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**Call Me
Maverick!**
says social
entrepreneur
**Catherine B.
Reynolds**

**Why Future Leaders
Will Be More Like Her**



The Woman Who Wants to Fix the Future

"I'M NO MOTHER TERESA," says Mrs. Reynolds, though her Catherine B. Reynolds Foundation gives away \$100 million a year. Under her softspoken manner is a very bold thinker who believes America—maybe even the world—needs a new breed of leaders **BY LESLIE BROKAW**

Women, power, and money. Women. (pause) Power. (pause) And money. I looove those three little words when they go together." So launched Catherine B. Reynolds—entrepreneur, education activist, and megamillion-dollar philanthropist—into a National Press Club speech in Washington, DC, a few years ago.

"Women too often use a tentative word, 'empowerment,'" she continued, with her trademark honey-smooth Southern lilt. "That sounds

ENTREPRENEURIAL HERSELF She wants to inspire others.

nicer, less aggressive, somehow, than 'power.' But let's talk plain, old, power—especially the power of women to achieve, and then the power to give back to the community through philanthropy."

A Fortune in Student Loans. In 1988, Reynolds was simply an employee—a Certified Public Accountant, in fact. Fourteen short years later, in 2002, a new foundation bearing her name would give \$100 million to the Kennedy Center to build a new Education Center devoted to the role of the arts in American history.

In the intervening years, Reynolds had become an entrepreneur extraordinaire. In 1988, Reynolds joined a not-for-profit company called University Support Services, which provided loans to middle-class students not eligible for government funding. The business was technically bankrupt, but Reynolds, who rose to become the company's CEO, turned it around and grew it during the 1990s into the leading private source of student loans.

"At that time, the government took care of the needy, as they defined it through a needs analysis," explained Reynolds recently to *NRTA Live & Learn*. "And of course the wealthy didn't need anything. But that huge group in the middle—probably 70 to 80% of the population—had no funding source whatsoever."

The company pioneered the model of providing education loans direct to consumers, without federal government guarantees. "No one believed you could actually create a sustainable program like this, because at that time the federal government student loan program had double-digit default rates," says Reynolds. "This is really important: It took this private initiative to actually begin to solve a big public policy problem—how to pay for higher education." The company was renamed EduCap, Inc., and it remains a nonprofit company for non-government-guaranteed student loans.

Along the way, Reynolds (whose business name was Dunlevy until she married Wayne Reynolds in 1999) co-founded an affiliate to EduCap called Servus Financial Corp., which managed much of EduCap's operations. Significantly, it was a for-profit venture.

In 2000, Wells Fargo & Co. bought Servus. At the time, says Reynolds, EduCap and Servus had about a 50% market share of the industry that it had initiated.

The sale seems to have made her a wealthy woman—

CBS' *60 Minutes* reported her share as close to \$100 million, though details remain cloudy; she says she's not allowed to confirm or discuss dollar amounts under the terms of the deal. The sale made EduCap wealthy as well. "The nonprofit was, in essence, endowed, because it had an equity interest in the for-profit Servus," Reynolds explains. "It uses those funds now to do good, with philanthropic efforts under the Catherine B. Reynolds Foundation." According to tax records, the Foundation's assets in 2004 were over \$500 million.

\$38 Million In, \$38 Million Out. The Foundation blasted into the public view in its first year when Reynolds pledged a huge \$38 million to the Smithsonian Institution—and then withdrew the gift.

Her goal had been to help establish an exhibit about the power of the individual to shape American life and destiny. She had an initial agreement that would have allowed her input, but curators protested vehemently about her offering any. Negotiations continued for a year and a half, but the impasse proved insurmountable, and so she took back the rest of the money.

This simple move rocked the nonprofit world and shocked society philanthropists just as much, if Washington gossip is to be believed.

She's unrepentant.

"One newspaper piously wrote, 'The truth is, if Reynolds believed in the mission of the Smithsonian, giving money would have been its own reward,'" Reynolds told the National Press Club audience. "Hmm. I think they were mistaking me for Mother Teresa. Andrew Mellon and Walter Annenberg were not wallflowers at institutions they endowed, but a woman with money and convictions was another story."

Social Entrepreneurship. With the Smithsonian fracas behind her, Reynolds, who oversees the Foundation's activities herself, has seeded a number of other programs. At Harvard University, the Foundation funded a new fellowship program that launched last fall. It taps students pursuing masters degrees at the Graduate School of Education, the Kennedy School of Government, or the School of Public Health, and supplements their regular course work with special classes in social entrepreneurship and nonprofit financial management. A similar program is set to launch at New York University this fall.

Robert Lucas holds one of the Harvard program's fellowships. Lucas got his B.A. at Harvard in 2003 and spent two years as a sixth grade teacher in North Carolina. Now he's back for a masters, working on a business plan for a Web site for teachers nationwide to share lesson plans. He envisions a site that will be easy for any teacher to add content to—similar to how the online encyclopedia Wikipedia operates.

"The idea came from my frustration that I wasn't able to build on the best work that other teachers had done," Lucas told *Live & Learn*. His initial experiment lives on at <http://teacherslounge.editme.com>,

and he plans to launch a more robust and professional site in September 2006 at <http://teachforward.org/>. "I'm not pursuing my project as a for-profit," Lucas says, "but we are looking for ways that we can have earned revenue sources, so that if a grant runs out we won't have to fold the site." He sees the mix of commercial and nonprofit work as the essence of social entrepreneurship—and as, simply, pragmatic. "It enables us to do whatever we want to do in the world."

That's exactly the lesson Reynolds wants to teach a generation of young people who want to do good. "We created EduCap without one nickel of a contribution," says Reynolds. "When you think of nonprofits, everybody always usually thinks in terms of getting funding through donations. The idea with these new programs is to help people think creatively."

The Foundation also is actively involved in the Academy of Achievement, founded in 1961 by Wayne Reynolds' father. The Academy sets out to bring college and graduate students "into direct personal contact with the greatest thinkers and achievers of the age"—from President Bill Clinton to U2's Bono to Amazon founder Jeffrey Bezos—through one-on-one meetings at international summits, taped interviews available for classroom use, and audio recordings posted online. "The Academy's Web site gets two million hits a day," says Reynolds. "It's a living history of achievers in their own words."

After working in both worlds, Reynolds knows the mutual contempt—or at least

flawed communication—between profit-oriented business and socially motivated nonprofits. "I think the Foundation's program of social entrepreneurship," she says, "will begin to bridge that gap."

Now that she's past the non-compete period, Reynolds and EduCap have started a new venture called Loan to Learn, which essentially competes with her old company in providing undergraduate and graduate loans and loans to consolidate existing education-related debt. And why not? Reynolds, after all, is only 48 years old.

Company profits will pour into the Foundation and seed education, says Reynolds, to create "new leaders who can think outside the box, who will be mavericks—in the best sense of the word."

Leslie Brokaw writes for the Boston Globe and national magazines.



AND IN THE FRONT ROW...

At the 2005 Academy of Achievement awards (from left): President Clinton, host Mrs. Reynolds, U2's Bono, President Vaira Vike-Freiberga of Latvia, and Pulitzer-Prize author Frank McCourt. More "greatest thinkers and achievers of our age":

- **The Arts** Johnny Cash, John Grisham
- **Business** George Lucas, Oprah Winfrey
- **Public Service** Hamid Karzai, Rosa Parks
- **Science & Exploration** Sir Edmund Hillary
- **Sports** Sir Roger Bannister, Dorothy Hamill



RUBBING SHOULDERS OFF CAMERA: Academy member Mike Wallace, *60 Minutes'* confrontational reporter, interviewed Mrs. Reynolds after her run-in with the Smithsonian.