INVEST IN CHANGE

Opportunity Finance Network
Strategic Plan 2022–2024

A STRATEGIC JOURNEY TO CHANGE



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OPPORTUNITYFINANCE NETWORK

CDFIs: GRAFTING A CONSCIENCE ON THE CAPITALIST

In 1985, Chuck Matthei, a founder of the modern community development financial institution (CDFI) movement, had a powerful vision for economic justice. He called on CDFIs — and traditional capitalists — to look beyond producing and amassing capital to the bold goal of changing capitalist systems and structures to work for all communities.

"We must join the Wizard of Oz," said Matthei. "The Wizard of Oz managed to put brains in a scarecrow and a heart in a tin man. It's our job somehow to graft a conscience on the capitalist."

Matthei issued that powerful call to 65 people from 47 loan funds at the CDFI industry's first conference. Nearly 40 years later, CDFIs are now an essential part of the financial ecosystem. More than 1,200 CDFIs — loan funds, credit unions, banks, and venture funds — invest in change across rural, urban, and Native communities.

OPPORTUNITY FINANCE NETWORK: GUIDING THE WAY TO CHANGE

Opportunity Finance Network (OFN) guides the CDFI industry as a leading national member network and an organization with a staff and board that supports our membership in three pillar areas: Money, Strength, and Voice. The diverse group of CDFIs forming OFN share the common purpose of aligning capital with social, economic, and racial justice.

Since the first conference in 1985, when Matthei set his sights on Oz, OFN has grown the membership from a small group of loan funds with $27 million in assets to a broad network of 370 diverse CDFIs with more than $30 billion in assets.

OFN'S STRATEGY FOR THE NEW FUTURE

In 2011, OFN adopted a 15-year strategic plan (2011–2025), offering a roadmap for our mission to ensure low-income, low-wealth people and communities have continued and increased access to fair, responsible financial products and services. OFN has achieved many of the plan's milestones. Other milestones have shifted, necessitated by unanticipated external forces and evolving industry needs.

Over the past decade in America, we've seen the wealth gap widen, political and social divisions intensify, climate change accelerate, a pandemic wreak havoc on families and communities, and a racial reckoning take root.

The needs of OFN members have also evolved. In 2018 and 2019, OFN leadership conducted a national listening tour to hear from members about their priorities. We learned that the pillars of Money, Strength, and Voice remain vital to CDFIs, and we identified three priorities for these pillars:

- **Money:** CDFIs need expanded financial resources — low-cost, long-term debt capital and grants — to scale the field and support the higher risk and longer time horizons that require more subsidy than typically earned from interest and fees.
- **Strength:** CDFIs seek new models of operating efficiency, including better opportunities to learn from and partner with other CDFIs to hasten and deepen impact.
- **Voice:** CDFIs need a stronger, simpler narrative to help member CDFIs and industry stakeholders make the case for support and investment.

As a result of these efforts, in 2022 OFN reevaluated our long-range strategic plan to focus more narrowly on priorities for the next three years. The strategic plan that follows is the result.

Named *Invest in Change*, the updated plan outlines OFN's strategic priorities in the areas of Money, Strength, and Voice and adds a fourth pillar — Operations — for the purpose of the plan.

THE JOURNEY AHEAD

OFN begins its fourth decade humbled by the challenges ahead, yet filled with hope that a more equitable and inclusive America is possible. With capital and heart, CDFIs can help lead the way to a more racially, socially, and economically just nation.

At no point in the industry's history have we been better positioned for growth and greater impact than we are today, during a period of unprecedented visibility for the industry and investment in CDFIs.

The COVID-19 pandemic and overdue calls for racial justice in America have revealed the power of CDFIs to invest in change. Our industry leaned into these inextricably linked crises with solutions to advance minority businesses and close the gaps in wealth and income for Black, Latino, Asian, and Native populations. And the nation took note.

CDFIs became the partners of choice for government, philanthropy, and corporations, who saw in the pandemic that CDFIs are necessary channels — "bank capillaries" — for the entire economy. For example:

- As Paycheck Protection Program (PPP) lenders, CDFIs outperformed larger lenders, making $34 billion in PPP loans and far exceeding the $15 billion set aside by Congress in the December 2020 COVID relief bill.
- In a rare bipartisan move, Congress appropriated $12 billion for CDFIs and Minority Depository Institutions (MDIs) — $1.25 billion in rapid funds, $9 billion in equity style capital for depositories, and $1.75 billion to support communities most impacted by COVID-19 and systemic, historic racism and inequality.
- The corporate world took notice of CDFIs. Global corporations such as Google and Twitter, along with other new-to-CDFI investors, made unprecedented corporate investments in CDFIs through a partnership with OFN, bringing new debt and grant capital to CDFIs.

While new levels of public and private investment and exposure will surely transform the industry, we must grow today's momentum to increase private sources of capital, build new partnerships, and continue to leverage private and federal funds while rebuilding communities.

OFN, with our extraordinary members and mission-driven staff, is poised to attract greater resources for CDFIs and strengthen our field — and the communities CDFIs serve — with Money, Strength, and Voice. This plan is our way forward.

MISSION

OFN's mission is to lead community development financial institutions (CDFIs) and their partners to ensure that low-income, low-wealth, and other underserved people and communities have access to affordable, responsible financial products and services.

CORE PURPOSE AND VISION

OFN exists to align capital with social, economic, and political justice. This is OFN's purpose. OFN will pursue this purpose for as long as it takes to achieve. When capital and justice are aligned, all people will have the resources and opportunities to act in the best interests of their communities, themselves, and future generations. This is OFN's vision.

CORE VALUES

OFN's work is bounded by two values that anchor all that we do:

Justice

Every facet of our work should be directed toward and reflect an unwavering commitment to fair and equal access to, opportunity in, and responsibility for social, economic, and political life. For us, justice is a unifying value.

Excellence

The people and communities CDFIs serve have a right to expect excellence, and we have a responsibility to provide it. A commitment to excellence is a statement of respect for our customers, investors, funders, staff, board, and members.

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For 2022–2024, OFN has adopted four core strategic goals to guide our members and staff as we *Invest in Change*. With this three-year plan, OFN will focus on supporting CDFIs through four pillars: Money, Strength, Voice, and Operations.

- **Money:** OFN will manage a diverse set of funds from private and public sources to help CDFIs lend and invest in markets underserved by mainstream banks.
- **Strength:** OFN will provide research, training, and convenings that strengthen and scale the CDFI industry for greater impact.
- **Voice:** OFN will raise awareness of CDFIs and amplify the voice of the industry through public policy advocacy and communications.
- **Operations:** OFN will invest in fortifying core business management and practices to better position it for success.

MONEY: INCREASE THE FLOW OF CAPITAL TO LEND WHERE IT COUNTS

- Raise funds for members in a challenging economic environment, setting an ambitious target of $1 billion of debt and $100 million in grants for OFN and CDFIs from investors and funders in corporate treasuries, banks, and philanthropies. OFN has raised $350 million ($300 million in debt and $50 million in grants) as of December 31, 2021, and plans an additional $350 million by the end of 2024.
- Grow the lending portfolio under management by $500 million to $1.3 billion over a five-year deployment period, while prudently managing portfolio risk.
    - Expand the number of CDFI borrowers by 90% to at least 250 CDFI borrowers in the OFN portfolio.
    - Issue at least $200 million in new bonds in the CDFI Fund Bond Guarantee Program and expand the number of first-time borrowers in the program.
- Target OFN financing to empower CDFIs to accelerate their work across low-income and underserved people and communities, specifically Black, Latino, rural, Native, and high poverty communities. At the same time, prioritize investing in CDFIs with less than $25 million in assets to be at least 40% of new borrowers (by number, not loan volume).
- Explore, design, pilot, and invest in innovative capital raising structures that expand partnerships and bring new investors to the CDFI industry to increase capital flows to member CDFIs.

STRENGTH: BUILD THE CAPACITY OF CDFIs TO SERVE THEIR COMMUNITIES

- Grow CDFI membership by 40% to 500 members, expand bank and credit union participation, and implement a member relationship manager model that supports the members' needs.
- Strengthen and expand the CDFI workforce and build the next generation of diverse CDFI leaders and professionals via an integrated career development platform and training programs.
- Facilitate peer communication, as well as knowledge and innovation sharing, through virtual and in-person forums and training.
    - Hold at least ten regional meetings and two small business finance forums that support the geographic diversity of the membership and use the events to enhance peer-to-peer networking and learning and amplify the work of CDFIs over three years.
    - Grow CDFI Connect users by 64% to 20,000 and build active engagement on the platform as demonstrated by robust discussions and participation by non-OFN members trying to reach CDFIs.
    - Offer enhanced training, webinars, and assistance around best practices that support and build effective and efficient lending, operations, communications, advocacy, and impact.
    - Promote and share operating and lending models in new lending asset classes such as resilience.
- Deepen relationships with other CDFI intermediaries to expand CDFI impact and lending to underserved demographics and/or in underinvested geographies.
- Produce three highly attended and financially viable conferences that promote peer learning and attract new attendees in New York City, Washington, D.C., and Los Angeles, hosting at least 1,500 participants at each conference.
    - Increase the relevance of OFN's annual conference and other programs to key audiences beyond CDFI practitioners.
- Develop a research agenda to support CDFIs and establish OFN as a trusted source of data and research on CDFIs.
    - Produce research products that examine CDFIs and their value and impact and support OFN's capitalization and policy advocacy goals.
    - Establish strategic partnerships and joint research projects with key partners (e.g., government and quasi-government agencies, think tanks, OFN members, etc.) and strengthen the field of CDFI researchers.
    - Magnify and expand the use of OFN's annual member survey and other data sources so that members can benchmark their performance and plan for the future.

VOICE: AMPLIFY THE VOICE OF CDFIs AND MAKE THE CASE FOR INCREASED INVESTMENT AND GROWTH

- Take maximum advantage of the recent spotlight on CDFIs as a critical solution to our nation's racial and economic challenges. Leverage data, impact, and stories to raise the profile of CDFIs with national media and key opinion leaders.
    - Build and share with members a strong strategic communications strategy and case, drawing from recent experience of the industry's COVID-19 response, around CDFIs as critical national infrastructure. The strategy will include:
        - Compelling narrative language that can be used with multiple audiences to explain the unique role of CDFI loan funds in community economic development.
        - Media outreach campaign that leverages OFN's website and other communication channels.
        - Media and storytelling training and coaching to help OFN staff and members participate in media and other outreach initiatives.
    - Update the CDFI locator tool for greater functionality and use by a wider audience.
- Use the experience of CDFI practitioners to inform advocacy for policy changes that would direct more federal resources to CDFIs and the communities where they operate. For example:
    - Increase the CDFI Fund annual appropriation to $1 billion.
    - Expand resources for CDFIs from other federal agencies though increased CDFI eligibility for federal programs and other programmatic criteria.
    - Promote changes in the tax code to benefit investments in CDFIs.
- Advocate for changes in federal laws and regulations to enhance economic opportunity and financial inclusion for low-wealth communities. For example:
    - Influence the Community Reinvestment Act (CRA) regulatory framework to advance financial inclusion, increase investment, and codify the role of CDFIs.
    - Direct resources to low-wealth and underserved people and places in policies that touch small businesses, affordable housing, community facilities, consumer protection, climate and resilience, and more.
- Support the CDFI Fund and advocate for improvements to and modernization of CDFI Fund operations, as well as its certification process and programs, focusing on increasing efficiency and impact of the Financial Assistance and Technical Assistance Awards, Capital Magnet Fund, and Bond Guarantee Program.
- Cultivate new and existing relationships with civil rights, anti-poverty, and wealth-building organizations to advance a common community development and economic justice objectives.



OPERATIONS: FORTIFY OFN FOR THE JOURNEY AHEAD

- Produce an operating surplus each year, while maintaining OFN's financial strength and sound portfolio quality, growing the operating budget, and preserving an operational self-sufficiency ratio above 80%.
- Use technology and improve procedures to grow operating efficiencies and increase productivity.
- Develop a staffing plan that increases OFN's staff to more than 50 employees and fosters diversity, equity, and inclusion to attract people from diverse backgrounds with the skills, ideas, and values necessary to achieve the ambitious goals outlined in the strategic plan.
- Recruit, develop, invest in, and express value for an OFN team that brings passionate, collaborative, and diverse talent to the fight for capital in low-income communities.

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