

## **Elyse Cherry's Wachovia Wells Fargo NEXT Award Acceptance Speech (11/2/2010)**

Good evening, everyone.

First, let me say what a great pleasure it is to be here with you this evening and to accept the 2010 Wachovia Wells Fargo NEXT award on behalf of the Board and staff of Boston Community Capital.

I want to thank the Wachovia-Wells Fargo Foundation, the MacArthur Foundation, the Board and staff of Opportunity Finance Network and all of the women and men who served on the NEXT award selection committee and who spent countless hours reviewing competing proposals and debating their merits. We very much appreciate your commitment to supporting growth and innovation in the CDFI industry.

Dick Jones, who was the first staff member at Boston Community Capital, and who has been my partner in this work for 25 years, was present at the first national CDFI conference. Of course, that was before the term CDFI had been coined. It was before our national association was known as Opportunity Finance Network. It was even before National Community Capital. In 1985, the year of our first conference, our trade association was known as the National Association of Community Development Loan Funds. The conference was held in Waltham, Massachusetts, and twenty people attended.

Look around you, now. How far we've come!

And, if we are to fulfill our lofty goals

of helping to build healthy communities where low income people live and work,

of aligning capital with social, economic, and political justice, and

of creating an inclusive prosperity that ensures that low-income and low-wealth people and communities have access to affordable, responsible financial products and services,

how far we still have to travel.

Today, we are navigating through the worst economy since The Great Depression. Subprime lending excesses and a devastating foreclosure crisis have had a disproportionate impact on our communities, destabilizing families and neighborhoods and threatening to erode the gains we have all worked so hard to achieve. The breadth and depth of this crisis challenges the ability of all CDFIs to mount an effective response – but, remarkably enough, we are now into our second generation as CDFIs, and we've been here before. The lessons we learned during our last sojourn through really bad economic times sustain us now and offer guidance for the route ahead.

Twenty years ago, Boston Community Capital grappled with the worst economic crisis in our, then, five year history. I was a young real estate lawyer at Hale and Dorr at the time, and as a founding board member of Boston Community Capital, was chairing BCC's Loan Committee. Many of the projects we had financed were "under water," and we faced tremendous pressure to "cut our losses," evict poor people from their homes, and sell properties for thirty cents on the dollar. Sound familiar? We refused.

And we made a vow: we would not lose any units of the housing we had financed nor would we lose investor dollars.

We made good on that vow. We were able to preserve every unit of housing we created, keep people in their homes, and keep our promises to Boston Community Capital's investors. And that's still true today.

But we also took a long look at our own limited capacity, and made a more forward looking promise – to ourselves, our investors and our communities. We pledged that when the next downturn came, we would be in a position to do more – more to stabilize the neighborhoods we've worked so long to revitalize, more to build healthy communities, and more to make credit accessible to those who need it most.

Today, through the SUN Initiative, for which Boston Community Capital has received the NEXT award, we're making good on that promise.

SUN -- which stands for Stabilizing Urban Neighborhoods helps struggling homeowners and tenants facing eviction buy back their homes at reduced prices.

Working with community organizing groups, legal aid organizations, banks, loan servicers, and asset managers, SUN – under the leadership of Pat Hanratty -- identifies homeowners and tenants who have the ability to service a properly sized and underwritten mortgage but who are on the verge of eviction because their homes were financed through unsustainable, predatory mortgage instruments or because they have suffered demonstrable personal hardship.

BCC first underwrites the existing occupants to assure their ability to pay a roughly 6%, fixed-rate 30-year mortgage. Then, we negotiate a purchase of the home, often post-foreclosure but pre-eviction, at a discounted price, free and clear from all mortgage liens. We mark up the purchase price to create loan loss reserves to help SUN to withstand potential losses, and sustain its long term ability to help families in foreclosure. Finally, SUN sells the home right back to the existing occupants.

So what does all this translate into for a typical SUN client? First, kids do not need to disrupt their school experience or suffer the angst of losing their friends. Parents continue to contribute to the stability of their neighborhoods. Since the turn of the year, BCC has purchased or financed almost \$10 million of foreclosed properties and has helped over 90 families remain in their homes.

Monthly housing expense declines to an affordable, sustainable level. To date, housing expense has declined on average from almost \$3100/month to about \$1600/month, a reduction of almost 50%.

But perhaps the best news is that, so far, the loans we have made have a zero default rate.

On a more personal note, I want to talk for a moment about SUN's initial geography, which includes the low-income neighborhoods of Boston and the city of Revere. Our focus on Boston is easy to understand. It's our capital city; it has many low income neighborhoods, and it has been hard hit by plummeting housing prices and by foreclosure. Revere is one of several communities that abut Boston and shares a similar demographic to Boston's neighborhoods. Revere has been an immigrant community for

generations. Kids in Revere's public schools come from 43 countries and speak 51 languages. Those characteristics would be sufficient, on their own, to qualify Revere for inclusion in the SUN Initiative.

But the truth is, that's not why we added Revere to Boston's neighborhoods. We included Revere because I grew up there. I am a product of Revere's public schools, and one of the most powerful lessons I learned there is that inclusion is not just a lofty notion. It is the key to success. Every community has its strengths. Every community contributes. If we are to succeed, we must maximize the potential of all of our residents. We cannot leave anyone behind. And each of us has an obligation to do our part: to participate as full citizens of our country and, indeed, of our world.

So where do we go from here? The NEXT award is the first step in substantially expanding the geography that SUN can serve. But there's a second step, as well.

Audre Lord, whom many of you have read, and who described herself as a black, lesbian, mother, warrior, poet, once wrote an essay titled: "The Master's Tools will Never Dismantle the Master's house." She may have been right about the dismantling part, but dismantling is not the only approach, and it's not the CDFI approach. Instead, we have taken "the master's tools" and put them to a different use. We use the tools of finance and the principles that govern capital markets to add a new wing to the master's house – to help ensure that everyone has a right not just to a home but to a home that is properly financed, safe, affordable and located in a healthy community.

One of the key barriers to expanding SUN beyond its Massachusetts geography is the availability of sufficient debt at a manageable interest rate. When I first approached the capital markets, I was told that if debt were available at all, its cost would be in the neighborhood of 12%. Now, maybe some of you know how to borrow at 12 and lend at 6, but I don't. So, we abandoned the capital markets as an initial source of financing. Instead, we set out to raise \$50 million from other partners. Right now, we finance SUN through low cost debt provided by high net worth individuals, the NEXT award, a program related investment from the Kresge Foundation and an investment from our own loan fund. Other foundations will join us, as well. But, because we have learned to use "the master's tools" we have not given up on the capital markets approach.

Today, everyone we finance is somewhere in the foreclosure process. Their credit scores disqualify them for a loan from any commercial institution. Our goal is to transform monthly payments from all those disqualified borrowers into an aggregated, seasoned income stream that can be packaged and sold at market rates to capital market investors. If we succeed in selling the income stream, we will use the revenues from those sales to recapitalize our initial \$50 million loan pool so that we can, over several years, make \$200 million worth of loans. Put another way, a successful secondary market strategy will substantially expand the pool of cost effective capital. And if we can drive down the cost of capital to a manageable level, then our use of the master's tools will cause SUN to rise in Florida and Nevada and California and in every community in which low-income residents struggle with the impact of foreclosure.

So long as each community continues to contribute, so long as each one of us continues to work in our community, so long as we have the support of partners like Wachovia – Wells Fargo and the MacArthur Foundation, then, in the immortal words of one of our great champions, the late Senator Ted Kennedy: “the work will go on, the cause will endure, the hope still lives, and the dream shall never die.”

Thank you very much.