

CDFI Bank 2.0: *Innovation for Impact*

Measuring and Communicating Social Performance Outputs and Outcomes

November 12, 2013

Introductions

Welcome, Meet Your Facilitators:

Sarah Gelfand

Director of IRIS, the Global Impact Investing Network

Blondel Pinnock

President, Carver Community Development Corporation

Salvador Menjivar

Executive Director, One PacificCoast Foundation

Joe Schmidt

Vice President, Investments & Research, NCIF

Emily Sipfle

Senior Analyst, NCIF

Guiding Principles

- 1. Measuring Outputs, Outcomes and Impacts is Increasingly Important to raise investment and business opportunities for CDFI Banks. NCIF calls this “Telling the Story.”**

- 2. To Effectively “Tell the Story” Requires the CDFI Banking Sector to Collaborate**
 - Development of Standards
 - Improve Efficiency

- 3. Collaborate**
 - Commit to Improve “Telling the Story” – Feedback on Where We Are
 - Commit to Report 2013 Data in 2014
 - Sign-on to BankImpact, free trial ends at year-end
 - Social Metrics Leadership Group – Online (LinkedIn) and via eGroups

Objectives of the Workshop

What **Content** best describes the social, environmental and financial impact of mission-oriented banks?

How do we improve the **Process** and reduce the cost of collecting data? How can we harmonize impact data collection across different needs (NCIF, CDFI Fund, CRA, etc.)?

What should the industry contribute to build on existing systems to achieve the above? NCIF has long history of data collection to leverage.

Next Steps – Social Metrics Leadership Group

Presentation Roadmap

Facilitator Introductory Remarks and Group Questions (3:10 -3:55)

- NCIF Introductory Remarks (3:10-3:25)
- Sarah Gelfand Introductory Remarks (3:25-3:35)
- Blondel Pinnock Introductory Remarks (3:35-3:45)
- Salvador Menjivar Introductory Remarks (3:45-3:55)

10 Minute Break

Guided Discussion (4:05-5:00)

- Content Discussion
- Process Discussion
- Resources Discussion
- Collaboration With NCIF

Ice-Breaker

For Banks –

What are the current social impact data collection and communication efforts for your institution?

Ice-Breaker

For Non-Banks –

What elements of social performance are most compelling for you or your organization?

Is it providing access in LMI communities?

Job creation?

Innovation in products and services?

Other?

Place Holder

Salvador has offered to present a pivot table of all of the information that they currently collect, we will use this after the ice-breaker to give a more tangible picture of what data collection consists of.

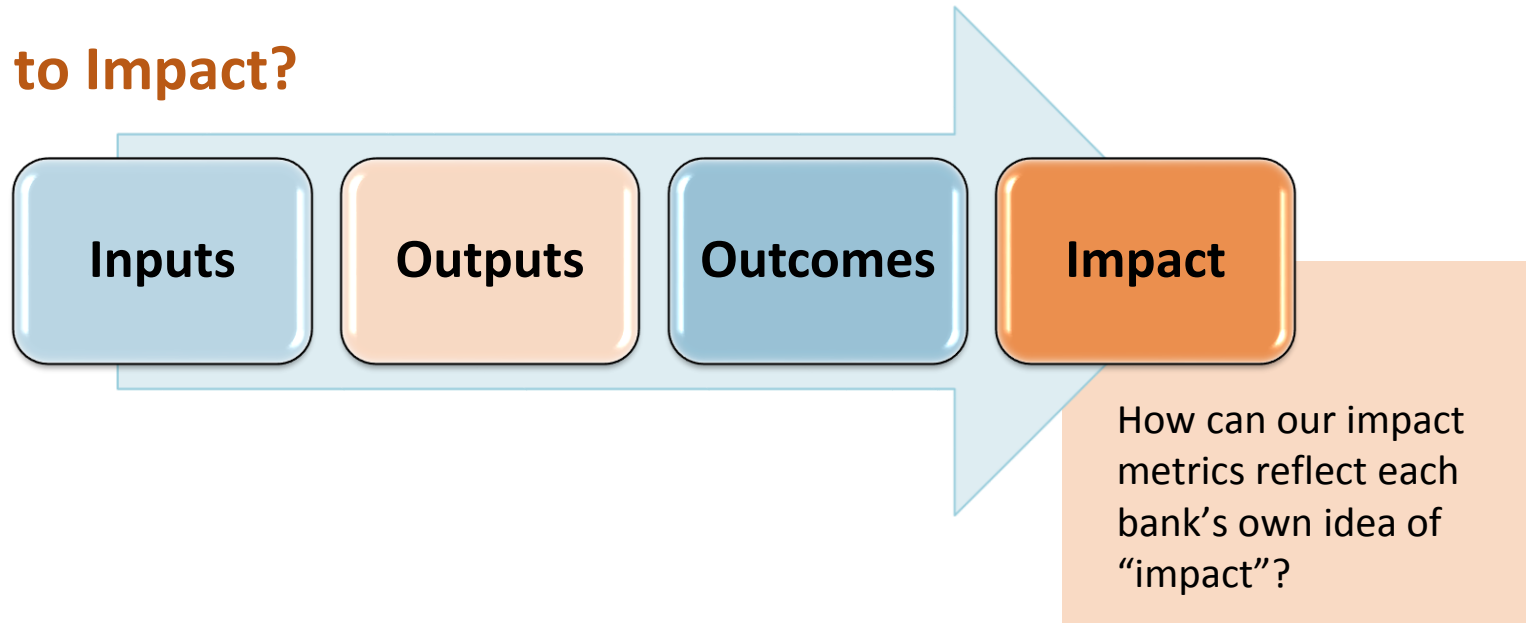
Why “Tell the Story” - Value

- **For Investors:**
 - Build the Sector as an Asset Class, Grow the Sector
 - Increasing capital investment or reducing cost of funds as a direct correlation to impact
- **For CDFI Bank Leadership:**
 - Helping Banks Benchmark – within mission-oriented bank cohorts and relative to non-mission oriented banks
 - Attract capital and funding from mainstream and SRI investors
- **For Regulators / Policymakers:**
 - Enact regulatory and legislative changes to strengthen and grow the CDFI banking sector.

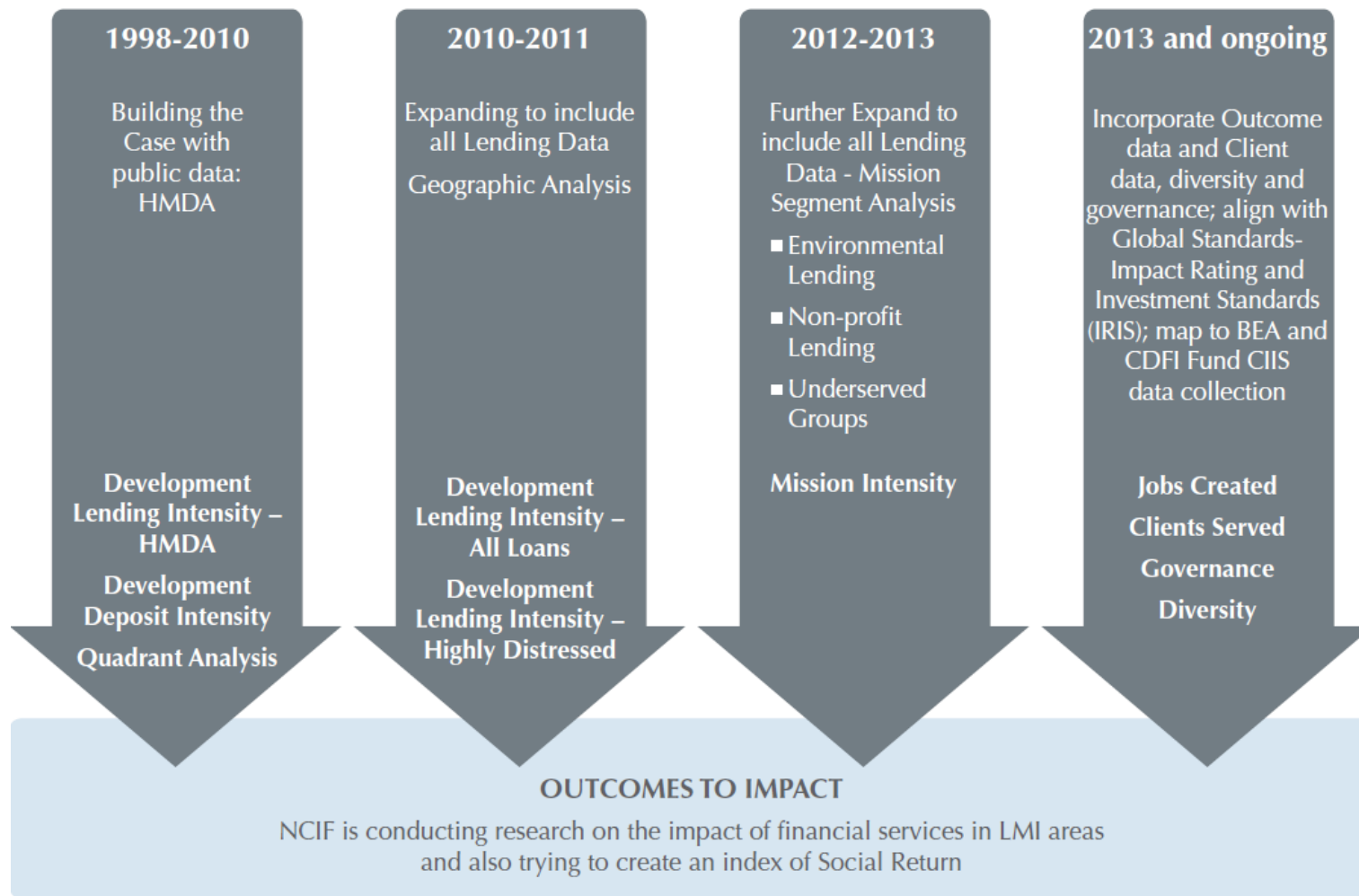
Eventually:
Total Return = Financial Return + Social Return

Outputs, Outcomes and Impact

Getting to Impact?



Evolution of NCIF's Social Performance Metrics



**From public data to private data, dashboards, score cards and ratings.
Meeting the impact evaluation needs of a diverse set of stakeholders.**

Standards & Beyond

NCIF has:

1. Created Benchmarks and Standards

- Development Lending Intensity
- Development Deposit Intensity
- Common Taxonomy - Aligned with IRIS



2. Included 'Individualized' Measures & Datapoints

- Mission Intensity
- Jobs Created, Client Measures
- Narrative Responses on Products, Services and Success Stories.

NCIF Measurement Today

- Inclusive & Flexible
- All Lending – Mission Intensity
- All Lending – Geographic
- Quantitative & Qualitative
- Narrative Responses

NCIF Measurement Today

Mission Focus:

- CDFI Certification
- MDI Certification
- NCIF Quadrant Position
- Mission Statement

Mission Intensity:

- Entire Loan Portfolio, Beyond Geographic Analysis
- Flexible

Development Lending Intensity:

- Entire Loan Portfolio, Geographic Analysis
- By Loan Categories

Development Deposit Intensity:

- Branch / Retail Services, Geographic Analysis

Focus on People:

- Market Need and Demographics, Clients Served and Client Detail
- Innovative Products and Services Offered, Model CDBI Framework Narrative Responses
- Jobs Created
- Board & Staff Diversity

Mission Intensity – Beyond Geography

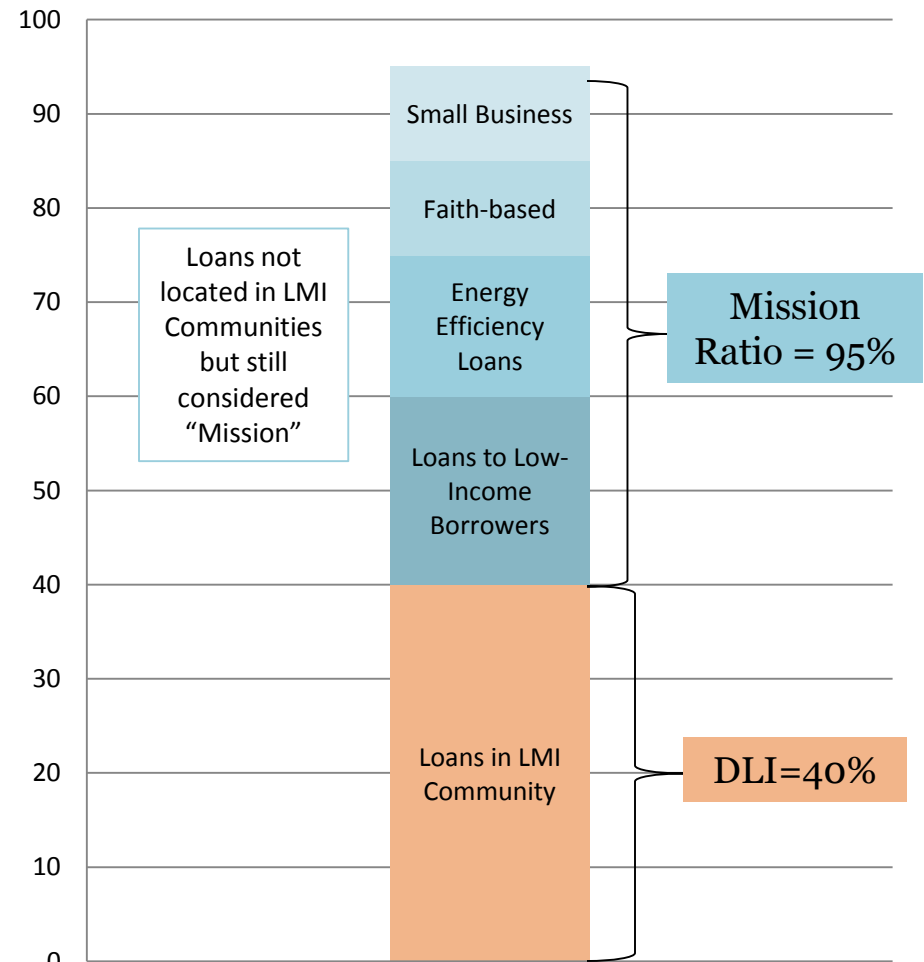
Capturing People-Based Lending, Environment Lending and Other Mission Segments

Beyond providing access to sound financial products and services in LMI communities, many CDBIs fulfill their mission by lending to other market segments.

This includes lending to support:

- **Environmental Sustainability;**
- **Low-Income Borrowers;**
- **Non-Profit Organizations;**
- **Charter Schools;**
- **Minority-Owned Small businesses;**
- **Many Others.**

This mission oriented lending, regardless of the geography in which it is located, is beneficial for the community and needs to be reflected in social performance measures.



Mission Intensity – Beyond Geography

Mission Intensity Examples: Depending on the Mission of the bank, the below loans could qualify as a component of the Mission Intensity.

Environmental Sustainability –

Loans supporting sustainable real estate development.

Loans to small businesses to make sustainable process improvements or to source locally.

Low-Income Borrowers –

Loans to low-income borrowers who do not live in qualifying census tracts.

Non-Profit Organizations –

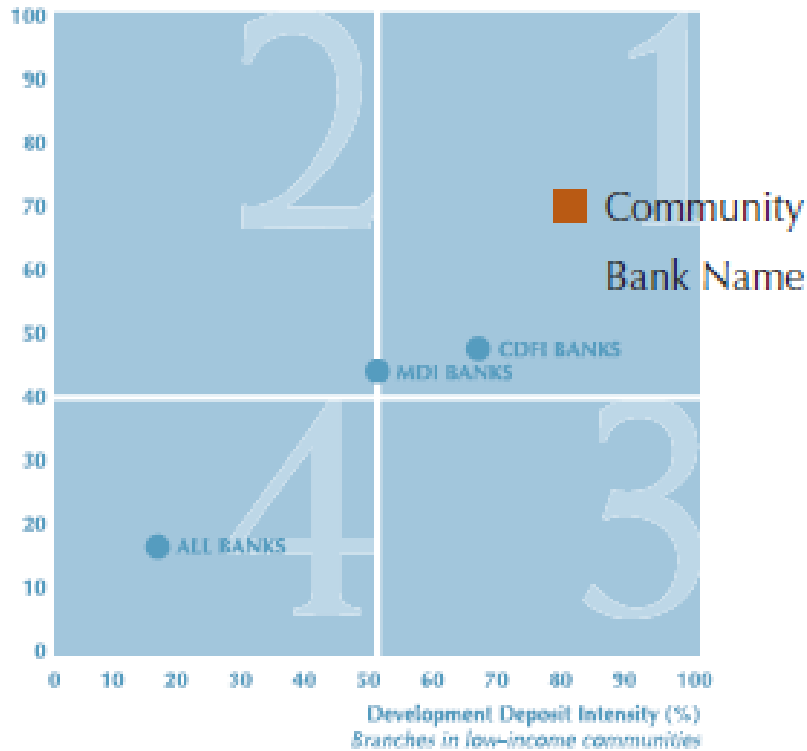
Loans to social service organizations, hospitals and health centers that serve low-income and underserved populations but that are not themselves located in qualifying tracts.

Minority-Owned Small Businesses –

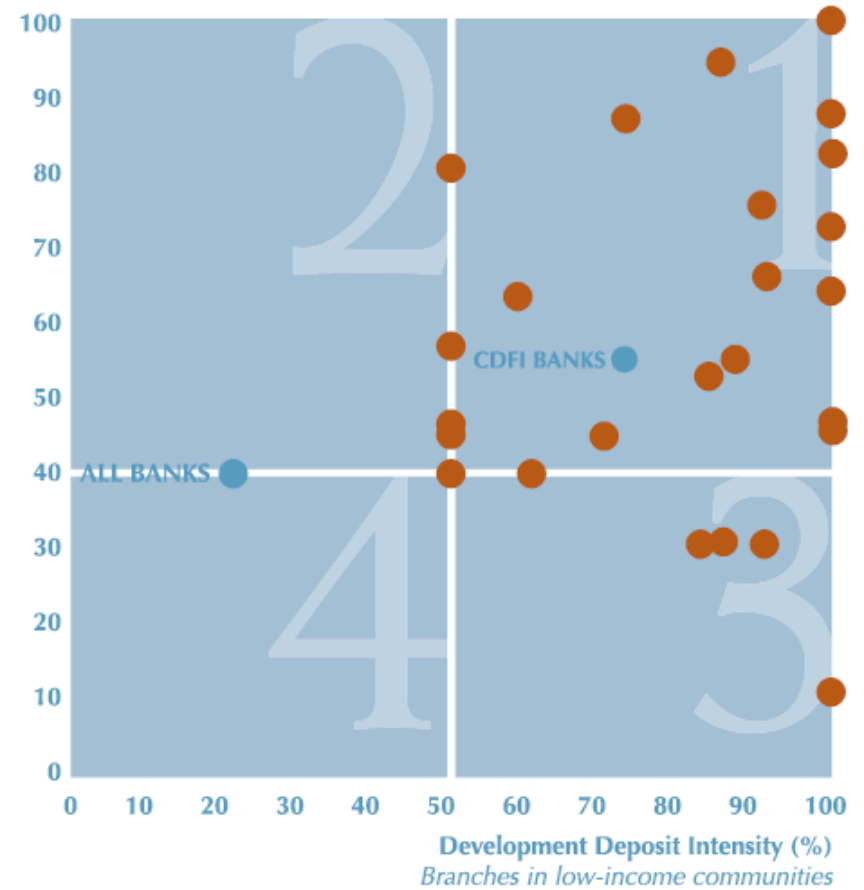
Loans to job creating small businesses that are not located in qualifying census tracts.

Quadrant Analysis: DLI & DDI

Individual Bank



● 2012 REPORTING BANKS
Using DLI All Loans data when provided.



DLI – All Loans & By Category

	Median score of Reporting Banks	Median score of All Banks
DLI All Loans	57.0%	NA
DLI HMDA³	62.1%	20.7%
DLI Housing	56.1%	NA
DLI CRE	60.4%	NA
DLI Small Business	53.4%	NA
DLI Agriculture	50.0%	NA
DLI Consumer	59.3%	NA

DLI – Equity & DLI – Highly Distressed

DLI – Equity:

- \$1 of Equity Investment Generates **\$5.84** in Annual Lending to LMI Areas.
- DLI – Equity has the same numerator as DLI, but the denominator is total shareholder equity.

DLI-Highly Distressed – High Activity in Severely Distressed Tracts:

- 2012 reporting banks had a DLI- Highly Distressed score of **41.5%**, targeting far more of their lending to these areas of high distress than banks overall, with only **8.3%** of lending targeted to highly distressed areas.
- DLI – Highly Distressed has a different numerator than DLI (qualifying list of census tracts is smaller), but the same denominator.

Focus on People

Model CDBI Framework

- Innovative Products and Services, Partnerships
- Narrative Responses
- Technical Assistance – both formal and informal

Jobs Created

- Increasingly Important

Client Details – Low Balance Accounts

- High-touch business model
- Overall Size of Constituency

Board & Staff Diversity

- Indicator of serving your customer base
- Overall positive performance implication

Discussion Question

**How does your bank utilize social performance data?
What tools does your bank use to “Tell the Story”?**

- Is this information used to attract capital or other investment?
- Used in CDFI Fund applications?
- Used by the board and management to guide strategy?
- Used in discussions with regulators?

Facilitator Introductory Remarks

Sarah Gelfand

Director of IRIS, the Global Impact Investing Network

Sarah will speak to the following:

- Provide an overview of the GIIN and of IRIS.
- Give specifics on the increasing amount of impact investing throughout the world and how an increasing amount of investment is going to community investing and more activist investing.
- Discuss the partnership that NCIF and IRIS have already had (Harmonizing, Data Briefs)
- Why is it important for the CDFI Banking sector to get ‘plugged in’ to IRIS and the overall impact investing community?

Discussion Question

In addition to what NCIF is currently collecting, what should be collected?

- Information on the community served?
- Deeper dive on case studies of borrowers (diaries)?
- More thorough geographic analysis?

Facilitator Introductory Remarks

Blondel Pinnock

President, Carver Community Development Corporation

Blondel will speak to the following:

- Provide an overview of Carver and Carver CDC.
- Overview of how Carver has used NCIF Social Performance analysis to raise capital, to inform internal strategic efforts.
- Please discuss how, through their work with NCIF, Carver realized the need to improve the way that they collect data, resulting in them collecting more detailed information on jobs created and other measures.
- What is the process that Carver implemented to collect social performance data?
- Please encourage the attendee banks to implement similar processes to capture this data upfront thereby making the collection of this data a fundamental part of the origination process.
- For both Blondel and Salvador – describe the importance of recruiting/retaining mission-oriented staff members and in using social performance information to build morale on the team.

Discussion Question

What are some potential business relationships that would find this information relevant/compelling?

Can you use this to build relationships with large local institutions including local foundations, universities, larger corporations?

Is this information important to your customer base?

Facilitator Introductory Remarks

Salvador Menjivar

Executive Director, One PacificCoast Foundation

Salvador will speak to the following:

- Provide an overview of One PacificCoast Foundation & One PacificCoast Bank.
- Please describe how and why impact data collection was always a fundamental aspect of their business model.
- Mission Intensity – please provide detail on how One PacificCoast views mission lending within various categories. Detail how NCIF has incorporated this thinking, including around environmental outcomes, to allow banks to tell their unique story.
- Speak to the need to consolidate data reporting and how NCIF can be the repository for this information. The CDFI sector is required to submit information to many masters, but through this streamlined, on-line portal, we can create a one stop shop to provide this information.

10 Minute Break

Group Discussion

Content:

Development Impact Dashboard & Social Performance Metrics – Show how the elements of the individual Dashboard ‘roll-up’ into the aggregate document.

Whether data or narrative, the CDFI sector needs to create a product that is compelling and easily understood.

- What are the most persuasive items to highlight as it relates to Telling the Story of CDFI Banking?
- What elements of the Dashboard are not being communicated effectively enough? Does there need to be more ‘plain english’ descriptions of metrics? What are the overall thoughts on the way material is being presented?
- What is the optimal length/format of an individual bank Dashboard? How many pages? Digital / Publication / Other?

Individual Dashboard

Please refer to the Dashboard that was provided to you.

We will walk through the document to seek your feedback.

Group Discussion

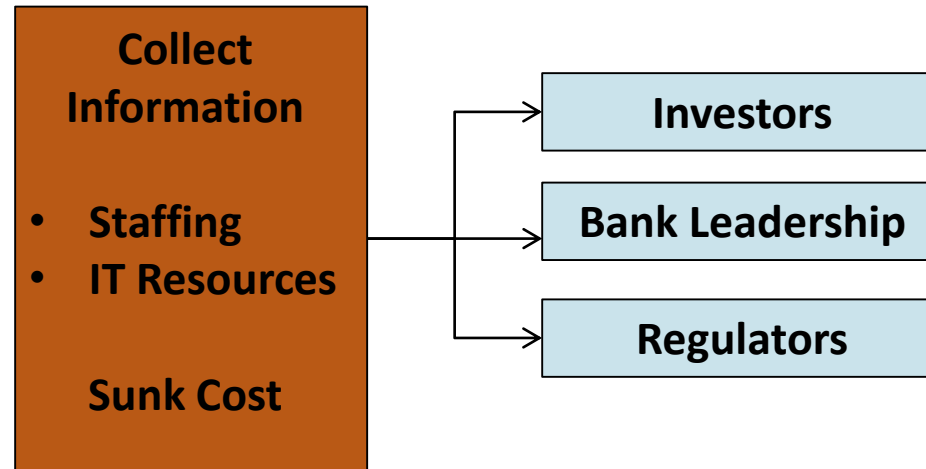
Process:

Improving Data Collection Efforts – NCIF has already created an on-line reporting system. What best practices can be implemented at each bank to collect and track this information at the point of origination?

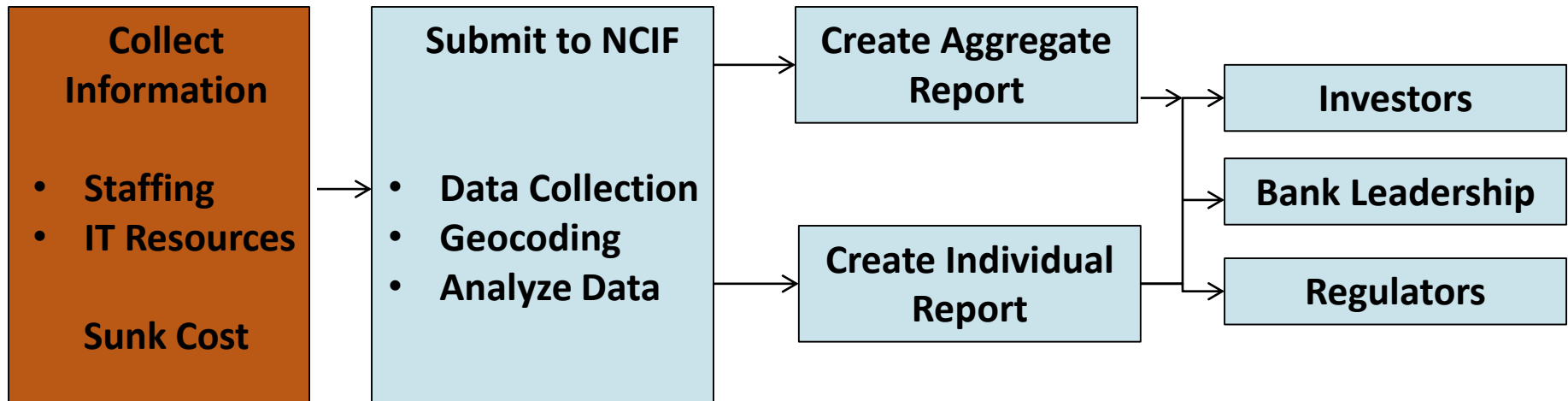
- Refer to Blondel to discuss their experience in establishing such a system?
- Can NCIF have a role in compiling and aggregating information or in implementing data collection efforts that capture all necessary data fields (CDFI Fund, CRA, Sector Initiatives)?
- What resources are required to collect information currently (internal IT systems, staff time, etc.)? What are more optimal uses of those limited resources?

Sector Level Initiatives – Beyond the Aggregate Dashboard document, what initiatives/products can we create to showcase the entire sector, or the long-term innovators and winners within the sector?

Process

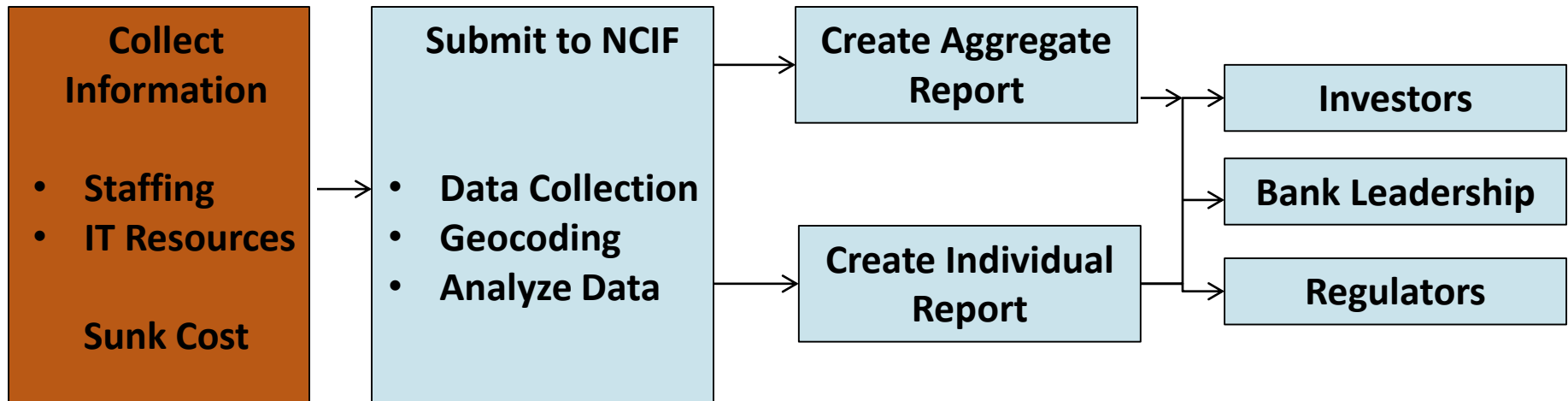


Process



Sector needs to better leverage the costs it is already incurring to generate increased benefit.

Process



Total Cost:

For the sector, the annual cost for NCIF to accomplish this is \$75,000 - \$100,000 (\$2,500 per institution).

Financing can come from Investors, Foundations, banks themselves.

Reducing the Cost of Data Collection

NCIF can reduce the cost of collection by having a centralized data base and analytical resource that is available to the entire sector.

NCIF's new on-line reporting system is an example of this work in action.

What else can NCIF provide (Dashboard Analysis, developing best practices on collecting and storing data, etc.) to assist in reducing costs?

Implementing Data Collection Efforts



LEVERAGING CAPITAL FOR CHANGE™

INVEST

INFORM

- ▶ Social Performance Metrics
- ▼ **Development Impact Dashboards**
 - Participating Banks
 - How to Participate
 - **Development Impact Survey**
- BankImpact
- Custom Analysis
- ▶ Publications and Research
- Industry Links

CONNECT

BankIMPACT | Catalyzing Investments in Underserved Communities
an NCIF resource

Find a Mission-Oriented Bank

Development Impact Survey

Save as a PDF

NCIF's Development Impact Survey has six primary sections. Sections I through V collect organizational and operational datapoints about your institution and its mission-driven activities. Section VI, based on NCIF's Model CDBI Framework, collects qualitative information on the innovative products, services, and partnerships that your institution offers to serve its specific community.

Please note: All fields are mandatory to submit the online form. However, in the event that a question does not apply to your institution or data is not available, please enter "NA."

Thank you for your participation! Together we are helping the mission-oriented banking industry demonstrate its impact and importance.

Questions? We're listening! Please contact Alice Geglio at ageglio@ncif.org or 312-881-5841 with any concerns.

* Required

▶ I. Organizational Description & Operational Impact

▶ II. Credit Product Impact

▶ III. Product & Technical Assistance Impact

▶ IV. Job Creation

▶ V. Customer Differentiation

▶ VI. Model CDBI Framework

▶ VII. Disclosure

Submit

Implementing Data Collection Efforts

▶ I. Organizational Description & Operational Impact

▶ II. Credit Product Impact

▶ III. Product & Technical Assistance Impact

▼ IV. Job Creation

In the current economic climate, job creation in particular is a necessary component of any CDBI's economic development activities. Investors and funders of CDBIs are increasingly requiring job creation data as a result of development lending. This information greatly helps bolster the claim that your institution is having a positive economic impact on your community.

What is the total number of FTE jobs created or maintained by borrower businesses? *

Net number of new full-time equivalent jobs at financed enterprises, as of the end of the reporting period and since first investment. Total across outstanding loan portfolio.

What is the total number of female FTE jobs created or maintained by borrower businesses? *

Female FTE: Females who work more than 35 hours a week

What is the total number of Racial/Ethnic Minority FTE jobs created or maintained by borrower businesses? *

Racial/Ethnic Minority FTE: Employees who work more than 35 hours a week and identify themselves as: American Indian or Alaska Native, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Other Pacific Islander.

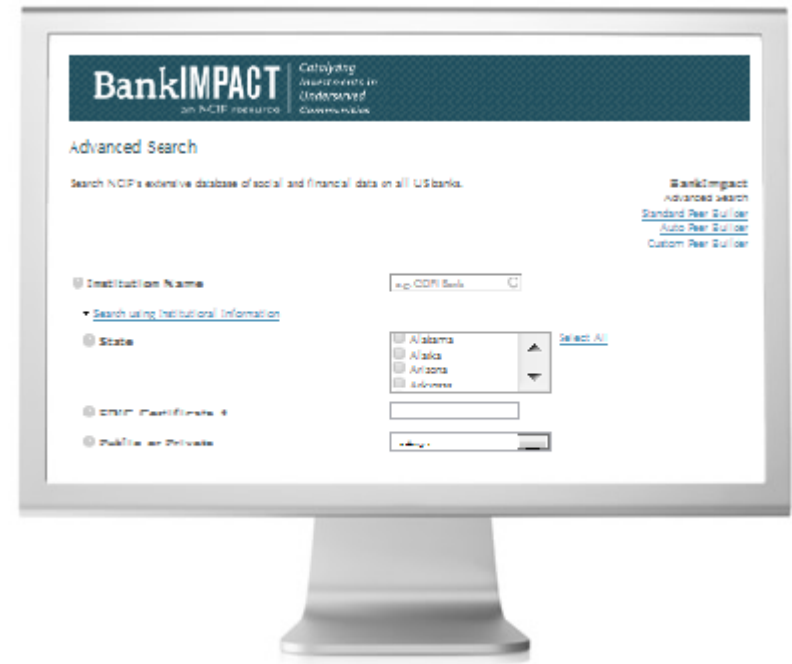
What is the total number of jobs with healthcare benefits created or maintained by borrower businesses? *

▶ V. Customer Differentiation

BankImpact: Online Social and Financial Data

BankImpact is an online resource for financial data and Social Performance Metrics on all US banks and features:

- Trusted financial data: profitability, capitalization, liquidity, and more
- Peer groups (standard and customized)
- Data exports
- Printable PDF reports
- Bookmarks: Save your favorite searches
- Mobile capability



BankImpact: Online Social and Financial Data

Four types of searches:

ADVANCED SEARCH

Search and compare banks according to your criteria.

STANDARD PEER BUILDER

Compare your bank to all CDFI Banks, MDIs, or Quadrant 1 CDBIs.

AUTO PEER BUILDER

Create peer groups for comparison using your selected criteria.

CUSTOM PEER BUILDER

Benchmark the aggregate performance data of up to ten banks.

For step-by-step search instructions, see the Case Studies at NCIF.org

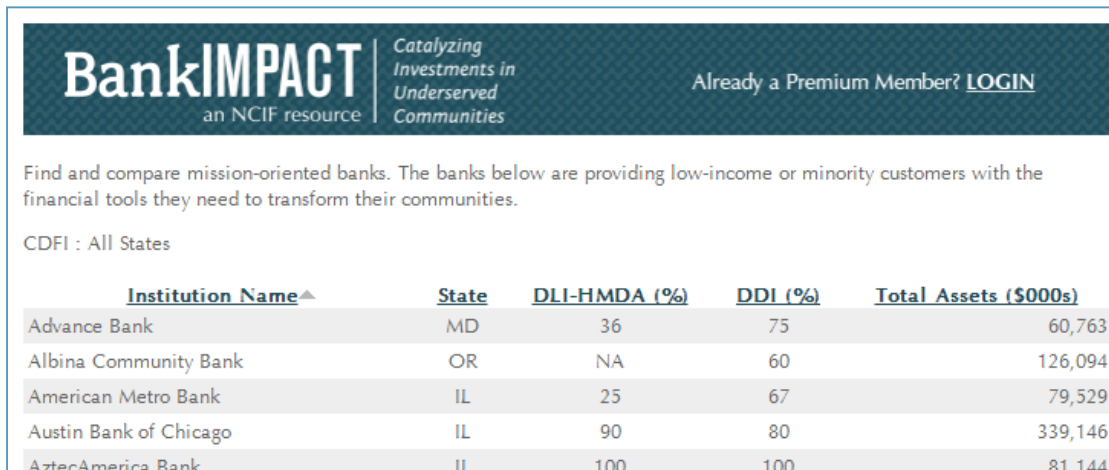
BankImpact: Basic Tools

Mobile-friendly, easy-to-use, and always free to the public!

Basic Bank Search

Basic Peer Group

Aggregate Industry Data



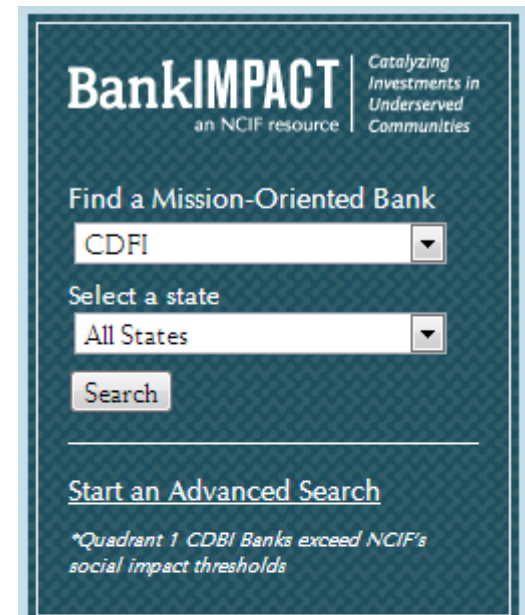
BankIMPACT | Catalyzing Investments in Underserved Communities
an NCIF resource

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Find and compare mission-oriented banks. The banks below are providing low-income or minority customers with the financial tools they need to transform their communities.

CDFI : All States

Institution Name▲	State	DLI-HMDA (%)	DDI (%)	Total Assets (\$000s)
Advance Bank	MD	36	75	60,763
Albina Community Bank	OR	NA	60	126,094
American Metro Bank	IL	25	67	79,529
Austin Bank of Chicago	IL	90	80	339,146
AztecAmerica Bank	IL	100	100	81,144



BankIMPACT | Catalyzing Investments in Underserved Communities
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Find a Mission-Oriented Bank

CDFI ▼

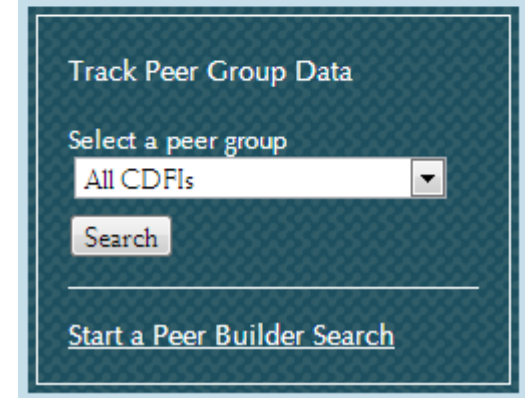
Select a state

All States ▼

Search

[Start an Advanced Search](#)

**Quadrant 1 CDFI Banks exceed NCIF's social impact thresholds*



Track Peer Group Data

Select a peer group

All CDFIs ▼

Search

[Start a Peer Builder Search](#)

The Future

Initiatives Moving Forward:



CDBI Designation

Define the industry and set standards



Other Measures - Score Cards & Ratings

Illustrate the Environmental & Social impact of CDFI Banks and the difference between CDFIs and non-CDFIs



Follow-Up

Convening a Social Performance Leadership Group – Please commit to participate and help guide this important work.

Contacts

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