

Quantifying the Impact of Financial Institutions in Underserved Markets

Catalyzing Flow of Capital

July 17, 2014

Outline

- **NCIF and its research and advocacy efforts**
- **Background on new research initiative**
 - Objectives
 - Stakeholder benefits
 - Team members
 - Research process
 - Goals and progress
- **Solicit feedback and explain ways to get involved**

National Community Investment Fund

- **Non-profit private equity fund**
 - Focused on mission-oriented financial institutions (banks and credit unions) that provide financial products and services in underserved markets nationally.
 - \$228 million assets under management including New Markets Tax Credits (NMTC).

- **Three main activities**
 - **Investor**
 - In mission-oriented banks: since inception worked with 45 financial institutions that have generated over \$5.5 billion in development loans. Largest investor in CDFI and Minority banks in the US.
 - Building a fund for investing in banks and financial technology companies

 - **Direct lender: using NCIF Network banks as partners**
 - NMTC strategy to invest in projects with banks as local partners
 - Building Small Business Lending Fund to provide subsidy to small businesses

 - **Research and Metrics: built BankImpact.org, publish research to tell the story of mission-oriented banks and to catalyze investment decisions.**

Project Background

NCIF's goal in undertaking the project is to measure the relationship between financial institutions and changes in quality of life and economic activity in the surrounding communities.

Project Background: Objectives

The project has three overarching objectives:

1. Drive investments by providing additional data on social impacts
2. Better “Tell the Story” of financial institutions
3. Expand knowledge on the role financial institutions play in their communities

Project Background: Stakeholder Benefit

This work will help a range of stakeholders, including:

1. Investors

Make investment decisions using social and environmental information, Social Return Index/Scorecard

2. Mission Oriented Financial Institutions

Better “tell the story” of impact to stakeholders to solicit investment and support

3. Researchers

Expand the quantitative knowledge around the roles financial institutions play in their communities

Project Background: Team Members

Research Collaborator

Michael Swack, Professor, The Carsey Institute at the University of New Hampshire

Jack Northrup, Consultant

Data Collaborator

Steve Reider, Founder and President, Bancography

Advisory Board Members

Alden McDonald, President and CEO, Liberty Bank and Trust

B. Doyle Mitchell, Jr., President and CEO, Industrial Bank

Cathie Mahon, President/CEO, National Federation of Community Development Credit Unions

Cliff Rosenthal, Former Assistance Director of Financial Empowerment, CFPB

Ellen Seidman, Senior Fellow, Urban Institute and Former Director, Office of Thrift Supervision

Greg Bischak, Program Manager, Financial Strategy and Research, CDFI Fund

Hewson Baltzell, Executive Director and Head of Product Development, ESG Research, MSCI, Inc.

Jody Rasch, Senior Vice President, Moody's Corporation

Mark Ricca, President and CEO, First American International Bank

Mary Houghton, Former CEO, ShoreBank Corporation

Michael Berry, Director of Policy Studies, Federal Reserve Bank of Chicago

Paige Chapel, President and CEO, Aeris

Preston Pinkett III, President and CEO, City National Bank of New Jersey

Robert Weissbourd, Founder and President, RW Ventures

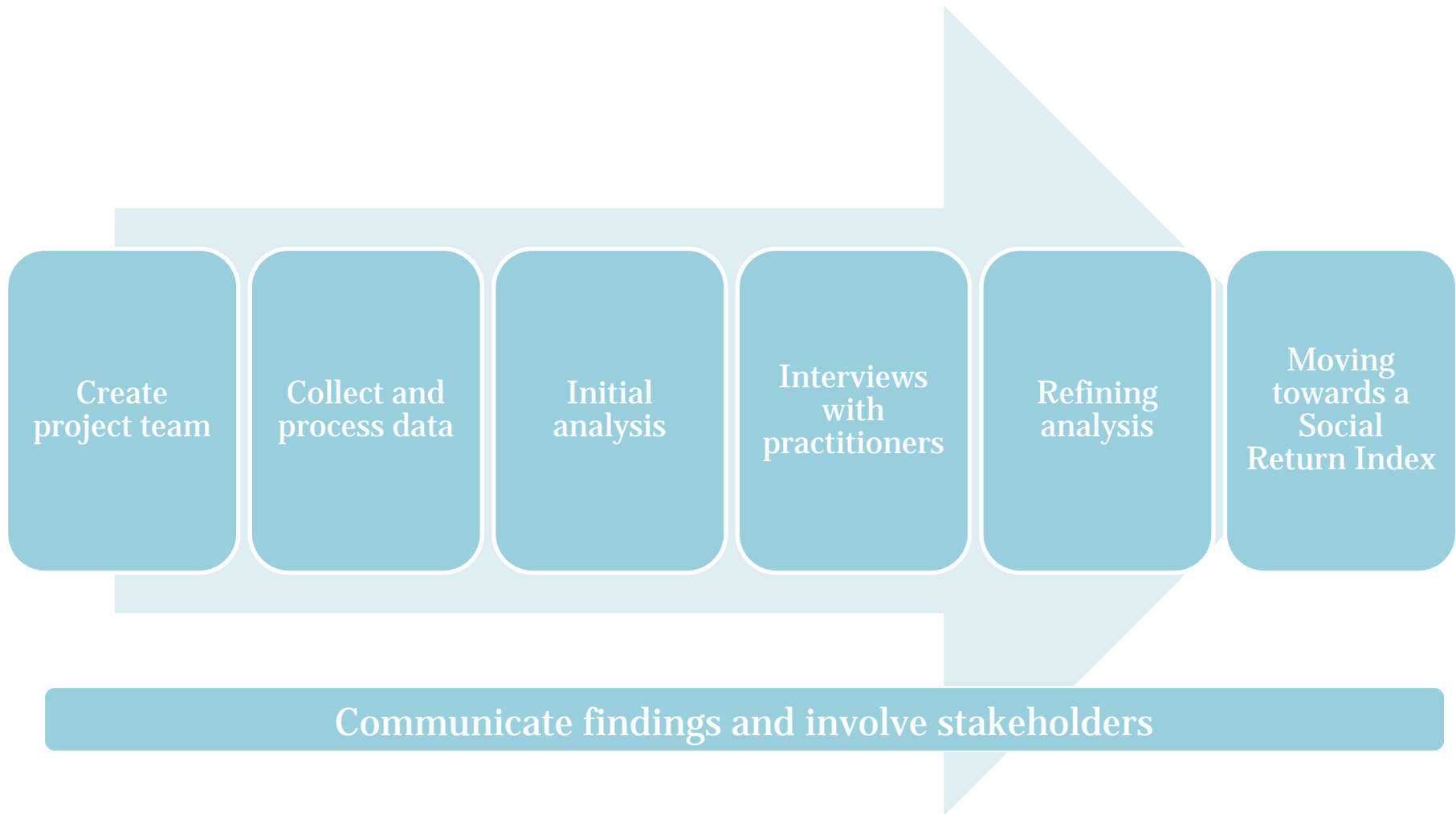
Steve Lydenberg, Partner, Strategic Vision, Domini Social Investments, LLC

Steve Reider, Founder and President, Bancography

Tony Berkley, Director of Mission Oriented Investing, W.K. Kellogg Foundation

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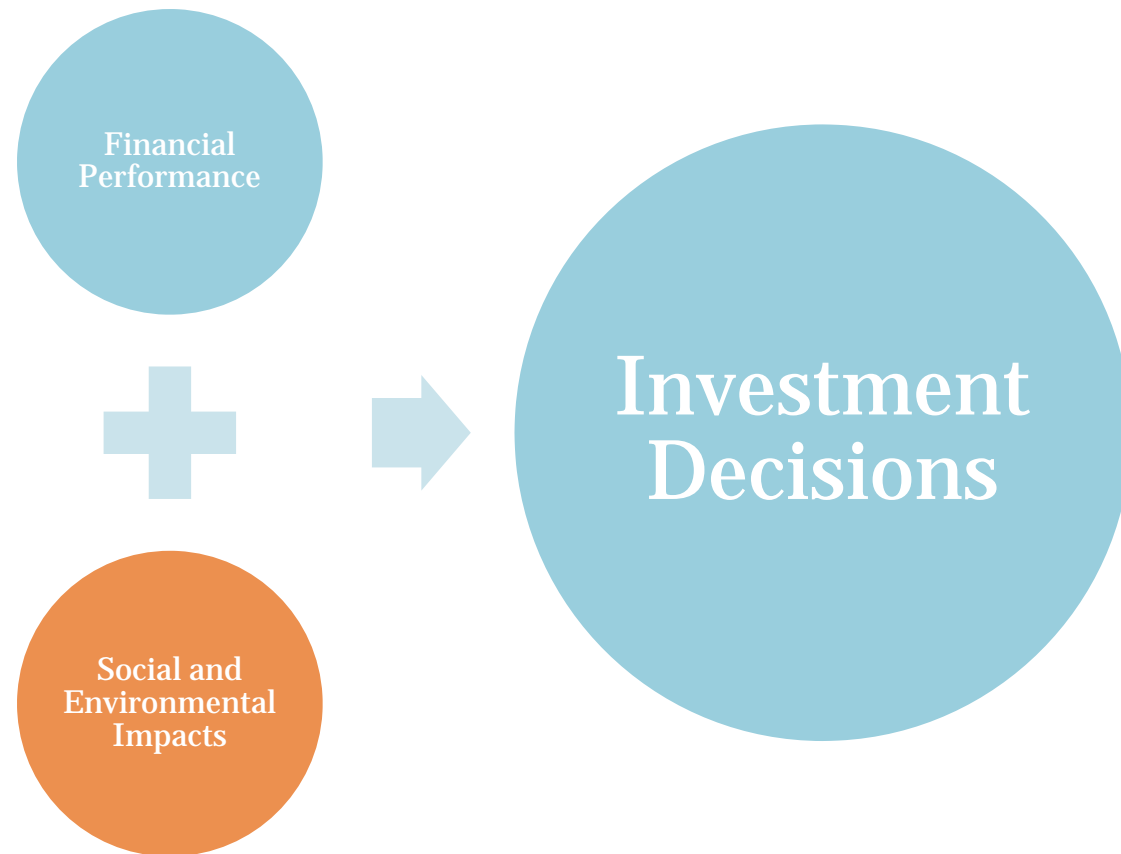
Project Background: Research Process



Project objectives and progress

1. Driving Investments

Investing: Use data to capture social impacts in financial decision-making.



2. Financial Institutions: Telling the Story

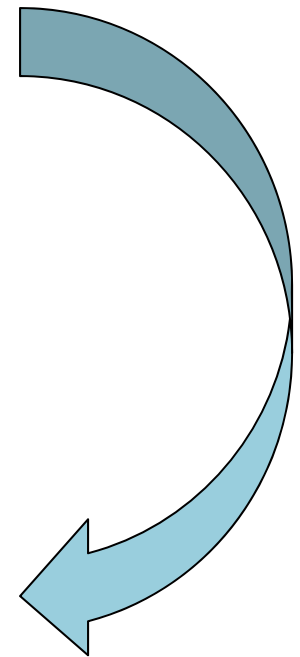
Financial Institutions: Better “tell the story” of mission-oriented financial institutions.

Current NCIF Impact Measurement

- BankImpact Search Engine
- BankImpact Dashboards
- Industry Analysis for “aggregate” case

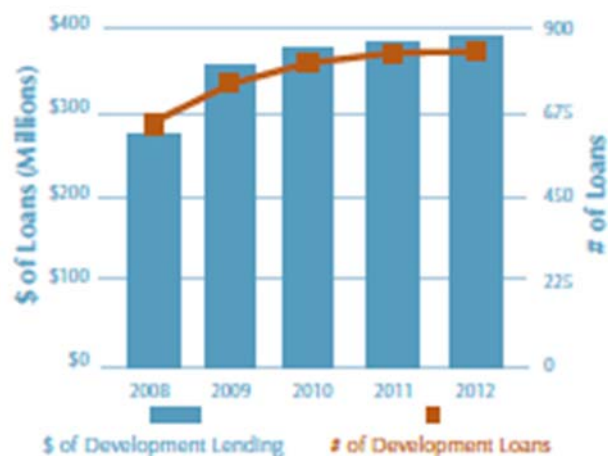
Enhanced and expanded through research

- Products adapted to represent new findings
- Better able to benchmark and differentiate
- Scorecard and ranking
- Help facilitate the flow of capital



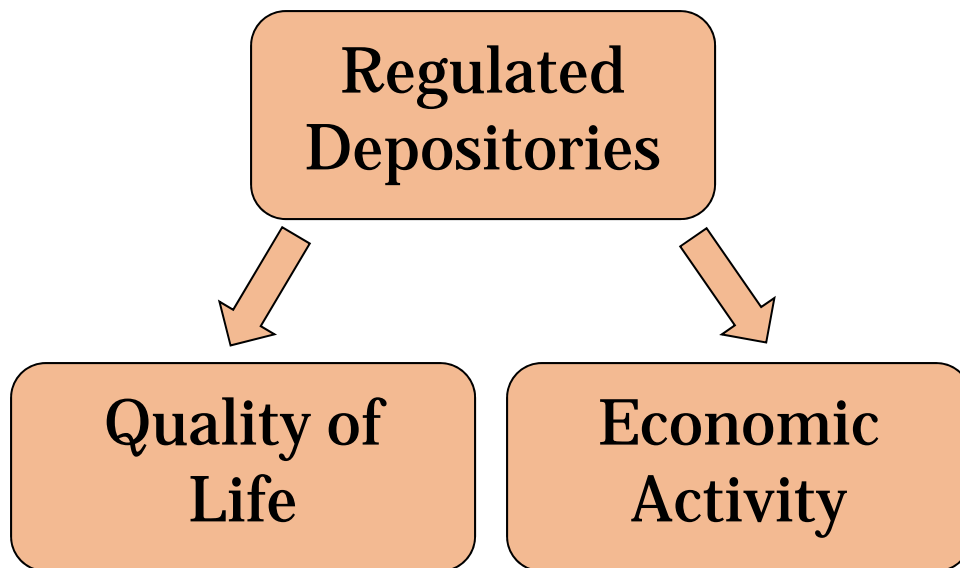
2. Financial Institutions: Telling the Story

Financial Institutions: Better “tell the story” of mission-oriented financial institutions.



3. Research: Expanding Knowledge

Research: Expand the quantitative knowledge around the roles banks and credit unions play in their communities



Financial institutions can have positive impacts in their communities, measureable through a range of variables measuring Quality of Life and Economic Activity

3. Research: Expanding Knowledge

Research: Expand the quantitative knowledge around the roles banks and credit unions play in their communities

Currently collecting and analyzing data including:

Financial Institutions

- Branch location
- Deposits
- Age of institution
- Loan to deposit ratios
- ROA
- Ownership structure
- CRA rating
- HMDA data
- NCIF Social Performance Metrics

Economic Activity

- Unemployment
- Number of businesses
- Number of employees
- Hiring and separations

Quality of Life

- Educational attainment
- Age, gender, race
- Population density
- Homeownership and rental data
- Vacancy rates
- Median income

3. Research: Expanding Knowledge

Research: Expand the quantitative knowledge around the roles banks and credit unions play in their communities

Data sources

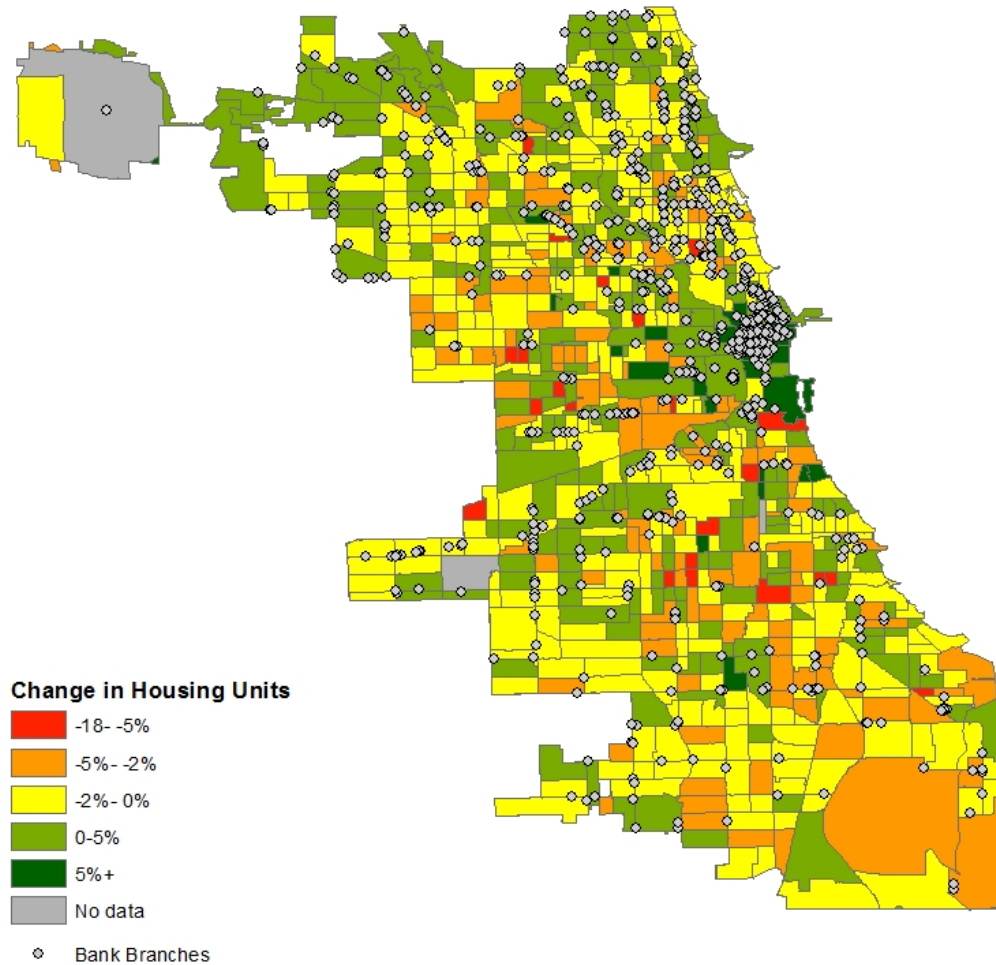
- HMDA
- FDIC (Summary of Deposits, Statistics on Depository Institutions)
- National Credit Union Administration
- Bancography
- Census (American Community Survey, Statistics on US Businesses)
- County Business Patterns

Methodologies

- Large scale analysis at the national level
- Matched pair analysis for geographic comparisons
- Transitional matrix
- Case studies to refine

3. Research: Expanding Knowledge

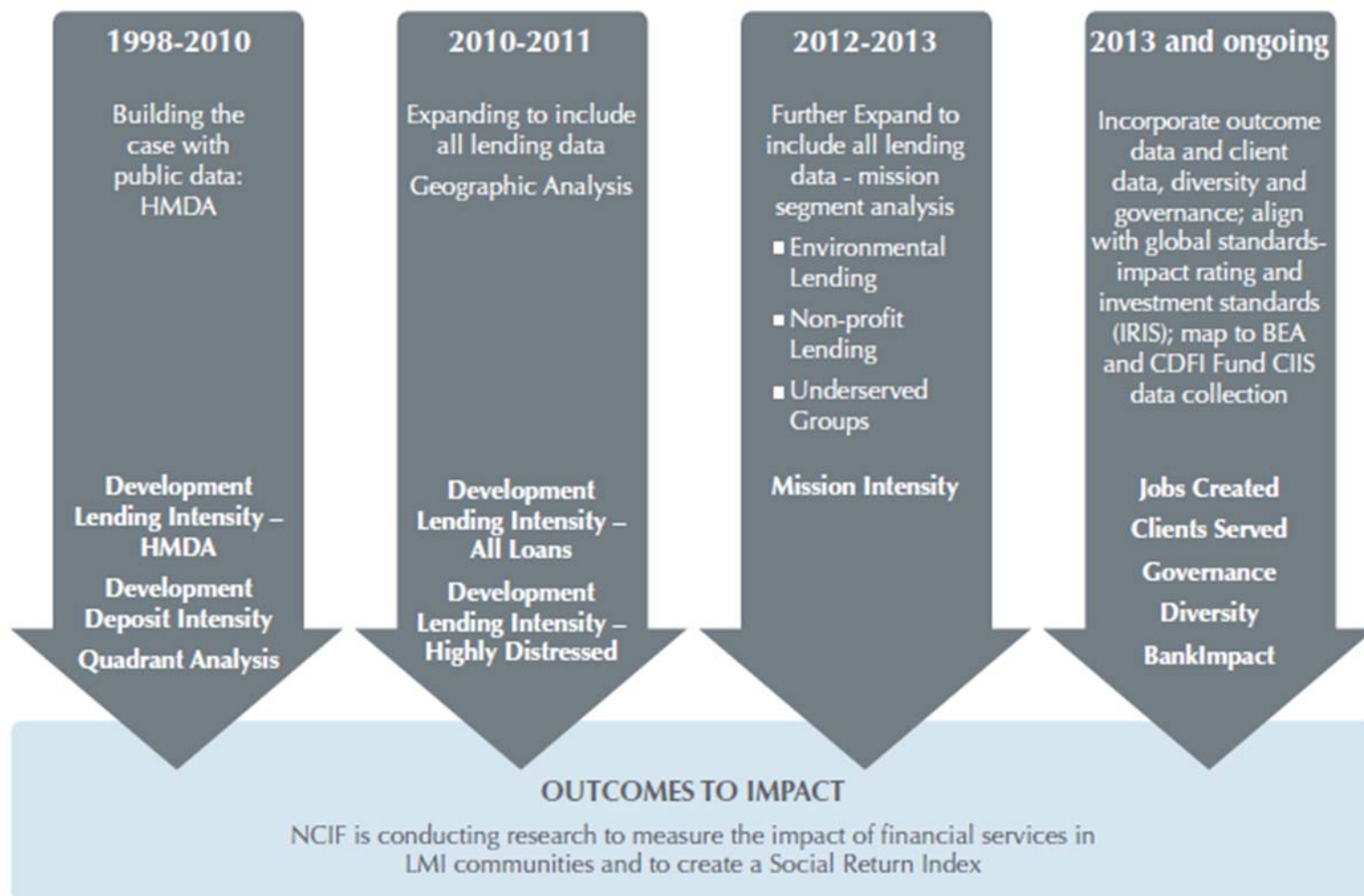
Chicago Housing Units Change, 2011-2012



Identify relationships between variables overtime and the presence of financial institutions

Moving the industry forward

NCIF: Moving the Industry Forward



NCIF: Moving the Industry Forward

- Building on past efforts, this research and collaborations with stakeholders:
 - Continue current efforts and provide quality analysis to partner banks and the industry
 - Explore funding mechanisms based on social performance
 - Create a score card
 - Create a ranking system

Opportunities for Collaboration

1. Investors

- Use quantitative data on impacts to allocate capital
- Provide feedback on variables that are useful in resource allocation

2. Financial Institution

- Provide feedback on methodology, proxies for impact or ways to better represent the sector
- Participate in other NCIF efforts including Dashboard data collection

3. Researchers

- Provide feedback on this research project and help identify future avenues of collaboration

Contact NCIF

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