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Wachovia, 2 Nonprofits Start CDFI Grant Program

By Paul Davis

Wachovia Corp.'s philanthropic arm is teaming up with two nonprofits to sponsor a competition that will make \$42 million of grants to community development financial institutions over the next five years.

The Wachovia Foundation is kicking in \$17 million for the Wachovia Next Awards for Opportunity Finance. The John D. and Catherine T. MacArthur Foundation of Chicago is pledging \$25 million. The **Opportunities Finance Network**, a Philadelphia trade group for CDFIs, will help administer the program.

In each of the program's five years, a 17-member committee will make a low-cost \$5 million loan and a \$500,000 grant to a CDFI with more than \$50 million of assets dedicated to lending or investing. A separate \$2.5 million loan and \$250,000 grant will go to an institution with \$10 million to \$50 million of such commitments. Grants of \$25,000 each will be given to four other institutions.

Applications for the first set of grants are due Aug. 20, and the winners will be announced in December.

Mark Pinsky, the president of the **Opportunities Finance Network**, said during a conference call Wednesday that CDFIs have diversified beyond their original mission of providing affordable housing and into small-business development and community projects.

Michael Rizer, Wachovia's director of community relations and an executive vice president at its foundation, agreed with that assessment. "We've really seen their capital needs grow," he said during the call. "Our contribution will help them come to scale and be much more impactful."

CDFI assets more than doubled from 2001 to 2005, to \$20 billion, according to the CDFI Data Project, which represents groups that collect data on 496 institutions.

By 2005 just 48% of CDFI lending was housing related, while 24% was consumer lending for purposes such as debt consolidation, health, and education. Another 13% was business-related.

At the same time, governmental appropriations for the institutions have declined. Funding for the Community Development Financial Institutions Fund dipped to \$54.5 million this fiscal year, compared to its peak funding of \$118 million six years earlier.

"We have since found new ways to originate greater volumes of financing," Mr. Pinsky said; CDFIs are making using the capital markets more frequently and often are securitizing and selling their loans to investors. A growing number of the institutions are evaluating partnerships and mergers designed to leverage their abilities, he said. "It's been a fairly creative and sometimes turbulent process."

