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Finding money for those who often get refused

By Crissa Shoemaker Debree

Low-income residents looking to open bank accounts or start their own businesses will benefit from \$42 million in grants and loans announced Wednesday.

Wachovia Corp. and the MacArthur Foundation have partnered with the Opportunity Finance Network of Philadelphia to create the Wachovia NEXT Awards for Opportunity Finance, a \$9.1 million-a-year award for banks, nonprofits and other organizations that lend money to people and projects conventional banks won't touch.

The money will be given annually to six community development finance institutions that have demonstrated exceptional commitment to strengthening low-income communities. In the past, such opportunity finance has funded charter schools in Philadelphia, apartment buildings in Morrisville and community centers in Trenton.

In addition to boosting the institutions' lending power, the organizations also hope the Wachovia NEXT Awards will boost the image of the multibillion-dollar financial industry they've created.

“The opportunity finance industry is one of our nation's least-known and under-valued strategic assets,” said Mark Pinsky, CEO of the Opportunity Finance Network and a Lower Makefield resident. “The Wachovia NEXT Awards will shine a spotlight on the industry to give more investors, more funders, more skilled professionals and more communities the opportunity to be part of this remarkable success story.”

Locally, community development finance institutions vary from The Reinvestment Fund, which invests in homes, schools, businesses and clean energy programs, to the Women's Opportunities Resource Center, which promotes social and economic self-sufficiency for low-income women and their families. Both are in Philadelphia.

The Opportunity Finance Network is an umbrella organization that oversees and funnels funds to the nation's 700 institutions.

Over the past 30 years, the community development finance institutions have provided more than \$24 billion in financing over the past 30 years. In 2005 alone, they provided \$4.3 billion in financing that helped create nearly 40,000 jobs in 9,000 businesses, more than 55,000 units of affordable housing and 613 community facilities.

“We see a clear and enduring need for opportunity finance,” said Debra Schwartz. She's

director of program-related investments for the MacArthur Foundation.

“From redlining [refusing credit based on a person's neighborhood] and a lack of credit [approvals] 30 years ago, to extremely loose, high-risk credit that is taking such a heavy toll today, financial challenges for low-income and disadvantaged communities shift over time, but persist nonetheless,” Schwartz said. “Some problems get solved, but new ones crop up, requiring new attention and new solutions.”

Wachovia's foundation has pledged \$16.75 million, the largest single grant it has ever given. The MacArthur Foundation, a Chicago-based philanthropy, will make a \$25 million low-cost, long-term loan.

The first awards will be announced in December. Each year, a committee will select six exceptional organizations to receive the awards. Four institutions will receive \$25,000. One that has assets of between \$10 million and \$50 million will receive a \$2.75 million loan and a \$250,000 grant. The last award, a \$5.5 million loan and a \$500,000 grant, will be given to an institution that has more than \$50 million in assets.

“We believe that the Wachovia NEXT Awards have the power to bring leading CDFIs up to the next level of excellence,” said Mike Rizer, executive vice president of the Wachovia Foundation. “It is a crucial time for the CDFI industry, which continues to be affected by economic and demographic changes in the communities they serve, and by shifts in funding sources. We know that we must work together and bring in new players to continue to support CDFIs.”