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Wachovia NEXT Awards for Opportunity Finance Honor CDFIs

by Anne Moore Odell

Three heavy-hitters come together to support community development financial institutions with \$42.5 million pledged over the next five years in grants and loans.

Community development financial institutions (CDFIs) help support low-income people and non-profits with access to capital to build houses, start businesses and create jobs. However, CDFIs themselves need the support of investors and organizations to help them live up to their missions. The [Wachovia Foundation](#), [MacArthur Foundation](#) and Opportunity Finance Network (OFN) recently launched a new five-year program to honor CDFIs who stand out as leaders in their field.

The three partners have committed \$42.5 million to the [Wachovia NEXT Awards](#) with the first two recipients receiving \$8.25 million in December 2007. CDFIs are invited to apply online.

"[Wachovia](#) has a long commitment to community development," said Mike Rizer, Wachovia Director of Community Relations and Executive Vice President of The Wachovia Foundation. "In fact, it is one of our two top community priorities--the other is education. We focus on developing all the elements that make up a community, from housing to businesses to community members themselves."

The Wachovia NEXT Awards build on an earlier award presented from Wachovia and the OFN, which awarded four annual \$1,000 prizes to CDFIs. In 2006, Wachovia and OFN discussed enlarging the awards. In late 2006, following an extended evaluation program of its program-related investment (PRI) strategy, the MacArthur Foundation approached OFN about doing something with PRIs. When the three partners met in 2007, the Wachovia NEXT Awards were created.

"The key to this partnership is our shared view that these Awards need to be large enough in scale, different enough in design, and unique enough in their ambition to make people inside and outside the opportunity finance industry realize that the industry is ready to go to new, exciting places," said Mark Pinsky, President & CEO, of OFN.

"The Awards needed to be 'game-changing.' The goals we agreed to at our first meeting remain unchanged--to attract new investors, new funders, and new talented people to the opportunity finance industry," he added.

The Wachovia NEXT Awards will be funded by a \$16.75 million grant from the Wachovia Foundation and a \$25 million low-cost, long-term loan from the MacArthur Foundation. This amount will be distributed over five years, from 2007 to 2011.

Rizer said, "This is a large grant for The Wachovia Foundation--in fact, it's the largest grant commitment ever to support community development. We decided to make such a large grant

because we're committed to supporting CDFIs, and we recognize the important role they play in strengthening communities."

\$37.5 million will be awarded as flexible, long-term loans that CDFIs will use for their lending. Each year, the Wachovia NEXT Awards will award \$7.5 million in loans. This amount will be divided between a large-asset and smaller asset CDFIs: \$5 million to the large-asset recipient (\$50 million plus in financing assets) and \$2.5 million to the smaller-asset recipient (\$10 million-\$50 million in financing assets).

\$4.25 million will be awarded as grants. \$3.75 million will be grants that accompany loans. Also, four stand-alone grants of \$25,000 grants will be presented each year for five years.

Each of the loans will be accompanied by an operating grant. The \$5 million loan will be accompanied by a \$500,000 operating grant. The \$2.5 million loan will be accompanied by a \$250,000 operating grant.

A national committee will choose the CDFIs from the pool of over 700 US based CDFIs. The selection committee includes senior executives from Wachovia and the MacArthur Foundations. It also includes CDFI leaders, academics, and experts in banking, organizational development and social policy.

"It was very important to us that the Selection Committee include a wide range of perspectives. Just having those of us who work in the field of opportunity finance make all the decisions would be a wasted opportunity to learn from others," Pinsky explained.

To be eligible from the awards, interested organizations must, in part, have a primary mission of community development, a demonstrated history of performance and an increasing volume of lending.

Pinsky told SocialFunds.com: "Our goal is to get investors who might not know a lot about opportunity finance, or who might know nothing about us, to take a look. From Fed Chairman Bernanke's statement last year that CDFIs are important to the U.S. economy to the burst of creative financing strategies to the emergence of new investment opportunities, opportunity finance is on the cusp of breaking out into an increasingly important role. We need socially motivated investors to help us get there."

The Wachovia Foundation is the private foundation funded by the Wachovia Corporation, one of the US's largest banks. At March 31, 2007, Wachovia had assets of \$706.4 billion and market capitalization of \$105.3 billion. The John D. and Catherine T. MacArthur Foundation is a private, independent grant making institution with a mission dedicated to helping groups and individuals foster lasting improvement in the human condition. OFN is a network of private financial intermediaries identifying and investing in opportunities to benefit low-income and low-wealth people in the US.