

Person-to-Person Community  
Development Lending  
Working Group

*Meeting*

*and*

*Evening Reception*

Tuesday, August 5th, 2008  
3:00pm to 7:00pm

Federal Reserve Bank of San Francisco  
Executive Board Room, 12th Floor  
101 Market Street  
San Francisco, CA 94105



# Working Group

## **Mission**

To explore, in concrete terms, ways in which an online person-to-person lending platform could address the following problems facing community development lenders:

- High transaction costs
- Over-exposure to default risk/lack of portfolio diversification
- Limited access to below-market and market rate capital
- General liquidity constraints
- Relatively small universe of investors
- Difficulty supplying loans in light of borrower demand (particularly small dollar loans)

## **Members**

Frank Altman, [Community Reinvestment Fund, USA](#)

Paige Chapel, [Opportunity Finance Network \(CARS\)](#)

Cathy Dolan, [Wachovia Corporation](#)

Leonard English, [General Board of Pension & Health Benefits of the United Methodist Church](#)

Art Fatum, [Low Income Investment Fund](#)

Mary Kaiser, [California Community Reinvestment Corporation](#)

Ed Powers, [Banc of America Capital Access Funds](#)

Luther Ragin, Jr., [The F.B. Heron Foundation](#)

Manjari Raman, [Initiative for a Competitive Inner City](#)

Arjan Schütte, [The Center for Financial Services Innovation](#)

Debra Schwartz, [John D. and Catherine T. MacArthur Foundation](#)

Ellen Seidman, [ShoreBank Corporation](#)

Mary Tingerthal, [Housing Partnership Network](#)

## **Prosper Marketplace**

Chris Larsen, [CEO and Co-Founder](#)

Ed Giedgowd, [Chief Compliance Officer and General Counsel](#)

Adrienne Penake, [Vice President of Business Development](#)

## **Federal Reserve Bank of San Francisco**

Scott Turner, [Director, Community Development](#)

David Erickson, [Manager, Community Development](#)

Ian Galloway, [Investment Associate, Community Development](#)

# Person-to-Person Lending

Person-to-person (P2P) lending platforms have revolutionized the unsecured consumer debt industry. Instead of relying on a credit card or a bank, P2P borrowers can appeal to other individuals for credit. Through a “reverse auction” process, an unlimited number of lenders can collectively fund a single personal loan. This effectively spreads default risk and, perhaps most importantly, creates a human connection between borrowers and the lenders that fund their loans. Prosper.com, a leader in the P2P field, has originated over \$142 million in unsecured consumer debt since 2005. Impressively, only 6.4% of Prosper borrowers have defaulted on their loans, which illustrates the power of the human connection.

Using the P2P model to fund community development loans would allow manifold lenders (individual and institutional) to evaluate community development projects and collectively support them with credit. Unlike banks, which fund whole loans and subsequently securitize them, P2P lenders can fund small parts of multiple loans and reduce their risk exposure through diversification. This achieves many of the same efficiency gains of securitization but eliminates principal-agent pitfalls.

Industry adoption of the P2P model could potentially revolutionize community development lending. Community development lending requires careful due diligence and the ability to accurately gauge idiosyncratic risk. Using a P2P platform, a consortium of pension funds, insurance companies, banks, and individuals could combine their capital and share latent community knowledge to make better informed, less costly investments.

Also, a P2P community development lending platform would allow individuals to invest in their own neighborhoods or communities of particular interest (i.e. New Orleans). With the ability to sort investments by project type—affordable housing, charter school facilities, service delivery, etc.—and geography, individual lenders could easily structure their investment portfolio to match both their financial and social preferences. This could significantly expand the number and type of investors delivering capital to low and moderate income communities.

A working group comprised of lenders, investors, and intermediaries is needed to explore the potential of the P2P lending model as a means of bringing untapped private capital to community development projects.

# Meeting Agenda

Federal Reserve Bank of San Francisco  
101 Market Street  
San Francisco, CA 94105  
Executive Board Room, 12th Floor

*Tuesday, August 5th, 2008*

*3:00pm - 7:00pm*



## **Meeting**

- 3:00 - 3:15pm Welcome and introductions
- 3:15 - 3:30pm Project overview
- 3:30 - 4:00pm Introduction to person-to-person lending and Prosper.com
- 4:00 - 5:15pm Group discussion of opportunities and challenges
- 5:15 - 5:30pm Wrap-up and next steps



## **Reception**

- 5:30 - 7:00pm Evening reception in the Bank's monetary policy museum  
*Hosted by the United Methodist Church General Board of  
Pension and Health Benefits*

# Participant Biographies

## **Frank Altman**

**President and Chief Executive Officer  
Community Reinvestment Fund, USA**

Frank Altman is President and CEO of Community Reinvestment Fund, USA (CRF), the nation's leader in accessing the capital markets on behalf of public and private nonprofit community development lenders throughout the United States. It operates a secondary market for community development loans, which has provided more than \$925 million to 149 lending partners located in 34 states and Washington DC.

Prior to founding CRF, Mr. Altman served as Assistant Commissioner for Financial Management at the Minnesota Department of Energy and Economic Development, where he administered several loan programs designed to create jobs in energy-related industries, to promote energy conservation in public and private buildings, and to finance manufacturing facilities in small rural communities.

Currently, Mr. Altman is an Executive Committee Board Member and founding past-President of the New Markets Tax Credit Coalition, a coalition established to initiate the creation of a federal tax credit to encourage private investment in community development. He is Vice Chair of the College of Visual Arts and serves on the Boards of the California Association for Local Economic Development, RAIN Source Capital, Social Investment Forum, and Franklin National Bank. He serves as an Advisory Committee Member for Wall Street Without Walls and the Center for Community Development Investments of the Federal Reserve Bank of San Francisco and a member of the Financial Innovations Roundtable of the University of Southern New Hampshire.

In 2008 Mr. Altman and CRF were selected as a 2008 Social Capitalist Award Winner by Fast Company Magazine and the Monitor Group, and Altman was recognized by Inc. Magazine in its 2004 Entrepreneur of the Year issue as one of the nation's leading social entrepreneurs. The SBA recognized him in 1993 as Financial Services Advocate of the Year. Altman received a Bachelor of Arts Degree from Brown University, where he graduated Phi Beta Kappa, and a Masters in Public Affairs from the Humphrey Institute University of Minnesota.

## **Paige Chapel**

**Executive Vice President, CARS  
Opportunity Finance Network**

Paige Chapel is the director of CARS™ (the CDFI Assessment and Rating System) and an executive vice president at Opportunity Finance Network. She has worked in the community development and development finance fields since 1978, first in Chicago then in communities throughout North America.

In 1987, she joined Shorebank Corporation as one of the founders of Shorebank Advisory Services (SAS) and served as co-CEO of SAS beginning in 1991. During her tenure at SAS, she led several of the company's largest development banking assignments including design, assessment, and capital-raising for institutions in Portland (OR), Louisville, Milwaukee, Miami, and southwestern Washington state.

Paige was one of the founders of ShoreBank Pacific, a federally regulated rural development bank, and in 1997 joined the Bank's management team and board of directors. She established and oversaw the Bank's loan production offices and national deposit-raising efforts. In 1999, Paige left Shorebank to launch a national consulting practice focused on market-based strategies and innovations in development finance. Her clients included both large and small development finance institutions, regulated depositories, foundations, state and local governments, nongovernmental organizations, and private corporations. Paige has been leading CARS™ since May 2007 and joined Opportunity Finance Network in January 2008.

# Participant Biographies

## **Catherine E. Dolan**

**Senior Vice President & Managing Director  
Community Development Finance Wachovia Corporation**

Catherine E. Dolan has been in the banking industry since 1982. She has worked in numerous sectors of the industry including Investment Banking, Commercial Banking, and Retail Banking.

Cathy joined Chase Manhattan Bank in 1982. During her eleven years at Chase Manhattan she worked in a variety of locations including New York, Santiago, Chile, and Washington, DC. Cathy has been at Wachovia in Charlotte, NC since 1993. She served as Managing Director of the Financial Services Investment Banking Practice until October 2000 when she became Director of Community Development Finance. The Community Development Finance group at Wachovia provides financial solutions including loans, investments, treasury, and risk management services to community development corporations, CDFIs, real estate developers and governmental authorities in benefit of low-to-moderate income communities.

Cathy attended Drake University in Des Moines, Iowa where she received her bachelor's degree in Public Administration and Spanish. She holds a master's degree in International Studies from The John Hopkins University School of Advanced International Studies in Washington, DC.

Cathy serves on the Board of Directors of WFAE, the National Public Radio affiliate in Charlotte, NC; and Community Development Trust, the country's only private real estate investment trust with a public purpose.

## **Leonard English**

**Investment Manager, Positive Social Purpose Investment Program  
General Board of Pension & Health Benefits of the United Methodist Church**

Leonard English is the Investment Manager for the General Board of Pension's Affordable Housing Mortgage Lending Program. In that capacity, he manages a \$1.7 billion affordable housing loan portfolio and promotes the General Board's socially responsible investing initiatives.

Prior to joining the General Board, Mr. English was Vice President of Commercial Real Estate at Brickyard Bank in Chicago. He specialized in financing government subsidized housing projects and financing projects in low and moderate income census tracts. Prior to that, Mr. English served as a Managing Director of Lakeshore Management and Consulting Group, where he worked developing financial strategies for local CDCs and faith-based housing development organizations.

Prior to that, Mr. English worked in the Neighborhood Banking Division at Northern Trust Bank, financing multi-family acquisition and rehab loans. His previous roles also include a start as a Commercial Loan Officer specializing in SBA financing and terms on boards of various local non-profit organizations and community development organizations.

Mr. English holds a B.A. in Economics from Northwestern University and is currently pursuing a M.B.A. with a focus in real estate finance.

## **David J. Erickson**

**Manager, Center for Community Development Investments  
Federal Reserve Bank of San Francisco**

David manages the Center for Community Development Investments at the Federal Reserve Bank of San Francisco and is the editor of the journal *Community Development Investment Review*. David holds a PhD in history from the UC Berkeley with a focus on economic history and public policy. He has more than five years of experience working in the affordable housing finance field for nonprofit, government, and private-sector employers. He previously received a masters in public policy from the UC Berkeley and has a bachelor's degree in history from Dartmouth College.

# Participant Biographies

## **Ian J. Galloway**

**Investment Associate, Center for Community Development Investments  
Federal Reserve Bank of San Francisco**

Ian is an investment associate at the Federal Reserve Bank of San Francisco. His primary responsibilities are with the Center for Community Development Investments and he assists with the publication of the *Community Development Investment Review* and the Center's Working Paper Series. Ian has previous experience in management consulting, community development finance, and social enterprise development. He holds a master's degree in public policy from the University of Chicago and a bachelor's degree in political science and philosophy from Colgate University.

## **Ed Giedgowd**

**Chief Compliance Officer and General Counsel  
Prosper Marketplace**

Mr. Giedgowd brings over 22 years of experience in dealing with consumer credit issues to his role at Prosper Marketplace, Inc. Most recently, he served as General Counsel at E-LOAN from October 1999 until June of 2005. Prior to that, Mr. Giedgowd was the head of the consumer finance practice group at the San Francisco law firm of Severson & Werson P.C., where he practiced for 17 years. With Severson & Werson P.C. he specialized in all aspects of consumer finance law, including regulatory compliance, mortgage and auto finance, licensing, the development of multistate direct and indirect lending programs. Mr. Giedgowd earned a J.D. from Boston College in 1982 and a BA from the University of Massachusetts at Amherst in 1978.

## **Mary Kaiser**

**President  
California Community Reinvestment Corporation**

Mary Kaiser is a 30-year financial services executive, specializing in marketing, lending and integrating the delivery of financial products and services. She began her career in 1975 at First Interstate Bank, having served in a variety of capacities from statewide lending trainer, branch manager, district finance officer and district manager. In 1987, she joined the Bank of A. Levy, a 100 year-old local bank in Ventura County, as its Executive Vice President and Chief Operating Officer, overseeing Trust, Marketing, Retail Banking, Customer Service, Trade Finance, Community Reinvestment and Corporate Facilities.

Mary joined the California Community Reinvestment Corporation in 1995 as President and CEO and has increased the net worth of the company by \$14 million while evolving the product lines to meet the increasing needs of membership as well as the low-income communities served. CCRC has extended in excess of \$736 million in new loan commitments, funded over \$390 million in loans, and raised \$380 million in lines of credit from member bank institutions. Active loan sales in the secondary market are approaching \$250 million in multi-family affordable housing mortgages.

Mary received a bachelor's degree in Psychology from San Diego State and an MBA in 1984 from California Lutheran University.

## **Art Fatum**

**Chief Financial Officer and Executive Vice President of Capital Markets  
Low Income Investment Fund**

As CFO, Mr. Fatum oversees LIIF's financial management, accounting, treasury, technology, human resources activities and major capital raising initiatives. Mr. Fatum comes to LIIF with over 30 years experience in financial services, internet and media, high-tech manufacturing, and information services, including spending the first half of his career at General Electric. He has been CFO of one private and two public companies, has held Division President, Chief Operating Officer and Chief Corporate Officer roles, and has led several businesses based outside the US. He holds a BS in Mathematics from SUNY at Cortland and is a graduate of GE's Executive Management Development Institute.

# Participant Biographies

## **Chris Larsen**

**Chief Executive Officer and Co-Founder  
Prosper Marketplace**

For over a decade Chris Larsen has focused on using the Internet to make consumer lending more efficient, fair, honest, open, and trustworthy.

Prior to Prosper, Mr. Larsen co-founded and served as Chairman and CEO of E-LOAN. Under Mr. Larsen's leadership, E-LOAN closed over \$27 billion in consumer loans, and was consistently ranked as one of the nation's most trusted consumer brands. E-LOAN earned consumers' trust by taking radically pro-consumer actions such as being the first company to provide consumers with access to their credit scores, and playing a critical role in the passage of the strongest consumer financial privacy protection law in the nation. Mr. Larsen led E-LOAN through a successful IPO in 1999, and oversaw the company's acquisition by Popular, Inc. in 2005.

Mr. Larsen holds an M.B.A. degree from Stanford University and a B.S. degree from San Francisco State University, where he was named the 2004 Alumnus of the Year.

## **Adrienne Penake**

**Vice President, Business Development  
Prosper Marketplace**

Ms. Penake is a capital markets and fixed income specialist who brings institutional strategy and program development experience to Prosper. Formally an Associate Director at Bear Stearns in San Francisco, her work specialized in fixed income sales and trading where she developed and executed portfolio construction and trading strategies for mid-sized banks and institutions. Ms. Penake has worked with several regional banks to grow their residential mortgage origination platforms by negotiating program guidelines, pricing and delivery terms for optimal capital markets execution. Previously, she worked at Goldman Sachs in New York as a Fixed Income Analyst.

Ms. Penake is a CFA charterholder and received a bachelor's degree in Economics from Northwestern University. She is a member of the CFA Society of San Francisco and on the board of directors for the Financial Women's Association.

## **Edward J. Powers**

**Managing Director, Chicago  
Banc of America Capital Access Funds**

Mr. Powers focuses on portfolio management and investor relations. He joined Bank of America in 1994 in community development banking, where he originated investments in a variety of community development equity products. Along with Sanjiv Shah, he co-founded the team in 1997 and continues to manage it. He is one of the founding members and serves as Chairman of the Board of Governors of the Small Business Investment Alliance, a group of institutions focused on private equity funds targeted toward underserved markets. In 1999, Mr. Powers was named one of Crain's Chicago Business Top 40 Business Leaders under 40. He chairs the Chicagoland Redevelopment Institute, a regional not-for-profit focused on sustainable environmental development.

He holds bachelors degrees in English and economics from the University of Pennsylvania and an MBA and MA in public policy from the University of Chicago.

# Participant Biographies

## **Luther Ragin Jr.**

**Vice President, Investments  
The F.B. Heron Foundation**

Luther M. Ragin Jr. is Vice President for Investments at The F.B. Heron Foundation, a national foundation with assets of \$300 million. Prior to joining the foundation in 1999, he was CFO of the National Community Capital Association, a trade association of community development financial institutions that provide access to capital in low-income communities. Other significant experience includes eight years as CFO of Earl G. Graves Ltd. and seven years with Chase Manhattan Bank, including three years as vice president of syndications/assets sales for the North American corporate finance sector.

Ragin is a current or former board member of several nonprofit organizations, including ABFE – A Philanthropic Partnership for Black Communities, The Classical Theatre of Harlem, the National Community Investment Fund and the Thembani International Guarantee Fund. He received a bachelor's degree and a master's degree in public policy from Harvard University, and is a graduate of Columbia University's Executive Program in Business Administration.

## **Manjari Raman**

**Senior Vice President and Director of Programs  
Initiative for a Competitive Inner City**

Manjari joined the Initiative for a Competitive Inner City in October 2004. Manjari leads and manages initiatives under the Inner City Economic Forum's action areas: increasing capital flows to inner cities; building inner city companies of size and scale; and marketing the economic opportunity of inner cities. In addition, she shapes and disseminates research related to inner city businesses and inner city economies.

Manjari has more than 15 years of corporate experience, working as a business editor. She has been published in the Wall Street Journal in the U.S. and The Economic Times and Financial Express in India. In 2000, she was responsible for launching and leading "eFE"—the world's first daily newspaper on the New Economy. In 2004, she wrote a seminal monthly column called "Good to Global" for Business Standard, India's leading business paper, in which she chronicled the emerging globalization challenges of Indian companies. Manjari has a Masters in Economics and studied management at Harvard University.

## **Arjan Schütte**

**Associate Director  
The Center for Financial Services Innovation**

Arjan Schütte is an Associate Director of The Center for Financial Services Innovation. He manages the Center's investment and grant programs, identifying candidates as well as counseling and supporting investees, grantees, and other promising innovators. He also oversees the Business Match event series, which introduces financial service provider decision makers to selected solution providers determined by CFSI to be best in class.

Prior to joining CFSI in 2004, he led an array of enterprise technology development projects for clients such as Bank of America, Intel, and Target. In 2000, Mr. Schütte founded DoTheGood, Inc., a for-profit philanthropy management company, which innovated online workplace giving for clients including 3M, St. Paul Travelers, Lawson Software and Wells Fargo, creating an outsourced donor-advised fund platform for financial services intermediaries. In four years, DoTheGood raised funds for almost 5,000 nonprofit organizations, serving 15 corporate clients in 7 countries. As CEO, Mr. Schütte developed the organization's strategic direction, and led the management and sales teams.

Mr. Schütte received an MS from MIT's prestigious Media Laboratory, where he was an Interval Fellow. There, he worked with companies such as Philips, Kodak, Sony and The Tribune Company, researching next generation technologies in interactive cinema, tangible media, and epistemology and learning. A pioneer in interactive learning technology, he produced one of the first interactive higher education CD-ROMs in 1993 and led a team which produced a series of award-winning titles in various subjects for the K-12 market. Arjan Schütte is a graduate of Lewis and Clark College, where he received a BA in Philosophy and Communication.

# Participant Biographies

## **Debra Schwartz**

**Director, Program-Related Investments**

**John D. and Catherine T. MacArthur Foundation**

Debra D. Schwartz is Director of Program-related Investments for the John D. and Catherine T. MacArthur Foundation where she oversees a \$300-million portfolio of below-market loans and investments used principally by economic development and affordable housing organizations. She also co-leads the Foundation's \$150-million national initiative, Window of Opportunity: Preserving Affordable Rental Housing. Schwartz joined MacArthur in 1995 as Senior Associate to the President. She became a member of the Program on Human and Community Development in 2000 and assumed her current post in 2002.

Previously, Schwartz was an investment banker in public finance for John Nuveen & Co. where she structured tax-exempt bond issues for municipalities and nonprofit health care organizations. From 2002 through 2006, she served as one of nine presidential appointees to the US Treasury Department's Community Development Advisory Board. She is a founding member of the national PRI Makers Network steering committee and frequently speaks at philanthropy-related meetings on the topics of social enterprise, nonprofit sustainability and program-related investments.

Schwartz graduated summa cum laude from Yale University with a Bachelors degree in history. She earned a Masters degree in finance and nonprofit management from the Kellogg Graduate School of Management at Northwestern University.

## **Ellen Seidman**

**Executive Vice President, National Policy and Partnership Development**

**ShoreBank Corporation**

Ellen Seidman is Executive Vice President, National Policy and Partnership Development at ShoreBank Corporation. ShoreBank is the nation's first and leading community development and environmental banking corporation. Ms. Seidman Chairs the Board of Directors of the Center for Financial Services Innovation, a ShoreBank nonprofit affiliate that helps financial services providers responsibly and sustainably serve US underbanked consumers by delivering unbiased, independent research and facilitating collaboration to meet the needs of both consumers and the businesses that serve them.

Ms. Seidman also directs the Financial Services and Education Project of the New America Foundation, a Washington, DC think tank. The Ford Foundation-funded Financial Services and Education Project brings together work focused on asset-building for low-wealth families with that focused on responsible and broad-based participation by the financial services industry in serving such families and their communities.

Previously, Ms. Seidman was Senior Managing Director/National Practice at ShoreBank Advisory Services. Prior to joining ShoreBank, Ms. Seidman served as Senior Counsel to the Democratic staff of the Financial Services Committee of the United States House of Representatives. From 1997 to 2001, she was the Director of the U.S Treasury Department's Office of Thrift Supervision, heading the 1,200 person bureau responsible for regulating more than 1,000 savings associations around the U.S. Simultaneously, she was a Director of the Federal Deposit Insurance Corporation and the Chairman of the Board of the Neighborhood Reinvestment Corporation. From 1993 to 1997, Ms. Seidman served as Special Assistant for Economic Policy to President Clinton. She has also held senior positions at Fannie Mae, the United States Treasury Department and the United States Department of Transportation.

She holds a bachelor's degree from Radcliffe College, a law degree from Georgetown University Law Center and an MBA in finance and investments from George Washington University. She has also completed the Senior Executive Fellows Program at the John F. Kennedy School of Government.

# Participant Biographies

## **Mary Tingerthal**

**President, Capital Markets Companies  
Housing Partnership Network**

Mary Tingerthal is President, Capital Markets Companies for the Housing Partnership Network (HPN) – a business alliance of the nation’s top-performing non-profit housing development organizations. Prior to joining HPN, Mary served as Senior Vice President, Capital Markets for Community Reinvestment Fund (CRF) -- a national secondary market for community development loans and one of the largest recipients of New Markets Tax Credits in the country.

She joined CRF in 2000, after serving for four years as president and chief executive officer of the National Equity Fund (NEF) – one of the oldest and largest Low Income Housing Tax Credit funds in the country. Prior to joining NEF, Mary served as managing director for GMAC Residential Funding Corporation (now known as RESCAP) – a major financial services firm that specializes in the securitization of real estate assets. Mary also held senior management positions in housing finance with the Minnesota Housing Finance Agency and the Department of Planning and Economic Development for the City of St. Paul, MN.

She holds a Master’s degree in Business from Stanford. She serves on the Board of Directors for the National Housing Trust, the National Community Investment Fund, and CommonBond Housing Inc., and recently completed a term as chair of Twin Cities Habitat for Humanity.

## **Scott Turner**

**Director, Community Development Department  
Federal Reserve Bank of San Francisco**

Scott’s work in community development has included performing community development assessments, coordinating the unit’s research and analysis, and working with financial institution, community, and government representatives to increase community development-related services and investment in Twelfth District communities. Scott was promoted to manager of the Department’s newly-formed Research Group in 2005 and then given responsibility for leading the entire Department’s staff in 2007.

Scott joined the Federal Reserve in 2002 after spending most of his professional life in New York, initially working as Director of Research for New York City’s Finance Department and then as Deputy Commissioner for Policy in the City’s Housing Preservation and Development Department. He also worked in the International Finance Department for Standard & Poor’s and most recently worked for Morgan Stanley, where he was responsible for analyzing sovereign risks in over ninety countries.

Scott earned a Master of Public Policy from the University of California, Berkeley, and a Bachelor of Arts in Political Science from Western Washington University.

