKG is normal. Everything looks great. Congratulations.”

“Wait a minute, Doc,” I said. “Can we go over that again?”

He was perplexed. “That’s it,” he said with an annoying finality. “You’re doing well.”

“Gee,” I thought. “At least there’s still the blood tests.”

But they came back normal, too.

I was ready to go on with my life, healthier than I used to be but determined to push on to get healthier still.

So when I saw my Doctor again I was not expecting what he said.

“I’ve been thinking about you,” he said. “There IS one thing. You’re going to be 50 soon. There is a test I want you to get.”

Some of you know where this is going, right? I will spare you the details.

There are days when I pine for the time not long ago when our industry and I both were younger. Like our industry, I have learned that staying healthy is neither as easy nor as fun as it



used to be. It's a simple insight, but an important one. A middle-aged man who came before me once wrote, "Age is a high price to pay for maturity."

## **1990**

In 1990, my desire to change the world was unbowed and I came back to Washington for my first conference with this organization. Three things happened at that Conference that are significant to me today:

The first is that our keynote speaker was Dr. Mohammed Yunus, who won the Nobel Peace Prize a few weeks ago. The New York Times quoted an economist saying that Yunus, "proved the impossible: that the poor were bankable."

Sixteen years ago it was inconceivable that the Nobel Peace Prize—with all the credibility and power it conveys—would touch our field. Now it is real.

The second was that our plenary session in 1990 focused on why the mainstream financial system ignored us. At the heart of that conversation, as some of you might remember, was how we were irrelevant to the Federal Reserve system, and it to us.

Sixteen years ago it was inconceivable that a Federal Reserve Chairman would speak to us, let alone about us. At some point in the last few years it became inevitable. Tomorrow it will be real.

It is hard to see a revolution while you are making it.

And we are making this revolution one transaction at a time.

Yet because we tend to see the world from the inside out—that is, we tend not to see how the world looks at us—we consistently underestimate our own power and then wonder why others underestimate us, too.

## **THE ARC OF OUR PROGRESS**

Look back with me across the arc of our progress.

When we set out in the 1970's, we wanted to prove that it was possible to lend money to poor people and get re-paid. Conventional wisdom said it would not work. That is no longer the issue—we have helped to change the perception of risk in the markets we serve.

When we started this organization in 1985, the membership held \$27 million and provided less than \$5 million in financing that year. We dreamed we could organize as much as \$100 million or more in capital. That is no longer the issue—as an industry, we have crossed the \$20 billion mark in both assets and cumulative financing.

When we set out to shape what became the CDFI Fund, we wanted to prove that we could play a small but substantial role in sound, responsible policy. That is no longer the issue—we



produced a CDFI Fund that not only was responsive to what we needed but also introduced a new—now a proven—model for federal policy.

When the 2000 elections foreshadowed the demise of the CDFI Fund, we needed to establish that we had the political clout and policy grounding to survive, if not to thrive. That is no longer the issue—62 Senators (including 29 Republicans) support our call this year for \$80 million for the CDFI Fund. Congress will reject, for the sixth straight year, President Bush's attempts to kill the CDFI Fund.

These things and many more we have accomplished together.

Our achievements are the product of numerous independent transactions that build into an undeniable transformational force. Our work has leverage—our results don't just add up, they multiply.

The third thing that Conference did 16 years ago—in fact, that plenary session 16 years ago did—was change the arc of my life. I sat in a room full of smart, dedicated people who were solving problems that no one else seemed to want to touch. That night I realized that I was going to make my career in this field; that the 80 people in the room that night—some of who are here today—were the people with the ideas and the tools to change the world. I wanted to be part of the revolution that I saw taking shape.

## **FINDING THE WILL**

Our past has prepared us well for our future.

Across our history, we have produced real, tangible gains—quality affordable housing, jobs, businesses and services, education, rural water systems, and more—benefitting hundreds of thousands—perhaps millions—of low-income and low-wealth people. And we have opened opportunities for people and communities in all 50 states and a growing number of Native communities.

We now have the ability, the power, the opportunity, and the obligation to rise to another level altogether—to increase exponentially the number of people we benefit and the volume of financing we close, year in and year out.

The issue, then, is this: We must find the will to transform how we work together. We must adopt new financing systems that leverage our core competence of customizing capital to fit our customers. We must believe in our industry enough—demonstrate what my predecessor, Martin Trimble, who is here today, called “Institutional Ego”—to insist on bold new policies that support our transformation.

We must expand our reach and extend our grasp. We must push ourselves and others further. We must meet structural and systemic challenges with structural and systemic responses.

And we must continue to believe that we will prevail because the moral arc of the universe is long, but it bends toward justice.



We are on the cusp of an opportunity to make something inconceivable, inevitable—to make our work a driving force in our nation’s future. The elements are in place:

- We bring a remarkable track record of results,
- We have a broad and deep constituency that grows every day,
- We are working in a policy environment that is starving for practical, proven ideas,
- We are making ourselves known in an economic environment that recognizes the critical role that the people and places we serve will play in long-term growth,
- We stand on a strong foundation of people, experience, and balance sheets,
- We are starting to see a new, emerging business model for the industry that can support the growth and expansion we will need if we are to respond to the gaping inequities around us.

## **THE ELECTIONS**

Oh, and then there are the elections next Tuesday.

For at least the next two years, the federal government will be more responsive to our work and our ideas, regardless who controls Congress. We have credibility, bipartisan relationships and support, and the power of performance on our side. But our government is still out of money, distracted from and often blind to the needs of low-income and low-wealth people and communities, and stretched too thin.

There’s an old Jewish proverb that if you are planting a tree and you see the Messiah coming, finish planting the tree. No matter what the outcome of Tuesday’s election, my advice is, “Keep digging.”

We can and should expect a friendly policy shift, but no one who works for long in our business believes in quick or easy solutions. There is no shortcut to salvation, no freeway to freedom.

We wake up today and every day to lean our collective weight into the moral arc of the universe. Each of you in this room is part of the transformation, part of the revolution. Each one of you is helping to make our work a driving force in our nation’s future.

## **INNOVATIONS**

Look around you. In this room are powerful new approaches, new systems, and new structures that will move us forward, as an industry:

The Calvert Foundation, for example, has overcome structural barriers to raising capital from individuals through its Community Investment Notes.

Lenders for Community Development is pairing development finance with the nation’s largest IDA program, proving that asset strategies increase the punch of financing strategies, and vice-versa.



The Housing Partnership Network has created a collaborative capitalization approach that is bringing in scores of millions using new partnership models.

Community First Fund is growing its impact using a highly productive financing model built around a small-cities strategy across rural central Pennsylvania.

The National Federation of Community Development Credit Unions is pairing small CDCUs with large mainstream credit unions in a partnership of high-touch financial care and economies of scale.

And we heard this morning about the exciting and inspiring transformations among CDFIs here in Washington.

### **A NEW INDUSTRY BUSINESS MODEL**

We are expanding and transforming how we do what we do. We are finding new ways to organize and deliver capital so that the people and communities you serve have more choices that fit their needs. We offer our customers opportunities they cannot get anywhere else.

The result of this transformation will be a new collaborative approach to Opportunity Finance that makes possible annual financing volumes that today might seem inconceivable. In 2004, our industry originated more than \$4 billion. In our strategic plan, we aspired to tens of billions of financing per year benefitting millions of people. I expect that within 10 years, probably fewer, we can be originating at least \$20 billion per year, probably more, to benefit low-income and low-wealth people.

A new industry business model that can achieve those numbers, our new system for the industry, must wrap around our commitment to low-income and low-wealth people.

It must increase each CDFI's capacity to customize financial solutions to its customers.

It must increase your ability to put your effort and resources into delivering your products and services by reducing the effort and resources you put into everything else.

Where feasible, it must leverage scalable systems—in some cases for capital aggregation, in other cases for risk management, and in still others for operational systems such as loan servicing.

Three years ago, Opportunity Finance Network called the model scalable customization. Dell Computer and Starbucks are familiar examples. Now we are starting to see scalable customization become real in our industry.

This new model enhances our current financing approach, it can never replace what we already do. It is a both-and strategy, not an either-or choice. We continue to require and we will find large amounts of equity as well as flexible, low-cost debt.

Our vision for a new Opportunity Finance Network that we first introduced in 2003 is becoming real. We are moving forward on new approaches to help you focus on doing what you do best—



delivering customized financial products and services. In the process, we are transforming Opportunity Finance Network.

Let me tell you about a few developments:

### **THE OPPORTUNITY MORTGAGE PLATFORM**

The new Opportunity Mortgage platform we expect to introduce early next year will give CDFIs the tools to compete with predatory lenders in their markets. It does not matter whether your balance sheet is \$1 million or \$100 million.

The fact that 50 of you have talked with us and 20 of you have signed letters of interest to participate in our launch early next year suggests that you see the same opportunity we see.

We have capital commitments of \$50 million for our first product. CDFIs will produce the loans, our mortgage company partner will fund and service them, socially motivated investors will purchase a piece of each mortgage, and a national credit counseling program will support borrowers, alongside any support that CDFIs provide. Opportunity Finance Network will provide national marketing and local lead-generation campaigns.

Pricing for our initial product is extremely competitive and our fee structure rewards CDFIs well. But we will not stop there: This will be an industry-owned mortgage platform, so CDFIs will directly influence the product development process. You will tell us what products you need to fit your customers.

When we succeed with the mortgage platform, we plan to leverage the relationships and experience to support other types of financing. Our plan is to extend and expand the model steadily and incrementally.

### **MANUFACTURED HOUSING COMMUNITIES**

With key partners, we are developing a national financing strategy for manufactured home community conversions. Yesterday, Opportunity Finance Network signed a Memorandum of Understanding with the New Hampshire Community Loan Fund and CFED to work together toward a multi-faceted national conversion effort. Resident-owned manufactured home communities ensure economic stability and the opportunity to build assets for a growing number of low-income and very low-income residents. The challenge, as many of you know, is converting investor-owned communities to resident-ownership so that the people who live there can control their economic futures.

### **POLICY**

Our third major focus is policy.

Tomorrow we are launching a new policy offensive to bring new private and government resources to our industry.



We are determined to make new capital flow for your use. We also have another, less tangible goal: We want to make Opportunity Finance an issue in the 2008 Presidential and Congressional campaigns.

We are going to need your help but we start with a strong base.

We recently commissioned a national public opinion poll that found that support for what we do is broad and deep:

- 78% of the 1014 adults surveyed said that they support the federal government playing a role in making sure opportunity finance is available to all Americans.
- 84% support opportunities or incentives for people to own businesses
- 86% said affordable housing to raise families is an important national priority
- 90% said that all Americans—regardless of income or race—should have the opportunity to purchase or rent an affordable home or apartment (makes you wonder what the other 10% believe).

We must use our broad, bipartisan support and Capitol Hill standing to pursue our bold new policy agenda. We are entering a rare policy “moment” that we must take advantage of.

We will defend our core interests—the CDFI Fund, CRA, New Markets, NMTC, and laws that limit or eliminate predatory lending.

At the same time, we will launch two or three bold efforts to bring hundreds of millions of dollars or more in new capital to the Opportunity Finance industry. We have been working with a diverse group of partners—from the White House to CFED to the Heritage Foundation to Governors and Mayors to CDCs and CDFIs. Please come to our Membership Meeting tomorrow morning at 8:30 for a discussion of our new Opportunity Finance Policy Agenda.

We have been building to this opportunity. We recently published an economic explanation for our work that already is broadening acceptance in Washington, DC. It counters the conventional misperception that what we do sounds great in practice but will never work in theory.

## **THE BRAND**

The Opportunity Finance brand has taken root and is making it easier for prospective partners to understand what you do and how you add value. In most industries, companies need to learn to practice what they preach. In our industry, we are learning to preach what we practice.

Outside you can see examples of 17 CDFI Profiles we have published at no cost to Members. We are prepared to profile the rest of our Members, as well. These profiles demonstrate a range of ways the new brand can work for you, as it is already working for your colleagues.

We are unveiling our dramatically new website at this conference at [www.opportunityfinance.net](http://www.opportunityfinance.net). See it at our booth, watch for it at the Annual Membership Meeting tomorrow, or simply visit the site.



## **CARS™**

Finally, CARS™--the CDFI Assessment and Ratings System—is all about making more money flow more easily. We are starting to see real value for CDFIs and investors. CARS™ makes it easier and faster for investors to find, underwrite, and invest in CDFIs.

To date, we have rated 22 CDFIs and 29 more have joined the pipeline. 18 investor subscribers receive CARS™ ratings.

Today I am pleased to make five important announcements about CARS™:

First, early next year we will publish the first in a regular series of reports on the set of ratings completed to date—for example, the distribution of ratings by asset size, agethat sort of thing.

Second, a little later next year we will—for the first time—publish on our web site a complete list of rated CDFIs with their ratings.

Third, we are introducing a “CARS™-rated” icon that we will use and that rated CDFIs can use to show that they have been rated.

Fourth, we are expanding the investor subscriber base through a series of special offers to make CARS™ more valuable to everyone.

Fifth, and finally, I have a major announcement about CARS™ and new capital:

Earlier this year, Merrill Lynch CDC, received a \$93 million New Markets Tax Credit allocation dedicated to financing CDFIs.

I am pleased to tell you today that Merrill Lynch CDC will use CARS™ to underwrite the CDFIs it will invest in using the entire \$93 million.

This is a watershed commitment.

The ultimate purpose of CARS™ is to make money flow with minimal friction. Merrill Lynch CDC’s use of CARS™—the first such commitment of its kind—has the potential to start a trend that will channel more money into CDFIs with less effort on everyone’s part.

## **THE OPPORTUNITY FINANCE NETWORK COMMITMENT**

The seismic changes we are going through are difficult, often confusing, and sometimes painful. I know that we are making progress from the discussions I have had with many of you. My commitment today and every day is that Opportunity Finance Network will create value for you, for the Network, for the industry, and for the people and places we exist to serve.

Now that our vision is becoming real, we need to know what you are seeing and thinking. Over the next two months we will host a series of meetings to talk to you—some face-to-face in various locations across the nation and some via our online meeting space.



We want to know how our strategic direction is affecting you and what you see coming down the road.

Please plan to join us.

## **FITTING CAPITAL TO CUSTOMERS**

Sometimes solutions and inspiration come from unlikely places. I want to take you back forty years to see how the transformation of another innovation changed our world. At first, you might wonder about the comparison, but the story of the birth of personal computing helped persuade me that we will succeed.

How many of you use a laptop computer? Did you ever wonder how computers ended up in laptop-sized machines? Or why every computer today emphasizes a personalized interface? Or why there is a mouse to fit every size and type of hand?

Doug Englehardt ran a research program at Stanford University in the 1960s that sought to develop something unheard of at the time called a personal computer that would expand human consciousness and augment the mind. In fact, the program was called AUGMENT. No one was thinking about the personal computer as a business tool then.

Personal computers—the formative technology of our lives—emerged from AUGMENT, shaped by a fascinating mix of consciousness-raising forces:

- Ken Kesey and his Merry Pranksters, were linked to AUGMENT;
- Stewart Brand and the Whole Earth Catalog helped out,
- An array of illegal and legal recreational drugs were part of the creative process,
- A band called the Warlocks (later known as The Grateful Dead) mixed with the Defense Department bureaucrats and software engineers,
- another band called The Jefferson Airplane, famous for the mind-expanding classic, “Go Ask Alice,” was an AUGMENT favorite,
- Cap’n Crunch—the prototypical hacker who figured out that a toy whistle from a cereal box could break into the long-distance phone system, worked on the AUGMENT team.

The pieces came together in 1968. In a fabled presentation that drew just a few hundred people, Doug Englehardt demonstrated the first true, working personal computer. It fit in a box small enough to sit next to a desk, used the first mouse, ran a graphical user interface, had hypertext, and accessed the internet (then known as Arpanet).

One observer said that Englehardt was “shooting lightning from both hands.” For the small number of people who understand what they were seeing, Englehardt launched a revolution that has changed almost everything about our lives.



Yet, in 1968, personal computing still had no obvious future. It did not win mainstream acceptance for, arguably, another 20-25 years.

What Englehardt did not and could not do was make the inconceivable inevitable.

That fell to Alan Kay, a member of AUGMENT who later led the XEROX Palo Alto Research Center, where Steve Jobs reportedly got the ideas that showed up in the first Apple computer.

Kay's formative contribution was a vision that shaped almost everything about today's computer industry.

Kay did not imagine a computer that sat next to your desk. Kay's vision was that a truly personal computer would fit in your lap. Some of his early sketches look a lot like my Apple laptop.

He envisioned a customer experience (as business schools call it) that was unique, new, undeniably personal, and revolutionary. Around that experience, which was little more than a fantasy, the computer industry as we know it came to be.

Our vision for our low customers is that they will have a personal financial experience that fits them.

We make capital fit the low-income and low-wealth people and communities we serve. More than our legal structures or our financing niches, this commitment to making capital fit our customers defines us. We do not require or expect our customers to become something they are not.

## **THE OPPORTUNITY ERA**

We have entered a new era—the Opportunity Era. We have a chance in our lifetimes to change the world—to shape how financial institutions relate to low-income and low-wealth people, to influence how policy supports an inclusive prosperity, and to foster a nation built on real equal opportunity for all, as our founders envisioned.

We have the opportunity—and the obligation—to make our work a driving force in our nation's future. To originate orders of magnitude more financing annually than we will in 2006. To use our experience in the markets where we work to re-shape domestic policy around an opportunity agenda.

I believe this transformation is possible and necessary. I believe it because we never imagined we would reach financing volumes that we achieved long ago. We never dreamed that we would offer the mix of products we provide today.

Most of us never believed we would create the CDFI Fund, that it would be useful, or that it would survive this long.

I believe that more than one person in this room is "shooting lightning from both hands." I believe that we have the capacity to collaborate across our Network in new ways to deliver orders of magnitude more capital that fits our customers.



You came to this conference with aspirations and hopes, and you will go forward with clear opportunities—new ways of financing, new sources of capital, new ways of raising capital, new policy directions in a more fertile policy environment.

You have made—and continue to make—a revolution one challenging transaction at a time.

The moral arc of the universe is long, but it bends toward justice.

The product of your work is real social, economic, and political justice—inclusive prosperity. You are relentless in pursuit of your separate organizational missions but also our shared aspirations for a world where all people have the resources and equal opportunities to act in the best interests of their communities, themselves, and future generations. That is our vision.

That vision might seem impossible today—inconceivable—but I believe it is inevitable. It must be. Anything else means that we—as a nation, as a society, as a people—will fail. We all know that.

Less than a month ago, my 15-year old son—Nathan—asked me, “Dad, when do you think the U.S. will lose its leadership role in the world? All great powers lose it eventually.” He said, When. Not if.

I want to say to Nathan, to my daughter, Clara, and to everyone else here today, that our nation’s greatness and our leadership is not in our power to fight or our power to force or even our power to buy and sell.

Our leadership is rooted in the reason we exist as a nation—simply, equal opportunity and justice for all people everywhere. We have the opportunity—though not the certainty—to succeed as a nation where others have failed.

A wise Rabbi once said that the entire world is like a narrow bridge and the important thing is not to be afraid.

Our greatness as an industry, a movement, and a network is our relentless commitment to making the inconceivable inevitable by financing opportunities for low-income and low-wealth people and places. To prove that the impossible is possible.

The important thing is not to be afraid.

Our work is making a great nation better. One transaction at a time.

But we are not done.

The moral arc of the universe is long, but it bends toward justice.

I said 30 minutes ago that I am proud and pleased to stand here with you today. Let me tell you why: You are the sort of people who will bend the moral arc of the universe a little bit further and a little bit faster than it would bend otherwise. What I mean to say is, you are the pushy sort.

Trust me: It takes one to know one.