GroundBreak Coalition

Rental Housing Working Group

July 17th Launch Narrative Memo

OVERVIEW

What We Discussed:

- What are the primary challenges that BIPOC renters face to get stable housing?
- Given GBC's racial equity aspirations, what is the primary rental housing challenge to be solved?
- How might private capital be reimagined to contribute to the solution?

Summary of Research Presented:

- Major private housing investment over last 5 years has led to a significant increase in new production for people with incomes >80%
- Public investment during this period also led to doubling of production for renters with incomes <60% AMI, but from much small base and mainly >50% AMI
- Overall, however, available rental housing for renters <60% AMI dropped significantly; 50k affordable units lost between 2012 and 2019
- Most of these losses are due to conversion of NOAH to market rate rental; 20k MF NOAH units lost between 2015-2019; many more since then
- Extreme shortage of affordable homes for BIPOC renters; 71k BIPOC renters face critical housing needs and housing instability, including 41k black renters
- 25% of black renter households are extremely low income (<30% AMI) and face a major housing challenge; black renters 6x more likely than white renters
- Post 2024 Minnesota Housing projects 7000 units of new production needed to maintain 5% vacancy rate, but affordability mix must change dramatically
- A huge increase in housing serving <50% AMI and <30% AMI; e.g.100 units serving <30% AMI now produced annually but 1800 needed annually or racial equity gap among renters will grow further
- Private capital – outside of CRA induced debt and LIHTC equity – has almost exclusively financed units for renters with incomes >80% AMI
- How can private capital be reimagined to help finance housing for BIPOC and black renters with income <50% AMI, let alone <30% AMI?

KEY THEMES and TAKEAWAYS of DISCUSSION

- **The rental market for low-income Indigenous and Black people in MSP has been significantly underserved by private capital,** which has rarely financed housing for people with incomes <50% AMI. What are the most creative ways that private capital can be deployed to be a larger part of this solution?
- **Government policies, public funding and private capital needs to be bold in repairing structural harms caused by intentional racist housing policies**. Fair Housing Act, for example, while designed to combat or remedy discrimination, has resulted in only race neutral solutions that prohibit preference for BIPOC residents in allocation of housing units and subsidies and exacerbate disparities.
- **Housing vouchers have been the primary way of providing affordable housing opportunities for extremely low income BIPOC renters (renters at <30% AMI).** But only 1 out of 5 people who are eligible for vouchers actually receive them due to limited supply and rationing. A scaled solution to address housing instability of extremely low income BIPOC renters will also require significant resources outside of private capital.
- **There are a myriad of other, non-capital related, critical issues that make it much harder for BIPOC renters to secure stable housing.** These include private real estate practices, exclusionary policies, eviction histories and incarceration that disparately impact Black people. These intersectional challenges for Black and BIPOC renters lead to many being screened out of affordable housing. In some cases, community opposition to affordable housing that serves low income people is really driven by racist narratives and opposition to black people living in white neighborhoods.
- **There is a mismatch between the needs of some BIPOC renters for larger units and the overwhelming majority of new affordable housing developments.** Participants suggested that BIPOC renters needing larger 3 and 4 bedroom units are rarely built or available.
- **The misperception of risk in affordable housing by investors has led them to seek higher returns than is merited by the strong operating and loss performance of the strong nonprofit providers in the Twin Cities**. Many investors are not familiar with affordable housing, which they regard as risky requiring private equity return premiums. Some suggested this risk aversion is partly rooted in racism and the narratives surrounding who lives in these affordable units. Low fixed rate returns are viewed by investors as concessionary rather than appropriately risk adjusted for this low volatility asset class.

GroundBreak Coalition

- **Impact investors are typically consumers of impact, not creators of impact.** High return thresholds often are barriers to real impact. Capital priced at 0-2% plus return of principal for a 15-year term has been proven in this market to make a big difference and allow projects to be feasible and serve very low income residents. Participants talked about everyone being bold! A MN health care investor has conceded return to borrowers if strong health impact is delivered but has had difficulty getting other investors to join. Someone asked if foundations would consider taking a lower return on their corpus in return for housing stability impact for BIPOC renters. Will these institutional investors, plus HNW family offices or foundation Donor Advised Funds, make capital available on these terms at scale?
- **Nonprofit developers/owners of affordable housing on the working group said they are facing enormous operating, financial and challenges in their existing portfolio.** Costs for insurance, utilities, security, staffing and apartment turnovers have exploded but rents are flat or fixed. Chemical and mental health challenges among residents of existing affordable housing have spiked, and safety challenges have led some residents to flee from stable affordable housing option in their inventor. The current system is in crisis and needs systemic fixes to be scaled, particularly to serve more BIPOC renters with incomes below 50% or below 30% of AMI.
- **Disparity in income and wealth among BIPOC and white renters is a major cause of disparities in housing instability.** *Much lower incomes of black renters means a high proportion* require deeply subsidized affordable housing which makes the income and housing problem deeply interconnected. However, the higher proportion of Native Americans who are likely to be homeless than their income would suggest indicates other factors also are at play. Overall incomes and therefore AMI have been steadily rising in the Twin Cities metro area, though not for lower income BIPOC renters, so a bigger proportion are falling into the <30% AMI category and not being served by the MSP affordable housing programs.
- **Business, corporate and high net worth communities in MSP have been dormant on this issue.** We need to give them something to respond to – a call not just to action but to get behind a bold solution and ask. Be bold and say what we need and not what we think private capital will do. As ITASCA has proposed, there could also be a special role for employers to provide capital for stable housing for their employees. But also need to change the narrative about who we are serving.
- **Need to strengthen and support BIPOC led and centered developers in addition to the large nonprofits.** While the longer standing, larger nonprofit developers are an extraordinary local resource smaller developers from the BIPOC

community must not be overlooked. Ultimately, the industry would benefit greatly if developers weren't required to go to so many places for funding –but to a big single fund rather than more small ones.

NEXT STEPS

- The July 17 provided great insight on the three questions posed at the outset – the key challenges facing BIPOC renters, the GBC rental housing focus, and the reimagined role of private capital.
- At its next meeting on August 15, the working group will review and reach agreement on the key challenge (s) for the rental housing effort, and then discuss and reach agreement on the appropriate 10 year goals given these clarified challenges.
- This will set the strong foundation for next phase of our work as we move from the explore to the design stage of our six month project.

GroundBreak Coalition

Homeownership Working Group

June 23rd Launch Narrative Memo

OVERVIEW

What We Discussed:

- What do people in the community identify as their needs around homeownership?
- What are the core racial equity challenges?
- Is this a challenge we understand well enough to start designing for? Or is it more complex and we need to inquire further?

Summary of What We Heard:

- This is an opportunity to think differently and look at systemic change with the outcomes for policies, procedures, and beyond paths to homeownership.
- We need to understand and acknowledge the longstanding racialized trauma that affects the community to be able to engage in this process. This includes distrust of banks, the process, and the systems.
- People of color, particularly Black people, don't see anyone in the industry who looks like them or understands their situation.
- Underwriting practices have to be front and center. The whole mortgage lending process lacks transparency.
- There are assumptions about where people live and want to live but market conditions and institutional investments actually dictate which neighborhoods are affordable. Overall, the housing inventory is unaffordable.
- We are trying to fit people into a system that doesn't work for them. Mainstream mortgage products that do not account for systemic racism.
- There is limited access to capital because of a lack of generational wealth, this means a greater need for down payment assistance.

Root cause analysis:

- People of color, particularly Black people, don't see anyone in the industry who looks like them or understands their situation.
- People don't trust anybody in the process.
- The whole mortgage lending process is non-transparent.
- Often discouraged and hear "no" more than a path forward.
- Overall, unaffordable housing inventory in the communities they live in.
- Minimum credit score to be approved for a loan is a moving target that is unreachable.
- Limited access to capital because of a lack of generational wealth in their family.
- Products that are available to them aren't competitive in this housing market.

KEY THEMES AND TAKEAWAYS

Homeownership only puts a person on the path to wealth. We need to get to the **root causes of the racial gaps.** We cannot just focus on getting people into homes without taking the time to dismantle policies that have created these gaps. We need to agitate and disrupt the whole system and understand that if we don't get this right, we'll create even more harm by failing. Black households spend over $2T/year, but have $0 wealth. **This is an opportunity to think differently and look at systemic change with the outcomes for policies, procedures, and beyond paths to homeownership**

Takeaways:

- Access to resources to get people out of crisis mode into long-term planning.
- Income is a major challenge (racial disparities in income- on average Black families are making $24K less than white peers with same education/experience)
- We need to work with consumers until they're mortgage ready. Folks who are not mortgage ready go to predatory lenders - and they become foreclosure clients. We will never close racial gap if we don't close rates of foreclosure

- Need to have an honest conversation about reparations to actually give families reparations - not subsidies

We need to understand and acknowledge the **longstanding racialized trauma** that affects the community to be able to engage in this process. This includes **distrust of banks, the process, and the systems**. Any s**olutions should take into consideration the trauma** and aversion to banking, and folks who might not be banked at all. There also may be folks who are not even considering homeownership as an option. When people have a bad experience it ripples throughout the community and creates more distrust. We should not start a process until we've exhausted every risk that we'll retraumatize.

Takeaways:

- The community doesn't need more financial empowerment education, they need trusted advisors and who understand where they are coming from.
- Deep counseling, closing the "belief-gap" and "trust-gap" around the ability to own a home.
- Building trust with banks, then getting people banked, will need to come first.
- Attend to the cultural appetite for debt. Respect that preference and comfort.
- We need to think about every pinch point through the full process so as to avoid re-traumatizing the whole community.
- We need to go deeper and listen to the community – what needs to be different to make you feel comfortable actually considering homeownership.

Underwriting practices have to be front and center. These are the gatekeepers who are denying mortgages. The guidance hasn't changed, and the guidance was for white people. The actual lending process is completely opaque and it's hard to know what private lenders are actually doing in their underwriting process

Takeaways:

- Explore non-traditional ways of establishing credit worthiness
- Freddie/Fannie desktop underwriting (DU/LP) desktop algorithms could use an examination/adaptation.

- More training for lenders: training, bias training, incentive structures.
  - Loan officers need to be trained to be able to talk to people
  - Long-standing bias and abuse on the part of banks (racist policies that hurt their credit scores).
  - Some won't make a commission without down payment assistance programs and can give bad financial advice as a result
- It would be helpful to have secondary market at the table too and understand their credit box
- Aggregated insights on patterns of loan/mortgage denials of folks with good credit scores
- Microtrends can creep into the system pretty quickly - if we are tracking, it has to be real time to see patterns of inequities
- Folks have gotten to the "acceptable" credit scores to qualify FHA and still get denied
- First mortgage lending, trade off with is can they can be trade off with different mortgage requirements. Is FHA a more favorable product for buyer vs. seller?

"Who owns our community?" Often there are assumptions about where people live and want to live but market conditions and institutional investments actually dictate which neighborhoods are affordable, and take the choice away from the buyer. The reality is many neighborhoods are still segregated because of market conditions. Black homebuyers are outbid at every turn and not able to keep up in the market. Outside investors are not invested in the wellbeing of the community.

Takeaways:

- Choice – whether communities where folks want to buy will be open and engaging to them, and whether they can find a home they want and can afford there. Our policies can't add additional barriers to choice.
- Using taxes, fees, and other levers to incent low-income owner-occupancy and discourage large investor owned rental.
- If income is over AMI - we need to understand better, of the people that are renters today, how many people could qualify at a higher AMI level

GroundBreak Coalition

- Need to figure out home-ownership at/around 40% AMI with adequate and ample resources.

Inventory and affordability. Inventory available is not affordable and has deferred maintenance. There are not enough resources going to build single family homes (and not affordable ones). Prices would need to significantly decrease to be affordable with current increase rates. Homebuyers with higher incomes get to choose homes that are affordable to lower incomes. Homebuyers with lower incomes compete with them.

Takeaways:

- Support homebuyers in **setting their own affordability limits.**
- Look at the supply side and see if there are houses that are not for sale / not in the right hands. Cheaper and greener to just use what we have.
- Importance of making sure whatever changes we make lead to sustainable homeownership - in 2000s there were a lot of bad products and folks haven't recovered
- We need to focus on **preservation of existing homeowners** (make sure that the 45K goal is a net number). We don't want to only focus on new homeowners
- Increase competitiveness of first time home buyers to compete with higher income buyers/ institutional buyers (money and policy solutions).

Mismatch of products and programs lead to predatory inclusion. Organizations have to spend a lot of time to fit people into a system that doesn't work for them. Mainstream mortgage products that don't work for low-income, first-time homebuyers or account for the long-standing systemic racism (i.e. the need to create new niche products instead of fixing the existing ones). These programs are asking all that Black and Latinx homebuyers have and putting it in excessive interest rates, **setting up the homebuyer to default while banks can claim that they are doing an equity program.**

Takeaways:

- Consider tools such as "special purpose credit" programs.

GroundBreak Coalition

- More "tools" in the tool box in addition to traditional home-ownership/down payment assistance like shared equity/cooperatives or Limited Equity options.
- Need to get more granular data about where people are so we know the spectrum of tools we need to be able to meet the needs of individuals and figure out what's possible

Lack of resources around down payment assistance programs. There are a lot of down payment assistance programs, but when they don't accept down payment assistance that fundamentally locks people out. The programs available are limited by restrictions. With interest rates rising, down payment assistance is critical.

Takeaways:

- Down Payment assistance is getting more difficult to qualify - household income needs to be adjusted to HUD levels and stop qualifying families by household size
- People want higher loan amounts, closing cost assistance and affordability assistance.
- Eliminate the need to cobble together multiple sources of financing/ gap/ assistance.
- Need post-purchase support beyond down payment assistance

Commercial Development Working Group

June 28th Launch Narrative Memo

OVERVIEW

The Commercial Development Working Group met on June 28th for its first meeting. The goal of this first meeting was to:

1) Introduce the working group subject matter experts (SMEs), co-chairs and members to one another
2) Provide working group members with a common understanding of the Groundbreak Coalition and its design process; and
3) Identify and explore the core racial equity challenges for BIPOC-owned commercial developments.

Together, the working group created working agreements, and SMEs laid out working group expectations and grounding assumptions. Then, the working group began to discuss the problem and opportunity statement for the Commercial Development Working Group.

KEY THEMES AND TAKEAWAYS

There are consistent, systemic gaps in capital flow for commercial developments for BIPOC communities– even more so if these developments are BIPOC-led and/or owned. We can see these gaps in three archetypes:

1) **Anchor Institutions-** These institutions tend to be historic, drive further investment into a place, and pull users from a broad area of a metro region. These institutions might anchor a cultural corridor or community. *Example: Midtown Global Marketplace.*
    a) ***Primary Gap Drivers***: *limited equity, insufficient debt and rates, reliance on NMTC's, insufficient amount and consistency of government and philanthropic funding*
2) **Community Institutions-** These institutions tend to be your nonprofit, cultural institutions, or mission driven organizations. They draw people, businesses, and communities into spaces from a smaller, city-wide geographic area . *Example: Mercado Central*
    a) ***Primary Gap Drivers***: *limited equity, insufficient debt and rates, insufficient amount and consistency of government and philanthropic funding*
3) **Neighborhood Institutions-** These are the businesses that give neighborhoods their "flavor." These businesses are the local entrepreneurs who may be trying to rent to own their own spaces. They primarily serve a smaller neighborhood-level

area. Thus, they are heavily engaged in their neighborhoods and may be considered local advocates. *Example: Golden Thyme Cafe in St. Paul.*

   a) ***Primary Gap Drivers**: limited equity, insufficient debt and rates, insufficient amount and consistency of government and philanthropic funding*

The SMEs named that there are real life examples and current projects that fall into these archetypes. As the working group goes through its design process they will design and prototype potential capital solutions that meet the needs of these broad archetypes.

In small groups, the working group members discussed project funding, ecosystem funding, and vendor networking with two key questions:

1. What racialized barriers (systemic and organizational) does the status quo uphold?
2. What transformational changes could address these barriers (systemic and organizational)?

Barriers the group identified

- **Project Funding**
  - Lack of patient capital to fund soft costs
  - Restrictive and exclusionary underwriting process
  - Government sponsored policies- redlining to zoning policies to tax incentives are/can be barriers to project funding.
  - New climate change expectations will create additional project costs on top of an inability to fund developments currently
- **Ecosystem Funding**
  - City owned projects seem like they go to really large, white, established developers with deep pockets
  - Limited capital within the pipeline and ecosystem to finance needs/innovations
  - Rent comps = redlining
  - Paying for Environmental and Social Outcomes
- **Vendor Networking (social capital funding)**
  - Government contracts, RFPs are super complex– often require spending money upfront to develop a response to RFPs. Can't get projects off the ground because vendors may not have capital to start with.
  - Government procurement and grant processes require pre-project funding or real-time funding to absorb risk.

    - Requirement for extensive track records before considered “trusted” vendor– locks out new and emerging BIPOC developers
    - Lack of diversity in the vendor network due to an unwillingness to create more diversity. Access and inclusion aren’t considered, practice trends towards “we go with who we know.”

In addition to the barriers identified in the field of commercial development funding, the working group also lifted the unique challenges BIPOC developers/entrepreneurs face in this sector. In particular, BIPOC developers don’t have access to capital that can support them in predevelopment. Groups noted that:

- Underwriting often locks out BIPOC developers
- Government applications, RFPs, procurement processes,
    - Often require developers to have capital to start with; and
    - Require extensive track records before developers are considered “trusted”.
- BIPOC entrepreneurs and businesses have limited knowledge about existing capital, and how to access them (or limited and/or no historic familial wealth)

Additionally, there are often **extra expectations that come with funding Black-led projects in the MSP region**. Funders and capital partners often implicitly believe that by funding one Black developer, that developer is now responsible for lifting up other Black developers. This is an expectation that is unique to Black developers, as funders don’t typically have the same expectation for other developers, including other POC-owned developers (i.e. Thor Construction vs. Shaw-Lundquist, etc.)

Transformative Opportunities

Next groups discussed ways that the sector could address the barriers they identified.

- Capital
    - Create new funding process to provide patient capital
    - Create new pathway for entrepreneurs to take advantage
    - Willingness to change returns mindset and expectations (equity investors)
    - TIF Districts for Smaller Projects- like Sunrise’s New Market Program
- Capacity
    - Philanthropy should focus on: 1. Paying consultant to work for the developer; 2. Guarantee their projects
    - Develop attractive program to foster more interest
    - We need to build knowledge of capital and social funding
    - Shared services for project funding

    - Technical assistance for ESG
- Policy
    - Race-based programs needed to address disparities
    - Reparations for systematic redlining and exploitative finance practices
- Results
    - Develop community benefits plan to guide projects
    - Outside our project scope: communities and individuals need access to affordable housing, health care, child care, elder care. A healthy neighborhood ecosystem needs all that in additional to food

In closing, the facilitators named what needs deeper focus from the working group members

- Identify core, systemic drivers of inequitable commercial finance IN PRACTICE for BIPOC people
- Identify organizational/institutional roles in barriers to transformative finance

GroundBreak Coalition

BIPOC Entrepreneurship Working Group

July 11th Launch Narrative Memo

OVERVIEW

The BIPOC Entrepreneurship working group launched on July 11. The goals of the launch were to help ground the working group members on:

1) The overall goals of the Groundbreak Coalition,
2) Establish working agreements,
3) Frame the challenge of the working group; and
4) Define the Racial Equity Challenge.

To begin framing the design challenge, the working group subject matter experts (SMEs) laid out a framework for understanding the entrepreneurial landscape and types of capital available in the Twin Cities.

Next working group members broke out into smaller breakout rooms to discuss:

- Where are the opportunities to transformatively invest in BIPOC entrepreneurship in Minneapolis/St. Paul?
- What are the core racial equity challenges that prevent BIPOC entrepreneurs from fully participating in the landscape?
- Is this a challenge we understand well enough to start designing for? Or is it more complex and we need to inquire further?

KEY THEMES AND TAKEAWAYS

Racial disparities have prevented BIPOC entrepreneurs from fully participating in the entrepreneurial landscape of Minneapolis/St. Paul. During our launch, working group members identified some of the challenges that prevent transformative investment in BIPOC entrepreneurs.

Disrupting Capital Silos and Ensuring Continuous Capital Flow

Participants named issues in the capital pipeline and pattern-matching entrepreneurs with readily available capital as one of the key challenges in this sector. The current capital landscape is extremely siloed. Creating a stronger capital ecosystem would help entrepreneurs better navigate capital as they develop their businesses.

- There are unique challenges in the **start-up phase** for BIPOC entrepreneurs. Working group members shared:
    - *"If businesses are looking for a loan, the city can almost always give them a resource if people have a challenge with the traditional banking sector. If they are looking for startup capital/grants, the resource does not exist."*
    - *"Traditional lending guidelines [require] businesses [to run] for two years. [This] does not do well in supporting new businesses."*
    - *"Is debt not the right answer for a new business? Is there a non-debt investment that banks/CDFIs can use?"*

- Members also identified that it was important for BIPOC entrepreneurs to have more **agency in defining what success and scale** meant for them as they moved through the business cycle.
    - *"[I] Want to challenge the notion that every BIPOC entrepreneur should own real estate. How do we help clients understand if this is the right move for them?"*
    - *"It's important that we understand that not everybody aspires to scaling up. In many immigrant communities, first generation business owners want to provide for themselves and their families. Sometimes we see more eagerness for "scale" in second generations. How are we defining "scale" and success?"*

Relationships and Representation in the Capital Sector

In addition, BIPOC entrepreneurs are often shut out from the relationships and representation in the capital sector that build investment. In our region (and across the nation), investors don't fully understand or have relationships with the BIPOC entrepreneur. This creates unconscious bias and a higher bar for capital lending that puts BIPOC entrepreneurs under more of a microscope than white entrepreneurs. Increasing the number of investors of color and increasing the runway for entrepreneurs to be successful may be one way of addressing this disparity.

> *"[How can we] put people into authentic relationships to build trust so that people will put money in?"*

Credit, Risk, and Economic Racism

By the same token, the segregation of "credit" and wealth is historic and rooted in systemic racism. Working group members said it was important to name, although there is lots of wealth in Minneapolis/St. Paul, the region also has some of the worst disparities in the country. For the working group, the way investors and financial institutions assess risk and credit needs is a longstanding hurdle, and credit scores and collateral requirements often reflect economic racism.

- *"Do we need a different way of assessing opportunity and risk? How do we get to yes when it comes to lending the capital?"*
- *What if institutional investors, banks and CDFIs used more trust-based methods of evaluation?*
- *"What would it take to change this: Thinking differently about how we assist risk. The bank traditionally asks, 'How can we get confidence that someone is a good credit risk?'"*

Further, CDFIs and the nonprofits in our sector cannot address the longstanding disparities alone. Systemic practices and policy changes are needed to help CDFI and nonprofits secure and deploy more capital to BIPOC entrepreneurs.

- *"The biggest barrier by far is the credit policies of banks. It's the huge boulder that we might be able to only chip away at. Rooted in systemic racism. It's probably why banks invest so much in CDFIs, because we realize credit policies are difficult to change.*
- *If the policy is held at the bank, who has the power to remove the policy barrier when capital is provided to CDFI's and nonprofit capital providers? Is there a separate "starting up fund" that banks can invest in to accept more credit risk and at the same time foster more trust-based relationships with BIPOC entrepreneurs?*
- *"CDFIs are the ones taking all the risks right now. Every month we're paying the banks on time. But my checks don't necessarily come in on time. Or we're constantly modifying things to make it work for our clients. But there's no innovation or creativity in terms of what's expected from a CDFI. It's business as usual for banks' relationships with us."*

Continue Growing the Capacity of our Ecosystem to Support BIPOC Entrepreneurs

Finally, working group members agreed, the Coalition should also continue to build the capacity of our ecosystem to effectively support BIPOC entrepreneurs. For the purposes of this working group, we are going to focus on **capital**, so the themes below will be brought to the GBC steering committee for which to design.

- For investors, ensuring BIPOC entrepreneurs have the right tools is key. This means stakeholders need to guide entrepreneurs to understand the "box" of

GroundBreak Coalition

underwriting (recognizing that this can be agonizing – and feel like protracted due diligence to BIPOC entrepreneurs seeking capital). There needs to be a better way to both understand the viability of a business and help entrepreneurs build viable businesses.

- **CDFIs in our region play an integral role** in technical assistance, translating/interpreting, providing cultural competency and digital literacy, etc. in supporting BIPOC entrepreneurs– this inevitably requires a lot of capacity and people resources/hours. However, **CDFIs are also under-resourced and need capital to grow their capacity, add staff members and scale their programs as well.**
    - *"It's really about providing equity on the balance sheets to enable CDFIs to build their back office and provide technical assistance…In addition to loan capital, a lot of CDFIs need grant capital to build their back offices."*
    - *"Banks should let CDFIs borrow money at much more affordable rates, which would allow us to a) provide funds to our clients at more affordable rates, and b) invest in our back offices. When we're borrowing at 3-4% , it's difficult to make it work for the type of client that we're serving."*