

INTERVIEW WITH ELYSE CHERRY

Boston Community Capital

Carrie: Hi I am Carrie VanWinkle an advisor with Natural Investments and here with Elyse Cherry of Boston Community Capital today. My co-host Malaika Maphalala is traveling to a conference this week and is not here with us, but we are both really excited to have Elyse be a part of this interview series called Women Invested Women on a Mission to Change the World. And also to feature the organization that she leads Boston Community Capital so welcome Elyse.

Elyse: Thanks very much.

Carrie: Yeah, we are very happy to have you as a part of this. And one of the things that I got to learn about you, you have this amazing team at Boston Community Capital. And I've gotten to work with some of your team members much more closely. So and in going through your bio, I got to learn a lot about you which was really exciting. You've done some amazing work in many areas of social change throughout your career, and are still going strong in creating positive change in the world. So excited to talk to you about some of that today.

Elyse: Well thanks very much. I do have a wonderful team here and they're responsible for getting done lots of what it is that we've managed to do. It's been a pleasure to be working with.

Carrie: So just to introduce some of the Elyse... these are just highlights from Elyse's work. Like I said she is the CEO at Boston Community Capital. And she'll tell you more about that organization. I'll tell you a little bit that it's a sustainable \$1 billion national nonprofit organization fighting for social change and economic justice. Under Elyse's leadership Boston Community Capital has leveraged \$6 billion of public and private investments in underserved communities nationwide. Elyse helped found Boston Community Capital in 1984 as a member of its original board of directors. And has been integrally involved in its development and growth from a startup organization to what it is today, a national model for community investment.

Among many of the recognition she's received over the years. She was named by the Financial Times as one of the Top 100 Outstanding LGBTQ Executives in the World. The White House named her a Solar Champion of Change. And Women's eNews named her one of 21 Leaders for the 21st

century. And will have her full bio in the notes. Elyse is a graduate of Wellesley College and the Northeastern University School of Law. And I thought this was a fun thing to note that you started your careers of this to volunteer at the East Tennessee Community Design Center.

Elyse: Yes.

Carrie: From very grassroots level social change to these amazing ways that you evolved your career, it really creates impact in the world. So welcome again Elyse.

Elyse: Thank you.

Carrie: One of the things I wanted to highlight before we get into questions is why Malaika and I thought it was important to talk with you and talk about Boston Community Capital as a part of the series. And Elyse will tell us more about Boston Community Capital and then its community development financial institution, and why that is such an important thing to know. But for Malaika and I and the team at Natural Investments Boston Community Capital really stands out. It's a private investment option. And it's very exciting in...what I would call the high impact work that they do.

So this is some really amazing stuff that they are doing not only around social justice, social change and that includes affordable housing work and also renewable energy. So it's just a really great fit for a lot of our clients and what they really want to support in the world. So with that Elyse would you tell us about the kind of work that BCC does.

Elyse: Sure. Well, as you indicated we actually just celebrated our 30th Anniversary and we've had the same mission from the beginning. Which is really to help build healthy communities where low income people live and work. And one of the great things about that mission is its broad enough to really think through lots of different business lines that might be helpful to low income communities. So for example we started as a loan fund we still have a loan fund which is a very significant piece of what we do. Which is to finance affordable housing and grocery stores, and lines of credit and nonprofit, and community development corporations, and health care centers and so forth.

But in addition to that we had community development venture capital funds over the years. We have a very active solar practice which is really focused on... we ensure that affordable housing developments can reap the benefits of solar notwithstanding the fact that they're nonprofit and perhaps not themselves set up to create solar in their own rooms.

We have an initiative that we call the SUN Initiative which stands for Stabilizing Urban Neighborhoods and what I'm sad to say is that it is still the only initiative in the nation, that is focused keeping low income in foreclosure or default in their homes with a new mortgage that they can afford to pay. We've actually been active in five states and that we have been able to stabilize better than 700 families. And we've made about \$110 million worth of loans.

So we have all of these various business plans, we also have another subsidiary that does benchmarking in the energy arena to help affordable housing owners and also market rate owners to figure out how to reduce the utility spend. So that's a real benefit in terms of an environmentally positive benefit. All of these different business lines and each one of them is really focused on helping to build healthy communities where low income people live and work.

One of the things that we've tried hard to do over the years is to assure that we don't ghettoize people. So we've not said that we only work in low income communities because that would mean is, if we could get one of our wealthy suburbs to agree to build affordable housing, we wouldn't be able to finance it. And since we really stand for economic integration, we want that housing built. And so we've been very careful over the years to try and assure that we don't ghettoize people and that in fact we create economic opportunity and economic integration in low income communities and communities of color in particular.

Carrie: Wow. That's a part of the BCC story that I didn't even know yet. So that's great to hear. Can you just tell us a story about someone that has benefited from the SUN Initiative?

Elyse: Sure. We have so many people and so many stories on that. People who's been able to put their lives back together. But one that I am particularly fond of telling Brockton Massachusetts for us has been the epicenter of the Massachusetts foreclosure crisis. And actually the place where we have provided the most new loans to people. And we have a borrower down there, she was a woman, she's about 62 years old she and her boyfriend have been living in a home they broke up she was still responsible for the home. It was a \$3800 mortgage in this house. And the mortgage was \$400,000. You could buy almost any house in Brockton for 250.

I mean it was a ridiculous size mortgage and she was working three jobs to cover it. And she had two grandsons. She was really trying hard to maintain a home for them. And finally \$3800 and she was working as an aide in a nursing

home. Right, even if she chose not to eat not to heat your home, she wasn't going to be able to pay that mortgage. So she went into foreclosure.

We negotiated with the foreclosing lender and really were able to determine the market value of the home was give or take a third of more or less of what the actual mortgage was. We were able to buy the home back from the foreclosing lenders, sell it back to this particular person with a new mortgage at \$158,000. We knocked down her \$3800 a month mortgage by 65%. So at that point she was paying whatever that is 13 or 14, 1500 a month which she could afford. She was able to stop working three jobs, which if you really think about that that's 24 hours a day. And she moved to work in one of the half jobs. She's still got her grandsons there and they're stable.

And those are the sorts of people we want to be supporting, they are the hardest working people in our society. She'd come here early on as an immigrant from the Islands, and was killing herself. Really to try and bring in an income and raise her grandsons and provide a stable environment and so forth. And had a debt load that it was simply not possible to pay. And bore no relationship to the actual value of the home. Which is really the critical piece. This is not about talking to folks who have a home with a ton of value and saying, "Oh, we're just going to knock your mortgage down." This is really about dealing with people who are way underwater, that when you really calculate the kind of appreciation you would need to have over time to get back out from under water. It's appreciation level we've never seen in our lifetimes.

And particularly in lower income communities where... because wages have been flat. It's really hard to get a spiral going in which housing prices can rise unless you have richer people coming in. Because if wages are flat, you can't afford a bigger mortgage and so the notion that appreciation is in going to help doesn't really work.

Carrie: So how do you all fund these families?

Elyse: Well that turned out to be a really interesting question because you can't just go out and advertise. Because everybody looks and says and that's just one more scam, because there are so many people out there scamming. So we have a whole elaborate process where we work with local church groups, we work with housing advisors we work with housing counselors we work with a Registry of Deeds, we work with the mayors, we work with city councilors. Everybody you can think of to try to get a word and we put... then as soon as we begin to close the homes in a jurisdiction, we start putting articles in newspapers.

So we get reporters to report on the folks that have gotten stabilized, and often when people read those stories they start to think, well maybe this isn't a scam. Maybe this is something that could help me. But it was actually one of the biggest challenges because people are embarrassed about being in foreclosure. You can't just say, come and tell us that you're in foreclosure, nobody will do it. And so it's been a really interesting process of trying to meet people where they are with the kind of product they need.

One thing that might be useful to say here is, one of the challenges when dealing with low income communities is that people often think that they know what low income people need. When we go to sell a product into a middle income or an upper middle income community, we do lots of market research, but when it comes to low income people somehow we just assume we know and we didn't assume that, no.

And so we actually set up focus groups upfront with low income folks who are in foreclosure and we really went through the whole process. Paid them for the evening and had a facilitator and watched them all behind a one-way mirror and all of those things. Because what we're asking were questions about how did you get into difficulty in the first place, and what is it that would help on the other end.

And then when we put our mortgage product together we included all of the features that people had told us were important. So for example we build in reserves right upfront because one of the things that people told us was, if the roof gets a leak or the porch needs fixing. You don't necessarily have the money right. I mean the real issue about being low income is, you don't have enough money to fix that. So it's very hard to maintain the value of the home. So we said, "Okay, let's build in a reserve, let's build into the mortgage, let's make sure it gets funded." And then to the extent that people need to fix their homes, or their boiler blows up or whatever it is. They are actually funds there to deal with it.

That's just one example, we did a whole bunch of things. We did mortgages every two weeks because that's been paid and a whole lot of things like that. But the idea was really to say, let's create a product that is actually consistent with what people tell us that they need.

Carrie: My understanding too is a part of the design is, you eventually hope to support families and homeowners in getting back into the regular financial system.

Elyse: Yes, absolutely yes. So part of what goes on is, we really want people to be able to have a period in which they can pay their mortgage, they can clean up their credit and they can get beyond the period in which the traditional lender is going to look to say, "Well, wait a minute, you're in foreclosure, we're not going to lend you." The truth of the matter is our cost of funds is higher than folks out in the commercial world. And so, if you can clean up your credit, you can sometimes go out and get a mortgage, that's actually cheaper than the mortgage that we can provide, which we think is a home run.

Lots of folks who've come into the program, pay their mortgage on time for two or three years, gotten beyond the period in which the default is really ruined their credit, rebuilt their credit score, pay down some of the rest of their debt. Because people often go into more debt trying to pay their mortgages. And so once they square up, they become terrific customers for a much more traditional lender and they can reduce their monthly costs even more and go right back out to the traditional system.

Carrie: And my assumption I guess is that while they're going through this process with the SUN Initiative, they still had this supports around them like you mentioned housing counseling or... What are some of the supports that help set them up for success?

Elyse: Well, they do but really I think the critical piece is that we manually underwrite every single borrower. And what that means, if you go to get a mortgage today, there's some automatic process that figures whether you can afford a mortgage. If you're in default or foreclosure, you automatically fail that system. So what we've done is to put together a system that really looks very carefully at people's income and their expenses and their ability to pay. And we share all of that information with the homeowner.

Once they've got that information and once they really are squared up in terms of a right size mortgage. They really find a general default rate that basically looks like the national average. It's not just low income people, default or foreclosure. So once they're really squared up they come in they meet with us once a year and so forth. But the need for those ongoing intensive supports really diminishes. And we want to be careful that the services are going to the people who really need them.

Carrie: I'll ask the question this way. How are women investors engaging in the SUN Initiative to help create positive impact? We know it's all investors but we're speaking particularly here to women that's our audience.

Elyse: So lots of the people who started Boston Community Capital were women. I'm obviously a woman here as a CEO.

Carrie: There a lot of women represented on the BCC team. Tell me also about the investor's side.

Elyse: Sure. We also have lots and lots of women investors and in a variety of our business lines. And the reason I think is I think for many women it's very important to ensure that their money and their values are aligned. Right, we don't really want to be in a situation in which we spend our days working for one result and then our money is working for a different result. The notion that money can actually be invested in a way that is consistent with the values that women hold. I think is a very important reason of why women invest with us.

The other piece is poverty is at its core a women's issue. And many, many of the... particularly on the SUN side of the borrowers that we work with our women running single... women headed households there are often people of color. And I think for many women these issues are extremely important. I mean the issues of economic justice and social justice, and gender justice, are really all tied together, these are not separate issues. And so I think that lots of the women who invest with us are very conscious about that, and they know that we're doing is benefiting lower income women. And they know the work we're doing is consistent with their values.

The other piece is we don't lose people's money. So if you come in and you're investing in the Sun Initiative or you're investing the Loan Fund for example. You can be assured that the money you've put and the interest rate we've agreed to is what you're going to get. And so in that sense, I guess in some Wall Street basis we wind up seeming risky, but if you actually look at our history, our loan fund has lost over 30 years like about a tenth of 1%. I will put that number up against any financial institution out there and we beat them by a mile.

That's because we can work with borrowers and we can be patient, and we can restructure things, but we get repaid and we insist on getting repaid. The same is true with the SUN initiative as I indicated earlier, we don't have a lot of defaults. We look like a national average on that and so... and we're reserved, and we have built a balance sheet that actually provides kind of equity based that makes investments safe here. And so, if you even have a safe investment, you know what the terms are, they're essentially the fixed income terms. And you've invested your money in the way that is promoting the values with which you're trying to live your life. So that at least in our experience, it appeals to men as well but I think that for women in particular, it's particularly important.

Carrie: Do you find that as well...there are just certain women who do want something less risky, but still creating positive impact. And I think another piece of that is when we talk about private investments with investors. A lot of times I think the first thought its venture capital. That we must be investing in startups is that what you're asking me to do? When really we're excited for the range of private investment options and Boston Community Capital is such a nice piece of that. Like you said on the fixed income side and relative to other risk in the investment choices that we have its very low risk.

Let's see, so what other positive impacts of the SUN Initiative in particular or BCC or generally would you like to highlight?

Elyse: Well...Gosh, there are so many I'd really...

Carrie: Let's say if I can help focus, I know one thing that a lot of our investors are very interested in, is renewable energy highlight something there.

Elyse: So one of the things we've done... it got cleared it was quite early on that when big box stores like Staples or Whole Foods were putting solar panels on their roofs, they could put those panels on at a kilowatt hour costs. That was probably half what it cost, not for-profit world to put them on. And the reason for that was because the way you really fund renewable energy and solar panels is a lot to do with federal tax credits and state subsidies, and purchase of solar certificates and so forth. And there's a real complexity for that. Plus, you've got to actually bring in tax paying entities who can take advantage of some of those tax credits.

So one of the things that we are actually really good at is structuring transactions and structuring complex transactions. So what we've done is to put together a whole series of transactions that use banks and other for-profit entities as investors, as a way to drive down the cost of providing solar energy, particularly to affordable housing developments. And so we have now put up thousands and thousands and thousands of panels. When sometimes we say, we've really created enough energy to take probably 10 million cars off the road. So it's a very significant number.

In addition to the fact that it lowers energy costs and it helps particularly affordable housing developments to really square up their performance, in the sense that it's very hard to run a develop if you have no control over your energy costs. But I actually think one of the best pieces is the kids in these developments are thrilled at being part of the solution and not part of the problem. I think part of the challenge of moving it affordable housing

development is you get looked at as somebody who's taking as opposed to somebody who's giving.

And when we come in and put in a whole series of solar panels and kids have learned a lot about the importance of renewable energy, there's a tremendous pride in that. Right, and so we really I think help in addition to the financial pieces to be contributing to a generation of kids who say, "Hey, I give back right. I have solar on my roof and that's actually reducing our need to use fossil fuel and I feel really good about that." So in some respects, I sometimes say that we have a whole idea about looking at money differently, and we're really part of a nonprofit sector that understands money. As opposed to services and other kinds of things but the impact of that on people's lives and how they wind up feeling about their lives. Also turns out to be a really big impact in terms of what we do.

Carrie: Elyse, what drew you to this work?

Elyse: Well, I was a big firm lawyer when we started this whole process and part of what... the notion of leading the values through the life has always been important to me. As I pointed out earlier, I started life as a volunteer, I think I figured out pretty early on that. Doing grassroots work didn't really have the reach that I wanted. But when I joined my law firm I was doing lots of affordable housing work, and really trying to figure out how to take the complex financial transactions that make money for middle income and wealthy folks, particularly in the real estate arena. And apply it to areas in which it isn't applied, which essential low income communities and transactions involving affordable housing.

And so I had a bunch of friends who are trying to start this thing called Boston Community Capital, part of what they said was "You're the one who has the skills that we need to do this," because I was being a real estate lawyer, doing commercial finance and develop. And so that's really how we started from the very beginning to what we said was, we thought it was really important to stand at the intersection of downtown and community.

That we needed to bring downtown expertise community challenges and community values that part of the challenge of being a part of a low income community is, bringing a lots of stuff but financial structuring may not be part of it. And so if we could take the experience and the expertise that we'd developed in the for-profit world and apply it to these issues. It would have a really big impact. From my perspective, I sometimes say, it was fun making money for rich people which is what I did in my law firm practice. But it's really fun making money for poor people because in a sense you really change the entire dynamic.

So from the beginning we had this from a downtown expertise and community values, but we also have the idea that low income communities are entitled to have every bit of the quality and expertise that their richer neighbor get. But being slipshod or sloppy because it was a low income community was just not something we were going to do. We kind of very early on to be sure that we were efficient and effective, and also that we respected both sides of the equation. That we respected our investors and we respected our community. We didn't think that we can simply take money from investors and then say, "Oh, well we thought we really needed to pay it back."

And we didn't think we could ride roughshod communities and so we've been balanced at this intersection ever since. And I think for me the wonderful privilege of having doing this work all these years is completely consistent with my view. So I could be consistent with my values to do the work that really with many respects the most interesting challenging rewarding work I've ever done. Because we've taken these tools that were meant for a different purpose, making money for other folks, and really using them to solve the challenges of low income communities. So it's intellectually challenging, I say it's creative and it is consistent with value.

Carrie: BCC is lucky to have you.

Elyse: I'm lucky to be here.

Carrie: So what something that you see as part of your unique contribution to the field?

Elyse: In terms of me personally or in terms of BCC or both?

Carrie: In terms of you personally.

Elyse: Well I actually think that bringing this set of both downtown relationships, outside expertise to the nonprofit world and being able to assure that our skills are applied is one of the things I think that I'm proud of. We really take these issues very seriously and when you look at... I remember early on being here, it was midnight on Friday night, I was negotiating some deal and I started looking and thinking this doesn't really make any sense there, enough zeros in this deal, it's a very small number. And here I am just as I've been in my law firm, except there were measuring in very big numbers.

But what I really thought was this is exactly the same thing that's necessary and it's never applied to low income community. So this notion that all of the different kinds of capital inflows, whether it's equity or debt or philanthropic

dollars, or public dollars or tax credits dollars. That we can really use all of those tools and figure out how to structure these transactions in a way that maximizes value to low income communities. I think that's the key piece that we have brought to the sector and really that I'm most proud of.

Carrie: Yeah. Wonderful. So something that I'm itching to share with you is that before I became an investment advisor and financial planner. I've had many years in nonprofit leadership and part of that work was I ran a homeownership program for Neighbor Works Organization here in Louisville. So my heart feels very connected to the work that you do and that BCC does and also your approach...what I'm kind of hearing about your approach of really bringing the best of the business world, and the best of the nonprofit world together to create an entity. Whether a follow on the nonprofit or the social enterprise side. Creating entities that really create positive change and are great sustainable businesses.

Elyse: Yes, that is absolutely the case, we never start a business line if we can't be a sustainable business model over time. We often have to fund them upfront but over time we need to be a model and sustainable. I just think that most movements whether they're for social justice or other things, do better by building alliances as opposed to adversarial relationships, right. So we don't see businesses as adversaries, we see business as a sector that can help in terms of expertise and in terms of relationships and so forth.

And so we try to be careful to take the best of that. I mean it's not as though we sit here and say, it's all fine and come and drain our community. It's just not that at all. But it really is a way of saying, we're not adversarial upfront and if there are folks in the finance sector and business sector and the legal sector, who can be helpful we reach out. And they often are helpful and so we are able to bring that expertise, and move up.

Carrie: What would you like to see in this space that you are not yet seen or not seeing much of? So this space could be impact investing, it could be in the space that really BCC is most focused in?

Elyse: Well I think there are two issues I think that I would raise. One is, our sector is now about three years old and one of the things I worry about is, that we will get to the point where we say, "Well, let's do it this way because we did it that way yesterday," right. Which from my perspective is always the wrong answer. So the idea that we need to stay in our own innovative cutting edge and continue to be really aware of what communities need as they change, and as all the world around us changes. I think is really, really critical. And I think the second piece that's critical is that we get ahead of the issues as opposed to doing clean up after.

If we've been able to get ahead of the foreclosure crisis we wouldn't have all these people in foreclosure. I think about immigration reform coming up, I worry about them in terms of the financial piece. I think about the cost of student loans. Where were we? Right, really up front of that to say this is just not going to work over time, let's fix it before it becomes a problem as opposed to doing clean after it becomes a problem.

The other thing I think is low income communities are often kind of the tail to the dog. That change happens in middle or upper middle income communities and then lower income communities' shuffle along afterwards. We think that's a big problem too.

We think whether it's electronic access or internet access or all of the changes in banking, we think that it's absolutely critical that folks in low income communities have exactly the same services, the same opportunities that are available to everyone else. So I think for example about bank branches. Parts of the sector are still going on about the need for bank branches, in 10 years there are not going to be bank branches. Right now they function more as billboards than anything else anyway.

And in some respects I think what we really need to be doing is to say, where's banking going? What's happening with new forms of currency? What's happening with bitcoin? How is that going to impact low income communities, and how can we be sure that we're thinking about this in a way that helps us look around the corner, so that we solve problems before they happen as opposed to watching communities be decimated? And then we try to fix them again. I think that the sector... and that's true for all of us, the full nonprofit sector, civil society sector really has a challenge in being proactive about where things are growing as opposed to reactive trying to fix the problems once they've occurred.

Carrie: One final question for you, I'd mentioned CDFI early on but we haven't yet talked about what that is. So would you explain what CDFI is? To the average citizen out there.

Elyse: CDFI's are technically Community Development Financial Institutions. We are a creature of statute, the statute got passed in the reigning days of the first Clinton administration. And really they were intended to set up organizations across the country that could respond to the financial needs of the communities they served. And so we are based out of Treasury actually, there is an organization called the Community Development Financial Institutions fund, they have full money from the Congress that has helped support innovation over the years. They also support administer the new

market tax credit, which has been a wonderful way for us to pull in and support the innovation and development of new businesses that we do. So a way to think of it is we're really in some ways unregulated bankers to low income communities.

Carrie: In a good way.

Elyse: In a good way, yes. We actually have our own internal industrial regulation, but we are not subject to some of the difficult regulations that made difficult for a large commercial bank to actually serve low income communities. In many respects, we serve as what I sometimes described as the point to the wedge. We can go in and figure out how to underwrite borrowers, figure out how to structure a transaction. And then call on larger more traditional financial institutions to help participate in those loans, so that we're able to leverage their balance sheets.

And they're happy to do that because the work that we do with respect to underwriting these loans is really time and labor intensive. It's very hard for them to do and more traditional institutions to do. So we can leverage our knowledge of communities in what they needed and how to structure these transactions. And then help large commercial institutions leverage their balance sheets to participate in funding.

Carrie: So from a perspective of an investor who wants to create positive impact why are CDFI's so great? What's wonderful thing about CDFI's from that perspective?

Elyse: Well, we do lots of investment in low income communities consistent with the needs and the challenges of those communities. We generally are a fixed income instruments and we don't lose people's money. Our industry has a terrific record of repayment. I mean we simply... because we're properly reserved and because we properly manage deals and investigate and underwrite deals and so forth. We have exceedingly low losses, which are always backed up by reserve. So if what you're looking to do is a system of growth of healthy low income communities in a way that keeps your money safe and predictable this is it for them.

Carrie: Super. And is there is anything else Elyse you'd like to share with us that we haven't touched on yet?

Elyse: Well really just to say that I'm delighted that you're interested in our sector, and that your clients are really interested in the kind of values based, mission driven investing that is really at the core of what we do. There's

nothing that we do that we could succeed with doing without all of our partners And so our investors are very much partners with us, and are really important part of not just our success but really of serving the communities that are important to us. So that we really appreciate your interest.

Carrie: And for people out there watching us online, how can they find out more information about Boston Community Capital?

Elyse: Well, we have a website www.bostoncommunitycapital.org all one word .org. And that has contact information for us. That has lots of stories about what we do. It has a great video from our 30th Anniversary that we're really proud of. And it really shares our values and talks a lot about also the kinds of investment products that are available. And then anybody who wants to call through, we have a great staff here. We're delighted to have people call through and are happy to talk through the process to.

Carrie: Thanks for your time so much Elyse, it's been great to talk to you.

Elyse: Well thank you, Carrie. We really appreciate it.