Impact
@Scale

PRACTITIONER GUIDE

CDBA
COMMUNITY DEVELOPMENT
BANKERS ASSOCIATION

PCG
Investing in Social Change

Partners
for the
Common Good

Impact
@Scale

MAKING THE
IMPACT
AT SCALE
JOURNEY

Impact @ Scale (I@S) is a long-term community development banking sector initiative designed to build the capacity of Community Development Financial Institution (CDFI) banks, Minority Depository Institutions (MDI) banks, and other mission-focused banks (collectively called "Community Development Banks" or CDBs) to collect, analyze, and communicate how their work generates impact in the communities they serve. Operated through a partnership between Partners for the Common Good (PCG) and the Community Development Bankers Association (CDBA), the initiative seeks to help CDBs integrate purpose and impact in their business strategies and better communicate their impact through data and stories.

The I@S training program was launched in 2019 to help bankers build impact measurement and management (IMM) expertise with a specific focus on small business lending and working with entrepreneurs of color. Small business lending was emphasized because entrepreneurship is a driver of wealth creation and economic opportunity, especially for people of color who are disproportionately employed in lower-wage jobs due to structural barriers resulting in occupational segregation.[1] While CDFI banks focus on a wide range of lending activities, financing commercial business activity is core to the business model for most.[2] In fact, CDFI banks reported $27.8 billion in commercial loans outstanding at 12/31/2021.[3]

Regulated CDFIs and MDIs have less experience, however, in measuring impact than their non-regulated nonprofit CDFIs counterparts because they have significantly less access to philanthropic sources of capital. Nonprofit organizations (with their charitable tax status) were early adopters of impact measurement as it is often a funding requirement or makes them more competitive in securing funding. Before I@S, there were few venues for CDBs to learn about impact data and IMM – and none tailored to the banking industry. I@S has since expanded to focus on all types of lending activities in which CDBs engage.

To design the I@S curriculum, the PCG-CDBA team convened a working group of nine banks in January 2019.[4] In addition, we gathered input from several bank and non-bank community development finance practitioners with strong IMM programs.[5] We completed a landscape survey with each practitioner in 1.5 hour interviews to learn best-in-class standards and find out what these successful CDFIs had in common. Finally, we held hour-long interviews with each bank enrolled in I@S to determine baseline IMM practices and to assess where the program could have the most significant effect.

A foundational principle of building an effective IMM program is to recognize that it is a journey - not a destination. Building an IMM system is an iterative process, starting with where you are today. It doesn't matter whether you are new to IMM or have a robust system in place. At each step, your goal should be to learn and refine, gradually improving on what you have already built. Keep in mind that your journey will have multiple dimensions. Through hours of interviews and meetings with CDBs and other community development finance practitioners, our team identified four major IMM themes: (1) metrics, data analytics, and systems; (2) impact storytelling; (3) organizational culture and internal branding; and (4) integrating impact into strategic planning.

CDBs are headquartered in geographic areas with high concentrations of poverty and people of color. Our funder, the W. K. Kellogg Foundation, centers its work on children of color and poverty alleviation with a particular focus on racial equity. Small business creation and entrepreneurship have a powerful potential to address the racial wealth gap and are activities on which most CDBs are focused. To that end we built the I@S training curriculum around strategies for CDBs to support Black, Indigenous and People of Color (BIPOC) entrepreneurs. To emphasize the experiences of both bank staff and customers of color, the I@S curriculum included diversity, equity, and inclusion (DEI) exercises for all participants.

While the I@S program alone will not dismantle the historic and system-ic barriers to wealth creation for BIPOC, we incorporated content to expand awareness and facilitate discussion on how bankers can approach their work with racial equity in mind.

The I@S training program consisted of two six-month-long cohorts that ran from September 2019 to September 2020. Each cohort included a two-day in-person workshop, followed by monthly webinars, and ending with a two-day in-person workshop. The sessions featured subject matter experts and bank peers. Participants were assigned optional homework to complete related to the four curriculum themes. The assignments put theory into practice and challenged participants to apply the lessons to their individual institutions. The first cohort ran from September 2019 to January 2020. We launched the second cohort during the first week of March 2020 with our two-day in-person workshop. Due to COVID, we had to pivot and host the concluding two-day workshop virtually over several half days in the fall of 2020. Despite the disruption, our participants persevered and all banks completed the program. Overall, 92 people from 47 banks completed the I@S training program over the course of two cohorts. The key takeaways and findings are highlighted in the guide as "Best Practices."

The next phase of I@S is to make the learning process ongoing. This practitioner guide and additional materials are intended to continue the dialogue and to educate bank employees, facilitate the adoption of IMM practices, and support continuous learning across the CDB sector. PCG-CDBA has enhanced its programming to include IMM topics and launched ongoing peer groups of bank professionals working in marketing and impact and data analytics that meet virtually multiple times per year. Through long-term and sustained focus, CDBs will be able to facilitate long-term adoption of IMM practices.

[1] Bahn, Kate and Carmen Sanchez Cumming. U.S. occupational segregation by race, ethnicity, and gender. Washington Center for Equitable Growth. July 2020.
[2] U.S. Department of the Treasury Community Development Financial Institutions Fund. CDFI Annual Certification and Data Collection Report (ACR): A Snapshot for Fiscal Year 2020. October 2021.
[3] FDIC Website, Call Reports for 12/31/2021.
[4] I@S Working Group participants: Beneficial State Bank (Oakland CA), City First Bank (Washington DC), Harbor Bank of Maryland (Baltimore MD), Industrial Bank (Washington DC), Southern Bancorporation (Arkadelphia AR), Sunrise Banks (St. Paul), The First (Hattiesburg MS), Virginia Community Capital Bank (Richmond VA).
[5] CDFI Impact Landscape interviewees: Aspen Institute (Washington DC), Beneficial State Bank (Oakland CA), Capital Impact Partners (Arlington VA), Coastal Enterprises Inc. (Brunswick ME), Community First Fund (Landcaster PA), Craft 3 (Oregon), Hope Enterprise (Jackson MS), IFF (Chicago IL), LIFTFund (San Antonio TX), Accion Opportunity Fund (San Jose CA), Reinvestment Fund (Philadelphia P), Urban Institute (Washington DC).

ABOUT

PARTNERS FOR THE COMMON GOOD (PCG) is a national nonprofit organization whose mission is to advance economic justice and racial equity. We partner with and strengthen financial institutions to bring capital, create opportunity, and build wealth for low-income people and communities. PCG's CDFI loan fund operates the industry's first national loan participation network and its CapNexus platform provides industry news and opportunities. In 2001, PCG helped launch and has since hosted the Community Development Bankers Association (CDBA).

THE COMMUNITY DEVELOPMENT BANKERS ASSOCIATION (CDBA) is the national trade association for the CDB sector. CDBA has over 20 years of experience with public policy advocacy and programs designed to promote knowledge sharing and best practices in the sector.

CDBA and PCG leadership and staff have co-authored impact guides with Aeris Insight (formerly CARS), trained Minority Depository Institutions (MDIs) with Deloitte as part of the 2014 CDFI Fund Capacity Building Initiative, and presented on IMM at several FDIC conferences and Opportunity Finance Network events. In 2019, they jointly launched I@S as an industry initiative to build the IMM capacity of the sector.

CONTENTS

INTRODUCTION

This Basics of Impact Analytics Practitioner Guide serves as a primer and introduction for staff and banks new to impact measurement and management (IMM). This guide will provide a high-level overview of the basics of IMM. The guide is part of a series: each component will dive deeper into the themes of the Impact @ Scale (I@S) curriculum. As noted, I@S is specifically tailored to meet the IMM needs of the regulated CDB sector.

IMM is an emerging field that has been largely led by the philanthropic and nonprofit sectors over the last two decades. Within the for-profit business sector, IMM is in its infancy. As more for-profit companies seek to integrate social purpose within their business models, they are voluntarily collecting data for rating services, such as B Corporation, to distinguish themselves as purpose-led and contributing to a better society. As such, IMM-type practices are emerging within the for-profit business sector. While many CDBs report feeling that they are "behind" in IMM compared to non-regulated CDFIs, the reality is that they're early adopters within the for-profit sector. Among the adoption barriers is that common non-regulated CDFI sector practices for collecting impact data do not fit the scale of lending, compliance requirements, and operations of regulated CDFIs. New models and tools are needed.

I@S is aimed at building the internal capacity of every CDB to tell their "why" through data and stories. With this foundation, banks can make informed decisions about how to integrate purpose, impact, and business strategy to better serve BIPOC and economically distressed communities. We recognize that success will look different for each bank. Integrating IMM into internal organizational processes will require a long-term investment of resources, including time, staffing, and budget.

▶ *Anthony Tucker, owner of Nomad Deli, shakes the hand of Zachary Petry, the small business lending manager at Virginia Community Capital.*

To assist on your IMM journey, PCG-CDBA is publishing a series of Practitioners Guides for each of the I@S curriculum pillars:

THE BASICS OF IMPACT ANALYTICS

IMPACT STORY TELLING

BUILDING AN IMPACT ALIGNED CULTURE & BRAND

STRATEGIC PLANNING FOR IMPACT

In this guide, we will explore issues around selecting metrics and building the systems to support your IMM program. In our second guide, we will discuss the important role of storytelling in engaging internal and external audiences to support your purpose-led institution. In our third guide, we will explore how to build a culture that brings together your internal stakeholders toward a common vision that strengthens your external brand. In our fourth guide, we will discuss how the traditional bank strategic planning model needs to be recrafted to fit the needs of CDBs such that impact is part of decision making at the start.

1

PART ONE

WHAT IS IMPACT AND WHY SHOULD YOU MEASURE IT?

For a CDB, "impact" is the change you seek to have on your community. Impact can be positive, negative or neutral. Generally, if you are a CDB that is a certified CDFI, the changes you seek often include improving economic opportunity for people, businesses, nonprofits, or others that live or work in a low-income or otherwise underserved community. If you are a CDB that is interested in climate issues, you may seek to improve the quality of the environment of your community – or at least minimize the negative impact of activities financed by your bank. There are all types of "impacts" that your bank may be interested in promoting and are aligned with your greater strategic and business goals.

▶ *Carver State Bank is proud to serve entrepreneur Renee Williams and her Savannah, GA-based child care center, Renee's Kids World.*

Impact measurement is the process of **quantitatively and qualitatively measuring** the impact that an organization and its activities **have toward achieving a social and/or environmental goal**.

Generally, CDBs improve economic, environmental, social, or other outcomes in their communities using a for-profit business model.

They are part of a growing group of hybrid companies that blend purpose with profit to create a more economically just and sustainable world. This business trend is referred to in a variety of ways including: Environment Social and Governance (ESG), Corporate Social Responsibility (CSR), double or triple bottom line, mission-driven, or values-based.

The common denominator is that there is a growing movement within for-profit companies to blend profit and purpose as a business strategy.

Impact measurement and management (IMM) is a relatively new field that is largely led by the nonprofit and philanthropic sectors – and increasingly for-profit impact investors. While impact measurement is relatively new to the business world, social entrepreneurship, impact investing, and impact measurement are among the hottest topics in business schools.

Collection and analysis of impact data is important for all CDBs to understand how effectively they serve their target markets and ensure alignment of strategies and operations with the achievement of mission-related goals. In this series, we attempt to build on and adapt the work of the nonprofit and philanthropic sectors – but tailor it to fit the for-profit mission-driven banking sector.

IMM is a discipline with an emerging set of standardized metrics. Some of the terminology will be new and the concept of measuring non-financial metrics may seem unusual for a bank. In Appendix 1, *How to Use the Impact Metrics Menu,* we outline a set of potential metrics that reflect common bank lending activities. Banks should neither feel that the Impact Metrics Menu is exhaustive nor think that they are required to collect all metrics on the list. A CDB should select only those metrics that reflect the work it does, or else design its own metrics tailored to its strategy and products.

GETTING STARTED

We don't have any impact data. How do we start collecting impact data?

During our I@S baseline interviews with bankers, the statements above were common. While earnest in their desire to improve their bank's impact performance, the statements revealed a very common misunderstanding about impact data in the CDB sector.

SPECIFICALLY, ALL BANKS <u>ALREADY</u> COLLECT SOME TYPES OF IMPACT DATA.
Banks collect customer data for many business purposes, but they don't realize it can be repurposed for impact. Before we dive into metrics, in Part II we will discuss some of the big-picture issues you need to consider as you plan your IMM. In Part III, we will cover some of the basics of IMM terminology and concepts. In the Appendices, we will highlight common metrics for mis-sion lenders and provide additional resources.

BUILDING AN EFFECTIVE IMM PROGRAM IS A <u>JOURNEY</u>. THE MOST IMPORTANT PART OF ANY JOURNEY IS BEGINNING IT.
Start with where your CDB is today. At each step of your journey, the focus should be on learning and refining. It is important to construct an IMM system that is flexible to support continuous refinement and improves on what you have already built. Part of the journey is shifting your organization from a "compliance" culture to a "learning" culture *(see Exhibit 1).*

MAKING THE MINDSET SHIFT

EXHIBIT 1

Each bank has its own journey to define its "why" and build its unique IMM strategy. Some banks may be further along the journey than others. To help you evaluate where your bank may be on the impact spectrum, we created the *Impact Journey Map (see Appendix 2)*. You can use the Journey Map as an internal tool to assess where your bank is today and

We only collect data that is required by regulators or the CDFI Fund. It's too expensive or time consuming to do more!

COMPLIANCE CULTURE

COMPETITION MOTIVATION

We collect impact data because we have heard it will make us more competitive for CDFI Fund money.

We are going to use impact data & stories in our marketing materials so our customers will know why we are a great bank.

EXTERNAL BRANDING MOTIVATION

INTERNAL BRANDING MOTIVATION

We share our impact data & stories with employees. It makes them feel good to work for a bank that does good things.

We use our impact data to make smarter decisions. Data helps us to know what works and where to focus our efforts.
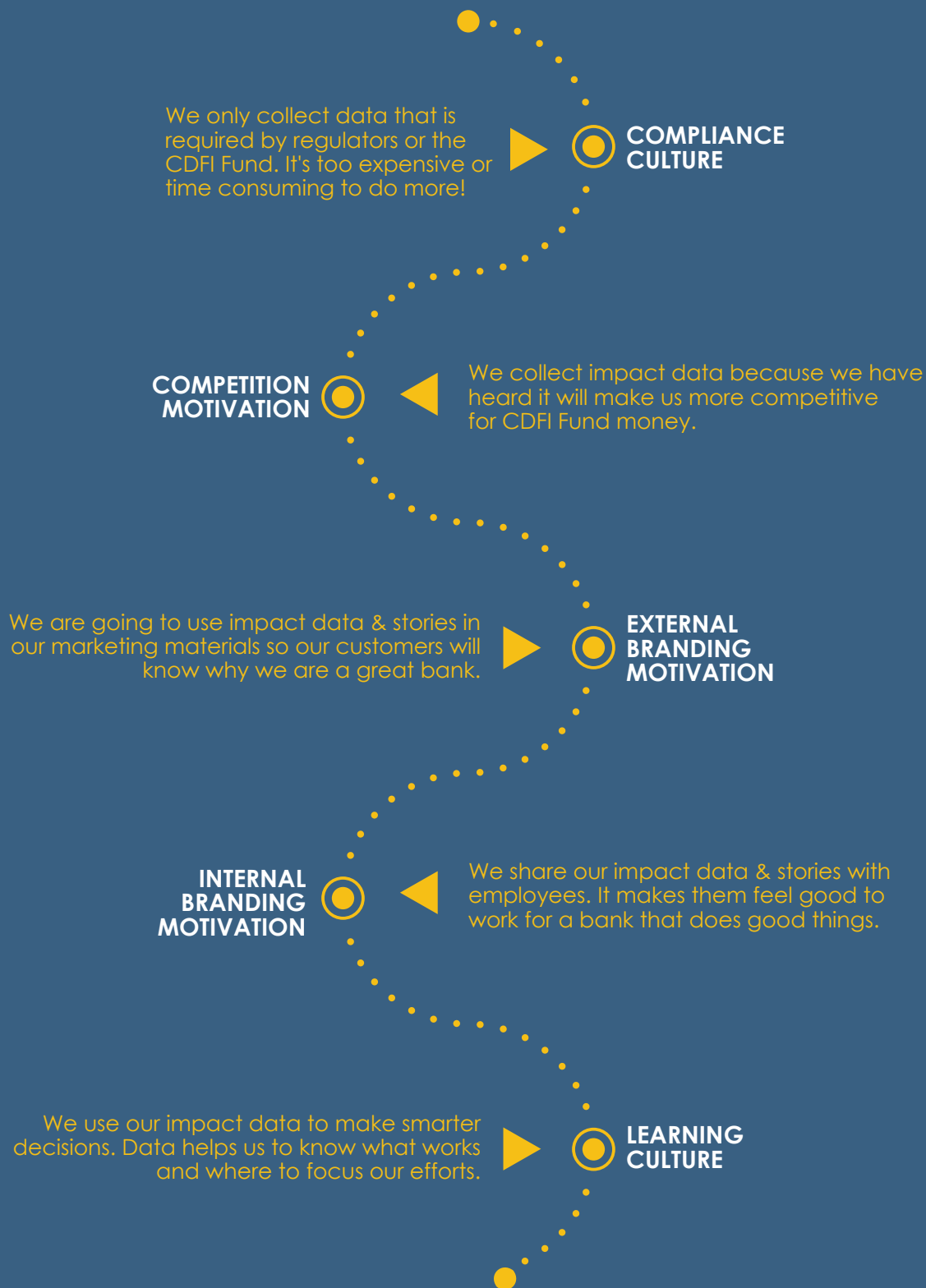
LEARNING CULTURE

THE BIG PICTURE:
BUILDING AN INTERNAL IMM STRATEGY & IMPLEMENTATION PLAN

The scale of lending and operations of regulated CDBs create unique challenges with IMM adoption relative to their smaller non-regulated CDFI peers. To break through the barriers, it requires planning, team building, and investment in systems to automate and streamline data collection.

In the following pages we will discuss some of the key find-ings, issues, and "best practices" identified by bankers that participated in I@S. Launching an IMM system may seem daunting. Banks that have implemented systems agree the task is significant. The task, however, can be broken into smaller practical steps that are implemented over time.

▶ *City First Bank combined New Market and Historic Tax Credits to provide construction rehabilitation for Washington, D.C.'s historic Atlas Theater, a performing arts center.*

WHAT IS THE BUSINESS CASE FOR IMM?

IMM can create a better performing bank that maximizes both its profit and impact. The business case is five-fold:

Facilitating data-driven decision making aligned with the mission, purpose and goals of the bank.

Reporting and compliance for government funding programs.

Enhancing competitiveness for government, philanthropic, and socially motivated investor capital and deposits.

Enhancing customer brand loyalty associated with good work in the community.

Increasing employee buy-in and satisfaction associated with working for a purpose led company.

STRATEGIC PLANNING BEGINS WITH IMPACT

For every CDB, strategic planning should begin with impact. In our forthcoming I@S Practitioner Guide called *Strategic Planning to Maximize Impact*, we will discuss how CDBs can amend their planning processes to integrate impact goals with business strategy. Below is a general discussion.

In a nonprofit or philanthropic context, strategic planning always begins with a discussion of impact goals. *What is the social or community problem the organization was created to address? What change does it seek to create? How will the organization move the needle in solving the problem?*

By contrast, traditional community bank strategic planning is typically focused on three-to-five-year financial forecasting and scenario planning, risk assessment, and operating environment assessment (i.e., market, economy, legislative or regulatory changes).

Each of these elements is, of course, critically important and no CDB should ignore them. As more for-profit companies seek to integrate social purpose within their business models, many find their strategic planning processes need to evolve to incorporate impact at the highest levels of decision making.

A new hybrid CDB strategic planning process is needed to ensure alignment of impact, financial, operational and other goals. This does not mean that CDBs should forget about profitability. To the contrary, without margin there are no resources for mission. Profitability is nonnegotiable for a CDB. Unlike nonprofits, regulated CDBs do not have access to philanthropic resources to fill gaps in operations. While CDFI banks have some access to government subsidies through the US Treasury's CDFI Fund, the dollar amounts are unpredictable and inadequate relative to the size of the industry.

Furthermore, bank examiners typically disallow consideration of such subsidies for meeting earnings benchmarks and only count earnings generated from "core" banking activities.

What makes successful CDBs unique is their ability to integrate mission and margin and use finance as a force for good. The financing and technical assistance delivered empowers customers to purchase a home, launch or expand a small business, create jobs, build affordable housing, and gain financial wellness.

CASE STUDY

SOUTHERN BANCORP

Growing the GDP of Arkansas & the Mississippi Delta

Impact is central to Southern Bancorp's strategic planning. In 2017, the bank set 10-year impact goals related to affordable housing, job creation and retention, and customer savings. A key part of Southern's plan for growing economic opportunity in its rural market is to grow small businesses and jobs. In 2021, the bank originated 4,030 business loans totaling $654 million. Collectively, these customers created or retained 19,117 jobs in 2021 based on data collected by Southern during the application, underwriting, and loan closing process. Taking their analysis a step further, each year Southern engages economist Dr. Gregory Hamilton (retired) of University of Arkansas at Little Rock to create job and Gross Domestic Product impact estimates using the nationally recognized impact model IMPLAN.

As Southern collects industry NAICS codes for each borrower, the IMPLAN software can pull industry data to estimate sales, income, jobs and Gross Domestic Product (GDP) that are likely to be generated. In total, Southern's borrowers are estimated to have had a $1.1 billion GDP impact on Mississippi and Arkansas in 2021. While still in the planning phase, Southern hopes to enhance and verify its estimates by administering a borrower survey as part of loan monitoring at least once during the term of each loan.

BEST PRACTICES

BEGIN STRATEGIC PLANNING BY ENVISIONING YOUR BANK'S GOALS FOR IMPROVING THE WELL-BEING OF YOUR CUSTOMERS AND/OR COMMUNITY.

Strategy should flow from the goals set, including a discussion about how your products, services and delivery strategies align with the goal. A well-designed impact strategy will articulate the linkages between what the bank does and what it hopes to achieve (outcomes). Like a business plan, an impact strategy will:

- Establish an intentional process to facilitate dialogue and agreement about a CDB's intended impacts (i.e., scope, scale, depth, focus areas)
- Foster internal alignment around impact goals
- Serve as a roadmap to guide selection of metrics for measuring, managing, and communicating impact
- Guide decision-making so that day-to-day choices contribute to the bank's impact goals
- Provide a visual tool to communicate your bank's intentional commitment to impact that is clear to employees, customers, investors, and other stakeholders

REVIEW FINANCIAL, LENDING, & IMPACT STRATEGIES HOLISTICALLY.

If these components are not planned in concert, it will inevitably lead to confusion as bank personnel may feel that they are working in seemingly contradictory directions.

Importantly, bank directors, the CEO, and the rest of the C-Suite must buy into the impact goals and how they integrate with the traditional business functions of the bank.

Southern Bancorp

10 YEAR GOAL PROGRESS

10 Year Goal (2017-2026)*	2017	2018	2019	2020	2021	10 Year Progress
HOUSING — Support **20,000** people in attaining and/or sustaining affordable housing	2,543 people	1,456 people	1,739 people	2,203 people	2,332 people	10,273 people
JOBS — Support the creation or retention of **120,000** jobs**	10,741 est. jobs	9,254 est. jobs	10,783 est. jobs	34,882 est. jobs	14,648 est. jobs	80,308 est. jobs in AR & MS
	$851 M est. GDP impact	$727 M est. GDP impact	$864 M est. GDP impact	$2.6 B est. GDP impact	$1.1 B est. GDP impact	$6.1 Billion est. impact on AR & MS
SAVINGS — Empower **2,000,000** people to save***	6,586 people	7,965 people	9,039 people	93,989 people	95,220 People	212,799 people

% of Loans in CDFI target markets (Goal: 60%)		2017	2018	2019	2020	2021
Southern Bancorp Bank****	$	62%	66%	67%	88%	87%
	#	77%	79%	73%	96%	96%
Southern Bancorp Community Partners	$	86%	99%	100%	94%	73%
	#	81%	92%	100%	90%	78%

*approved goal increases effective 01.01.2021
**2020 jobs impact numbers impacted by PPP lending opportunities
***Savings goal significantly impacted by 2020 public policy initiatives
****CDFI target markets were modified in 2020

as of 12.31.2021

CREATING A LEARNING ORGANIZATION

Collection of impact analytics is not an end in and of itself.
Your impact data may be of interest to many external stakeholders
(i.e., CDFI Fund, impact investors, customers). Yet, the data's most important
use is as a business analytic tool for informing CDB strategy.

BEST PRACTICES

Create an impact "dashboard report" for management and the board to inform and keep a focus on the desired outcomes.

A sample dashboard report can be seen in *Exhibit 2*. The dashboard of each CDB should be tailored to the priorities of each institution.

Design your IMM reporting system with a "feedback loop."

IMM systems with a reporting feed-back loop will enable leadership to compare results against achieve-ment of strategic priorities and make changes in products, services, and delivery to improve performance *(see Exhibit 3)*.

Ensure your feedback loop integrates the information collected from customers into decision-making.

IMM provides the framework for establishing desired outcomes, articulating the steps and activities to achieve the outcome, and implementing processes to collect and analyze data to measure progress. Once you clarify a desired outcome, IMM creates a framework to evaluate whether a bank's practices are contributing to the change. A well-designed IMM should provide the CDB with insight into what products, services, or strategies are working – or not – in order to make informed adjustments.

Select and/or design metrics and reports that provide an ongoing flow of data to help leadership make informed decisions and adjust strategy for achievement of your business and impact goals.

With its feedback loop, IMM assumes a "constant change" environment. It recognizes that impact data collection is and should be an iterative and ongoing activity. The data collected should reflect the strategic priorities of the institution. The priorities of the bank are likely to shift over time in response to an ever-changing environment and new opportunities.

Focus on measuring activities that align with your impact goals.
After your CDB has created an impact strategy, it is in a good position to identify the metrics that are most aligned with its goals. Identifying your goals will prevent you from wasting time and effort collecting data that isn't relevant.

Exercise discipline once you are ready to select your impact metrics.

Only collect data that will be helpful in tracking progress toward strategic goals. Two important IMM axioms are "less is more" and "quality over quantity." In short, it is best to collect data on a small number of well selected metrics and do it consistently. This strategy will also reduce the burden on staff and customers by not collecting data that does not get used.

One I@S participant relayed a story whereby the bank began collecting impact data on every metric they could think of to ensure they "didn't leave anything that might be useful out." During implementation, management got push back from the lending department because it created too much work. As a result, data was collected on less than 15% of their loans. The low collection rates caused the bank to rethink and significantly pare down their metrics to a handful of the most important. Thereafter, collection rates and data quality rose significantly. Another bank that began the IMM journey found that staff quickly became overwhelmed as they tried to imagine how to measure impact on each product line.

After some frustrating months, they decided to scale it back. They picked two lending types, small business and mortgage lending, that were key to their strategic plan goals. They focused on building their IMM system around the two lending types. They agreed they would learn from those and add others later.

LESSON #1

The most important part of any journey is **starting it.**

EXHIBIT 2
Sample Internal Form Used By City First Bank

CITY FIRST BANK, N.A.
MISSION STATISTICS

cityfirstbank

YEAR TO DATE (YTD) FIGURES - AS OF 12/31/21
NOTES: Anything in grey will be updated later, 2020 figures are consolidated for legacy City First Bank, N.A and Broadway Federal Bank, f.s.b.
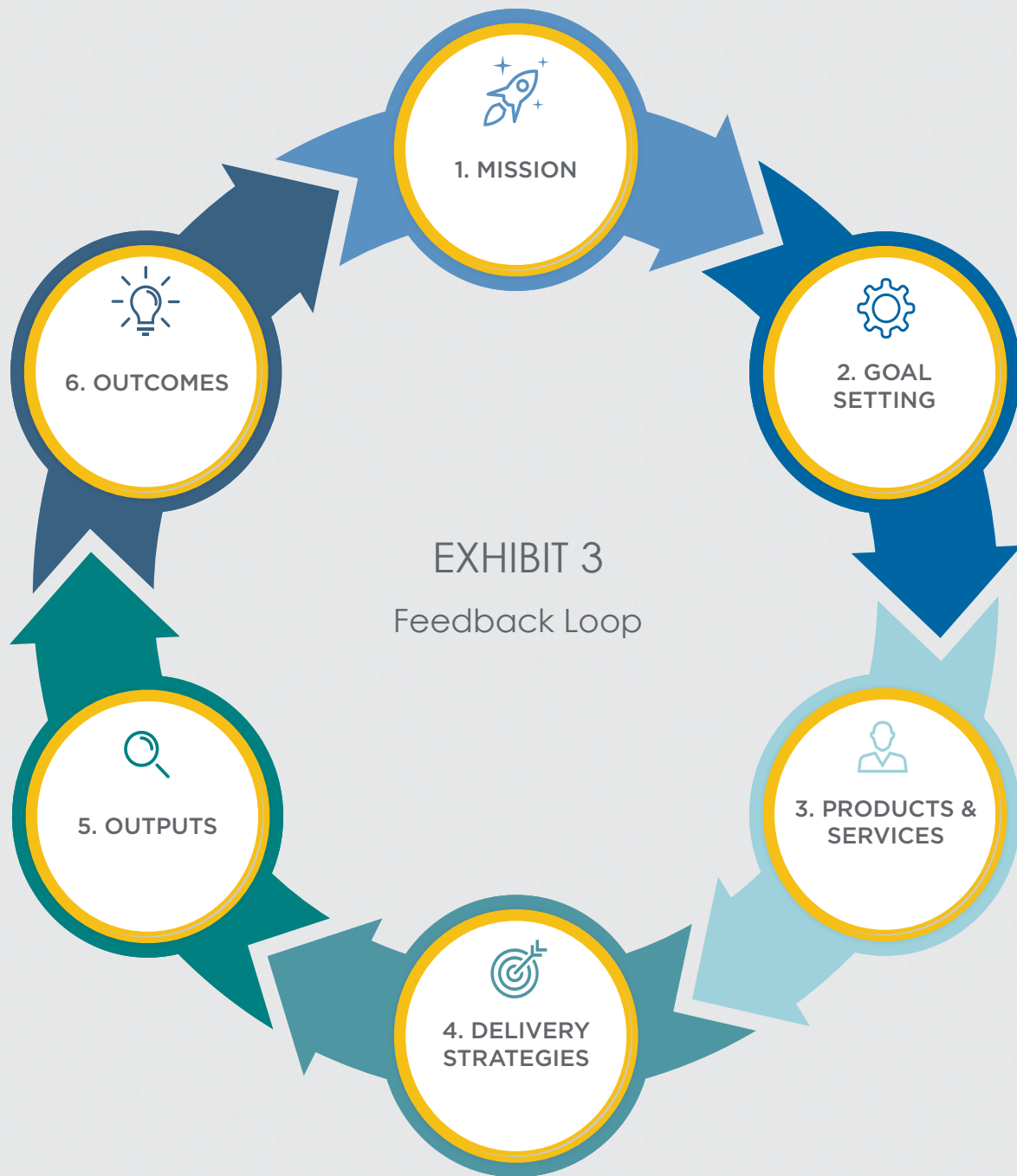
Target Customers	Total Loans YTD ($)	% Loans YTD ($)	Total Loans YTD (#)	% Loans YTD (#)	Total Loans 2020 ($)	% Loans 2020 ($)
Housing Developer or Investor						
Nonprofit (excluding developers)						
Small-Medium Business						
Total						

Impact Metrics	Total Impact YTD				Total Impact 2020	
# of Affordable Housing Units						
# of Jobs Created or Retained						
# of Community Members Served						
# Green Loans						

Loan Originations by CDFI Loan Product Types	Total Loans YTD ($)	% Loans YTD ($)	Total Loans YTD (#)	% Loans YTD (#)	Total Loans 2020 ($)	% Loans 2020 ($)
Business						
Business - PPP						
CRE - Commercial						
CRE - Charter Schools						
CRE - Community Facilities						
CRE - Healthcare						
CDFI Lending						
Residential RE - Affordable						
Residential RE - Market Rate						
Total						

Targeted Impact Segments	Total Loans YTD ($)	% Loans YTD ($)	Total Loans YTD (#)	% Loans YTD (#)	Total Loans 2020 ($)	Benchmark
Mission Lending						
CDFI Investment Area						
Low to Moderate Income (LMI) serving customer but not in an LMI geography						
African- American Led Not for Profit or AA owned business						
Hispanic Led Not for Profit or owned business						

Geographies - Counties	Total Loans YTD ($)	% Loans YTD ($)	Total Loans YTD (#)	% Loans YTD (#)	Total Loans 2020 ($)	% Loans 2020 ($)
Washington, DC						
Prince Georges County, MD						
Baltimore City, MD						
Los Angeles County, CA						
Orange County, CA						
Riverside County, CA						
San Bernardino County, CA						
San Diego County, CA						
Other County						
Total						
Geographies - High poverty areas of focus	Total Loans YTD ($)	% Loans YTD ($)	Total Loans YTD (#)	% Loans YTD (#)	Total Loans 2020 ($)	% Loans 2020 ($)
DC - Wards 7 & 8						
Baltimore City, MD						
South Los Angeles						

EXHIBIT 3

Feedback Loop

1. MISSION

2. GOAL SETTING

3. PRODUCTS & SERVICES

4. DELIVERY STRATEGIES

5. OUTPUTS

6. OUTCOMES

▶ *Interstate Building Materials supplies building materials to area contractors and is a long-time customer of BOM Bank, based in Many, LA.*

BUILDING BUY-IN ON YOUR TEAM

People are every CBD's most important asset. Building buy-in within your bank's team is critical to success in impact measurement.

In CBDA's 2013 study, when asked about challenges experienced with building IMM systems, the most frequently cited concern was not technology, software, or metrics - but lack of consistent implementation. Participants echoed the same sentiment in 2019.

WHAT LEADERSHIP NEEDS TO KNOW

The CEO must embrace and clearly communicate the importance of IMM as a "mission critical" element of the bank's business strategy.

The CEO plays an essential role. If IMM is not a CEO priority everyone in the bank knows it – and it is "game over" for successfully implementing IMM. IMM implementation requires coordination across departments within the bank. Changing processes or behaviors of employees will likely encounter resistance. If a staffer assigned primary responsibility for implementing IMM does not have strong CEO support, internal resistance to change will lead to adoption failure. That employee will likely feel unsupported and frustrated, which increases the potential for turnover in the position.

The leadership team must understand, buy into, and embrace being a purpose-led institution.

Part of this process means explicitly recognizing that the bank is forging a new path that is divergent from the dominant banking industry culture whereby profit maximization is the sole focus. As discussed above, CDBs are part of a growing group of hybrid companies that blend purpose with profit to create a more economically just and sustainable world. Within this context, purpose and profit are intertwined. Core to a CDBs purpose is improving the economic, environmental, or other outcomes in their communities using a for-profit business model.

The CEO and leadership team must provide regular, clear and consistent communication about its purpose-led value proposition at all levels of the bank – from the board of directors to the teller line.

CDB leadership faces a particular challenge in the cultivation of IMM buy-in. Most CDBs hire the large majority of their seasoned personnel from other banks – a sensible strategy given that they have the technical knowledge, skills, and experience in bank operations. The culture of the traditional banking industry places the highest priority on maximizing shareholder financial value. Impact is not a consideration except potentially within the narrow context of meeting regulatory obligation under the Community Reinvestment Act. Like other banks, CDBs provide financial services. Yet, CDBs are unique because they use financial services as a force for good – to create economic opportunity.

A discussion of consumer and market trends that are giving purpose-led businesses a competitive edge can be found in our forthcoming Practitioner Guide on building a purpose-led culture and brand.

ORGANIZING YOUR TEAM

Implementing an IMM system requires coordination across multiple departments within a bank. It will mean asking employees to do something new – or do something differently – in their current jobs. Facilitating adoption of new technologies or processes can create friction if employees do not understand why the change is important -- or if they are not part of designing a solution they are responsible for implementing. To understand the process of how to change internal institutions, we look to the field of "change management." The field of "change management" is focused on helping businesses with adoption challenges related to technology and workflow process change.

Generally, change management experts advise the following steps:

- Acknowledge and understand the need for change
- Communicate the need and involve people in designing and developing solutions to implement the change
- Develop the change plans
- Implement change plans
- Evaluate progress
- Celebrate success

Engaging employees in problem solving at the grassroots of the organization will help build buy-in and facilitate a learning culture.

Employees with the most direct customer interface (i.e., loan officers, relationship managers, customer service) often have the best ideas on how to gather customer data. Begin by explaining the strategic priorities of the bank and how impact data collection fits in. Describe the bank's problem (i.e., lack of access to data already collected and/or a need to collect new data). Explain why it is a problem that the bank wants to solve. Then ask employees for input on the most effective ways to access or gather the data – while minimizing cost and burden on employees.

You will also need to engage other internal stakeholders whose support is necessary for a meaningful change to be executed (i.e., IT department to create new data fields or design reports, compliance staff to input data or monitor customer reports, managers to provide quality control). Empower the team to uncover and solve implementation problems as they may arise. Finally, everyone appreciates recognition. Celebrate the team's success in solving the problem and sharing the impact data results organization wide.

STAFFING

Assign primary responsibility for leading IMM planning and overseeing implementation to a senior officer who has the <u>authority</u> to ensure everyone involved in the process does their part.

Another related best practice is to hire a full-time employee dedicated to IMM to handle day-to-day implementation activities. Your IMM staffing plan will depend on the size of the bank and its staff. Some banks have created a Chief Impact Officer or Impact Manager position responsible for managing, analyzing, and ensuring data quality control. Small banks often assign this function to a CRA officer or a compliance officer.

Among I@S participants, loan officers were frequently cited as the primary point of contact for borrowers. Thus, they are in the most strategic position to collect customer data and input it into the system.

Designate a staff member to ensure data quality control.

The axiom "junk in, leads to junk out" is absolutely true for IMM. As part of your IMM system, you will need to develop clear standards and internal processes for bank personnel involved at all stages of data collection. Assigning a specific person to review what is submitted by others is important for data integrity.

This task can be performed by an Impact Manager. If a bank does not have an Impact Manager, compliance staff were frequently cited as the best to assign to the task of quality control. The process should have the same rigor as collecting information that is used for compliance and reporting to regulatory agencies. Like other critical business or compliance metrics, some CDBs have incorporated data completeness or achievement of impact or mission-related lending into staff performance evaluations and compensation.

POLICIES & PROCEDURES

Develop written policies and procedures for collecting data. Train staff to ensure everyone understands their role and expectations for data accuracy and completeness.

During both our 2013 study and during the 2019-2020 I@S training, several banks cited challenges with loan officers and compliance staff maintaining consistently high-quality data collection and input. To ensure impact data is gathered and appropriately entered into the core system or a database, some CDBs have employed the following strategies:

- Creating training and written procedures for data collection
- Developing a worksheet to help loan officers organize data collection
- Providing financial incentives for personnel responsible for data collection and/or input to promote greater accuracy and higher completion rates
- Barring loan officers from presenting at loan committee if their impact data collection

  sheet has not been turned in or is not complete prior to meeting time

- Employing a loan application system set up to block any loans from reaching the closing stage until all impact data fields are fully completed
- Sending month-end reports to all involved staff and supervisors to highlight impact data that is still missing and assigning an Impact Manager to follow up

- Assigning a manager to review all inputted data for accuracy and completeness
- Incorporating data collection into work plan/employee performance evaluation to formalize the priority for the CDB and hold the individual accountable to it

With a loan from Optus Bank, entrepreneur Orlando Snipes purchased new equipment to expand the scope of services offered by his commercial cleaning and landscaping business.

CASE STUDY

OPTUS BANK COMMUNITY NAVIGATOR BUSINESS LOAN

Serving Columbia, SC

With a mission of closing the racial wealth gap, Optus Bank has been in operation since 1999 and a certified CDFI since 2003. The $315 million bank began building an impact measurement system in 2020. In 2021, Optus became part of a coalition of "spokes" that received a $2.4 million SBA grant as part of its Community Navigator Pilot program to launch a loan product for disadvantaged small businesses. The SBA's intake form requires collection of customer demographic data (including race, ethnicity, gender) and key business attributes, including number of full and part time employees, business sector (i.e., retail, manufacturing, construction), and gross revenue, profits, and net worth. Working with its core provider, Smiley Technologies, Inc., Optus is creating new data fields to support impact data collection.

The bank's internal processes require loan officers to collect all SBA data points. Loan closing staff will then enter the data into the core system and ensure that the loans are booked with impact data intact. The bank plans to collect and track metrics such as gross revenue, net worth and credit scores over time as part of monitoring or when a customer takes out a new business loan. This data will be used to understand how customers' businesses grow over time and enhance Optus' impact.

BEST PRACTICES

Organize your data collection efforts to gather as much borrower information as feasible during the loan application or underwriting process.

Any missing data should be gathered as a condition of loan closing. No funds should be dispersed prior to the receipt of information. Customers understand that to secure a loan, the bank needs certain information. Customers are generally cooperative in completing a loan application or responding to information requests during the due diligence phase in order to access funding. After a loan has closed and been funded, it can be far more difficult to track down the borrower and get the information you need.

INTERNAL COMMUNICATONS

BEST PRACTICES

Create and regularly share your bank's impact dashboard and/or reports with internal stakeholders to facilitate understanding and buy-in.

Many practitioners think about impact data only in the context of external audiences. This data includes compliance reporting, customer marketing, and attracting investors. Internal audiences appreciate the information too. Impact reports should be shared with internal stakeholders at all levels of the bank – including the board of directors, advisory board, senior management, middle managers, loan officers, and front-line staff.

Sharing impact reports helps:

- Highlight the important role of each team member engaged in data collection toward meeting the bank's strategic goals

- Build a culture that values data for both learning and measuring progress toward strategic goals

- Create an environment in which the data is used to actively inform decision-making

- Ensure a laser focus on how the bank can positively influence community outcomes

Integrate impact data and stories into internal bank communication channels (i.e., bank intranet, employee newsletters, social media, meetings), as they are low-cost strategies to build awareness and reinforce a purpose-led culture.

While not discussed in this practitioner guide, storytelling is a powerful tool for communicating your values and value proposition to internal stakeholders. Our *Impact Storytelling Practitioner Guide* discusses the power of stories and how a CDB can use storytelling to motivate both internal and external stakeholders toward action.
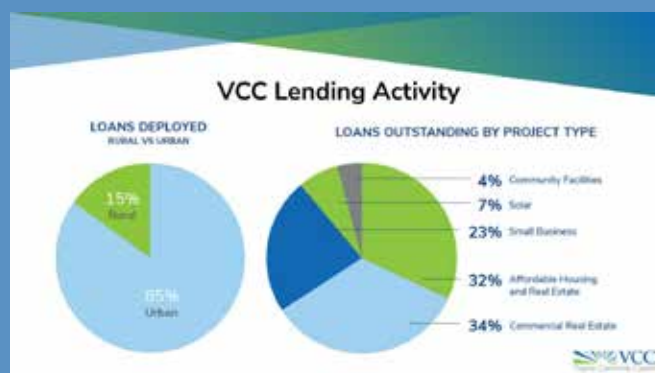
ORGANIZING YOUR DATA COLLECTION SYSTEMS

How can a CDB readily query and extract data out of the core system into a structured, digital format that can be analyzed for impact reporting?

Building an effective data collection system is a key component of any CDB's efforts to track and evaluate its impact performance. A well-designed and consistently implemented system will produce reports that management can use to track progress on goals and facilitate continuous self-assessment. In the case of regulated CDBs providing services and lending at scale, automation and integration of data collection with existing systems is critical to success. As discussed above, most banks are already collecting some impact metrics in their core systems that can be repurposed for tracking impact.

Engaging staff directly responsible for implementation is a good way to both maximize efficiency and build buy-in.

LESSON #2

Your bank is collecting more impact data than you think. **You just need to know what to look for and repurpose it.**

LESSON #3

Start where you are. Mine your existing data and see what it tells you.

Banks collect a lot of information from customers during loan application, underwriting, and monitoring. The value of this data for analyzing impact is often overlooked. Rather than store collected information in an easy and digitally accessible system such as the core, many CDBs memorialize this data in relatively inaccessible and unstructured formats, including credit memos, borrower financial statements, and tax filings.

The questions are:

1. What is the most efficient point in the lending or service delivery process to collect this data?

2. How will this information currently collected in credit or monitoring files be digitally stored for future access?

3. What data does your bank already collect that can be repurposed for impact analytics?

4. How is the information stored today?

5. How can your bank get it into a digital format?

ROLE OF THE CORE

In our 2013 report and during the 2019-2020 I@S train-ing program, banks' core systems were cited as a key challenge in building an IMM reporting system. A core system is the back-end software that processes daily banking transactions, posts updates to accounts, ties all transactions (i.e., deposit-taking, payments, loan and credit processing) of the bank together, interfaces with the general ledger, and produces financial statements and reports. In short, the core is a bank's backbone of operations and information management.

Such core systems are required by primary federal regulators and banks are mandated to invest and continuously upgrade these systems for regulatory compliance purposes.

As of 2021, the three top banking core software compa-nies (Jack Henry, Fiserv and FIS) had an 83% share of the CDFI bank market[6], which is consistent with the banking sector. Lack of competition within the sector and con-tracts that are too expensive to vacate result in software options that are costly, and inflexible, making it difficult to access data that is not part of a pre-designed report.

EXHIBIT 4
CDFI Core System Vendors (2021)
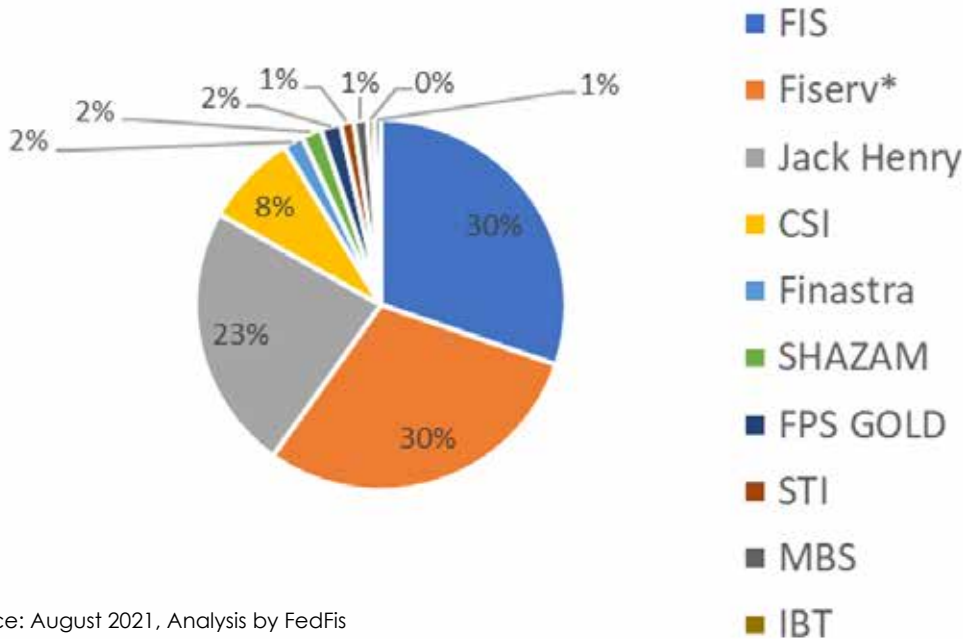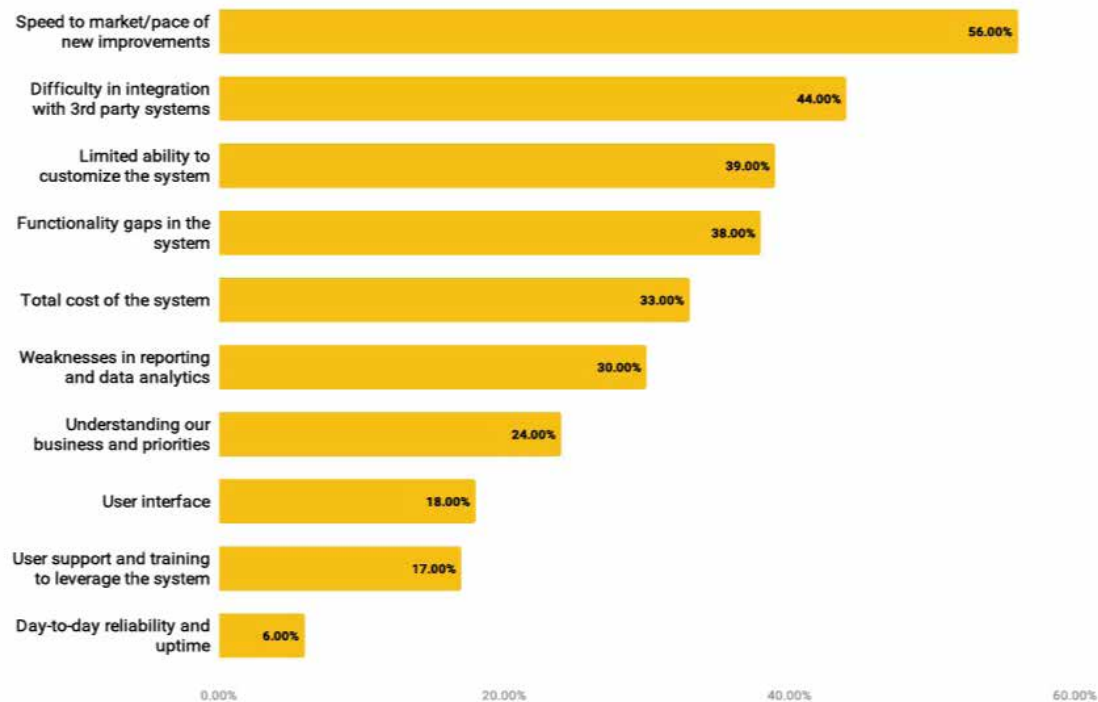

Source: August 2021, Analysis by FedFis

None of the dominant players in the market provide tools, reports or even data fields for impact measurement. Cornerstone Advisors' 2021 "What's Going on in Banking" report found that half of bankers said that getting more value from their technology vendor relationships is a top technology priority, citing "big frustrations" including speed to market, difficulty in integration with 3rd party systems, and limited ability to customize systems.[7]

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[6] **August 2021 analysis by FedFis for CDBA**
[7] **Shevlin, Ron. Can Banks' Relationship With FIS, Fiserv, And Jack Henry Be Fixed? Forbes. November 22, 2021.**

EXHIBIT 5
Financial Institutions' "Big Frustrations" with their Core Systems Vendor

Category	Percentage
Speed to market/pace of new improvements	56.00%
Difficulty in integration with 3rd party systems	44.00%
Limited ability to customize the system	39.00%
Functionality gaps in the system	38.00%
Total cost of the system	33.00%
Weaknesses in reporting and data analytics	30.00%
Understanding our business and priorities	24.00%
User interface	18.00%
User support and training to leverage the system	17.00%
Day-to-day reliability and uptime	6.00%

Source: Cornerstone Advisors, "What's Going On in Banking" 2021 Report

Technology innovations – such as cloud-based banking software, artificial intelligence, availability of big data, Application Programming Interfaces (APIs) – have the potential to create new ways to access and integrate data. But even when better technology exists, switching to a new core is a significant undertaking for any institution due to cost and business disruption.

BEST PRACTICES

If your CDB is considering changing core systems, banks that have developed successful IMM systems recommend considering the number of user-defined fields as a criteria in selecting a new core vendor or software.

In 2013, CDBA conducted an analysis of impact data collection systems and processes among 10 of its member banks. Most participants cited bank core software systems as the best place to efficiently capture data, but also noted challenges. Half of the banks reported their software systems were effective in meeting the general needs of their banks. Yet, most cited problems with their core systems that are specific to impact (e.g., too few data fields available for customized data, difficulty in generating reports without paying large fees to the software company). **The common denominator for banks most satisfied with their systems was the ability to easily customize data fields and reports.**

If your CDB is not considering changing core systems, CDBA member banks recommend planning ahead (e.g., strategic planning, metric selection, report design) and knowing precisely what data fields and reports you need to accommodate impact data collection.

All bankers readily acknowledged that modifying a core will cost money. Over the long run, these investments were identified as the most efficient and cost-effective way to collect and access data. Planning ahead will help manage the costs of creating new data fields or reports. Note that the CDFI Fund does allow its monies to be used to build CDFI capacity, including investing in technology and IMM systems. Similarly, Emergency Capital Investment Program (ECIP) dollars are highly flexible and can be used for such capacity building purposes.

DATABASES

Invest in a Contact Relationship Management (CRM) database to store historic and current impact data.

A key limitation cited by many CDBs is that most core systems are designed only to store current information. After a loan is repaid, most systems do not archive data for future analysis. Longitudinal data is critical to tracking outcomes after the loan is repaid in order to understand if a customer is better off financially and/or economically as a result of having taken the loan (e.g., increase in income). During our 2013 landscape survey and the I@S training program, we asked about other "non-core" software tools used for impact data tracking. Multiple databases

(i.e., Salesforce CRM, Microsoft Access) and compliance software packages (i.e., CRA Wiz) were cited. Some banks reported using multiple packages for different tasks. Loan portfolio management software packages were also mentioned. Due to ease of use, many banks reported simply downloading data from a database into an Excel spreadsheet for analysis. Bankers interviewed acknowledged that investing in CRM software and maintaining the data is a cost and pain point, but a "necessary evil."

> **LESSON #4**
>
> IMM is iterative, not linear.
> **Learn and adapt as you go.**

DATA INVENTORY

BEST PRACTICES

A good starting place for building your IMM is to identify data that you already collect that can be repurposed for impact.

As part of the I@S training program, CDBA created a data inventory template spreadsheet to help CDBs track down "who has what data" at the bank (*See Appendix 3 – Data Inventory Template*). We found that data is often collected by different people for different purposes, such as loan officers, compliance staff, CRA officers, loan servicers, and technology department personnel). This data may reside in the core, credit files, monitoring files, or other places.

You may find the *Data Inventory Template* a helpful early step in your impact journey. The data inventory spreadsheet is built using Business Process Modeling (BPM), a format common in management consulting. The tool walks through a bank's lending workflow to understand how the business functions. The template outlines common stages in the lending process (i.e., pre-application, application, underwriting, monitoring, loan close out) and provides common metrics collected by banks. As you walk through the process, the spreadsheet asks you to note when and where different data is collected. The spreadsheet includes questions about the quality of the data and collection process.

SPECIFICALLY:

- **CLEANLINESS:** How consistently the data collected conforms to the appropriate format, type, and specific characteristics of the intended metric.

- **COMPREHENSIVENESS:** How consistent the bank is in collecting data for each borrower and loan.

- **ACCURACY:** How frequently the data collected is measurably true to authoritative sources.

The Excel-based tool creates a simple visualization of data point collection by stage and the average quality of the data by stage. The information generated by the data inventory template arms your bank with valuable information about how to harness data from your current systems. During the I@S training, several banks volunteered to test the tool. Those that did discovered impact data they were already collecting. They also spotted redundant data collection and identified opportunities for centralizing data collection.

PART TWO

THE BASICS OF IMPACT DATA

In this section, we will cover some of the basic terminology of impact measurement and some examples of the types of impacts that CDBs can measure. We also provide suggestions for other resources you can use to learn more.

We strongly suggest that you review *Appendix 1 – How to Use the Impact Metrics Menu*. This resource highlights commonly used metrics in the domestic community development finance field. This list was originally compiled by Aeris Insight and Global Impact Investor Network (GIIN) in their 2017 joint publication, *Community Investing Impact Metric Set, Guidance Paper for CDFIs*. Appendix 1 uses the Aeris-GIIN format with some adjustments to reflect how regulated banks operating in the United States collect and report data.

▶ *Industrial Bank serves nonprofits, such as the Elaine Ellis Center of Health, that provide critical community services.*
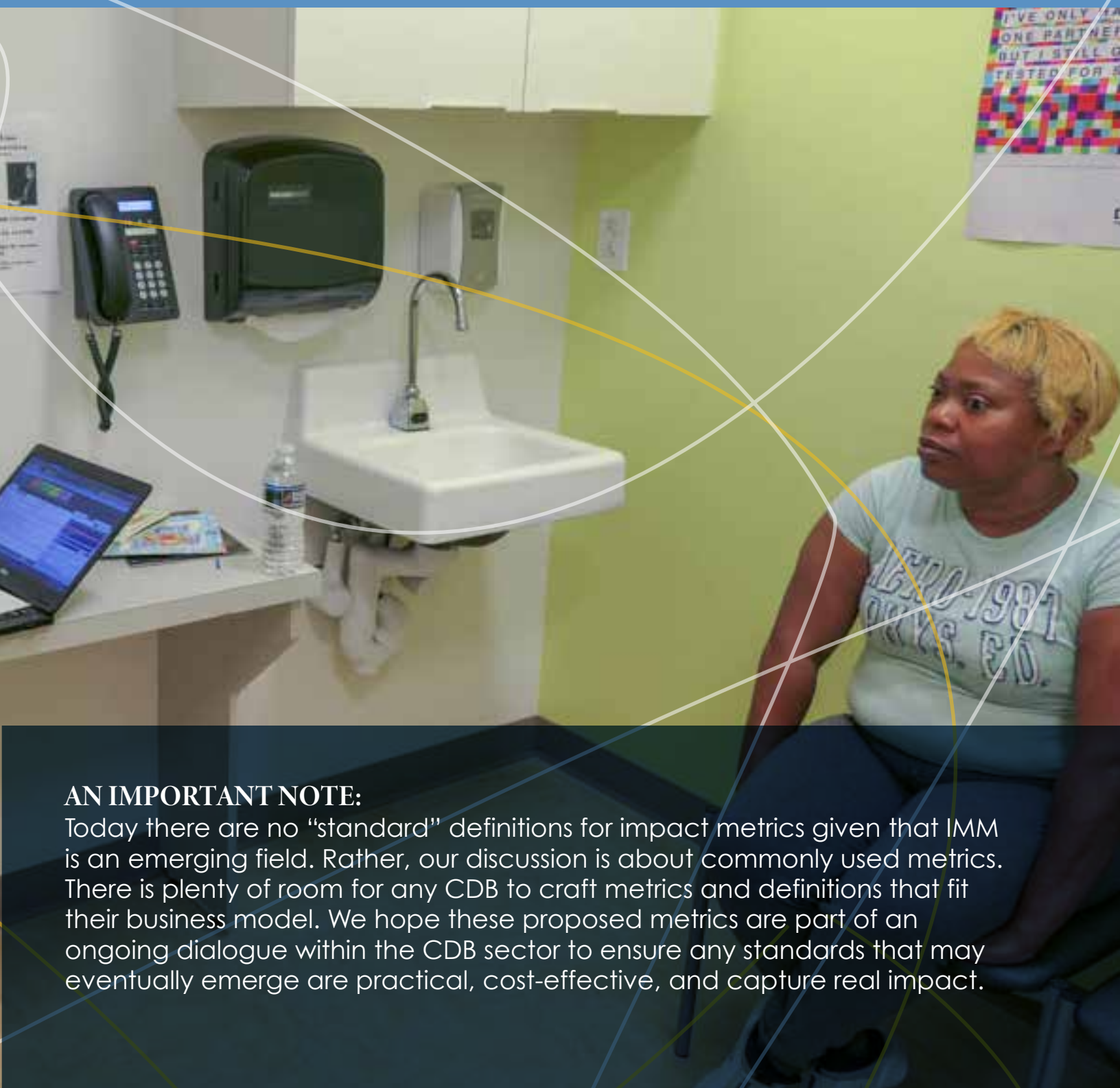
AN IMPORTANT NOTE:

Today there are no "standard" definitions for impact metrics given that IMM is an emerging field. Rather, our discussion is about commonly used metrics. There is plenty of room for any CDB to craft metrics and definitions that fit their business model. We hope these proposed metrics are part of an ongoing dialogue within the CDB sector to ensure any standards that may eventually emerge are practical, cost-effective, and capture real impact.

OUTPUT DATA

Output data is the first building block of an IMM strategy. An "output" is the direct result of an action by the bank (i.e., originating a loan, opening a new account for a customer).

Output data refers to any data about a bank's lending, services, or other activity that is collected <u>at the time of product or service delivery.</u>

Many of the adjacent examples of output data are already collected by banks: (1) at the time of a loan application; (2) during loan underwriting; (3) after approval but prior to loan closing and funds disbursement; or (4) when a new account is opened.

Generally, output data is the easiest for a bank to collect as its personnel are directly interacting with the customer and gathering the information while providing service (a.k.a. primary data collection). Output data is almost always quantitative, which makes it easier to collect, manage and report. Output data is also simple to measure, given it is focused on counting tangible business transactions and business activity in which the bank has some control. By contrast, outcomes are often outside of the direct control of the bank.

EXAMPLES

Dollar amount ($) and number of loans (#) originated or disbursed

Type or purpose of loans (e.g., construction and land development, multifamily, commercial and industrial)

Customer characteristics at time of loan application or approval (e.g., customer income levels, credit scores, geographic location of a borrower or project financed, NAICS industry code, tax status, number of existing employees in the business)

Number and type of accounts (checking, savings, time deposits) opened

Number of financial education workshops hosted and the number of attendees

CASE STUDY
CENTRAL BANK OF KANSAS CITY

Creating Quality and Accessible Jobs
Serving Kansas City, MO and surrounding communities

Designing impact data collection into your service delivery process can enhance the quality and completeness of data gathered from customers. Central Bank of Kansas City (CBKC) is able to get quality pre- and post-transaction impact data by incorporating a Community Benefits Agreement as part of its financing for New Market Tax Credit (NMTC) projects. The Agreement outlines the data that customers need to report annually. In 2017, CBKC provided NMTC financing to the Marquette Tech District project in Cape Girardeau, MO. The project renovated two historic buildings into a tech-focused business incubator and a hotel that are part of a City effort to revitalize the neighborhood. The project sponsor submits impact data to CKBC via the Community Benefits Agreement. During construction, the project created 79 construction jobs, of which 100% paid living wages, 15% were jobs for unskilled entry level workers, 80% required no more than a high school education, and 50% were held by neighborhood residents. After completion, the project's 12 tenants employ 160 full time workers, of which 96% of the jobs pay a living wage and 87% require no more than a high school education. One of the anchor tenants is a company, Codefi, which provides coding training to 120 low income people to build marketable job skills to work in the emerging tech business sector of Cape Girardeau.

▶ In 2017, CBKC provided NMTC financing to the Marquette Tech District project in Cape Girardeau, MO. Photo credit: Codefi

Output data describes the amount of lending capital or services that a bank has directly delivered to its customers. Some output data points describe what type of activities you are funding (e.g., asset type or purpose of loan), others provide a picture of customers served (e.g., customer income, credit score, NAICS code, tax status), and other data points can help gather valuable information about the community (e.g., census tract).

Customer and community demographic data is an important piece of output data that has received significant attention in recent years. Historically, regulated financial institutions have been subject to limitations on collection of this type of data – with the exception of lending under the Home Mortgage Disclosure Act.

As a result, CDBs have relied on geographic proxies, namely the racial and income makeup of a community's census tracts, to better understand the customers they serve. As of the writing of this guide, pending changes in Federal policy are expected to change the landscape significantly for CDBs.[8] Thus, CDBA will issue a separate working paper(s) on this topic as these new policies take shape.

Below we will discuss how Output data can also be used as a building block for other types of impact data. Output data can be used as "baseline" data to measure changes in a customers' circumstances post-service delivery. As discussed below, collecting data to measure change over time can be used as outcome data.

EXHIBIT 6
Output-Outcome Continuum

Output	Intermediate outcome	End outcome
Easiest to collect	Moderately difficult to collect	Hardest to collect
Data describing at time of loan closing or service provision	Data on borrower changes after loan closing	Data on borrower or community changes over loan life or other defined time

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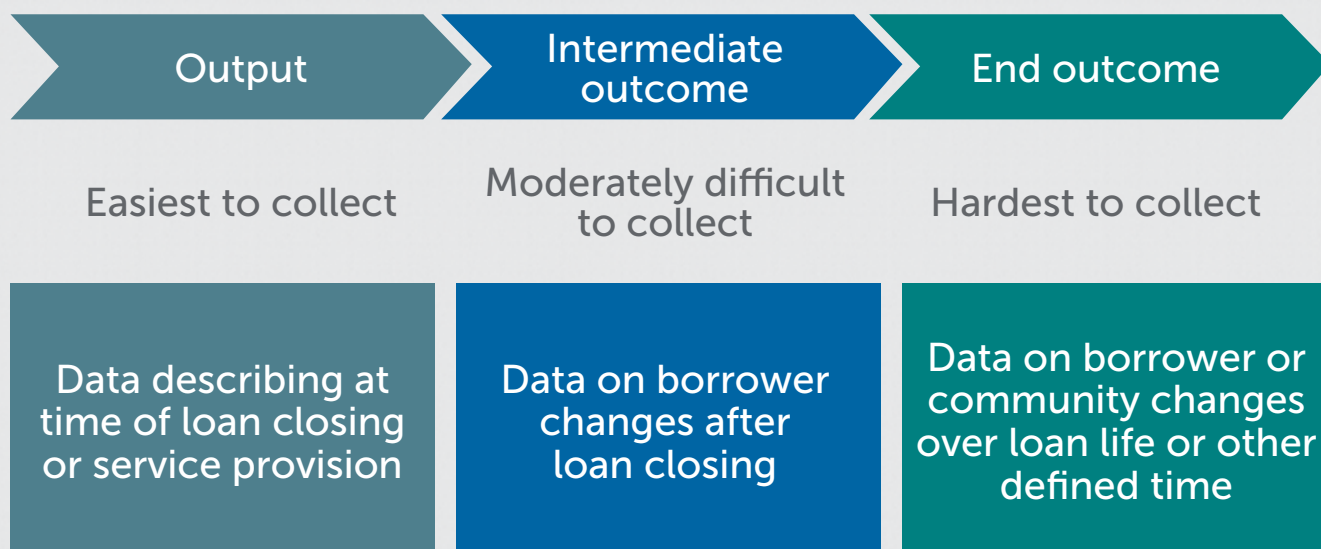
[8] Consumer Financial Protection Bureau is expected to issue a rule on implementation of Dodd-Frank Section 1071, which will affect data collection for small business lenders. Financial institutions participating in Treasury's Emergency Capital Investment Program (ECIP) may also be granted greater flexibility to collect borrower demographic data.
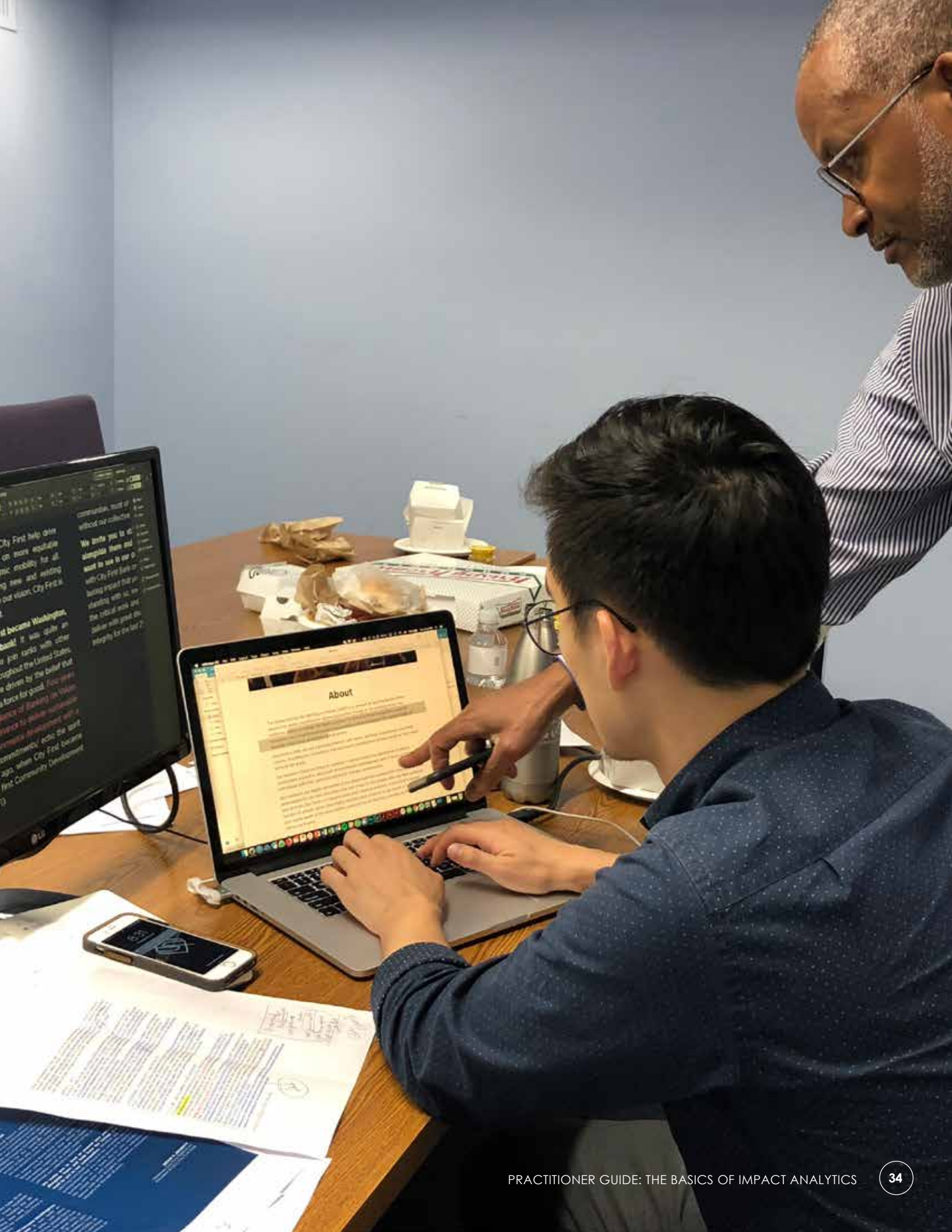
OUTCOME DATA

Outcome data describes change over time for the bank's customers and community. This data is gathered at some point after the bank's delivery of services.

Outcome data describes living things, such as people or the environment, rather than factors like the economy or a neighborhood. Ultimately, as previously noted, the CDB's goal is to help create wealth and economic opportunity. How do you want people's lives to be better or for the planet to be healthier? Outcome data tells the story of how the services and products your bank provides affect people's lives.

After participating in a credit counseling program offered by the bank, did a customer's credit score improve?

If a company received a business loan, did its revenue increase? Has it hired more employees? Has the borrower's income increased?

Did the percentage of cost-burdened households decrease in a census tract where a large affordable housing development was financed?

Have the number of repeat visitors to hospitals decreased after the opening of a health clinic?

▶ BankPlus' Jade Cowan worked with customer Christal Nickerson on financial wellness through the CreditPlus training program.

CASE STUDY

BANKPLUS

Improving Credit Scores and Promoting Financial Wellness

Serving Mississippi, Alabama, and Louisiana

BankPlus launched CreditPlus – a small-dollar loan and financial education program designed to improve customers' credit scores and improve financial wellness – in 2008. CreditPlus participants who attend a financial literacy seminar are eligible for a $500 or $1,000 loan at affordable interest rates and with zero fees. Created as an alternative to payday lending, CreditPlus has proven effective in encouraging savings and as a credit repair product.

An analysis of the first six years of CreditPlus found the bank conducted over 500 financial literacy seminars for 19,000 attendees, of which 90% live in low-to-moderate income households. The bank originated 18,300 loans totaling over $14 million, and program participants opened 11,600 checking and savings accounts totaling nearly $4 million. The analysis also found that more than 3,700 of the customers who paid off their initial CreditPlus loan took out a second. Of this group, 60% of borrowers increased their credit scores from the first loan to the second, with an average credit score increase of 47 points. Nearly 14 percent had no credit score when receiving their first loan.

CASE STUDY

SUNRISE BANKS

Building Household Equity Through Home Ownership
Serving Minneapolis/St. Paul, MN & national markets

Sunrise's Open Door Mortgage Program helps immigrants and other qualified low- to-moderate-income borrowers become home owners. Sunrise has a robust set of financial wellness training programs. In 2021, 63 families that successfully completed first time home buyer training and counseling became eligible for an Open Door mortgage. The Open Door mortgage features affordable terms, including a grant for the down payment, and allows alternative income documentation. Immigrants can qualify using an Individual Tax Identification Number (ITIN) rather than a Social Security Number, if they are working toward permanent U.S. residency. Sunrise originated $15 million in Open Door mortgages in 2021. The 63 families will collectively build $3.6 million ($57,000 per household) in equity over the next 10 years just through loan amortization alone – without considering increases in home values.

While most CDFIs primarily collect data at the origination phase, fewer collect data throughout the life of a loan or customer relationship. Collecting data throughout the loan/deposit relationship allows you to measure the outcomes of your lending and services over time.

Outcome tracking can be significantly enhanced by combining data collected from customers with data on market context, such as poverty rates, unemployment, portion of cost burdened households, whether a community is medically underserved, and food deserts.

Use of data-enriched geographic information systems, such as PolicyMap, can shed light on the importance of your bank's work.

Sunrise Banks employees create "Welcome Home" baskets for new home owners.

Generally, there are two categories of outcome data:

1. Intermediate Outcomes

Data that focuses on medium-term results. While there are no hard-and-fast rules, a bank may define an intermediate outcome as a change that occurs during the term of a loan.

EXAMPLE 1

A bank makes a loan to a developer to construct a 30-unit multi-family housing project, of which all are affordable for families at or below 80% of area median income.

OUTPUT: Bank loan

OUTCOME #1
30 units of new housing

OUTCOME #2
Household savings on rent. If the monthly market rate for a similar housing unit in the neighborhood is $1,000 per month, and a household in an affordable unit pays only $700, the household saves $300 per month – or $3,600 per year. That is a tangible and real impact that the bank has facilitated.

EXAMPLE 2

A bank makes a loan to a small business with $25,000 in monthly revenue. During the term of the loan, the business expands monthly revenue to $35,000.

OUTPUT: Bank loan

OUTCOME #1
Business revenue increase of $10,000 per month, or $120,000 per year

OUTCOME #2
Change in the number of employees. Here, the business employed 3 people at the time of loan origination. The increase in revenue enabled them to hire 1 new employee – a net impact of 1 new job.

IN BOTH EXAMPLES, a bank may already be collecting some of the information needed to capture the intermediate outcomes as part of its ongoing monitoring of its small business customer (i.e., market rate rent, business revenues and number of employees). But, the bank needs a strategy to systematically collect the information in a consistent and accessible (i.e., digital) form. The bank will also likely need to train their loan officers how and why to collect the correct information.

When reporting on outcomes, it is important to acknowledge the ecosystem of stakeholders that also play a role in systemic community change. The bank will likely have played a role in helping a customer achieve their desired outcome, whether through lending, technical assistance, or some other activity. Of course, other factors also play a role in customer success as well; such as the entrepreneur's tenacity, a business securing a big contract, and the city investing in local infrastructure, each play their own part in a customer's accomplishments. While it is not possible to ascribe relative importance to each factor, an IMM best practice is to simply acknowledge other factors that contributed to an outcome.

2. End Outcomes

End Outcomes or "long-term" outcomes – focus on long-term results. This is by far the most difficult type of impact for all CDFIs to capture!

Practically speaking, capturing end outcomes is likely something a bank will want to tackle only after it has experience collecting intermediary outcome data.

Consider collecting end outcomes an aspirational goal.

EXAMPLE 1

A bank offers a credit-counseling program to help customers repair credit and improve credit scores.

Subsequently, some of these customers may apply for a car or mortgage loan. If a bank has built an internal system to track customer credit score changes and/or migration to additional products and services, it can paint a powerful picture of how the bank's activities can influence the financial trajectory of its customers.

EXAMPLE 2

A bank seeks to stabilize a distressed neighborhood. They develop and implement outreach strategies to target customers in the neighborhood.

The bank also partners with community-based organizations offering other community services. The bank creates loan products to help repair and rehabilitate single-family houses, improve neighborhood commercial areas, and support small businesses. Over time, stabilization might be measured by decreases in crime and business vacancy rates or an increase in home ownership.

EXAMPLE 3

A bank makes a loan to a sole proprietor business and business revenue rises.

The business owner's take-home income increases from $2,000 to $2,750 per month. The net $9,000 in annual household income is an end outcome available for needs such as food, education, home, auto, or medical expenses.
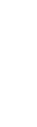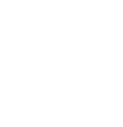
Outcome measures necessitate creating processes to collect initial data at the time of service and follow up data at a later point in time (e.g., a survey sent to borrowers or a questionnaire completed by bank staff as part of monitoring). Your impact tracking system should allow you to generate a report to view and analyze the data. While more time- and resource-intensive than collecting output data, outcome data creates a compelling narrative of your impact. This data, of course, may be convincing to external audiences such as government, philanthropic, and impact investors, as well as customers.

Most importantly, impact data should become a key business analytic that give management insights into what works and what needs improvement in your offerings.

As part of strategic planning, the bank should envision the end outcomes it aims to achieve. The outcomes should connect to a bank's products and services and its delivery strategy. By eventually having an IMM reporting system that collects data on both outputs and outcomes, the bank will have a powerful set of tools to understand how to adjust its strategy to better achieve its double or triple bottom line goals.

PRIMARY DATA

Primary data is data that your bank collects directly from a customer. Any information that is received directly by the bank from a customer is considered primary data. Below are examples of sources where you may find primary data:

- a loan application completed by a borrower
- due diligence information collected by a loan officer
- quarterly financial statements or tax reports submitted by a customer for loan monitoring
- a survey completed by a financial education workshop participant

As this type of information comes straight from the source (i.e., the customer), data integrity is usually high. Primary data can be used for output or outcome metrics depending on when it is collected. Primary data is highly coveted for IMM. But, it can be challenging to collect consistently – particularly after service delivery. Banks can use email or mobile banking reminders, tie completion of surveys to rewards, or build phone surveys into the monitoring process.

SECONDARY DATA

The simple act of geocoding the address of a customer or an activity financed by your bank provides the gateway to an abundance of third-party secondary data that can help your CDB paint a powerful picture of how your efforts connect with improving community outcomes.

Secondary data comes from third-party sources and can contextualize primary data. When geocoded through a database like Policy Map, CDFI Fund's Information Mapping System (CIMS), or the FFIEC mapping system, an address can pull census tract, county or state level data such as:

- Average Median Family Income
- Average Household Income
- People Living Below the Poverty Line
- Demographic Characteristics of the Surrounding community (i.e., race, ethnicity, age)
- Housing Stock Information on Affordability, Vacancy Rates
- Business Vacancy Rates
- CDFI Fund Program eligibility for NMTC, BEA, FA/TA program, and more

Geocoding loans and deposit accounts can reveal information about these community characteristics that go above and beyond the information a customer can relay. At a minimum, this information can help your bank craft a narrative about or understand more deeply the places it works *(see Exhibit 7)*.

▶ *Native American Bank assisted the Blackfeet Nation in financing the new Holiday Inn Express in Browning, Montana. Pictured is the Holiday Inn's opening ceremony.*

EXHIBIT 7
Mapped Secondary Data
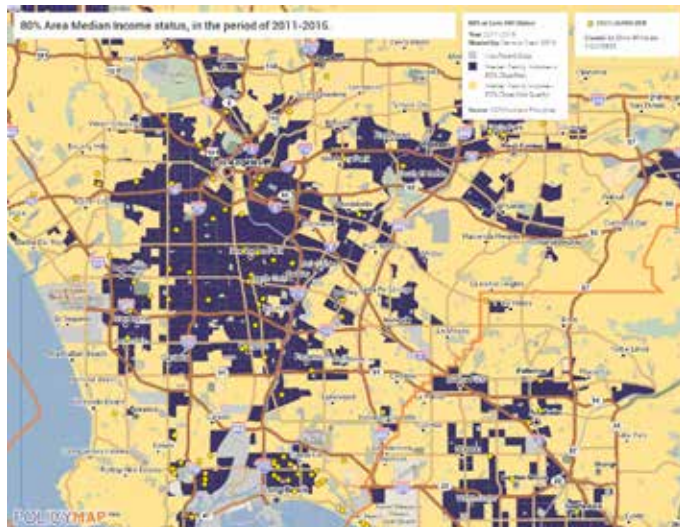
▶ A map of Baton Rouge, Louisiana illustrates that Bank of St. Francisville is focused on serving high poverty neighborhoods per US Census Bureau data.
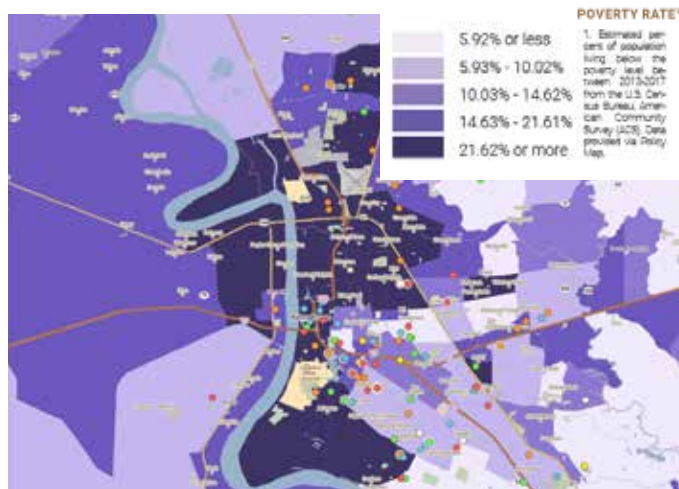
▶ A map of Los Angeles, California denoting loans originated by City First Bank layered with median income data from the US Census Bureau demonstrates how the bank is focused on serving low- and moderate-income neighborhoods.
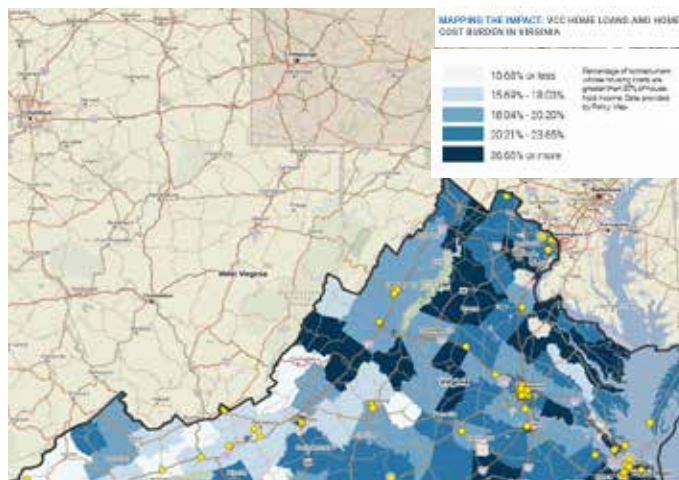
▶ A map of the state of Virginia illustrates counties with the greatest housing cost burdens and where Virginia Community Capital Bank's home loans are made.

Government agencies can provide good secondary data sources. While the information does not come from the end user directly, these databases can be useful for gathering impact data.

For example, if you finance the expansion or renovation of an elementary school in your town, secondary data from the U.S. Department of Education can tell you:

- 🏫 How many seats are available at the school and enrollment
- 🍎 How many of the students qualify for free or reduced-priced lunch – which is a commonly used proxy for low-income students
- 🎓 Graduation rates
- 📝 Student achievement metrics (i.e., standardized test scores for reading and math proficiency)

Each of these data points adds context to your loan and can be re-purposed as impact data. With these metrics, your team could write a success story that highlights the performance of the school, how many more students it can now serve, and how your CDB was instrumental in completing the project.

One caveat with secondary data is that the most current data available may still be one or more years old. While primary data is collected from a customer at the most current possible point in time, secondary data is often based on government-collected information that may be a year or more behind. Much of the data for schools, for example, will be from a year or two prior to the current school year because of reporting requirements and data processing times. Similarly, demographic data can be several years behind because most of the information is based on the American Community Survey and Census Bureau data. While these sources are highly reputable, it is good practice to confirm their origin and date for relevancy. It is also important to note that too often, low-income and BIPOC communities are hampered by undercounting in government census efforts.

> **LESSON #5**
>
> Don't overwhelm yourself. **Start simple.** Pick one or two products or services to measure and add over time.

CASE STUDY
BENEFICIAL STATE BANK

Measuring Climate Impact
Serving the West Coast

As a triple-bottom-line bank, Beneficial State Bank seeks to create, grow, and measure its social and environmental impact. A particular focus for the bank is commercial lending in the renewable energy sector to reduce CO_2 emissions.

Beneficial's environmental sustainability loan portfolio includes loans to several different types of renewable energy production, including biogas, solar, wind, geothermal, and hydroelectric. The bank shares its outputs – number of dollars loaned in each category – and outcomes – the number of megawatt hours of clean energy products and the amount of carbon dioxide prevented from being released into the atmosphere as a result. The bank converts these CO_2 numbers into more intuitive statistics that make a little more sense to people, such as the equivalent of removing a certain number of cars off the roads for a year, or the number of acres of forests that would store that amount of CO2.

The process to determine estimates is straightforward and the calculation is automated in a master spreadsheet with all renewable energy loans. As part of the loan application and underwriting processes, each borrower provides information about the energy production facilities that they are operating, such as when operation began or when it will begin, the facility's energy capacity (megawatts), and the amount of time the facility spends producing power per day, week, or month, so that the bank can determine how much energy it is likely to produce each year. This is necessary for underwriting, since the sale of energy is generally the source of repayment.

▶ Beneficial State Bank finances projects, such as solar installations, that address climate issues.

With this energy production (in megawatt hours) information collected, the bank's impact team determines the projected total energy produced across all borrowers and then uses the methodology provided through the EPA's online "Greenhouse Gases Equivalencies Calculator - Calculations and References" page to determine avoided emissions. The team incorporates the EPA's equations into a spreadsheet so that numbers can be easily calculated for any loan over any amount of time. Below is the general formula:

Capacity of a renewable energy production facility x time operating = energy produced over period of time x EPA formula = CO_2 avoided and example equivalents (like cars and trees)

The impact team uses projected energy numbers based on the materials provided during the underwriting process and then updates them with actual energy production numbers afterwards when they become available.

As of December 2021, Beneficial State Bank has made $144 million in loans to renewable energy projects (output). These loans have resulted in an estimated 687 MwH of renewable energy produced, which is the equivalent of taking over 93,000 gas-powered cars off the road for a year (outcomes).

More information is available on the Beneficial State Impact site at https://impact.beneficialstate.org/farm-power-northwest/.

THE IMPACT MEASUREMENT & MANAGEMENT LANDSCAPE

In this section, we will highlight a few of the most important IMM players that are relevant to the work of CDBs (as of the writing of this practitioners' guide).

THE GLOBAL IMPACT INVESTING NETWORK (THE GINN)

https://thegiin.org/

Within the philanthropic and impact investor sectors, The Global Impact Investing Network (The GIIN) is generally considered the leader in creating a common IMM language, identifying best practices, and developing a generally accepted catalog of performance metrics for impact investors. Their catalog of impact metrics is called IRIS+ and is being adopted by many organizations with socially motivated money to deploy. The GIIN's focus is helping philanthropic organizations and impact investors learn how to blend social, environmental and financial metrics into investment decision making. While US based, The GIIN members are international in scope; thus, the breadth of geographies and types of impact activities they have attempted to capture in IRIS+ is very broad. Launched in 2012, The GIIN is worth paying attention to because those with socially motivated money to deploy listen to their recommendations Interest in CDFIs – including CDBs – has been growing among The GIINs impact investor members.

AERIS INSIGHT

https://www.aerisinsight.com/

Aeris Insight (hereafter Aeris), launched in 2004, is a rating service for non-regulated CDFIs. As unregulated entities, CDFI loan funds struggled to established credibility with many large institutional and impact investors. Unlike regulated CDFI banks and credit unions, loan funds do not have standardized Call Reports (which create a mechanism for comparison and transparency). An investor subscription service, Aeris is an arm-length third-party rating agency for unregulated CDFIs that evaluates financial performance, risk management, and social impact. In 2017, Aeris developed and published a catalog of impact metrics that are commonly used among CDFI loan funds.

Publications

The following publications and websites regularly feature articles on IMM, impact investing, and the emerging purpose-led business sector.

HARVARD BUSINESS REVIEW
https://hbr.org/

IMPACT ALPHA
https://impactalpha.com

STANFORD SOCIAL INNOVATION REVIEW
https://ssir.org

BUILD HEALTHY PLACES NETWORK
https://www.buildhealthyplaces.org

B CORP
https://www.bcorporation.net

UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (UN SDGS)

www.sdgs.un.org/goals

The United Nations' Sustainable Development Goals (commonly called the SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were established in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030. The 17 goals cover a wide range of topics, such as poverty alleviation, ending hunger, improving health outcomes, improving education, reducing inequality, promoting decent work and economic growth, promoting sustainable communities, climate action, and others. Many of the SDGs align very well with the work of CDBs. The SDGs are important as many philanthropic organizations, impact investors and even some business sectors are using the vocabulary of the SDGs to talk about how their work aligns with creating impacts for a better world.

US SOCIAL INVESTMENT FORUM (US SIF)

https://www.ussif.org/

Over the last four decades, professional asset managers have been integrating social and environmental impact criteria – in addition to financial returns – when making investment decisions. Much of this shift has been motivated by growing investor interest. Environmental Social and Governance (ESG) screening is now a mainstay practice among US-based and global investment advisors and professional fund managers. The US Social Investment Forum (US SIF) is the domestic ESG advocacy and best practices leader. US SIF members represent $5 trillion in assets under management or advisement, including investment management and advisory firms, mutual fund companies, research firms, financial planners and advisors, broker-dealers, and increasing banks and credit unions. Generally, CDBs and nonprofit CDFIs are regard-ed as a "S" (Social) in ESG. The growing interest by ESG- motivated investors in deploying capital and deposits into regulated CDFIs is fomenting an interest in impact data among banks and investors alike.

MISSION INVESTORS EXCHANGE (MIE)

https://missioninvestors.org/

MIE is the leading impact investing network for US-based foundations. Foundations become members of MIE to learn best practices, find new investment opportunities, and network with other impact investors.

IMPACT MANAGEMENT PROJECT (IMP)

https://impactmanagementproject.com/

IMP was a time-bound initiative funded by global philan-thropy to build consensus on how to measure, assess, and report impacts on people and the environment. The five-year initiative (2016-2021) facilitated the development of IMM standards and guidance for use by invest-ment practitioners. At its conclusion, the IMP spun-off its activities to four international organizations that continue its work: (1) Impact Management Platform; (2) Impact Frontiers; (3) The Global Investing Network: and (3) the IFRS Foundation. While IMP is no longer operational, its website contains helpful information about IMM.

Appendix 1

How to Use the Impact Metrics Menu

The metrics menu is a tool to provide you with ideas on metrics that can be incorporated into your institution's impact measurement and management system. You should only select those metrics that align with your activities and impact goals. These metrics are not exhaustive; they are illustrative of common metrics used. The metrics are not static; rather, we expect them to evolve with input from users of this Practitioner Guide and innovations in the community development finance field. This work builds on the framework of the Global Impact Investing Network's IRIS+ impact metrics definition system and the Aeris Community Investing Impact Metric Set Guidance Paper for CDFIs (July 2017). We have taken these proposed metrics and modified – where needed – to fit the definitions and work of mission focused banks.

Impact Theme	CDB Recommended Impact Metrics (Aligned with Aeris and IRIS+ Impact Metrics and UN SDGs)			
	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		UN SDGs
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	
		LEVEL 1: Outputs		
Housing Home Ownership	**Number of Home Ownership Loans:** Number of 1-4 family housing mortgages and home improvement loans originated, including conforming, nonconforming, loans held in portfolio and/or sold	No comparable metric	Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516) Number of Housing Units Financed (PI5965) Individuals Housed (PI2640) Number of Housing Units Improved (PI6058)	
	Number of Affordable Home Ownership Loans: As a subset of the above, number of affordable housing mortgages and home improvement loans originated that are affordable to Low Income, Very Low Income, and Extremely Low Income households See Note 1	Number of affordable mortgage or home improvement loans originated	Percent Affordable Housing (PD5833) Product/Service Detailed Type (PD1516) Number of Housing Units Financed (PI5965) Individuals Housed (PI2640) Number of Housing Units Improved (PI6058)	
	Dollar Amount of Home Ownership Loans: Dollars of 1-4 family housing mortgages and home improvement loans originated, including conforming, nonconforming, loans held in portfolio and/or sold	No comparable metric	Value of Loans Disbursed (PI5576) Product/Service Detailed Type (PD1516) Value of Housing Units Financed (PI7233)	
	Dollar Amount of Affordable Home Ownership Loans: As a subset of the above, dollars of affordable housing mortgages and home improvement loans originated for Low Income, Very Low Income, and Extremely Low Income households	Dollars of affordable mortgage or home improvement loans originated	Value of Loans Disbursed (PI5576) Product/Service Detailed Type (PD1516)	
	Number of clients receiving housing counseling	Number of clients receiving housing counseling	Total Clients (PI4060) Individuals Trained: Technical Assistance (PI5352) Nonfinancial Support (PD9681)	

Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	UN SDGs
		LEVEL 2: Outcomes		
Housing Home Ownership	**Number of Clients Receiving Housing Counseling that Become Homeowners:** Number of unduplicated households that received housing counseling and became homeowners after receiving counseling	No comparable metric	Client Individuals: Total (PI4060) Non-financial Support Offered (PD9681) Individuals Trained: Technical Assistance (PI5352) Client Households: Provided New Access to water, energy, education, finance, or healthcare (PI2845)	
	Household Equity Generated: Estimated dollar amount of household equity created, calculated based on the sum of amortization schedule of mortgage plus estimated appreciation, both over a period of years		No comparable metric	

Note 1: Affordable Housing Definition

For home ownership, cost is not more than 30% of a homeowner's household income In the case of housing with subsidy that makes units affordable or deed restricted housing, counting a unit(s) as affordable or deed restricted housing, counting a unit(s) as affordable is straightforward In the absence of these affordability indicators counting a unit(s) as affordable can be difficult

Low Income: Household income is 51% to 80% of Area Median Income (AMI)

Very Low Income: Household income is not more than 30% AMI

Extremely Low Income: Household income is not more than 30% of AMI

CDB Recommended Impact Metrics
(Aligned with Aeris and IRIS+ Impact Metrics and UN SDGs)

Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	UN SDGs
	LEVEL 1: Outputs			
Economic Security Business	**Number of Business Loans:** Number of loans originated to for-profit or non-profit enterprises See Notes 3 & 4	Number of business loans originated Number of micro loans disbursed	Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516)	**1** NO POVERTY **2** ZERO HUNGER **3** GOOD HEALTH AND WELL-BEING
	Dollars of Business Loans: The dollar amount of loans originated in the fiscal year to for-profit or non-profit enterprises See above guidance	Dollars of business loans originated Dollars of microloans disbursed	Value of Loans Disbursed (PI5476) Product/Service Detailed Type (PD1516)	**8** DECENT WORK AND ECONOMIC GROWTH **9** INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Business Revenue at Loan Closing: Total annual business revenue at loan closing based on financial statements/tax returns submitted during underwriting See Note 5	No comparable metric	Total Revenue (FP6510) Net Income (FP1301)	**10** REDUCED INEQUALITIES **11** SUSTAINABLE CITIES AND COMMUNITIES
	Business Net Worth at Loan Closing: Total business net worth at loan closing based on financial statements		No comparable metric	
	Number of Jobs at Loan Closing: Total number of actual permanent full-time equivalents (35 hours per week) including the owner(s) at the time the loan closes For borrowers with multiple loans, from the first loan closing within the fiscal year. Data can be derived from payroll reports See Note 6	Jobs Maintained	Jobs Maintained (PI5691)	
	Number of Unduplicated Participants Receiving One-on-One Technical Assistance (TA): The total number of unduplicated individuals who received business TA over the course of the FY from a bank employee and/or contractor	Number of unduplicated participants receiving one-on-one technical assistance Number of businesses assisted	Individuals Trained: Technical Assistance (PI5352) Total Client Organizations (PI9652)	

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Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		UN SDGs
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	
	LEVEL 2: Outcomes			
Economic Security Business	**Change in Business Revenue:** The change in annual business revenue between loan application intake and annual business revenue at a later point in time. Data can be collected at the end of each year when a borrower submits financial statements or tax returns for monitoring purposes or at the last reporting period prior to loan maturity. See Note 7	No comparable metric	Total Revenue (FP6510) Income Growth (FP3298)	1 No Poverty; 2 Zero Hunger; 3 Good Health and Well-Being; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities
	Change in Owner Income: The change in the owner's draw, or business compensation, between loan application intake and follow-up survey or financial statements/tax returns. Owner's draw may include a regular salary and/or irregular withdrawals from the business by the owner for personal or household use. See Note 8	Change in owner income	Income Growth (FP3297)	
	Change in Number of Jobs: Total number of full-time equivalents (including the owner(s)) at the time of the most current monitoring report. Data can be collected at the end of each year from payroll reports or at the last reporting period prior to loan maturity. See Note 8	Jobs created within the FY Jobs maintained within the FY Jobs created in Low Income areas within the FY	Total Jobs Created at Directly Supported/Financed Enterprises (PI3687) Jobs Created at Directly Supported/Financed Enterprises: Low-Income Areas (PI2251)	
	Percent of Jobs paying Living Wage: Total portion of all jobs at business borrowers that pay a Living Wage as defined by the MIT Living Wage Calculator. This metric can be calculated at the time of loan closing or prior to loan maturity if wage information is gathered. See Note 9	Percent of jobs with Living Wage	Total Permanent Employees (OI8869) Employees Earning a Living Wage or Higher (OI4724)	
	NAICS code: NAICS codes for its business borrowers. This information can be combined with other industry third party data to create projections of the economic impact of a sector	No comparable metric	Product/Service Detailed Type (PD1516)	

Business Metric Guidance Notes

Note 3: Banks have multiple categories of loans to small businesses, including commercial & industrial, loans secured by nonfarm nonresidential real estate, loans secured by farmland, loans to finance agriculture production and other loans to farmers. As there are no hard and fast rules, banks can use discretion as to which categories they report as small business It is important to be consistent in your categories year-over-year.

Note 4: Regulators require banks to report different categories of small business loans by specified dollar thresholds for the Call Report – ie less than $100,000, $100,000-$250,000, $250,000-$1,000,000 (or alternatively $250,000-$500,000 for farm and agriculture). For impact reporting, banks can use these thresholds Impact investors and some government agencies are most interested in the smallest loans to the smallest businesses. If possible, it is recommended that you breakout the smallest loans based on the existing metrics that you utilize In addition, Community Reinvestment Act (CRA) Disclosure and Emergency Capital Investment Program (ECIP) reporting define "Small Businesses or Farms" as businesses or farms with gross annual revenues of $1 million or less at the time of underwriting.

Note 5: The purpose of this metric combined with below Change in Business Revenue to understand the net gain/loss in revenue by business borrowers within the fiscal year. Of course, many factors will influence the profitability of a borrower.

Note 6: Part time employees should be aggregated into full time equivalents based on average weekly hours.

Note 7: The purpose of this metric combined with Business Revenue at Loan Closing is to understand the net gain/loss in revenue by business borrowers within the fiscal year.

Note 8: The purpose of this metric combined with Jobs at Loan Closing is to understand the net gain/loss in jobs or aggregate jobs created within the fiscal year.

Note 9: This metric is particularly important for any entity considering participation in the New Market Tax Credit Program.

Note 10: A good business loan portfolio-wide metric is the percentage of the total number of businesses loans that were made to small businesses (using existing regulatory definitions). Mission focused banks are often the most effective in reaching the smallest businesses

CDB Recommended Impact Metrics
(Aligned with Aeris and IRIS+ Impact Metrics and UN SDGs)

Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		UN SDGs
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	
	LEVEL 1: Outputs			
	Number of Consumer Loans: Number of consumer loans originated in annual period for any purpose other than a mortgage or for a business to one or more individuals that are safe and affordable to the customer, including secured, unsecured, open ended, and closed end	Number of consumer loans disbursed	Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516)	5 GENDER EQUALITY
	Dollars of Consumer Loans: Dollar amount of consumer loans originated in annual period for any purpose other than a mortgage or for a business to one or more individuals that are safe and affordable to the customer, including secured, unsecured, open ended, and closed end	Dollars of consumer loans disbursed	Value of Loans Disbursed (PI5476) Product/Service Detailed Type (PD1516)	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Financial Wellness Consumer Finance	**Number of Individuals Receiving Financial Counseling and Other Services:** Number of unique individuals receiving counseling in the fiscal year, including but not limited to establishing/maintaining/repairing credit, household budgeting, financial literacy, strategies for savings, retirement accounts, and investments	Number of individuals receiving financial counseling and other services	Individuals Trained: Technical Assistance (PI5352) Non-financial Support Offered (PD9681)	11 SUSTAINABLE CITIES AND COMMUNITIES
	Number of Payday Alternative Loans: Number of consumer loans (secured and unsecured) originated in annual period as an alternative to small dollar, short term, high rate, pay day loans	No comparable metric	Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516)	1 NO POVERTY
	Dollars of Payday Alternative Loans: Dollar amount of consumer loans (secured and unsecured) originated in annual period as an alternative to small dollar, short term, high-rate payday loans		Value of Loans Disbursed (PI5476) Product/Service Detailed Type (PD1516)	8 DECENT WORK AND ECONOMIC GROWTH
	LEVEL 2: Outcomes			
	Credit Score Improvements: Numeric (or percentage) improvement in individual credit score after receiving financial counseling or loan	No comparable metric	No comparable metric	10 REDUCED INEQUALITIES
	Consumer Savings: Estimated discretionary savings based on the difference between payday alternatives and affordable consumer loans		Client Savings Premium (PI1748)	

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CDB Recommended Impact Metrics
(Aligned with Aeris and IRIS+ Impact Metrics and UN SDGs)

Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	UN SDGs
	LEVEL 1: Outputs			
Economic & Neighborhood Development: Commercial Real Estate	**Number of Real Estate Loans for Commercial Use:** Number of loans originated in annual period on a project secured by commercial real estate (CRE)	No comparable metric	Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516)	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
	Dollars of Real Estate Loans for Commercial Use: Dollar amount of loans originated in annual period on a project secured by commercial real estate (CRE)		Value of Loans Disbursed (PI5476) Product/Service Detailed Type (PD1516)	
	Square feet of Commercial Real Estate Financed: Total square feet of commercial real estate project financed		No comparable metric	
	Square feet of Below Market Rent for Non-Profit Tenants: Total square feet of commercial real estate project financed that is rented to non-profit tenants at a rental rate below what is charged to other tenants			
	Pre-Finance Property Value: Total appraised or government agency assessed value of commercial real estate property prior to or at the time of financing			
	Pre-Finance Real Estate Tax Revenue: Total real estate taxes paid in the annual period prior to financing			
	LEVEL 2: Outcomes			
	Below Market Rent Savings for Non-Profit Tenants: Total dollar amount of annual rent savings for nonprofit tenants paying below-market rent	No comparable metric	Client Savings Premium (PI1748)	
	Net Change in Property Value Net Change: Total appraised or government agency assessed value of commercial real estate property after financing less pre-finance property value		No comparable metric	
	Net Change in Real Estate Tax Revenue: Total real estate taxes paid in an annual period after financing less real estate taxes paid in the annual period prior to financing The net is the additional amount of tax revenue generated to			

CDB Recommended Impact Metrics
(Aligned with Aeris and IRIS+ Impact Metrics and UN SDGs)

Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		UN SDGs
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	
	LEVEL 1: Outputs			
	Number of Loans Originated for Facilities that Deliver Healthcare Services	Number of Loans for Healthcare Projects	Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516)	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 10 REDUCED INEQUALITIES
	Dollars of Loans Originated for Facilities that Deliver Healthcare Services	Dollars of Loans for Healthcare Projects	Value of Loans Disbursed (PI5476) Product/Service Detailed Type (PD1516)	
	Number of Square Feet of Healthcare Facilities Created	Square Feet of Healthcare Facilities Created	Healthcare Facilities (PI1017)	
	Number of Square Feet of Healthcare Facilities Preserved	Square Feet of Healthcare Facilities Preserved	Square Feet of Healthcare Facilities	
	Number of Unduplicated Patients Served	Number of Unduplicated Patients Served	Patients Screened (PI6845) Patients Completing Treatment (PI5060) Disease/Condition Addressed (PI1533) Health Intervention Completion Rate (PI3902)	
	Number (or Percentage) of Low Income Patients Served			
	The most common proxy for low income patients are the number of patients that pay with Medicare, Medicaid or other state subsidizes health insurance programs Often expressed as a percentage of the total patients served	Number of Unduplicated Low Income Patients served	Patients Screened (PI6845) Patients Completing Treatment (PI5060)	
Specialty Lending Healthcare	**LEVEL 2: Outcomes**			
	Net Increase in Total Patients (or Low Income Patients) Served Post Loan as Compared to Pre-Loan	Number of Unduplicated Low Income Patients served	Patients Screened (PI6845) Patients Completing Treatment (PI5060)	
	Net Increase in Square Footage of Facilities Financed in the Year	Square Feet of Healthcare Facilities Created or Preserved	Square Feet of Healthcare Facilities	

CDB Recommended Impact Metrics
(Aligned with Aeris and IRIS+ Impact Metrics and UN SDGs)

Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		UN SDGs
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	
	LEVEL 1: Outputs			
	Number of Loans Originated for Projects that Deliver Community Services		Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516)	
	Dollars of Loans Originated for Community Service Projects		Value of Loans Disbursed (PI5476) Product/Service Detailed Type (PD1516) Value of Community Facilities Financed (PI2410)	
	Number of Unduplicated Beneficiaries Served	No comparable metric	Client Individuals: Total (PI4060) Non-financial Support Offered (PD9681) Individuals Trained: Technical Assistance (PI5352) Client Households: Provided New Access to water, energy, education, finance, or healthcare (PI2845)	
	Square Feet of Other Community Facilities Created		Area of Community Facilities Financed (PI4765)	
	Square Feet of Other Community Facilities Preserved		Community Facilities Type (PD7557)	
Specialty Lending Nonprofit Services	**LEVEL 2: Outcomes**			
	Number of (or Net Increase) Individuals Receiving Nonprofit Services Post-Loan Origination	No comparable metric	Individuals Trained: Technical Assistance (PI5352) Nonfinancial Support (PD9681)	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES

CDB Recommended Impact Metrics
(Aligned with Aeris and IRIS+ Impact Metrics and UN SDGs)

Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		UN SDGs
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	
	LEVEL 1: Outputs			
Specialty Lending Education	**Number of Education (or Child Care) Facility Loans:** Number of loans originated for education facility projects	No comparable metric	Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516)	**1 NO POVERTY**
	Dollars of Education (or Child Care) Facility Loans: Dollar amount of loans originated for education facility projects		Value of Loans Disbursed (PI5476) Product/Service Detailed Type (PD1516)	
	Number of Student Seats at Loan Closing: The number of total seats available at time of the loan closing	Number of student seats at loan closing	Student Enrollment: Total (PI2389) Number of students enrolled as of the end of the reporting period	
	Number of Student Seats at Project Completion: The number of total seats available after construction or renovation is completed in the case of an equipment or working capital loan this number could be the same as at loan closing	Number of student seats at project completion	Student Enrollment: Total (PI2389) Number of students enrolled as of the end of the reporting period Classroom Space New/Improved (PI7268)	**4 QUALITY EDUCATION**
	Number of Child Care Slots at Loan Closing: The number of total childcare slots available at the time of the loan closing in the case of new construction this number might be zero	Number of childcare slots at loan closing		
	Number of Child Care Slots at Project Completion: The number of total childcare slots available after the construction or renovation is completed in the case of an equipment or working capital loan this number could be the same as at loan closing	Number of childcare slots at project completion	Product/Service Detailed Type (PD1516)	
	Number (or Percentage) of Low Income Students Served: The most common proxy for low income students is the number of students qualifying for free & reduced price lunch subsidies Most often this is expressed as a percentage of the total student body	Number of students qualifying for free & reduced price lunch subsidies	Student Enrollment: Total (PI2389) Number of students enrolled as of the end of the reporting period	**10 REDUCED INEQUALITIES**
	LEVEL 2: Outcomes			
	Attendance Rates: Average daily attendance (ADA) as a percentage of total enrollment	Attendance rates	Student Attendance Rate (PI3786)	
	Student Graduation Rate (High School): Total number of students completing school within 150% of normal time divided by the revised adjusted cohort	High school graduation rates	Student Dropout Rate (PI9910) Student Transition Rate (PI4924)	
	Annual Student Proficiency Rates for Math and English: Annual student proficiency rates on standardized math and English for school as reported by state department of education		Average Student Test: Score (PI9024) Student Tests Pass Rate (PI8372)	
	Annual Improvements in Student Proficiency Rates for Math and English: Year over year changes in annual student proficiency rates on standardized math and English for school as reported by state department of education	No comparable metric	Child Development Assessment (PD9911) Children Served Development Status (PI6045)	
	Job Training Program Completion Rate: Portion of total students that successfully complete job training program annually		No comparable metric	
	Job Placement Rates Post Job Training: Portion of total students completing job training that are successfully placed into jobs			

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CDB Recommended Impact Metrics
(Aligned with Aeris and IRIS+ Impact Metrics and UN SDGs)

Impact Theme	CDBA Recommended Impact Metrics for CDBs	Aligned Metric Systems		UN SDGs
		Aeris CDFI Loan Fund Metric	IRIS+ Metric	
LEVEL 1: Outputs				
	Number of Loans Originated for Projects that Deliver Community Services		Number of Loans Disbursed (PI8381) Product/Service Detailed Type (PD1516)	
	Dollars of Loans Originated for Community Service Projects		Value of Loans Disbursed (PI5476) Product/Service Detailed Type (PD1516) Value of Community Facilities Financed (PI2410)	
Specialty Lending Nonprofit Services	Number of Unduplicated Beneficiaries Served	No comparable metric	Client Individuals: Total (PI4060) Non-financial Support Offered (PD9681) Individuals Trained: Technical Assistance (PI5352) Client Households: Provided New Access to water, energy, education, finance, or healthcare (PI2845)	SDGs 1, 2, 3, 4, 5, 8, 10, 11
	Square Feet of Other Community Facilities Created		Area of Community Facilities Financed (PI4765)	
	Square Feet of Other Community Facilities Preserved		Community Facilities Type (PD7557)	
LEVEL 2: Outcomes				
	Number of (or Net Increase) Individuals Receiving Nonprofit Services Post-Loan Origination	No comparable metric	Individuals Trained: Technical Assistance (PI5352) Nonfinancial Support (PD9681)	

Appendix 2

Impact Journey Map
Building an impact measurement and management system is a journey.

	Stage 1	Stage 2	Stage 3	Stage 4
Culture	Bank only collects the data that is necessary to comply with regulators or government programs	Bank collects output data and stories largely to enhance competitive advantage for CDFI applications	Bank collects output data related to impact, but this data is not used to inform program strategy	Bank has a feedback loop and uses the impact data collected to assess whether or not they are meeting their goals & what adjustments are needed to products, services, & strategies
	Bank strategic planning is focused on financial performance; no discussion about mission or impact	I performance; no discussion about mission or impact. Bank adopts an impact goal of collecting impact data; goals are not yet connected to program activities	Bank engages in strategic planning and mission is integrated into financial & other goals	Bank seeks out and/or prioritizes loans that serve the mission stated in their strategic plan and particular communities (ex. low-income or minority borrowers), often thr
	Bank has a mission, but the mission does not address community development	Bank has a mission or vision statement that mentions community development. Few within the bank know what the mission statement is.	Bank's employees and staff at all levels are familiar with the mission/vision/values, though they may not have been involved in shaping it	Bank leadership revisits mission/vision/values statement or impact strategy exercise with some regularity and encourages participation of the staff
				New employee orientation includes discussions of, and commitment to, mission/vision/values
				Bank celebrates impact(J stories and data with staff on a regular basis (ex. monthly meetings, intranet, retreats)
	Bank's Board and/or CSuite are reluctant to devote resources to impact measurement	Bank's Board and C-suite are supportive of the idea of collecting impact data, but not proactive in their planning and/or do not allocate necessary resources	Bank's Board and C-suite are supportive of impact data collection and allocate some resources	Banks Board and C-suite are fully committed to collecting, sharing, and utilizing the data and allocate sufficient resources
Data Collection	No impact data collected beyond what is required for CRA and HMDA	Bank collects only geocoded output data (such as number or dollar amount of loans originated), mostly to use for CDFI applications	Bank begins using the output data to produce marketing & communications materials	Bank regularly shares impact reports and stories with all employees, C-Suite, and Board members
			Bank may start collecting a limited number of outcome metrics, but struggles getting staff to support data collection	Bank consistently collects output data and tracks a number of outcome metrics with widespread support from all in the bank
		Bank inconsistently collects impact data at the discretion of the individual loan officers	Bank collects a few data points across all lending	Bank collects data across all lending, in addition to some sector-specific metrics
			Bank collects some voluntary customer demographic data	Bank systematically collects demographic data
		Bank relies on proxy data for estimating impact	Bank uses third party data sources to supplement and capture larger context of outcomes	Bank begins completing its own studies and analysis of lending outcomes
		Bank only collects data at loan origination	Bank collects output data at origination and inconsistently collects some data points post-origination	Bank has periodic touchpoints post loan origination with borrowers to systematically collect data on an ongoing basis

	Stage 1	Stage 2	Stage 3	Stage 4
Data Quality Control	Little to no verification of data beyond requirements of CRA, HMDA, or CDFI Fund	Minimal review of impact data by compliance staff	Training for customer-facing staff on data collection	Training and development of definitions and policies and procedures manuals to ensure consistency
				Periodic system of quality control to ensure data accuracy; audit of impact data
Storytelling	No storytelling	Bank uses impact stories sporadically for funding applications; relies on memory of lending officers to identify stories	Bank integrates impact stories into external marketing and communications strategy	Bank actively seeks out impact stories on a periodic basis (ex. for newsletter or board reports); stories shared internally (ex. at staff meetings)
Staff	Only compliance staff engage with impact data exclusively for regulatory and CDFI reporting	Other staff engage with mission, but only through nonlending activities (ex. volunteering)	Bank occasionally shares impact data and reports internally to engage staff in impact data	Bank evaluates its lending and lenders (ex. performance reviews) in accordance with impact goals
	Bank employees send data to a consultant to handle CDFI/impact duties	Bank has a half-time staffer who collects data when needed, but has other responsibilities	Bank has a full-time staffer that handles impact and CDFI applications and reporting	Bank has more than one FTE dedicated to impact work
	No marketing staff	Bank has a half-time marketing staffer that has other responsibilities	Bank has a full-time marketing/communications staffer	Bank has more than one FTE dedicated to marketing/communications
Systems	No systematic process for impact data collection; it's a fire drill every time data is needed for an application or report	Bank collects some impact data, but stores it in Excel or in hard copy files; data is inaccessible or difficult to access	Bank has a section for impacts in the credit memo and/or includes a personal story about the borrower	Bank uses a standardized impact rating system or mission screen and overall impact rating of portfolio to influence lending decisions on an ongoing basis; ratings discussed internally and with C-Suite
			Impact data stored in core system or consistently tracked in Excel or other CRM	Integrated platform for capturing impact and lending data (i.e. core system linked to CRM)

Appendix 3

Data Inventory Template

While impact measurement and management may be new to some bankers, all banks already collect some types of impact data. Banks collect customer data for many business purposes, but don't realize it can be repurposed for impact. Information is collected from customers during accounting opening, loan application, underwriting, and monitoring. Much of this data can be repurposed to better understand a bank's impact.

As part of Impact at Scale (I@S), we developed a Data Inventory Template and "homework assignment" for participants to take back and try to identify potential impact metrics their bank is already collecting. We began by identifying the points in time when a bank typically collects data from customers during the lending process. See Table 1 – Business Process Flow Chart. Table 1 identifies who collects data, the type of information they collect, why the bank collects the data, how the bank uses the data, and where it is typically stored. We also build a Data Inventory Template to help bankers identify metrics (aka variables), where, and how it fits into the process, as well as a system for rating the quality and completeness of the data. The instructions for using the Data Inventory are below. An electronic copy of the data inventory template can be obtained by contacting CDBA.

Table 1. Business Process Flow Chart

Business Process Flow Chart

Questions	Pre-application	Application	Underwriting	Loan Closing	Monitoring
Who Collects Data?	Business Development Officer	Business Development Officer? Loan Officer? Online application?	Loan Officer	Loan Officer, compliance staff	Monitoring staff
What do they collect?	Basic contact information pertinent to follow up on a lead	Data sufficient to make a loan request, documentation listed in credit application	Financial statements Data on business performance Credit score Business plan	Documentation needed to execute transaction, appraisals	Payment information, Financial performance reports on the business; Data collected on monthly, quarterly, annual basis
Why do they collect it?	To keep track of potential new customers	Begin credit process	Assess the strength & credit worthiness of the borrower & capacity of business to repay loan	Document the loan, finalize terms, secure liens, ensure the bank has legal means to secure payment	Monitoring the performance of the borrower, mitigate if a borrower is having problems
What do they do with the data?	Record in a CRM? No action?	Create a credit file, screen customers, assign to a loan officer	Credit a credit memo, save supporting documents in borrower credit file	Save all document to customer credit file	Save all documentations in customer monitoring fields
How do they collect & store it?	Enter into a customer CRM?	CRM, Core system	Hard copy credit file, electronic credit files, core system	Hard copy credit file, electronic credit files, core system	Hard copy monitoring file, electronic monitoring files, core system

During our first cohort of Impact at Scale, we asked a bank to serve as a case study. Prior to the exercise, the Chief Executive Officer was skeptical that the bank had any impact data. So, we sent two members of our team to the bank. They spent approximately 5 hours interviewing multiple parties involved in different stages of the lending process and reviewing internal documents and systems. Staff used the Data Inventory Template to record the information they found. Table 2 shows the results.

Table 2 - Data Collection by Stage (data variables collected)
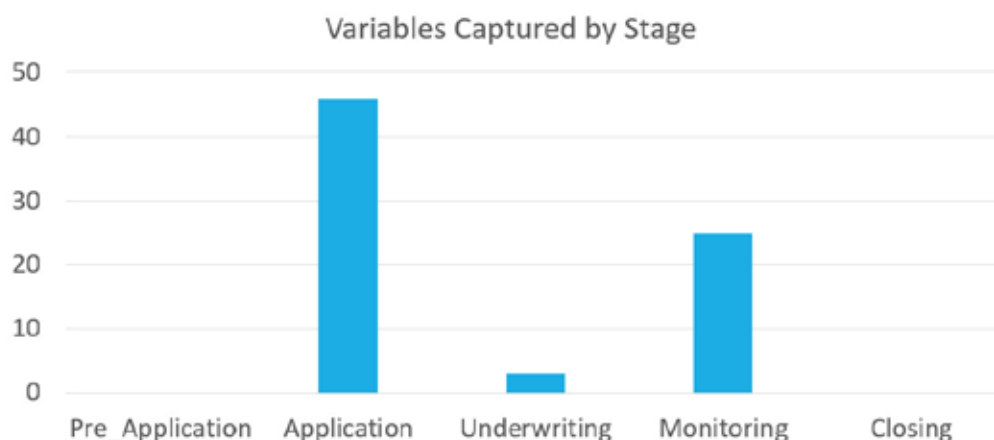
In Table 2, our analysis found that the banks was collected nearly 50 different pieces of data from a prospective borrower during the application process. In addition, more than 20 data points were typically collected during the monitoring process with modest new information collected in underwriting and no new information at the time of loan closing.

Table 3 – Data Collection by Stage (rating of quality of data collected)
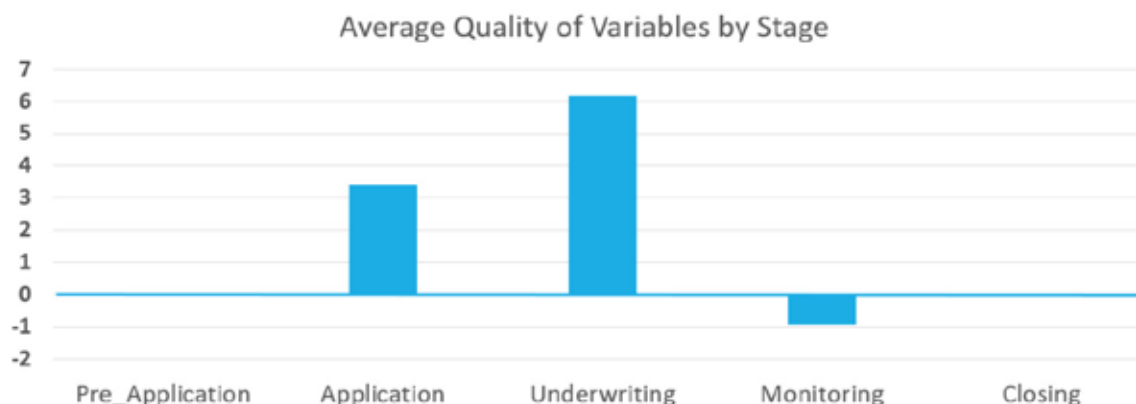
Data Quality is scored by applying a 5 pt rating (-2 to +2) in three areas and then weighted according to relative importance to impact measurement:

- **Cleanliness:** Whether the data adheres to required formats/types
- **Comprehensiveness:** Whether the data is consistently collected and maintained
- **Accuracy:** Whether the data is true to the best ability to assess

Our team asked bank personnel interviewed to rate the cleanliness of the data (a.k.a. whether the data collected adhered to the format generally required by the bank), comprehensiveness (a.k.a. whether the data was consistently collected across all borrowers), and accuracy (a.k.a. whether the data was thought to be accurate). Generally, data collected in the application and underwriting process was rated as good or high quality as loan officers typically verify data submitted as part of the underwriting process itself. Monitoring was cited as an area where data quality could be improved. Getting borrowers to submit monitoring data in the format needed and lack of bank personnel bandwidth to verify the information were cited as causes.

Table 4 – Metrics Case Study Bank Was Already Collecting

Table 4 lists metrics that the Case Study Bank was already collecting. Many of the data points listed go beyond basic outcome metrics – such as the number and dollar amount of a loan.

Portfolio & Loan Metrics	Business Financial Health	Core Borrower Characteristics	CRA & Impact Metrics
Loan Amount			Jobs Created/Maintained by the Loan
	Cash Reserves	E-Mail	
Loan Type			Total No. of Perm Jobs in the Business
	Debt Load	Tax ID	
Type of Business	LOC Credit Capacity	Date of Birth	No. of Temp Jobs (Construction)
Amount Guaranteed	Late Fees	Phone	#Jobs for LMI Community Persons
	Tax Liens	Business Phone	#Jobs with Living Wages
	Proof of Insurance	Home Phone	No. Affordable Housing Created (Units)
	Payment of Insurance	County Code	Affordable Housing Retained (Units)
	Debt to Equity Ratio	Census Tract Number	# of School Seats
	Retained Earnings	State Code	
	Total Annual Revenue	Small Business Start-up?	
	Dollar Leveraged	Consumer Credit Report Score	
	Annual Revenue Growth	Fair Isaac Score	
		Business Credit Score	

As discussed in this Practitioner Guide and *Appendix 1 – Impact Metrics Menu*, some of the metrics collected can be very valuable for building an IMM system. For example, a census tract can be used to gather publicly available third party data on the economic and demographic characteristics of the community. If tracked over time, consumer and business credit scores, retained earnings, total annual revenue, and revenue growth can be good outcome measures that demonstrate a small business' improved viability. Our case study bank was also a participant in several government programs requiring collection of certain job-related, affordable housing, and other metrics. We found the bank was doing a good job collecting all the required data points for loans using the government resources. While the bank has internal systems set up for collecting such data, the bank's challenge will be to expand collection of this data for similar loan types that do not use government resources.

Participants in Impact at Scale that completed the homework assignment generally felt the Data Inventory Template was helpful to provide a framework for identifying data already collected. A couple of banks reported finding duplicative data, indicating where they could improve unnecessary data collection and improve quality.

Impact at Scale Homework

CDFI Bank Business Process Modeling and Impact Data Mapping Exercise
CDBA Impact @ Scale Boot Camp

Business Process Modeling (BPM) is the process of outlining a company's current work flow for the purpose of understanding and improving how a business functions. In the first part of this exercise you will apply business process modeling to create a visual that depicts your business and commercial lending process and the points in the process where you interact with clients and gather data and information on their business. Common techniques to model business processes include flow charts, function flow block diagrams, Gantt charts, and other visuals. There is no magic to using any particular type of chart or technique; and the exercise need not be formal and can even be sketched out on a white board first before documenting it on paper. The important thing is to use a format that helps you capture your process flow.

Using the visual you develop:

- Identify the points in your process through which your bank collects information from small business or commercial loan customers and what you do with the information.
- Examine where in your process you collect data and information that can be repurposed into impact metrics to demonstrate your bank's impact
- Map these potential metrics and information sources for impact data within the visual
- Create a list of internal impact data sources

Using the list of internal impact data sources:

- Review the internal data sources, which may include pre-application information, loan application, documents obtained during due diligence, etc. and identify potential impact metrics or data points
- Document the impact metrics and data points you find within the impact metric spreadsheet that accompanies this exercise

Using the data inventory template:

- Using the list of sample data variables as reference, identify data points from your bank's core data systems (core processor, loan management system, CRM, etc.) that could be used to indicate whether a borrower and the associated loan has associated impact characteristics.
- For each variable, select from the drop-down fields the characteristics associated with that variable, including:
  - The source where that variable is collected
  - The system where that variable is maintained
  - The stage at which that variable is collected

- o And a brief description of what that variable could indicate, relative to a bank's community impact.
- Additionally, for each variable, provide a general judgment of quality, from very low to very high, of that metric, including,
  - o **Cleanliness:** How consistently the data collected conforms to the appropriate format, type, and specific characteristics of the intended variable
  - o **Comprehensiveness:** How consistent your bank is in collecting data for each borrower and loan
  - o **Accuracy:** How frequently the data collected is measurably true according to authoritative sources.
- After creating this list and assessing the quality, the full inventory will be scored in the Summary page, to provide a starting point for understanding where your bank is effectively collecting most of its data, and where there are opportunities to improve or expand collection.
- After completing this inventory, please send it back to CDBA, so the results can be mapped back to larger institutional metrics and variables as part of the next phase of this project. This exercise will help to ensure that we are setting a set of standard metrics that can be consistently collected, calculated, and analyzed for banks.

As part of completing the assignment we will ask you to provide us with:

- ✔ **A copy of your business process modeling visual**
- ✔ **The list of internal impact data sources**
- ✔ **The completed impact metrics spreadsheet**

Homework Assignment: Using the Data Inventory Template

	A	C	D	E	F	G	H	J	L	N	P	Q
1	Variable Name - Bank	Type	Source	System Type	Stage	Description	Cleanliness	Comprehensiveness	Accuracy	Importance	Weighted Quality Score	Tracking
2	LOAN AMOUNT	Currency	Loan Application	Loan Management System	Application		High	High	Medium	Very high	4	1
3											#N/A	#N/A
4											#N/A	#N/A
5											#N/A	#N/A
6											#N/A	#N/A
7											#N/A	#N/A
8											#N/A	#N/A
9											#N/A	#N/A
10											#N/A	#N/A
11											#N/A	#N/A
12											#N/A	#N/A
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28											#N/A	#N/A
29											#N/A	#N/A
30											#N/A	#N/A
31											#N/A	#N/A
32											#N/A	#N/A
33											#N/A	#N/A

Additional Guidance for Using Data Inventory Template

<u>Guidance</u>

Utilize the list of impact metrics provided to you during the Getting to the Nitty-Gritty: Picking Your Metrics session as you examine potential impact data sources and list your metrics.

<u>The following questions may help you as you conduct this exercise</u>

- Who in the bank is the first-point(s) of contact with your potential business or commercial customers? Examples: Business development officers, loan officers, branch personnel, website application
- If a customer is identified as a potential loan candidate, who are they referred to inside the bank?
- Who collects or receives an initial loan application?
- Who conducts underwriting and due diligence?
- Who closes the loan?
- Who monitors the loan?
- Who maintains the credit files? Who maintains monitoring files?
- Who functions as the on-going relationship manager with the customer?
- Pre-Application: What information does your business development team collect or know about a potential customer before they fill out a loan application? This information might be formal data or informal intelligence. Examples:
    - Business is located in a particular neighborhood
    - Entrepreneur participated in a business planning seminar hosted by the bank or another service provider
    - They have a booming business and you have to wait to get a table every night
    - Entrepreneur is active in a local Chamber of Commerce or business association
    - Referred by another customer
- Application: What information is collected about a customer as part of the initial credit application? *Examples: Business address, home address, business revenues, business owner income*
- Underwriting/Due Diligence: What information is collected during underwriting and due diligence? *Examples: financial statements, credit scores, payroll reports, sales reports*
- Approval and Closing: If a loan is approved, what additional documentation or information do you collect from the customer to close and fund the loan? Is any new information collected prior to funding a loan?
- Monitoring: What type of information is collected (and how often) on an on-going basis to track the health of the borrower and his/her business? *Examples: financial statements, sales reports, payroll reports*