


**2013 OPPORTUNITY FINANCE NETWORK
ANNUAL CONFERENCE
PHILADELPHIA, PA • OCT. 15-18, 2013**

**Impact Measurement for CDFIs:
The Current State of the Field**



Donna Fabiani, OFN
October 18, 2013

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What's This Session About?

- ★ It's about **approaches** to measuring impact.
- ★ It's about **relatively easy, low-cost** ways to measure impact.
- ★ It's about **impact broadly defined.**

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Who'll Talk about What?

- ★ **Donna:** Overview of some industry initiatives
- ★ **Joan:** CFF impact measurement tool you could modify for your own CDFI
- ★ **Jeannine:** how CDFI banks are measuring impact
- ★ **Michael:** examples from several different CDFIs as part of his work for the CDFI Fund
- ★ **You:** other impact measurement approaches and initiatives you're familiar with

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Overview of Industry Initiatives

- ★ OFN's Initiatives
 - ★ Annual Member Survey – financials, portfolio, outcomes
 - ★ Market Conditions Survey – demand, originations, capitalization
 - ★ Small Business Impact TA Memo – small business CDFIs' practices
 - ★ Create Jobs for USA reporting – projected and actual jobs, all sectors
 - ★ Coverage Map – CDFI loans, demand proxies, changes over time.

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Overview (continued)

★ Other Initiatives

- ★ CDFI Fund – Community Investment Impact System (CIIS)
Institution and Transaction Level Reports
- ★ CARS – financial and portfolio performance, new data
collection platform
- ★ NCIF –bank social performance metrics (development
lending and deposit intensity indices)
- ★ Impact Reporting and Investment Standards (IRIS) – social,
financial, and environmental performance
- ★ B Impact Assessment – B Lab's tool for measuring a
company's social and environmental performance

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Challenges and Questions

- ★ Burden
 - Inconsistent definitions
 - Duplication of effort
- ★ Purpose
 - Why are we measuring impact? For our own learning or for
our funders/investors?
 - Which data do we really need?

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Developing an Impact Model

Joan Brodhead, Community First Fund
October 18, 2013

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Developing an Impact Model

- ★ CARS Rating (2005)
 - Prove mission and vision statement
 - AA Impact Rating
- ★ Strategic Plan Goal
 - Develop Impact Model to assess performance
- ★ Two Steps for Development our Impact Model
 - Backward Mapping - Aspen Institute
 - Theory of Change - CFED

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Developing an Impact Model

- ★ Reviewed our original mission statement to understand the core purpose of the organization
- ★ Developed our Theory of Change Statement
- ★ Use the Theory of Change Statement to create update Vision and Mission Statement
- ★ Use Mission Statement to track impacts

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Community First Fund



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Developing an Impact Model

Problem Statement


- Poverty exists at extremely high rates across the cities and towns in our current Pennsylvania market area.
- These cities have poverty rates nearly three times higher than their respective Counties.
- As a result, there is a lack of economic opportunities for Persons of Color, Women and low-wealth communities.
- The region also experiences high levels of racial and economic discrimination.
- The region also suffers from a lack of mainstream investment in downtown areas and neighborhoods.
 - *To combat these problems, Community First provides access to investments for affordable housing, community and social services and business ownership.*

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Community First Fund



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Developing an Impact Model

★ Community First Fund Vision Statement

Community First Fund's vision is a vibrant and diverse community where individuals prosper and are free from **poverty** and discrimination.

★ Community First Fund Mission Statement

Community First Fund's mission is to create sustainable prosperity for low wealth communities and individuals, especially **Persons of Color** and **women**, by aligning capital, knowledge and advocacy to advance business ownership, housing and community development in the communities we serve.



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Developing an Impact Model

Impact Scoring model for loans, using priority points

- ★ Priority for loans made to low income borrowers
- ★ Priority for loans made in low income census tracts
- ★ Priority for loans made to Persons of Color and women
- ★ Priority for number and quality of jobs supporting low income communities and targeted populations



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Developing an Impact Model

- ★ Each Impact measure has a weighted score
 - Highest weight
 - Low Income/Low Wealth Individuals
 - Targeted Population
 - Benefits Low Income Community
 - Jobs for Low Income People and Communities
 - Lower weight
 - Affordable Housing Units
 - Owner Occupied Real Estate
 - Blight reduction and increased occupancy in vacant buildings

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Developing an Impact Model

- ★ Impact Rating on all Loans and Investments(1-10 scale)
- ★ Use impact rating for program evaluation
- ★ Use information to measure impact by employee, region, product and level (\$) of resources used
- ★ Strategy to focus fund raising for priorities (aligning resources with end use)

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Impact Rating System				
Loans Approved & Financed				
Loan Amount	FY 2011		FY 2012	
	# of Loans	Avg Impact Rating	# of Loans	Avg Impact Rating
TOTAL	83	5.3	67	6.4
\$0 - \$50K	50	6.2	49	6.3
\$51K - \$99K	12	5.2	9	6.3
\$100K - \$249K	12	4.6	6	7.1
\$250K - \$499K	6	5.2	2	6.6
\$500K +	3	5.5	1	2.5

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Developing an Impact Model

- ★ Tracking Short Term Outcomes
 - When loans and investments are made
- ★ Tracking Intermediate Term Outcomes
 - Annual Surveys with clients - based on current status
- ★ Tracking Long Term Outcomes
 - Annual Surveys with clients– Five to ten-year study
 - Also include external data and independent community studies

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COMMUNITY FIRST FUND – IMPACT INDICATORS						
Activities	Short Term Outcomes	Short Term Indicators	Intermediate Outcomes	Intermediate Indicators	Long Term Outcomes	Long Term Indicators
Housing Development Lending and Individualized TA	Increase in number of financed mixed income home ownership and rental units under development	Number of mixed income units financed	Increase in geographic and demographic diversity of mixed income units financed	Number of mixed-income housing units financed in each HUD median family income bracket	Reduction of concentrations of poverty (desegregation by income, race, and ethnicity)	Net change in percentage of individuals living below the poverty line in Community First Fund footprint
		Number of mixed income developments financed		Number of mixed-income housing units financed in each HUD population bracket	Geographically and demographically wide-spread increase in home ownership rate	Net change in homeownership rate in Community First Fund footprint
		Number of mixed income units financed in each HUD population bracket			Reduced housing cost burden (less than 30% of income paying for housing)	Net change in percentage of families spending over 30% of their income for housing costs
		Number of mixed income units financed in each HUD median income bracket				
	Increase in number of financed affordable for sale and rental units in development	Number of affordable housing rental units financed	Increase in geographic and demographic diversity of affordable housing units financed	Number of mixed-income housing units financed in each HUD population bracket	Local/Persons of color/Low or income ownership of commercial and residential properties	Net change in percentage of said target populations owning property
		Number of affordable housing for sale units financed		Number of mixed-income housing units financed in each HUD median family income bracket		
		Number of affordable housing developments financed		Number of mixed-income housing units financed in each HUD population bracket		
		Number of affordable units financed in each HUD population bracket				
Number of affordable units financed in each HUD median income bracket						

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Impact Assessment in the Community Development Banking Sector



October 18, 2013
10:45 AM – 12:00 pm

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Who is Community Development Bankers Association

- ★ Community Development Bankers Association (CDBA) is the national trade association of the community development bank sector. We are the voice and champion of banks and thrifts with a mission of serving low and moderate income communities
- ★ 80+ banks and thrifts are CDFI fund certified CDFIs and work in urban, rural and Native American communities across the United States
- ★ In 2013, CDBA began an initiative to help the CDFI banks build their capacity to define, collect and track social impact data.
- ★ CDBA engaged the CDFI Rating & Assessment Service (CARS) to jointly conduct an internal landscape survey of 10 CDFI banks and their social impact data collection practices

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A Lot of Data, Little Standardization

- ★ All of the 10 banks collect some impact data. Yet significant variation exists in the scope of impact metrics
 - In aggregate, the 10 banks were collecting 103 distinct output metrics, 51 intermediate outcome metrics, and 4 long term outcome metrics
- ★ Lack of standardized impact metrics is a significant challenge within the CDFI field generally, including for the CDFI banks
 - 8 common output measures were collected by all 10 banks, all of which are defined by Community Reinvestment Act (CRA) or Home Mortgage Disclosure Act (HMDA)
 - 6 common intermediate outcome measures were collected by 2 or more banks that report under the CDFI Fund FA or NMTC programs
 - For example, participants reported 12 distinct job related metrics that are collected all or most of the banks. Yet, only 6 metrics were defined the same way by two or more banks
 - Some banks have begun using secondary data sources & geo-coded loan data to track long term community outcomes over time

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Regulatory Challenges & Borrower Data

- ★ Regulatory prohibitions create significant barriers to collecting borrower data on race, gender, ethnicity, etc.. As a result CDFI banks do not have complete demographic data on their customer base (except for home mortgage lending).
 - ECOA prohibits collecting data on race, national origin, gender, religion, and other factors for all credit transactions except a primary residence. The intent is to prohibit data from being used to improperly inform loan decisions.
 - Fair Housing Act further prohibits lenders from discriminating on the basis of race, color, religion, gender, handicap, familial status or national origin
 - HMDA requires collection of data on race, ethnicity, gender, income, location for mortgage lending on a primary residence
 - CRA applies to small business, small farm and defined community development loans. Yet, the ECOA customer data collection prohibitions are applicable to nearly all CRA loans.
- ★ Two CDBA member banks have piloted customer data collection techniques using technology and other strategies that separate customer data collection from the credit decision process; thus far (while new) these efforts seem to be acceptable to regulatory agencies.

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Be Intentional

- ★ Intentionality & Planning: Intentionality was cited as a critical factor in creating an effective social impact assessment system. Taking intentional, but achievable, steps are critical to long term success.
- ★ Planning: CDFI banks with the most robust social impact systems had engaged in a planning process to identify their community impact goals before selecting metrics to align with those goals.
- ★ Alignment: After selecting goals & impact objections, examine current data collection efforts in determine if the data collected aligns with your goals. Will the data tell you if you are successful in reaching goals?
 - Review existing products, services, strategies, operations, output & outcome data to determine whether they align with goals. Make modifications where needed.
- ★ Feedback Loop: Creating an internal feedback loop for analyzing data & using it to better understand customers & inform future strategies was cited as a best practice.

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Culture & Creating Buy In

- ★ Organizational Culture: CDFI Banks surveyed believed that impact data collection was more likely to be successful if leadership explicitly recognizes that it needs to create a culture that makes social impact data a priority. Recommendations/Strategies:
 - CEOs must make impact data collection a priority, communicate it & consistently follow up with managers
 - All levels of the organization (board, management, staff) should be engaged in planning
 - Implementation Suggestions:
 - Appoint lead staff person responsible for collection, quality control, and reporting BUT impact performance must be everyone's job
 - Identify key front-line staff directly responsible for data collection (e.g. loan officers, compliance staff)
 - 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
 - Make data collection easy and necessary

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Implementation Challenges

- ★ **Quality Control:** The most frequently cited challenge in managing an impact data collection system was lack of consistent implementation. Strategies to address:
 - Staff training
 - Written policies and procedures
 - Financial incentives (both negative and positive) for staff to consistently collect data
 - Electronic loan application systems (e.g. collecting all data at application from borrowers, designating mandatory data fields for internal staff use)
- ★ **Software:** While no core bank accounting and loan systems incorporate social impact metrics, CDFI banks did not identify it as a major barrier. The common denominator for banks most satisfied with their systems was having sufficient flexibility to create customized data fields and reports. Most CDFI banks downloaded data from systems into more flexible systems (e.g. Excel, Access) for analysis due to ease of use.
- ★ **Getting Started is the Hardest Part:** All of the banks acknowledged that launching a data system can be daunting. Banks with the most robust systems agreed the task is big. All recommended breaking it down into small practical steps and adding as you go along.

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Investing in Systems

Investing in appropriate collection system is important. CDFIs need to recognize up-front that data collection costs are real. Estimated annual costs: \$50,000+ (excluding development of new systems). Strategies to mitigate costs including planning, studying internal data, sharing best practices with peers & using technology effectively.

Reasons Cited for Investing in Impact Data Systems:

"Clarify our business model"

"Build a culture around mission"

"Not waste time or throw good money towards projects that are not having impact"

"Help employees understand their role in carrying out a bank's mission, thereby increasing employee loyalty"

"Tell the public what a positive impact CDFI banks are having"

"Improve [service to customers]. You have to know what is going on. If you do, you can be transformative. Banks can learn a lot just by studying their own data."

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CARSEY INSTITUTE

UNIVERSITY of NEW HAMPSHIRE

Impact Measurement for CDFIs

OFN Conference

10/18/2013

Michael Swack - michael.swack@unh.edu

Designing a Shared Framework


- Clarity on what is being standardized
- Relevance and feasibility for the majority of the market
- Targeted audience for communicating results

Progress Out of Poverty-Index using proxies

- The index was created in response to the need to measure the double bottom line (that is, both social and financial impact).
- The PPI measures how likely respondents are to live below the poverty threshold.
- PPI quantifies the poverty outreach of organizations with a mission to serve the poor by measuring their success in getting clients out of poverty.
- The PPI has a standard 10-question format tailored to each country.
- “You manage what you measure.”

Low Income Investment Fund

- **Measure outputs (number of units, # of child care centers and child slots, etc.) and use existing research as proxy to “monetize” the social value**
- **Ron Haskins of the Brookings Institution on the value of education and economic mobility**
- **James Heckman’s (University of Chicago) research on early child education**
- **Joint Center for Housing show that once people spend less on housing, they spend more on food and health care**



InSight Approach to Impact Measurement

Identify Key Metrics

- Evaluate core set of metrics
- What's available
- What's relevant

Collect Data

- Utilize relationships
- Ensure ease for underlying companies and investors
- Consistent / accurate
- Ensure confidentiality (NDA's where necessary)

Analyze Data


- Clean data
- Benchmark results
- Document and disclose definitions, methodology, and sources

Communicate to Stakeholders

- Publish report
- Present findings

5

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InSight Metrics

Metric	Examples
Dollars invested in target communities	<ul style="list-style-type: none"> Dollars invested in state Dollars invested in rural areas
Jobs Supported and Created	<ul style="list-style-type: none"> Jobs supported at time of measurement Jobs created since investment Jobs created year over year
Companies/Employees located in underserved areas	<ul style="list-style-type: none"> In areas with limited capital In low income areas In rural areas
Employee health and retirement benefit levels	<ul style="list-style-type: none"> Percentage of employees eligible for benefits Percentage of employees enrolled in benefits
Employee wages	<ul style="list-style-type: none"> Median hourly employee wage Median salaried employee wage
Opportunities for women and minorities	<ul style="list-style-type: none"> Percentage of female/minority owners and managers Dollars committed to female/minority owned companies
Community Involvement	<ul style="list-style-type: none"> Annual community service budget
Opportunities for advancement	<ul style="list-style-type: none"> Hours devoted to formal training of hourly employees Opportunities for cross training

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InSight Impact Measurement

Rigorous, but pragmatic:

- Draws on a core set of metrics, customized to meet program and client needs
- Leverages existing relationships to make measurement “doable” for underlying companies, investors, and all key stakeholders
- Emulates traditional financial reporting by providing:
 - Longitudinal data collection
 - Benchmarked results
 - Disclosure of calculation methodologies and definitions
 - Timely release and update of information

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Self Help

- **Responsible Financial Services:**

Served more than **81,000 credit union members** and began serving an estimated **22,000 new people**. Member savings increased to **\$836 million**

- **Economic Recovery:**

Created or maintained more than **2,100 jobs**.

8

Self Help

- **Education:**

Lent **\$22 million** to public charter schools and child care centers, creating or maintaining more than **10,000 spaces** for mostly low-income children.

- **Policy**

Helped stop or limit payday lending in several states, which will save consumers **\$1.1 billion** annually.

9

But don't forget...



10