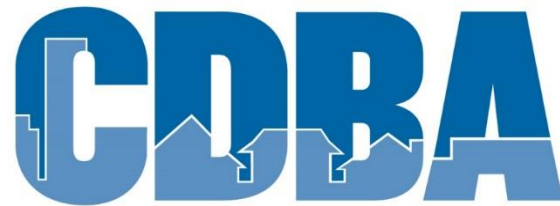


CDFI Bank & Social Impact Best Practices

April 2017



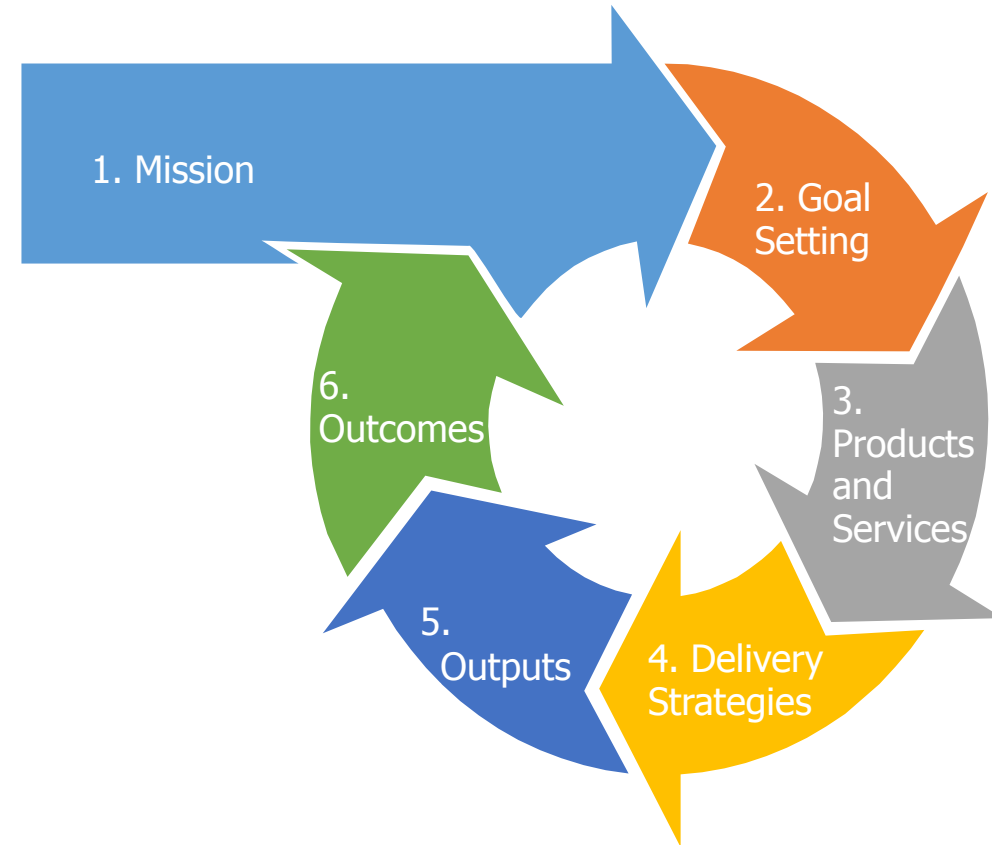
2013 CDBA Study of CDFI Bank Best Practices

KEY FINDINGS

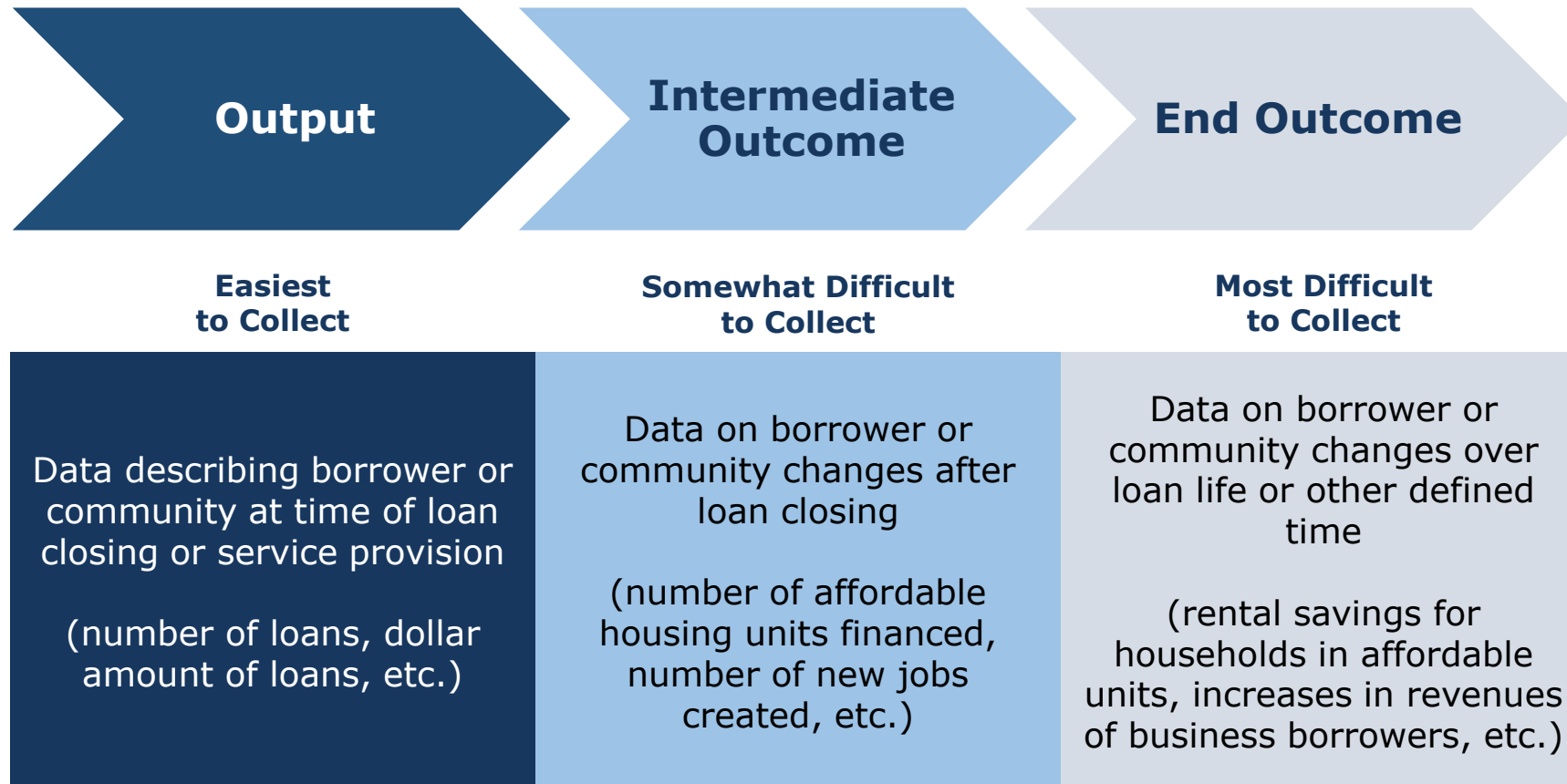
- **Be Intentional - planning saves time & money**
- **Repurpose data you already collect**
- **Mine cheap data sources**
- **Geocode everything**
- **Create a supportive culture**
- **Ask what your peers are doing**
- **Manage borrower data restrictions**
- **Recognize it costs money, but you will be building over time**

Intentionality: Planning Saves Time and Money

1. Define your mission and the change you want to make in your community
2. What are your goals for creating impact
3. How do your products & services align with your goals
4. Do your delivery strategies support or detract from your goals
5. Select **OUTPUTS** that align with your goals
6. Select **OUTCOMES** that align with your goals



A Spectrum of Impact Measurement





Case Study: Planning & Goal Setting

Mission

[W]e are dedicated to improving the quality of life in our communities by promoting economic opportunities with loans, deposit products, financial education and other resources that create value for all sectors, to include the distressed and underserved areas in Southern Colorado.

Goals

Positively influence the local economies in which the bank operates

Positively impact the local food systems

Help farmers and farm businesses obtain the financial services needed to thrive

Products

SBA Lending

USDA Lending

Other Healthy Foods and Agriculture Financing



Case Study: Repurposing Data You Already Collect

Small Business Loan Portfolio at Q4 2015 Farm Lending Outputs

	\$100,000 or Less		\$100,000-\$250,000		\$250,000-\$1,000,000	
	<i>Number #</i>	<i>Amount \$000</i>	<i>Number #</i>	<i>Amount \$000</i>	<i>Number #</i>	<i>Amount \$000</i>
Loans Secured by Nonfarm Nonresidential (CRE)	21	849	57	7,292	57	19,198
Commercial and Industrial Loans	97	2,407	28	3,062	19	5,127
Loans Secured by Farmland	17	769	21	2,292	21	4,536
Loans to Finance Agricultural Production and Other Loans to Farmers	57	1,447	34	3,396	17	3,797

NOTE: Annual CDFI Certification report includes “output” measures for lending

Source: FDIC Call Reports

Case Study: Repurposing Data You Already Collect

Business Growth

Increase in business revenues

Increase in cash flow

Increase in profitability

↑ *These metrics can be assessed from the Business' financial statements*

Business Owner Wealth

Increase in farmer income
→ *Can track and update using farmer's personal financial statement*

Environmental sustainability

Total # acres of farmland financed

and % of acres financed that are organic (*may want to track by crop*)

pounds of organic food yielded (*may want to track by crop*)

→ *Can track from after harvest crop report*

and % of acres sustainability managed

Job Creation

Projected permanent jobs

→ *Ask borrower during loan application*

Average (estimated) number of seasonal workers employed

→ *Ask borrower during loan application*

Average wage paid (\$ spent on labor/# employees)

→ *Can track \$ spent on labor from business tax return*





Case Study: Repurpose Data You Already Collect

Mission

We enrich lives and build stronger communities.

Goals

Provide access to capital for low income communities

Employees are involved in the communities BankPlus serves

Become #1 SBA Lender in Mississippi

Products & Services

Small Business lending

SBA Lending

Technical Assistance

Case Study: Repurposing Data You Already Collect

Business Growth

Increase in revenues
“Baseline” data already collected on Loan application – can update when receive Business financial statements

Other measures

- Increase in cash flow
- Increase in profitability
- Increase in equity

These metrics can be assessed from Business financial statements

Technical Assistance

Businesses, participants receiving business advisory services

Hours of business advisory services provided

Business Owner Wealth

Increase in Business owner income
“Baseline” data already collected on Loan Application – can update at loan maturity (may need to request an update from the borrower if data is not collected during loan monitoring)

Targeting

and \$ Loans to low-income, high poverty, high unemployment, high distress census tracts

Loans must be geocoded for CRA, can also track these metrics about the census tracts

and \$ Loans to women, minorities, and low income

Data can be collected by Loan Officers after commitment is issued to mitigate regulatory concerns

BankPlus

→ The goal of these metrics is to repurpose data BankPlus is *already* collecting to understand the social impact of small business loans

Job Creation

Permanent jobs at loan close + # projected jobs
→ Add to Business loan application or collect after commitment letter is issued

Jobs created/maintained
→ Collect payroll reports from borrower during annual review

Job Quality

Quality jobs created/maintained
→ Use Payroll reports to collect wage data

Business Owner Wealth

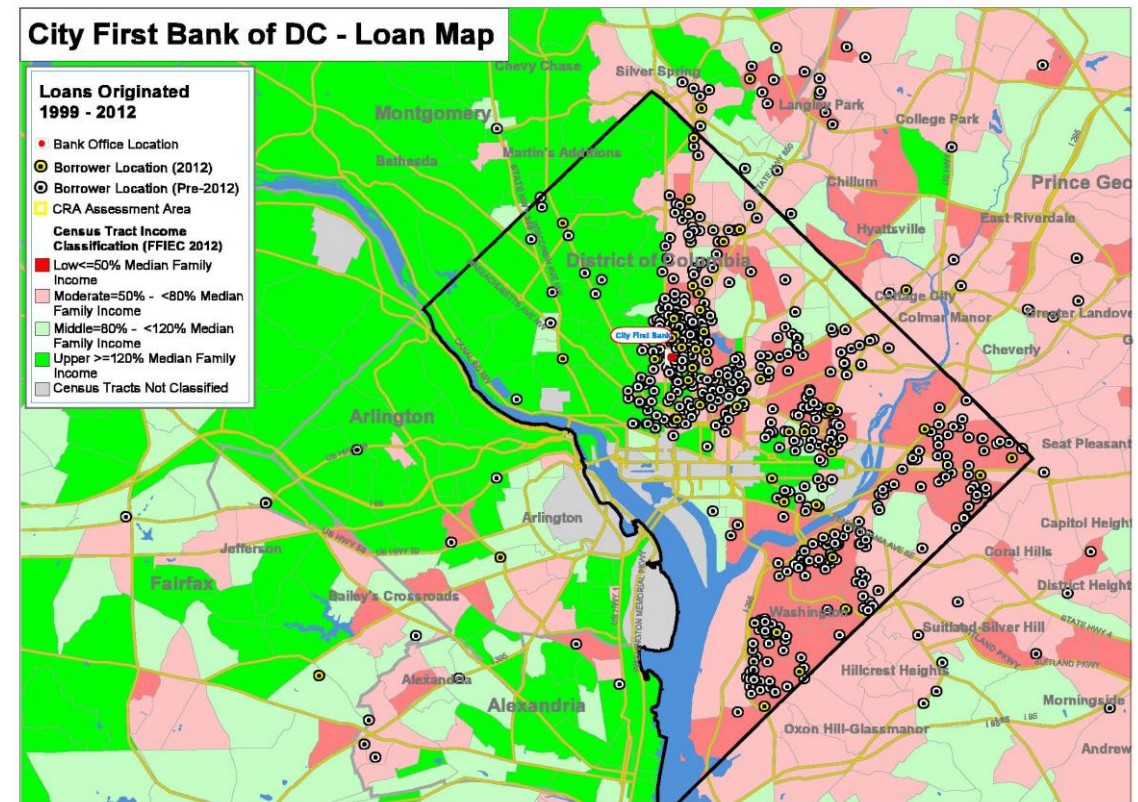
Increase in Business owner credit score
→ Credit score is checked at Loan origination. Requires Lenders to re-check credit scores after loan origination (e.g. at loan maturity)

→ “Future” metrics require BankPlus to collect additional data points during and/or after loan origination. These metrics describe in more depth the impact BankPlus has on its borrowers and communities.

Geocode Everything & Mine Cheap Secondary Data Sources

Map using primary & secondary data to demonstrate targeting to LMI communities.

- Uses only a few outputs and outcomes: loan location, low and moderate income (LMI) status of the census tract.
- Mapping can demonstrate strong commitment to lending in LMI communities.
- Secondary data is data collected and reported by a third party such as by government agencies, proprietary, or academic sources.
- Secondary data can be used to develop a set of inexpensive, easy-to-access outcome indicators that track changes in economic and community well-being over time.



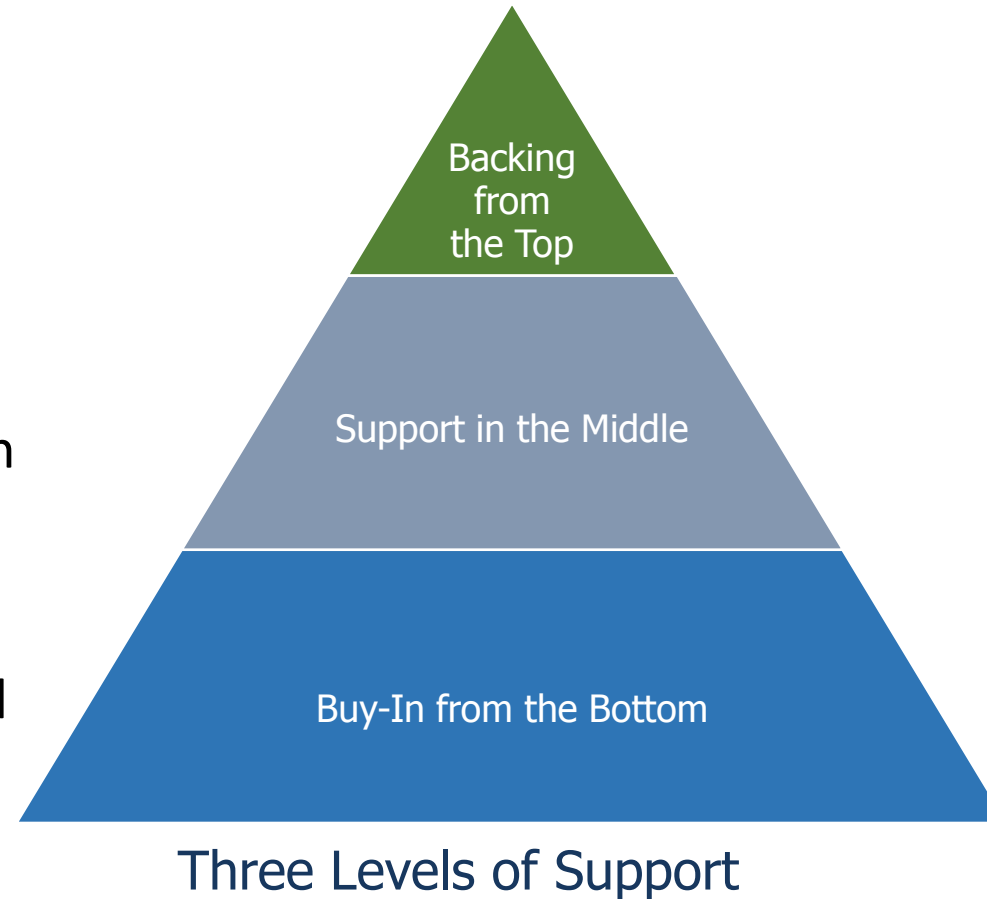
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Mine Cheap Secondary Data Sources



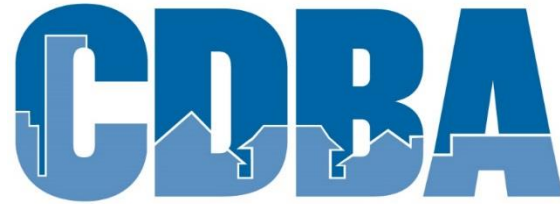
Creating a Culture that Values Impact Data

- Leadership should explicitly recognize the need to create a culture that prioritizes impact data collection.
- CEOs must make impact data collection a priority for managers.
- All levels of the organization (board, management, staff) should be engaged in planning.



Keys to Organizational Buy-In

- Identify top-level leader to spearhead efforts.
- Appoint management staff responsible for collection, quality control, and reporting.
- Identify key front-line staff directly responsible for data collection (e.g., loan officers, compliance staff) and work with them to make data collection easy and inexpensive.
- Codify impact collection practices and policies in writing; educate existing staff and include in new staff orientation.
- Communicate impact performance several times a year to the entire organization.



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