

Current State of the Market and Recent Trends

Ellen Seidman
Senior Research Fellow, Asset Building Program
New America Foundation
At
Advanced Investments
2010 National Interagency Community Reinvestment Conference
March 18, 2010

State of the Industry

- Healthier than feared 12 months ago
- Variation in impact by business sector
 - Housing—especially homeownership—seems to be hit hardest
 - Facilities and some small business doing better
- Variation by size
- Regulated sector being challenged on asset quality and capital by regulators
- Capital markets and wholesale transactions totally frozen

Challenges

- Slower pay, increased delinquencies, fall in collateral value
- Slower renewals of existing funding, often at higher prices, shorter terms
- Less new bank funding, less state and local government funds (but some available, even in CA)
- NMTC for 2010 still in limbo
- Increased demand (an opportunity too!)
 - Especially for small business lending in some locations
 - Some customers are better credits than CDFIs usually see, some are not

Opportunities

- Increased recognition of value of sector in Administration, Congress, media
- Special CDFI programs under TARP—although not for loan funds yet
- Significant new funding for CDFI Fund (but BEA zeroed out for 2011, some other traditional CDC/CDFI programs cut)
- Stimulus and other federal programs build on CDFI strengths
 - New partnership opportunities (health, energy, transportation, “green” in general)
- Administration proposes \$5 billion NMTC in 2010 and 2011 and improvements

Topics for Discussion

- Are there other shoes waiting to drop?
- How can the industry take advantage of the opportunities?
- This should have been the catalyst for mergers; where are they?
- What are the benefits/burdens of regulation?
- What are the appropriate success metrics?
- What is beyond current CRA? Extension to other industries? Capital markets or wholesale funding access? Does on-line funding have a place?