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The ABA Business Law Section's Online Resource

Focusing on Pro Bono

Economic Recovery Pro Bono

By [Elizabeth M. Guggenheimer](#)

While most law firm corporate attorneys first encountered the legal complexities of the Troubled Asset Relief Program (TARP) when advising multi-million dollar for-profit businesses, several dozen attorneys from around the country recently donated their time and expertise to help community credit unions acquire the tail end of TARP funds to benefit low-income communities. This fast paced, significant pro bono legal project was coordinated by [Lawyers Alliance for New York](#), the leading provider of business and transactional legal services for nonprofit organizations that are improving the quality of life in New York neighborhoods.

Last fall, Lawyers Alliance and its network of volunteer law firms took an active role in enabling nonprofit organizations to receive loans from the U.S. Treasury Department CDFI Fund. The program, called the [Community Development Capital Initiative \(CDCI\)](#), made returned TARP funds available to CDFI-certified community development credit unions and community development banks, but had its own requirements and regulations relating back to TARP. Confronted with a major set of loan documents and a limited amount of time, the pro bono attorneys helped secure vital loans for credit unions serving low-income communities across the country.

The CDFI Fund's mission is to expand the capacity of community development financial institutions (CDFIs) to provide credit, capital, and financial services to underserved populations and communi-

ties in the United States with the overall goal of promoting economic revitalization and community development. This recent round of loans (CDCI) was funded through TARP. The CDFI Fund awarded a total of \$104.9 million, the largest ever regular appropriation round, to 180 CDFIs around the country, including \$12.4 million to CDFIs based in New York state.

During September 2010 the CDFIs, including dozens of low-income designated community development credit unions (CDCUs), closed on their long-term, low-interest secondary capital loans. Participating CDCUs had to demonstrate financial viability and a focus on serving their respective communities. Applicants were subjected to rigorous review by the National Credit Union Administration and the Treasury Department.

Lawyers Alliance worked with the [National Federation of Community Development Credit Unions](#) (the Federation), whose members are CDCUs, to help pair 45 of the CDCU recipients in and outside New York with pro bono counsel from [15 law firms](#). Pro bono counsel guided the CDCUs through the complex loan closing process, including due diligence, negotiation and documentation of loan agreements, and required legal opinions. These awards ranged from \$8,000 to more than \$8 million. Additionally, the attorneys helped the CDCUs to appreciate and comply with applicable TARP regulations and understand the obligations under the documentation governing the financing.

Says Joel Rappoport of Kilpatrick Townsend & Stockton LLP's Washington, D.C., office, "My firm places a high value on pro bono service, but it can be challenging to find opportunities in my area of corporate and banking expertise. So when I heard, through our collaboration with the Pro Bono Partnership of Atlanta, of the need for assistance for community development credit unions, I had no problem finding volunteers on our financial institutions team willing to pitch in. Our team was able to represent six credit unions notwithstanding fairly intense time pressures. Our experience representing credit unions, as well as our experience with the Treasury's comparable TARP capital purchase programs for banks, gave us a big head start in analyzing and addressing the complex issues involved. I know that all the attorneys and paralegals involved found the experience very rewarding on a personal level."

"Anyone who worked on this project knows just how daunting some of the requirements were for CDCI funds," says Clifford Rosenthal, president and CEO of the Federation. "Many of the program's regulations were designed with trillion-dollar banks in mind under the original TARP authority and carried over to the CDCI program. This made it especially challenging for many drastically smaller credit unions to comply. I can confidently say that without the assistance provided by the Lawyers Alliance and the pro bono counsel from attorneys nationwide, many

of our credit unions would have been forced to drop out of the program. They literally saved our members hundreds of thousands of dollars in lawyer fees, and helped us bring millions in much-needed capital to low-income communities across the nation.” As part of the follow up, the staff and volunteer attorneys drafted a post-closing compliance memorandum, and the Federation then shared this memorandum with the participating CDCUs.

The CDCUs were grateful for the assistance. “As a smaller-asset-sized institution, we did not have the legal expertise internally to complete the requirements necessary to meet the closing deadline,” says Helen Godfrey-Smith, President and CEO of the Shreveport (Louisiana) Federal Credit Union, which received a \$2,646,000 loan from this program. “The Lawyers Alliance for New York was recommended to us by the National Federation of Community Development Credit Unions. The Lawyers Alliance team helped us understand what was required to meet the TARP guidelines.

Lawyers Alliance is the leading provider of business and transactional legal services for nonprofit organizations that are improving the quality of life in New York City neighborhoods. Lawyers Alliance connects lawyers, nonprofits, and communities to help develop affordable housing, stimulate economic development, and operate vital programs for children and young people, the elderly, recent immigrants, and other low-income New Yorkers.

They aligned us with Shearman & Sterling, which assigned us to a team of legal professionals within the firm to answer all of our questions, prepare all of the closing documents, and assure that our interests were represented before the Treasury. We made the deadline and breathed a huge sigh of relief. We can now expand our services to many more low- to moderate-income families efficiently and effectively because of this partnership.”

To help recruit qualified pro bono attorneys for this project, Lawyers Alliance reached out to business law pro bono providers that serve nonprofits beyond New York, in Atlanta, Boston, Central

Florida, Chicago, Connecticut, Detroit, Los Angeles, New Jersey, Philadelphia, San Francisco, Texas, and Washington, D.C.

Says Lawyers Alliance Executive Director Sean Delany, “We believe we do meaningful work here at Lawyers Alliance, but seldom are the fruits of our efforts so immediate and so satisfying. The National Federation is to be commended for spearheading this initiative, and we are proud to have played a vital part in it.”

Elizabeth M. Guggenheimer is the deputy executive director of Lawyers Alliance for New York.