LINKING LENDERS AND COMMUNITIES

SUMMER 2010

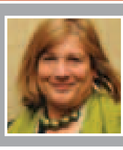
PUBLISHED QUARTERLY BY THE COMMUNITY DEVELOPMENT DEPARTMENT OF THE FEDERAL RESERVE BANK OF ST. LOUIS

BRIDGES

WWW.STLOUISFED.ORG

INDEX

4 Ruth McCambridge One-on-One: An Interview with Editor-in-Chief of *The Nonprofit Quarterly*



6 Strategies of District Nonprofits: Three Case Studies

Have You Heard? 11

Community Development Professionals Retool:

Exploring Innovation Week Brings New Voices to the Future of Community Development

By Yvonne S. Sparks

What does the future of community development hold when staff and funding capacities are stretched to seemingly all-time highs? According to national policy experts who spoke at the St. Louis Fed's recent Exploring Innovation in Community Development Week event, success in community development efforts can be achieved with a re-emphasis on the fundamentals—community organizing at the grassroots level, respecting the intrinsic values of our communities and a return to relationship banking.

The message was given at the first of three policy dialogues, "Restructuring and Retooling for the Future," a videoconference in St. Louis that was broadcast April 20 to Little Rock, Memphis, Evansville and Kansas City. Regional breakout sessions followed in most locations to allow attendees to discuss and apply the policy lessons at a local level.

St. Louis conference participants gather at the close of the morning policy dialogue videoconference session April 20. Afternoon sessions in each location allowed participants to explore specific topics on a regional level and network with local peers.

Among the day's key takeaways, community development professionals were encouraged to turn away from current trends toward national franchised models, in which a program design is replicated nationwide, instead being reminded that it is the local, grassroots network model that continues to produce successful community development activities today.

"In that model, you have community-based organizations that are linked centrally in at least one network, and maybe multiple networks," explained Ruth McCambridge, editor-in-chief of *The Nonprofit Quarterly*, a national panelist. (See Page 4 for a follow-up Q&A with McCambridge.) "That network that

continued on Page 2

In this Issue...

By Allen North

Recently, I had the pleasure of meeting for the first time with our Community Development Advisory Council (CDAC) in Memphis. This group of community development practitioners from a variety of disciplines meets twice a year and helps to inform our community development staff about the challenges and opportunities the current climate brings to the community development industry.

At every meeting, the Council highlights a member so others learn more about specific work in an individual sector or region. Emily Trenholm, executive director of the Community Development Council of Greater Memphis, gave an insightful presentation before the topical discussion of the day began. Her organization, a trade association for community development corporations (CDCs), offers capacity-building programs and public policy advocacy. She shared with the group the state of Memphis CDCs and the local response to the current climate. Her experience is consistent with themes we see on the national level. Essentially:

- The current crisis has required us to rethink community development, resulting in a trend toward holistic approaches, which involves all aspects of sustainable community development, such as housing, transportation, education and workforce planning.
- Nonprofits are evaluating their missions, programs and the way they do business, identifying what works and what doesn't.
- Nonprofits are looking to innovation and technology for new successes, and are taking steps to improve their business models by enhancing risk management and looking for ways to look more attractive to potential partners.

I appreciated Emily's insight, and what a timely message she brought.

Recognizing the huge role the nonprofit community has played and continues to play in the community development industry, this issue of *Bridges* focuses on nonprofit capacity building. The cover story provides highlights of the recent "Restructuring and Retooling for the Future" videoconference our district held in April. Also in this issue, you will read how several nonprofit organizations have used various strategies to not only survive, but sometimes thrive, including pursuing collaborations and mergers, strengthening business practices, and employing social media and technology. Finally, we offer some new trends in capacity building training and training opportunities across the district.

Allen North is vice president in the Federal Reserve Bank of St. Louis' Banking Supervision and Regulation Division, with responsibilities for Consumer and Community Affairs.

Exploring Innovation

continued from Page 1

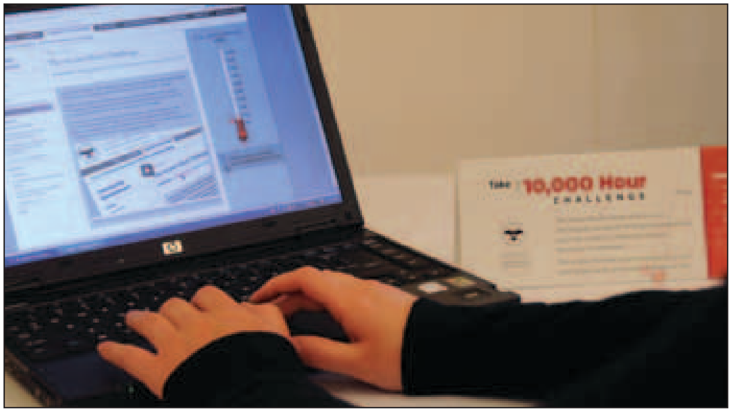
links them helps them to share their practices they consider to be particularly promising, helps research to be done in the entire network, surfaces resources that allow the entire network to work in more productive ways. It allows people to sit with one another and spark ideas," she said. McCambridge added that some such local networks have produced "incredible results," stating that, "the local relationships between us geographically are very, very important, because that provides us the same thing we get at the national level, which is local intelligence."

A local networking model also helps to influence policy that affects an organization's viability and that of the communities it serves, she said, which creates a powerful political base and groundedness in issues. She added the importance of providing research and results within the sector, and the need to make known the sector's success stories to become effective in garnering needed resources and influencing policy decision at all levels.

"We may not be able to do that [research] in our individual organizations, but we absolutely have to participate in making sure that it gets done. Then we have to cite the chapter and verse about the research we're basing our work on and make others understand the framework we're working from."

Gary Logan, president of Kansas City-based Synago Consulting, echoed the fundamental tenets of grassroots organizing by stressing the importance of truly knowing our communities—their hopes, dreams, fears, customs and rituals—stating that such factors bond members of a community and uniquely define them. To effect real change, he says, we as community development professionals must learn such distinguishing characteristics, respect these value systems and earn a community's trust, thus creating a culture that goes beyond engineering entitlement programs and fostering not self-reliance, but dependency. When this happens, Logan says, it leads not only to successes in business and innovation, but a stronger culture, better equipped to articulate and generate the resources to meet its own needs, as well.

A third presenter in the dialogue, Ray Boshara, vice president and senior research fellow at New America Foundation, underscored the urgency pursuing change and innovation within the community development field, explaining that we are in the "next progressive era," a historical period marked by income inequality and zero job creation, among other economic indicators. He advocated a turn away from consumption and toward production, an environment that favors entrepreneurism and



A conference participant checks out the new 10,000-Hour Challenge web site for innovative community development ideas at www.stlouisfed.org/10Kchallenge.

small business over consolidation, and a move toward building assets and capital, rather than simply income, especially among low-income individuals.

"The challenge for community development is to attract, develop, accumulate and protect capital," Boshara said. "We need to see more community banks, credit unions and CDFIs," said Boshara, citing that in 1985, there were about 14,000 community banks; there are about half that many now. "For every $1 of capital or equity [placed] into a community bank, it returns $7 to $8 in loans to families and businesses; the leveraging is remarkable," he said. "The real key to these types of institutions, which were created in the progressive era, is that they focus on relationship banking," Boshara added.

The power of grassroots organizing was evident during the next Exploring Innovation Week event on April 21, when audiences at each of the Bank's four zones viewed the documentary, "The New Neighbors," a film showing how residents in Pennsauken, N.J., collaborated neighbor-to-neighbor to build and sustain an integrated community. The week rounded out with a technology summit in Louisville on April 22, and a housing conference in St. Louis on April 23.

Also during Exploring Innovation Week, the Fed kicked off its 10,000-Hour Challenge in community development innovation, which encourages and recognizes organizations that collectively devote 10,000 hours to innovation within the field during the next year.

To view summaries of the Exploring Innovation Week events and the 10,000-Hour Challenge submissions, or to submit your own innovative ideas, visit our web site at www.stls.frb.org/community_development/.

Yvonne S. Sparks is senior manager of community development at the Federal Reserve Bank of St. Louis.

Reader Poll

The Fed recently held a policy dialogue on Restructuring and Retooling for the Future, looking at what the future of community development holds when staff and funding capacities are limited. As your organization considers restructuring or retooling for the future, what practices are you pursuing to maintain sustainability or build capacity?

- Collaborating with other organizations.
- Merging with another organization.
- Reducing the number of services or programs offered to our clients.
- Reducing expenditures, downsizing, furloughs.
- Looking for new funding sources.
- Tightening lending standards.
- Pursuing innovative, new business models.
- Using technology and/or social media.

Take the poll at www.stlouisfed.org/community_development/. Results are not scientific and are for informational purposes only.

The previous poll focused on workforce development and asked: "What is your community's biggest workforce challenge?"

60% Loss or lack of a major employer

13% Keeping young people in the area to work in local businesses

12% Lack of skills to fill existing work opportunities

9% Attracting people outside the community to work in local businesses

6% Lack of workforce/affordable housing

Number of Respondents: 89

Ruth McCambridge One-on-One:
Tackling Today's Challenging Community Development Issues

Ruth McCambridge was a featured speaker at the April 20 event "Restructuring and Retooling for the Future." After the day's event, she continued the dialogue with us and shared her insight on the state and future of community development.

Ruth McCambridge is editor-in-chief of *The Nonprofit Quarterly*, an innovative journal for nonprofit leaders. Its overarching editorial goal is to strengthen the role of nonprofit organizations to activate democracy. In 1999, she transformed the publication into a national journal. McCambridge has more than 35 years of experience in nonprofits, primarily in organizations that mix grassroots community work with policy change. Beginning in the late 1990s, she spent a decade at the Boston Foundation developing and implementing its diverse capacity building programs.

Bridges: Thank you, Ruth, for participating in the first of our series of videoconferences and dialogues on the future of community development and for granting us the benefit of your thoughts in this interview. As a former community organizer, what do you see as the three most challenging issues, other than funding, that local community development organizations face in today's current economic climate?

RM: I am assuming that you are using the word challenging not only to indicate the problems that may be inherent in this time but also to denote opportunity. I think there is enormous opportunity right now for organizers to work with communities to help them to envision their best possible future. What is the business mix they would prefer? How do they want financial institutions and public entities to invest to create that future and how will they, themselves invest their time, energy and hope in it so others cannot deny the vision they are pursuing?

If you want to know what I think stands in the way of that, I believe that the recent past has been a time of enormous personal stress on many families. People are worried about their jobs, their homes, their children's educations and they may be attracted to ways of zoning out in their rare moments where they do not have a mandatory activity. This could crowd out involvement in community building if you let it. I think that providing a positive alternative that energizes and restores hope and vision is what organizing has to be about right now, and that takes appearing on people's doorsteps, in the hair salons and churches to ask people 'What do you want in this community? What could it be?'

Bridges: Your print and online magazine, *The Nonprofit Quarterly*, closely monitors public policy affecting the nonprofit sector, including nonprofit community development. What recent public policy decisions or trends have you and your staff observed that impact the future of community development?

RM: *NPQ* has tracked the funding flowing to foreclosure prevention and rehab pretty carefully. It has been impressive to watch the CDC networks take this on, in terms of developing frameworks for action, filtering money to localities and getting the job done. Of course, intense time requirements for spending the money and doing the work have strained the capacity of many local groups, but the network as a whole seems to have functioned well. The weatherization money, of course, was not deployed as effectively, but that money was more often flowing through other types of organizations.

Bridges: You have spent a significant portion of your career as a staff member of a large philanthropic organization. Have you observed any movement in the philanthropic community toward shifting resources to support community development organizations? If so, can you give us a couple of examples? If not, why, in your opinion, have they not moved in this direction given the deteriorating conditions in many communities?

RM: If it weren't for the foreclosure crisis and the response of some leadership organizations in the philanthropic sector, we couldn't say that there has been a shift of philanthropic support toward community development. However, some examples of major foundation support, particularly the significant commitment of the MacArthur Foundation in Chicago to an ambitious, multi-year program of community development, is noteworthy. Nonetheless, the proportion of top foundation grant-making going to broadly defined "community improvement" hasn't budged significantly over the years. Hopefully, the progress that community development is making in its response to the foreclosure program, taking the lead in a number of Neighborhood Stabilization Program efforts around the nation, will move the philanthropic needle higher for community development. CDCs that relied on the philanthropic support of banks obviously are having a tougher go with the financial and banking crisis.

Bridges: Community development as a field is mature after nearly 40 years. What do you see as the positive implications of this maturity?

RM: The maturity of the sector is clearly reflected in the development of a system of 3,500 to 4,000 operating CDCs in urban and rural neighborhoods and an infrastructure of national and regional financial intermediaries supporting their work. Their development of financial products to support increasingly complex community development projects, including in the areas of human services facilities and charter schools, is a noteworthy expansion beyond housing. The expansion of their financing of brick and mortar projects reflects an evolution of community development toward a broader, more inclusive definition that incorporates housing, economic development, human services, education and community policing as elements of what adds up to a sustainable community.

Bridges: Some have suggested that this maturity may be hindering new thinking and fresh ideas for the field. Have you observed a stifling effect on new ideas due to the maturity of existing community development leadership and practices?

RM: If there is anything stifling new ideas, it is the problem of young people in the field having few opportunities for moving up into leadership positions. Some years ago, there was a problem in community development with high rates of top-level turnover. We have been told that one of the challenges now is not enough emerging opportunities for young people in the community development movement to move into leadership positions and bring with them their fresh thinking about new directions for the sector.

Bridges: What is your advice to young people who desire to enter our field in terms of their educational choices and job opportunities?

RM: Community development is now much more than bricks and mortar. Young people in community development have to think of developing skills not only in finance and construction, but broader concepts of community building. Equally important is developing an understanding and analysis of community change. CDCs began in our country as change agents promoting social and economic equity and progress. Brick and mortar development was meant to be a visible indicator of progress toward that goal, not an end in itself. The holistic development of a community was the original purpose of CDCs, a purpose that is more important now than ever.

Bridges: Finally, what is your vision of the future of community development? What are the three to five ideas or elements that would comprise the rise of a thriving and sustainable community development industry in the U.S.?

RM: First, despite the large number of CDCs in the nation, there are many urban and rural communities that do not have indigenous, effective CDCs. The build-out of CDCs is far from completed. Secondly, there are some municipalities and counties that view nonprofit community developers with some degree of mistrust, rather than seeing them as partners in the implementation of community redevelopment goals. We still have to work on changing the hearts and minds of government officials to see CDCs for the skill and competence they can bring to community development goals. Third, the sector is still under-resourced, made more so by the sector's reliance on philanthropic support from banks and from the GSEs. Foundations have to step up to the plate to provide more core support for CDCs. And fourth, there has to be a mechanism developed to recruit young people into the field and offer real opportunities for leadership. Those opportunities have to be racially and ethnically inclusive, as still too much of the nonprofit sector in general, not just CDCs, that serves racial-ethnic communities is led by people who don't reflect the demographics of the communities they serve.

Thank you again, Ruth, for sharing your wisdom and vision with us. To our readers—you can visit *The Nonprofit Quarterly* at www.nonprofitquarterly.org.

Strategies of District Nonprofits: How Some Are Surviving and Thriving In Today's Environment

Times are tough these days, but you already know this. Just what are nonprofits doing to remain viable in the current economy? How are they modifying their operations to adapt to the new reality? Read how three nonprofits in the Eighth District are using mergers, good and sound business practices, collaborations and technology to navigate through the new environment.

Mergers and Acquisitions Can Bring Efficiencies to the Bottom Line

By Kathy Moore Cowan

Volunteer Memphis had been around for 34 years; Hands On Memphis, 12 years. Both had coexisted as friendly competitors.

"Although we saw a clear definition and difference between the two organizations, the public at large and the funding community did not," admits Mark Dean, former executive director of Volunteer Memphis, now executive director of Volunteer Mid-South.

When the executive director of Hands On Memphis resigned, Dean saw an opportunity. He contacted his board chair, who contacted the interim executive director of Hands On Memphis, who contacted *his* board chair, and the four met. After talking with their respective boards, the boards elected to hold a joint meeting to explore ways to work together. At the meeting, one of the Hands On Memphis board members asked, "What about a merger?" The elephant was now in the room.

After months of working on the details and the financial due diligence, the boards voted to merge. Since Volunteer Memphis had been around the longest, they accepted Volunteer Memphis's bylaws and other legal identifiers. The board's attorney filed the merger paperwork and terminated all legal references to Hands On Memphis. An offer was extended to board members of both organizations to stay on the new board.

"At first we were like a bride with a hyphenated name: Volunteer Memphis-Hands On Memphis," says Dean. In the end, they decided on Volunteer Mid-South. "We decided that the name really needed to say Mid-South and it really needed to have the word Volunteer in it. We had a lot of equity built into the Volunteer Memphis name, plus if someone Googled 'volunteer' we wanted to pop up."

The organizations had local support from various businesses and foundations for the merger. They put together a merger plan documenting marketing and other expenses for which they were able to secure financing.

"I went to one funder to let her know that we were planning to merge, and she jumped up and hugged me, saying she was so tired of explaining the difference between the two of us," said Dean.

"As a former banker who did mergers and acquisitions with banks, merging wasn't like a big bad bear to me; it made sense," Dean says. He acknowledges that it frightened a lot of people and stresses the importance of putting in the extra effort to make people feel as comfortable as possible. But in the end, he says conflict cannot be avoided, because things will not be the same.

"Once you merge, everyone has their own version of what was said; their own vision for what the collective organization will look like," Dean says. "The board needs to understand that change will be more than everyone all in the same office or that you have a new name."

Since the merger, Volunteer Mid-South has been approached by several organizations considering merging. Dean assists them by sharing his merger file and the document they used, which has become a guide book for mergers. Even if organizations decide not to merge, he contends it is beneficial for organizations to explore ways to collaborate together.

Dean states, "Generally, the positive feedback surrounding mergers is that you are cutting back the amount of overhead, because you don't have two buildings, two sets of letterhead, two computer systems, two telephone systems, and two audits." He will be the first to tell you, however, that mergers don't necessarily mean expenses are halved. "You don't merge two organizations and cut the budget down to the size of one of them. If the organization operates a different way, you may incur additional expenses that you may not have considered within your business model." Dean says their overall administrative costs went down somewhat, but not by 50 percent, mainly because of additional activities. In fact, he states that his insurance bill initially went up con-

At the meeting, one of the Hands On Memphis board members asked, "What about a merger?" The elephant was now in the room.

siderably, since they had not been doing direct volunteering. He has since reduced this cost by 30 to 40 percent by shopping around.

In addition, he says, organizations that merge should not expect to get funded at the collective level. "Funders do not say, 'Okay, I was giving you a thousand and you a thousand, so now I'm going to give you two thousand.'"

While the merger may have helped to position Volunteer Mid-South for the future, Dean says the biggest thing they have done to survive is keep a lid on expenses. When he first came on board, he looked at all of their expenses because they were hurting financially. He discovered telephone lines they were paying for belonging to a former tenant who had never been disconnected. Dean got rid of the postal meter because they were not sending out volumes of mail. He reduced their rent by 60 percent and eliminated parking costs by securing less expensive office space with free parking. He put a freeze on salaries and elected not to rehire for one position. He paid down a line of credit that had been maxed out.

"Through watching our pennies, we were able to create a rainy-day fund. So last year when the economy went sour, we were in a much better position," Dean says. He credits having initiated these actions prior to the recession as the reason his organization has been able thus far to weather the storm.

Ironically, some funders do not appreciate this frugality. Dean explains, "One funder hurt my feelings when he said they were looking to help nonprofits that were down to their last dime and had no resources. I thought, I have saved and made my employees do without. I have been careful and you do not want to fund me but you will help somebody else who has not prepared." Nonetheless, Dean believes, "You need to have a rainy-day fund. You need to keep your expenses low, even when times are good."

You can learn more about this organization at www.VolunteerMidSouth.org.

Strategic Collaborations Bring Credibility and Productivity

By Lisa J. Locke

Many individuals and families are facing challenges requiring them to seek assistance from local community-based organizations for the very first time. Yet, community-based organizations and the nonprofit sector typically operate with limited capacity and resources. Even though the nonprofit sector is continually challenged to devise ways to increase and strengthen its capacity, many organizations have been able to rise to the challenge, such as the Lawrence and Augusta Hager Educational Foundation in Owensboro, Ky. Much of the organization's success can be attributed to collaborating with other entities to leverage available resources, thus enabling the Foundation to accomplish its mission.

The Foundation's mission is to improve the opportunities of children, especially those who are economically marginalized.

Larry and Frankie Hager established The Hager Foundation in 1990 in honor of Larry's parents. According to Keith Sanders, executive director, the Foundation's mission is to improve the opportunities of children, especially those who are economically marginalized. In Owensboro, located in western Kentucky with a population of about 56,000 people, about 30 percent of the households have children under the age of 18, and approximately 16 percent of the households live below the poverty level. One of the major focuses of the Foundation is in the investment of early childhood education and in raising public awareness to the cost benefits of this investment.

The Owensboro community recognized the leadership and many efforts of Larry Hager by naming a preschool in his honor. The preschool is a collaboration between the public school system and the Head Start program, serving about 400 children. In November 2009, the Hager Preschool was designated as a Kentucky Early Childhood Center of Excellence. As a Center of Excellence, the Hager Preschool serves as a model for other districts. Staff members provide on-site consultation and present their model of success at state, regional and national levels. Only two preschools in Kentucky have received the Center of Excellence designation.

In 1992, the Foundation sought an innovation partnership with the Green River District Health Department and the United Way to fund two full-time nurses in two of the local elementary schools, where roughly 90 percent of the students qualify for reduced or free lunch. The nurses provide a variety of services, such as well-child exams, immunizations, health education and first aid. Today the health school clinics are still operating and are self-sustaining.

As the Hager Foundation forged ahead with its mission to improve opportunities for children, it also realized that it could not ignore the needs of the parents. Sanders states that "to improve the well being of children, you can't be blind to the plight of their parents.

continued on Page 8

continued from Page 7

Improving family financial self-sufficiency enhances family functioning." Focusing on the needs of the parents, the Hager Foundation has been instrumental in forming the Green River Asset Building Coalition (GRABC) and Bank on Owensboro through diverse collaborations and funding efforts.

Equally as important as fundraising, the Hager Foundation has demonstrated the importance of "friend raising."

As part of their Earned Income Tax Credit campaign, GRABC opened its first five Volunteer Income Tax Assistance (VITA) sites in January 2005 and completed just over 300 returns. This past tax season, it operated 12 VITA sites and completed more than 2,800 returns. The Foundation has been able to tap into a variety of resources to sustain its Earned Income Tax Credit campaign. Some of the funding sources include the city of Owensboro, the county court, Internal Revenue Service, Kentucky Domestic Violence Association, several financial institutions and other local community foundations.

Staying abreast of trends and best practices, Sanders learned about the Bank On initiative last summer and modeled the concept in Owensboro. Bank On is a program that is typically a city- or state-led coalition that brings together local government, financial institutions and community organizations to help improve the financial futures of unbanked families. Bank On campaigns have been started in more than 60 cities and states and have the financial support of the partnering financial institutions. In Owensboro, due to the additional support of the Fifth Third Foundation and the Progency Fund, the initiative launched in May 2010.

The Hager Foundation has built a reputation that includes program credibility and productivity. That has played a vital role in its ability to attract diverse funding sources to sustain the various programs it supports. But equally as important as fundraising, the Hager Foundation has demonstrated the importance of "friend raising." Since its inception, The Hager Foundation has worked with collaborations and partnerships to help create a community in Owensboro where people work, live, play and develop potential, proving that nonprofits can not only survive during challenging times, but ultimately thrive.

To learn more about The Hager Foundation, contact Keith Sanders at 270-685-5707.

Mobile Giving is Leveraging Technology for Good

By Amy B. Simpkins

When an earthquake registering 7.0 on the Richter scale devastated Haiti, the world responded to the critical need for aid and emergency relief. The William J. Clinton Foundation, which focuses on worldwide issues of urgent need, is one of the leading organizations using one of the hottest tools available to fundraisers today—mobile giving—to coordinate relief efforts and call on the global community to assist those facing unimaginable disaster.

Just one example of how nonprofits are turning to technology and innovative tools, the Clinton Foundation's campaign, launched within hours of the quake, provided an immediate opportunity for citizens of every walk of life to become philanthropists and contribute monetary donations to a common, timely cause.

Angel Urena, deputy director of communications for the Clinton Foundation, describes the necessity of their mobile giving campaign. "It was very important for the Clinton Foundation to make engagement easy and accessible. At a time of crisis, the last thing an organization wants to face is a series of obstacles that could potentially stymie support, whether in providing information or securing donations. Mobile giving helped in that regard enormously because it takes away some of the steps associated with putting a donation in the mail or logging onto a web site to find the appropriate donation location. It is as easy as typing a few characters into your phone."

The world today is interconnected due in large part to advances in technology. Nonprofits and fundraisers can make the most of this new reality, as Urena explains. "In the past, responses to catastrophes were often much slower, due largely to a lack of rapid communication. Today, thanks to the internet and mobile giving campaigns, we have new, dynamic, and effective ways to reach out to people."

According to Experian Simmans, a marketing research firm, 90 percent of adults in the United States use at least one mobile device. Mobile giving allows anyone with access to texting services (or short message services = SMS) to become a charitable donor. Nonprofits tapping into this expansive market are able to encourage immediate response to topical issues from people who are typically outside of the traditional giving base. Mobile giving engages younger people in philanthropy and the work of nonprofit organizations in a new and unique way. The benefits of mobile giving are immediacy, affordability and accessibility, which enable people to quickly transform their compassion into action.

A typical donation from a single text message is either $5 or $10. But the dollars add up quickly. Thanks to the mobile giving campaign alone, for example, the Clinton Foundation reports receiving more than $524,000 for Haitian relief to date. Donations are collected through existing wireless bills. According to mGive, one provider of text message donation capability, more than $30 million has been donated to Haitian relief efforts overall through mobile giving channels.

Nonprofits tapping into this expansive market are able to encourage immediate response to topical issues from people who are typically outside of the traditional giving base.

Nonprofits new to mobile campaigns may be confused about the first steps they need to take to get started. To implement their mobile giving campaign, the Clinton Foundation partnered with the Mobile Giving Foundation (MGF). The MGF describes itself as the "glue" between a charitable giving campaign, the wireless industry and wireless users. The MGF processes and vets applications from nonprofit organizations wishing to deploy a mobile giving or communication campaign. Once approved, the MGF develops fundraising campaigns in conjunction with established mobile marketing firms and the nonprofit. That messaging platform is then used by wireless carriers through their SMS centers. The wireless carriers pass 100 percent of the charitable funds they collect through to the MGF. The MGF also remits 100 percent of the donation to the recipient nonprofit. The MGF charges back costs for short-code costs, reporting and messaging charges directly to the nonprofit organizations or their supporting service providers on a post-donation basis.

Similar to the approach used by the Clinton Foundation, small nonprofit organizations may be able to implement a mobile giving strategy by mitigating some of the technical barriers through partnership with intermediaries and existing networks.

A second consideration that is essential for implementing an effective mobile giving campaign is marketing. When creating a campaign in response to a particular crisis, Urena points to the need for marketing that is both prompt and integrated.

"The Foundation worked to incorporate our URL and mobile giving short code in every communication we made, especially in the days and weeks after the earthquake happened," Urena says. "We continue to promote them today, but they were particularly important in the immediate aftermath of the earthquake."

In addition to fundraising, SMS is increasingly being used by nonprofit organizations for both advocacy and marketing alike. For example, the American Heart Association is implementing a multichannel mobile campaign using mobile banners, SMS, wallpaper, ringtones and mobile giving to create a multiprong approach to raising awareness, as well as funds.

The benefits of mobile giving are immediacy, affordability and accessibility, which enable people to quickly transform their compassion into action.

One of the challenges posed by this tool is keeping donors and interested people engaged over the long term, once the initial critical action phase is over. To do this, nonprofits are creating applications for use on a variety of mobile devices that tell the story of how donations are being used. These applications allow organizations to follow up quickly and frequently with donors to demonstrate how monetary donations are working toward a mission. They also allow nonprofits to engage in a rich discussion with existing donors, potential donors and advocates about issues of common concern.

A final lesson that the Clinton Foundation offers to other nonprofit organizations considering a mobile giving campaign is to plan ahead, before crisis strikes.

"The Clinton Foundation had explored mobile giving previously, and was in the process of deciding how best to integrate it into our overall efforts," Urena says. "When the earthquake happened, we were familiar with mobile opportunities but had not yet explored all the possibilities. The optimal scenario would be to have a mobile giving plan in place before an emergency; so, you're able to build on an existing network, rather than create one in an instant."

For more information about the William J. Clinton Foundation, visit www.clintonfoundation.org. For more information about the Mobile Giving Foundation, visit www.mobilegiving.org.

Kathy Moore Cowan is a senior community development specialist at the Memphis Branch of the Federal Reserve Bank of St. Louis. Lisa J. Locke is a community development specialist at the Louisville Branch of the Federal Reserve Bank of St. Louis. Amy B. Simpkins is assistant manager and community development specialist at the Little Rock Branch of the Federal Reserve Bank of St. Louis.

CDFIs Respond to the Economic Crisis

By Nancy O. Andrews
President, CEO Low Income Investment Fund

How are Community Development Financial Institutions (CDFIs) faring in light of the economic crisis? What steps are CDFIs taking to respond? To answer these questions and to learn from our CDFI peers, we conducted a series of 11 interviews with leading CDFIs across the country in the fall of 2009. The bottom line: CDFIs can survive this economic crisis and deepen their mission, despite the extraordinary difficulty of the current period. Here's a brief summary of the findings.

The Impact of the Crisis on Community Finance

Heightened Risk—All CDFIs reported heightened risk in their portfolios, particularly in housing loans. Eight of the 10 CDFIs with sizable housing portfolios saw homeownership projects as a primary source of increased risk; in particular, unsubsidized homeownership loans were experiencing the greatest weakness. Heightened risk was evident in increased delinquency rates, or an increase in loan extensions, or increases in loan loss reserves, and occasionally in all three. The second most frequent cause of growing risk was dependency on fundraising or public subsidy.

Need for Patience—Most CDFIs (nine of 11) called for greater patience as borrowers scrambled to put resources together to make deals work. "Borrowers are going multiple rounds to get financing and subsidy, at the state and city level." One CDFI reported extending 80 percent of its housing loans (up from 50 percent in more normal times).

Serious Liquidity Problems—Liquidity shortages were felt broadly, but large CDFIs were particularly affected. Respondents also noted the need for extensions, the lack of new capital coming into the field and concern about capital renewals. Some indicated that the liquidity problems were being offset by reduced demand.

Housing Loans Are Hardest Hit—Most CDFI leaders reported that increased risk and reduced demand came mainly from the housing portion of their portfolios, particularly from for-sale housing. The reasons given for slower volume included: housing developers remaining on the sidelines, waiting for property values to bottom out; housing developers are financially weaker, because they are paying the carrying costs of unfinished projects; lack of capital supply is forcing demand to contract; lack of public subsidy to fund new projects; and homeowners remaining on the sidelines because of job uncertainty. Generally, community facilities seemed to be performing well, particularly if the financing was long-term and for a facility already in service.

How Are CDFIs Responding?

CDFIs are managing heightened risk through a combination of extra vigilance toward late payments, bulking up loss reserves and, in a few cases, performing stress tests on portfolios and corporate budgets. Many CDFIs are scrutinizing deals more closely, along with asset valuations, and occasionally, reappraisals of portfolio collateral. Most reported higher scrutiny of transactions at the front end.

The most common risk management strategy is paying greater attention to late payments, including making calls to customers within days of the due date, and escalating if payments are not received. CDFIs are also paying extra attention to borrowers' financial condition and scrubbing of asset valuation, performing stress tests on borrower projections and looking at levels of borrower liquidity to determine size of loans, as well as imposing tighter terms and conditions.

How They'll Weather the Storm

To get through this crisis, the field will need to pull together more closely than in the past. Many called for new ways of communicating and sharing, and for creating united fronts endorsing common positions on critical issues, especially capital requirements. The watchwords for the next several years will be: learn, share and help. Navigating the worst economy in a century will require members to take a number of proactive steps:

Batten Down the Hatches—Although some CDFIs are reporting no dramatic increases in delinquency rates, they are anticipating problems and are rescoring their portfolios, increasing their risk reserves and scrutinizing new requests. Now is the time to begin stress-testing at the organizational level. How much of a revenue decrease can the organization withstand? What happens if 10 percent of the organization's portfolio is nonperforming? The goal is to identify potential problems and to develop responses now.

Workouts and Foreclosures—For many CDFIs, loan workouts are rare, and few organizations can afford the specialized skills of asset managers to handle good workouts and restructuring. However, the ability to be patient and responsive to borrower requests has often been the main ingredient for a successful workout, and with conditions

continued on back page

CALENDAR

AUGUST

12-13
NALCAB 2010 Summit on Building Wealth in American Communities—San Antonio, Tx.
Sponsor: National Association for Latino Community Asset Builders
www.nalcab.org

26
Public Policy Dialogue on Human and Social Capital—St. Louis, Little Rock, Louisville and Memphis
Sponsor: Federal Reserve Bank of St. Louis
www.stlouisfed.org/community_development

SEPTEMBER

8
Second Annual Business Conference for Women and Minorities—Cleveland, Miss.
Sponsor: Center for Community & Economic Development—Delta State University
662-846-4339
www.deltastate.edu

9-10
Economic Development in Underserved Communities: Where Research and Practice Meet—Kansas City, Mo.
Sponsor: Federal Reserve Bank of Kansas City
www.kansascityfed.org

15-17
52nd Annual Governor's Conference on Economic Development—Kansas City, Mo.
Sponsor: Missouri Department of Economic Development
www.ded.mo.gov

21-22
6th Annual Indiana Statewide Conference on Housing and Community Economic Development—Indianapolis, Ind.
Sponsors: The Indiana Housing and Community Development Authority (IHCDA) and the Indiana Association for Community Economic Development (IACED)
www.in.gov/ihcda

22-23
The 2010 Kentucky Affordable Housing Conference—Louisville, Ky.
Sponsor: Kentucky Housing Corporation
www.kyhousing.org

22-24
The 2010 Assets Learning Conference—Washington, DC
Sponsor: Corporation for Enterprise Development (CFED)
www.assetsconference.org

30
Fed Focus—Little Rock
Sponsor: Federal Reserve Bank of St. Louis, Little Rock Branch
www.stlouisfed.org/community_development

OCTOBER

5-6
Fifth Annual Conference: Nonprofit Management Institute—Palo Alto, Ca.
Sponsors: Stanford Social Innovation Review and the Association of Fundraising Professionals
www.ssireview.org/npinstitute

Have you HEARD

USDA Grants Available
The USDA just announced a $45.1 million initiative to make direct loans and grants to microenterprise development organizations (MDOs) to support the development and ongoing success of rural microenterprises. The Rural Microentrepreneurs Assistance Program (RMAP) will lend funds to microlenders to make fixed-interest rate microloans of not more than $50,000 at terms not to exceed 20 years to microentrepreneurs for startup and growing rural microenterprises, as well as annual technical assistance grants to MDOs that are not participating as microlenders. RMAP will accept applications on a rolling basis and award quarterly. Deadlines are July 16 and Sept. 30, 2010. For information, go to www.rurdev.usda.gov/recd_map.html.

$200MM Small Business Funds
The Opportunity Finance Network (OFN) is partnering with Citi and the Calvert Foundation on a $200 million fund to help fuel small business lending in low-income communities in the United States. The Communities at Work Fund will deliver critical financing through CDFIs. The loans to CDFIs are structured as 5-year loans at a fixed 4.3% rate. CDFIs are encouraged to visit www.communitiesatworkfund.com for more information and to express their interest in becoming a borrower.

Call for Research Papers
The Community Affairs Officers of the Federal Reserve System invite paper submissions for the seventh annual Federal Reserve Community Affairs Research Conference, to be held April 28-29, 2011, in Arlington, Va. The conference will highlight new research that can directly inform community development policy and practice in the wake of the deepest recession since the pre-War period. We invite researchers from a wide variety of disciplines to submit papers that present new and innovative research under the following five broad topic areas: Understanding Community Change, The Future of Consumer Credit, Bridging the Divide between People and Place, Measuring the Impact of Community Development, and Community Development Finance. Deadline to submit a paper or extended abstract is Sept. 15, 2010. For information, visit www.frbsf.org/community/2011ResearchConference/.

BRIDGES

Bridges is a publication of the Community Development Office of the Federal Reserve Bank of St. Louis. It is intended to inform bankers, community development organizations, representatives of state and local government agencies and others in the Eighth District about current issues and initiatives in community and economic development. The Eighth District includes the state of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

Glenda Wilson
Assistant Vice President and Managing Editor
314-444-8317

Yvonne Sparks
Senior Manager
314-444-8650

Kathy Moore Cowan
Jeanne C. Marra
Special edition editors

Community Development staff

St. Louis: Matthew Ashby 314-444-8891; Jean Morisseau-Kuni 314-444-8646

Memphis: Teresa Cheeks 901-579-4101; Kathy Moore Cowan 901-579-4103

Little Rock: Lyn Haralson 501-324-8240; Amy Simpkins 501-324-8268

Louisville: Lisa Locke 502-568-9292; Faith Weekly 502-568-9216

Free subscriptions and additional copies are available by calling 314-444-8761 or by e-mail to communitydevelopment@stls.frb.org.

Follow the Fed on Facebook, Twitter and more at stlouisfed.org/followthefed.

FEDERAL RESERVE BANK of ST. LOUIS
CENTRAL to AMERICA'S ECONOMY®

P.O. Box 442
St. Louis, MO 63166

PRSRT STD
U.S. POSTAGE
PAID
ST. LOUIS, MO
PERMIT NO. 444

today different than in recent past, all CDFI lending staff can learn the skills of a workout situation. Some of the aspects to consider is whether to exercise speedy and decisive action or patience, as well as how to best communicate with the customer. In any event, it is worth considering whether an industry-wide response is warranted.

The Network Solution: Sharing Our Way through This—CDFIs form a national network dedicated to a common vision of community development and poverty alleviation. On a daily basis, however, the field operates separately, with little sharing of services, operations, or expertise across organizations. The result is increased overhead and inefficiency. The field's survival and future health depends on greater efficiency and cost savings. CDFI leaders identified five pressing needs for the future:

1) Equity support. This could take the form of equity grants, loan loss reserve grants, possibly even equity equivalent loans.

2) Liquidity relief. Although the need is for additional liquidity, many stated that the price must be reasonable so that CDFIs could earn spread income. The strategy for this may well be joint advocacy for additional resources for the CDFI Fund, for renewed capital commitments from banking partners and foundations or increased capital commitments through the current regulatory reform discussions.

3) Workout/troubled asset relief. Several organizations asked for a centralized workout service that they could call upon in dealing with the troubled loans in their portfolios. This could take the form of a "bad bank" to purchase troubled loans and recapitalize CDFIs. A second approach would be to provide expertise that CDFIs could call upon for help with their most troubled loans.

4) A forum for self-help. Organizations called for additional opportunities to learn from one another, increased communication and sharing of best practices, resources, and information.

5) Policies for new resources. Central to CDFI-specific policy work are the CDFI Fund appropriations debate, funding the Capital Magnet Fund—included with an $80 million allocation in President Obama's budget—and funding of the New Markets Tax Credit program. In addition, the importance of the upcoming Community Reinvestment Act debate cannot be overstated.

This article was adapted with permission from Community Investments, Winter 2009/2010, Federal Reserve Bank of San Francisco. To read the full report, see www.frbsf.org/publications/community/investments/0912/winter_2009ci.pdf.

ONLINE ONLY

In addition to the print version, each issue of *Bridges* offers articles that are exclusively online. These articles expand on topics in the current issue. Online articles for the summer issue of *Bridges* are related to capacity building. They are:

- NeighborWorks Training Institute Teaches Others How to Work Strategically to Build Capacity
- Learning to Grow—Training Opportunities and Building Capacity
- Sharing the Burden—Non-traditional Sources of Funding May Be Key to Building Nonprofit Capacity