Training Module:

Telling Your Story Through Social Impact Data Collection and Reporting

US DEPARTMENT OF THE TREASURY
CDFI FUND
CAPACITY BUILDING INITIATIVE

Provided by: CDBA Deloitte.

Why Tell your Story through Social Impact?

Internal Benefits

- Understand how effectively you are serving your community

- Build an internal culture around your bank's mission of creating economic opportunity and improving your community

- Ensure there is internal alignment of strategies and operations that will help you achieve mission-related goals

- Support loan origination and loan monitoring functions

External Benefits

- Satisfy regulatory or funder reporting requirements

- Increase competitiveness for external resources programs by demonstrating to stakeholders your ability to deliver on mission

- Strengthen the effectiveness of your marketing & communications strategy (tell your bank's story with greater credibility)

Structure of the Module

I.   Social Impact Measurement Defined

II.   Getting Started: Planning, Goal Setting, and Strategy Alignment

III. Leading Practices for Social Impact Data Collection

IV.   Regulatory Considerations & Social Impact Data Collection

Goals of the Module

- Understand the vocabularies and frameworks for social impact data collection
- Think comprehensively about what qualifies as "social impact" for your bank
- Learn how to align social impact measurement with strategic goals
- Build internal culture of social impact data collection
- Work in line with regulatory restrictions on social impact data collection
- Identify processes and systems to streamline data collection/reporting
- Enhance skills to communicate your bank's success

<u>Are</u> Doing What You <u>Say</u> You are Doing?

What are you trying to accomplish in your community?

How will you know if you are successful or not?

Take 5 minutes to write down…

What are the three most important things you are trying to accomplish in your community as a CDFI MDI?

CDFI MDI Balancing Act

Careful balancing act between financial strength, meeting regulatory requirements, and meeting your mission

Communicating Social Impact Story to Internal & External Stakeholders

External Stakeholders

- What do they care about?
- How are you communicating impact to them?
- What frequency of social impact reporting or contact do you have with them?

Internal Stakeholders

How can your social impact data:

- inform your strategy?
- help your core business?
- help you understand your customers?
- change how you run your business?

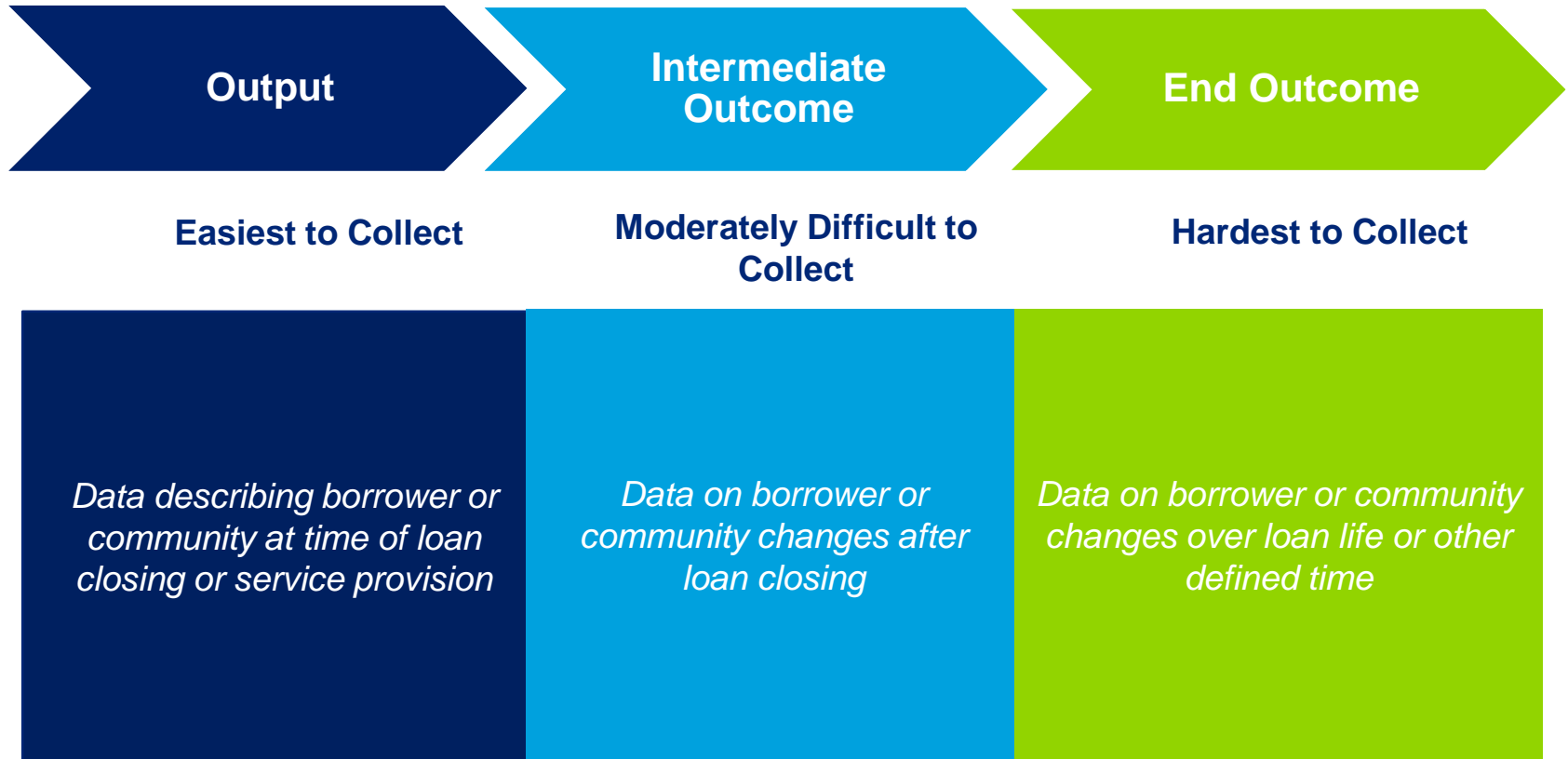Provided by: CDBA Deloitte.

Social Impact Measurement Defined

Vocabularies and frameworks for understanding social impact data collection and reporting

A Spectrum of Social Impact Measurement Options

Output	Intermediate Outcome	End Outcome
Easiest to Collect	Moderately Difficult to Collect	Hardest to Collect
Data describing borrower or community at time of loan closing or service provision	*Data on borrower or community changes after loan closing*	*Data on borrower or community changes over loan life or other defined time*

Defining "Outputs"

Output data refers to any data about an institution's activities and services that is collected ***at the time of product or service delivery*** (e.g., at loan closing or beginning of technical assistance). Think of these metrics as **"baseline"** data.

Examples include:

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

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

- Customer characteristics at time of loan close: income level, geographic location, NAICS industry code, tax status, number of existing employees in the business, etc.

- Number and type of depository accounts (checking, savings, time deposits) opened or closed

The theory of change might be a useful framework for your CDFI MDI. Visit the Small and Emerging CDFI Resource Bank for more information:
http://cdfifund.gov/docs/CBI/2013/Strengthening%20Small%20and%20Emerging%20CDFIs/Logic%20Model%20-%20Presentation.pdf

Defining "Outcomes"

Outcome data describe the positive changes over time for the bank's customers or the communities it serves, gathered at some point *after the bank's delivery of services*, as a result of the product or service delivery.

There are two categories of outcome data:

- **"Intermediate" outcomes**: <u>focus on medium-term results</u>
    - Example: A bank makes a loan to rehab a multi-family housing development and, as a result, X number of units are rehabbed and X number of units are deemed affordable
    - Other examples: # Jobs created, # first-time homebuyers, # square feet commercial real estate developed/rehabilitated

- **"End" outcomes:** <u>focus on long-term results</u>
    - Example: A bank makes loans to rehab single-family homes in a distressed neighborhood and, over time, this action helps stabilize the community as measured by increased housing values
    - Examples: Rental savings for households in affordable units, # of credit counseling customers able to qualify to buy a home, increases in revenues of small business borrowers

> **All of this rolls up into the "impact" that a bank has on its community. This process is about identifying how your bank contributes to long-term community-level change**

What is Primary Data and How is It Useful?

Primary data is information collected or observed directly from first hand experience (in person or via loan documents)

Examples:

Square footage of a facility financed

Business Revenue

Number of housing units

Number of Employees

Household Income

Tip: The staff delivering services directly to customers provide your bank the best opportunity to collect primary data (e.g. loan officers)

What is Secondary Data and How is it Useful?

- Secondary data is data collected and reported by a third party such as by government agencies, proprietary, or academic sources

- **Targeting:** Census tract location data can be used to create **simple output measures at the community level** that indicate the extent to which a bank is *targeting resources to specific low-income or other target census tract* (e.g., as required for CDFI (re)certification)

- **Long Term Outcome:** Secondary data can be used to develop a set of inexpensive, easy-to-access **outcome indicators** that track *changes in economic and community well-being over time*

  – Examples: changes in percentage of area median family income, percentage of families below poverty line, annual unemployment rate

Examples of Free Secondary Sources

- Bureau of Labor Statistics Quarterly Census of Employment and Wages
- Census' Small Area Income and Poverty Estimates
- Consumer Financial Protection Bureau, Rural, and Underserved Counties
- HUD Neighborhood Stabilization Program Targeting
- USDA Food Desert Locator

Tip: Various geospatial mapping programs enable you to access free and subscription based secondary data sources such as PolicyMap. See handout for a list of free secondary data sources. Geospatial analysis can be part of TA!

Case Study City First Bank of DC: Using Secondary Data

Map using secondary data to demonstrate targeting to their core LMI communities

- Provides a very good example of **targeting** - using only a few indicators (loan location, low and moderate income (LMI) status of the census tract)

- Mapping can demonstrate strong commitment to lending in LMI communities

- Presented to investors, public officials, Capitol Hill, etc.

- City First has 1 full time staff person devoted to social impact data collection and reporting
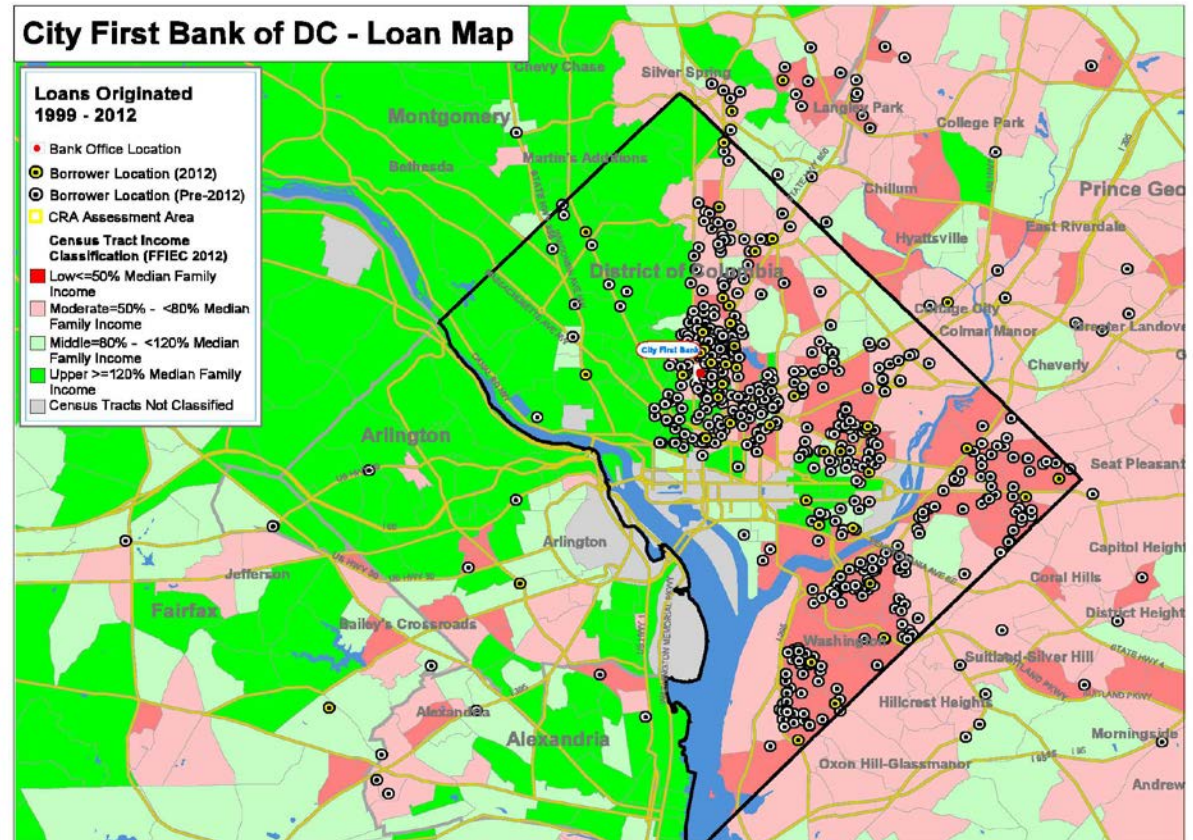
Case Study Neighborhood National Bank:
Using Primary and Secondary Data

Can use a combination of primary and secondary data to show how your bank is targeting loans to specific communities or sectors

This was part of a public report called *"Be the Change! Neighborhood National Community Impact Report"*

NNB IMPACT IN THE SAN DIEGO REGION: 2006-2010

NNB LOANS

	NUMBER	AMOUNT
Total Lending	450	$123,800,000
Business Lending	256 (57% of all loans)	$54,200,000
Small business lending	179 (70% of all business loans)	$33,600,000

JOBS SUPPORTED

Jobs supported at business borrowers	2,470
Dollars loaned per job supported	$21,900

PERCENTAGE OF DOLLARS IN TARGET AREA[1]

	High Poverty Areas	High Unemployment Areas	High Minority Areas	LMI Areas
All loans	15%	18%	64%	71%
Business loans	11%	17%	58%	67%

NNB DEPOSITORS

	High Poverty Areas	High Unemployment Areas	High Minority Areas	LMI Areas
All depositors (n=309)	48%	69%	83%	74%

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Case Study Neighborhood National Bank: Using Primary and Secondary Data

Map using primary and secondary data to track and report community change over time

NNB BUSINESS LOANS IN THE SAN DIEGO REGION: 2006-2010

Volume of Loans Directed to Census Tract
- · Under $500,000
- ● $500,000 and up

Type of Borrower
- ● Includes small businesses (Annual revenues of some borrowers in this census tract are $1 million or less)
- ● Non-small businesses only (Annual revenues of all borrowers in this census tract exceed $1 million)
- ▢ Low to Moderate Income Census Tract
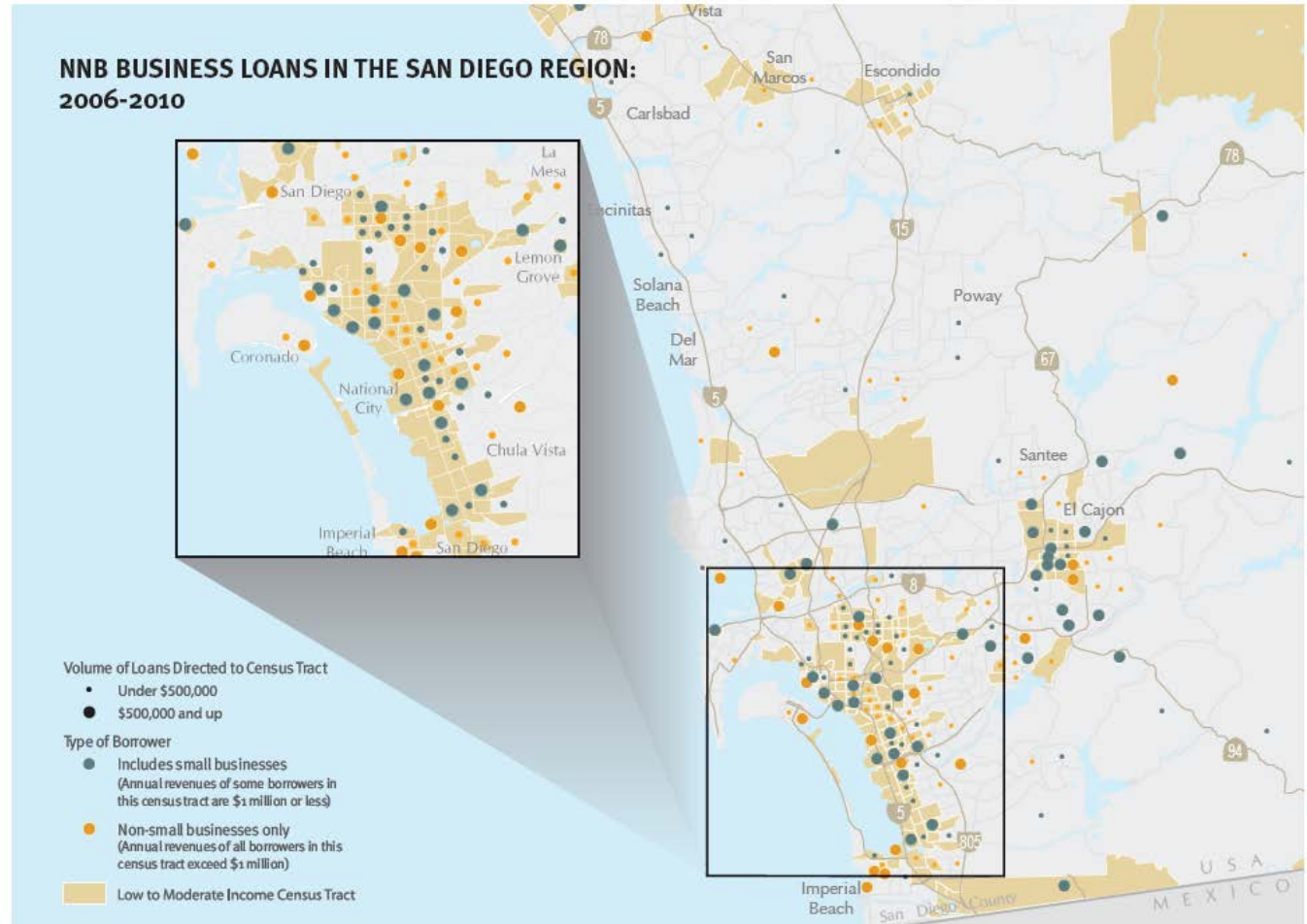
Getting Started: Planning, Goal Setting & Strategy Alignment

Looking before you leap and assessing follow-through

Planning: Be Intentional

Intentionality: Intentionality is a critical factor in creating an effective social impact assessment system. Taking intentional, but achievable steps, is critical to long term success

Planning & Goal Setting: Banks with the most robust social impact data collection systems had engaged in planning processes to identify their community impact goals before identifying social impact metrics to collect.

Alignment:
- Review existing products, services, strategies, and operations to determine whether they align with goals. Make modifications where needed.
- Examine current data collection efforts. Does the data tell you if you've achieved your goals?
- If not, select indicators that align with community impact goals.

This planning process is both interrelated with and an outgrowth of broader strategic planning that your CDFI MDI should undergo

Planning & Designing Your Bank's "Feedback Loop"

Create an internal feedback loop for collecting, reviewing, and analyzing data to better understand customers and inform future strategies

1. **Mission:** Define your mission and desired positive change
2. **Goal Setting:** Set social impact goals
3. **Products and Services:** Review for alignment with mission and impact goals
4. **Delivery Strategies:** Review for alignment with mission and impact goals
5. **Outputs:** Select outputs that align with key goals
6. **Outcomes:** Select outcomes that align with key goals
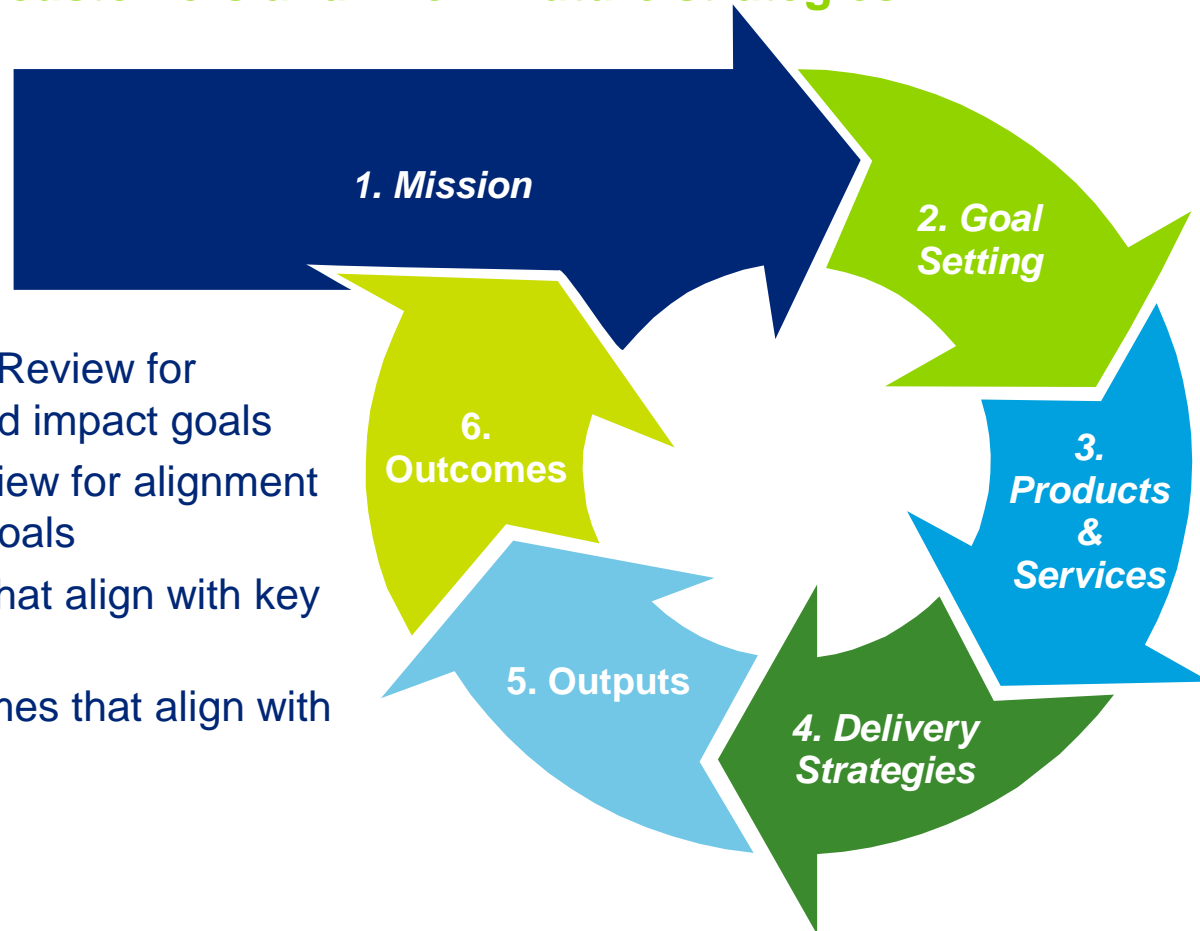
Step One: Define Your Mission and Your Desired Change

What are you trying to accomplish in your community?

Mission

Step 1: Examine your mission statement

Step 2: Identify the positive change(s) you are trying to effect

Step 3: Do they match up? Adjust as needed

→ **Examples from banks**

Step Two: Set Social Impact Goals

What are the impact goals and objectives that define intermediate and long term changes your bank would like to effect?

Example: Increased community stabilization, increased housing values, and decreased unemployment rate

Goal Setting

Ask: Do the elements tie together and re-enforce each other? Are they disconnected? Do they work across multiple purposes?

→ Examples from banks

Step Three: Review Products & Services for Alignment

Given your mission and impact goals, does your bank's current mix of products and services support achievement of those goals?

- How does each current product and service feed into accomplishing the goals?

- Are there adjustments in products or services that would better enable your success?

- *Consider profitability/financial viability of new products and services*

Products & Services

Example Goal
Promote First Time Home Ownership
• Do you offer the right mix of loan products that are well suited for first time buyers (e.g., modest down payments)?
• Do you offer home ownership counseling or classes to help customer understand how to build or improve their credit scores, how to maintain a house, etc.?

→ **Examples from banks**

Step Four: Review Delivery Strategies for Alignment

Given your mission, impact goals, and mix of supporting products and services, does your set of delivery strategies support achievement of those goals?

If your goal is to reach new customers that are currently un- or under-banked:

- Do you offer ways for the customers to reach you without walking into your bank (e.g. mobile or online banking)?

- Do you partner with nonprofits, credit counselors, churches, or others that already work directly with the customers you want to reach?

- Are your written materials available in the primary languages of the target customer group or presented in a clear concise material that is free of jargon?
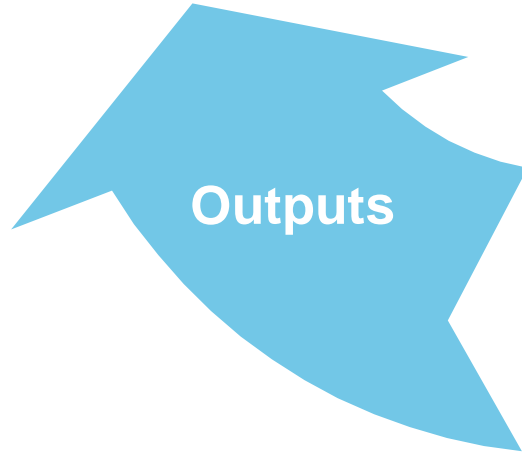
→ **Examples from banks**

Delivery Strategies

Step Five: Selecting Outputs that Align with Goals

Given your mission, impact goals, and mix of supporting products, services and delivery strategies, what outputs best measure progress towards your stated goals?

Outputs

Examples:

- **Employment:** business revenues at loan close
- **Housing:** $ in affordable housing loans, $ of loans in low-income census tracts
- **Commercial Real Estate:** size of building to be rehabilitated, # of tenants occupying building at loan close

→ **Examples from banks**

Step Six: Selecting Outcomes that Align with Achievement of Goals

Outcomes

Given your mission, impact goals, and mix of supporting products, services and delivery strategies, what outcomes best measure progress towards your stated goals?

Examples:

- **Employment:** # jobs created/maintained
- **Housing:** # housing units developed/rehabbed/preserved, # of first-time homebuyers with an affordable mortgage
- **Commercial Real Estate:** # total sq ft. developed

Tip: Consider what you can track and what conclusions you can draw from there

→ Examples from banks

Case Study: Bank 2 (CDFI MDI)

Impact Objective: Helping Native Americans achieve homeownership as a means of building household assets

Goal: 10,000 Native American families achieve homeownership

Data Collection Purpose: Mortgage lenders are often insensitive to the best interests of Native populations and tribes

Bank2 must tell a clear story, backed up with statistics, to prove that the CDFI MDI is mission-driven in order to gain tribes' trust

Data Collection Philosophy: *"Quality over quantity"*

Examples of Bank2 Metrics
Promote First Time Home Ownership

Current Metrics
- # Home mortgage loans originated
- # Loans made "when no other lender would"
- Borrowers' tribal affiliations
- Census tract LMI and metro-status

Future "Wish list" of Metrics
- # borrowers receiving homeownership counseling
- Tribal revenues from home loan borrowers receiving down payment assistance or gaming
- Unemployment rates in loan census tracts

Goal Setting Case Study: Southern Bancorp (CDFI Bank)

Goals: Southern identified <u>3 "Transformational Goals"</u> to help "permanently revitalize" their community:
(1) poverty reduction, (2) full employment opportunities, and (3) educational attainment

End Outcomes: The CDFI bank then selected end outcome indicators that <u>quantified</u> these goals:
(A) Reduction in the poverty rate, (B) Improvement in the employment rate (C) Increase in educational attainment levels

- *For each goal, Southern seeks to help close the gap between the national and county-wide rate by 50% over 20 years*

Intermediate Outcomes: Southern then identified metrics that would <u>measure improvement</u> towards these goals during the interim period.

- *These metrics centered around "Five Pillars of Community Development": (1) housing, (2) economic development, (3) education, (4) health, and (5) leadership*

Examples of these metrics include:
- **Housing:** % owner- and renter-occupied housing units by county
- **Health:** teen pregnancy, obesity, and drug rates
- **Education:** student literacy and math proficiency rates, graduation rates, and ACT scores

# Southern Bancorp Example of Transformational Goal and Key Takeaways

- Set broad, long-term impact goals that establish the community-level change wish to see

- "Operationalize" these long-term goals. Identify numerical/quantitative metrics that your bank can use to track change

- Pick intermediate metrics to understand impact in the interim

- Understand what long term impact can be attributed to your bank
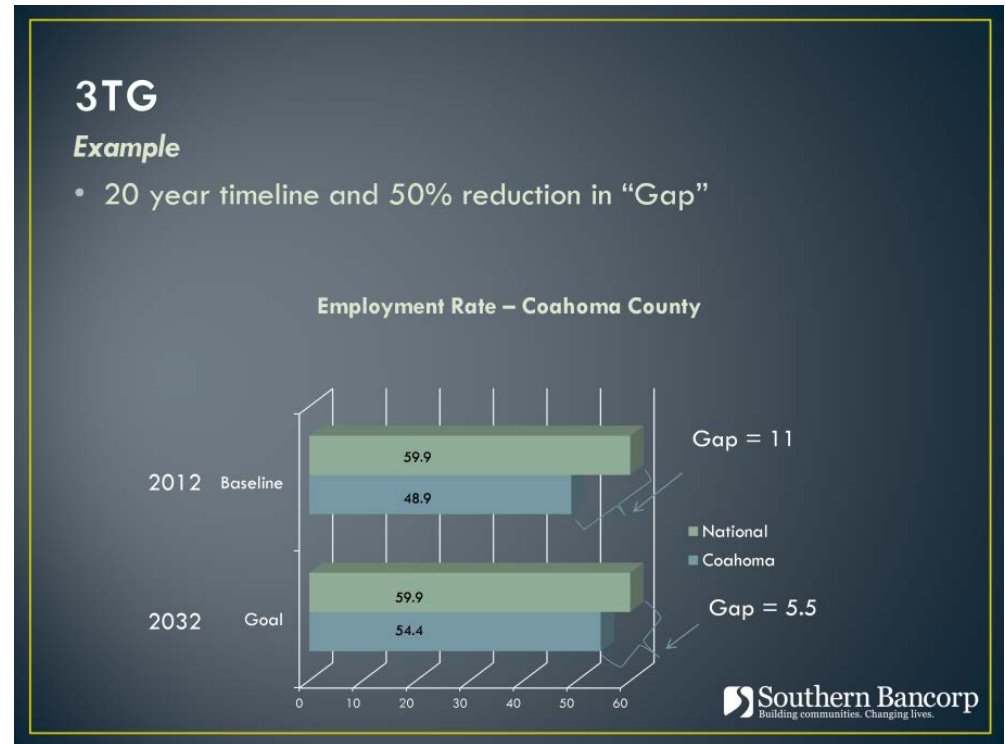
Source: Southern Bancorp, 2013

Planning & Designing Your Bank's "Feedback Loop"
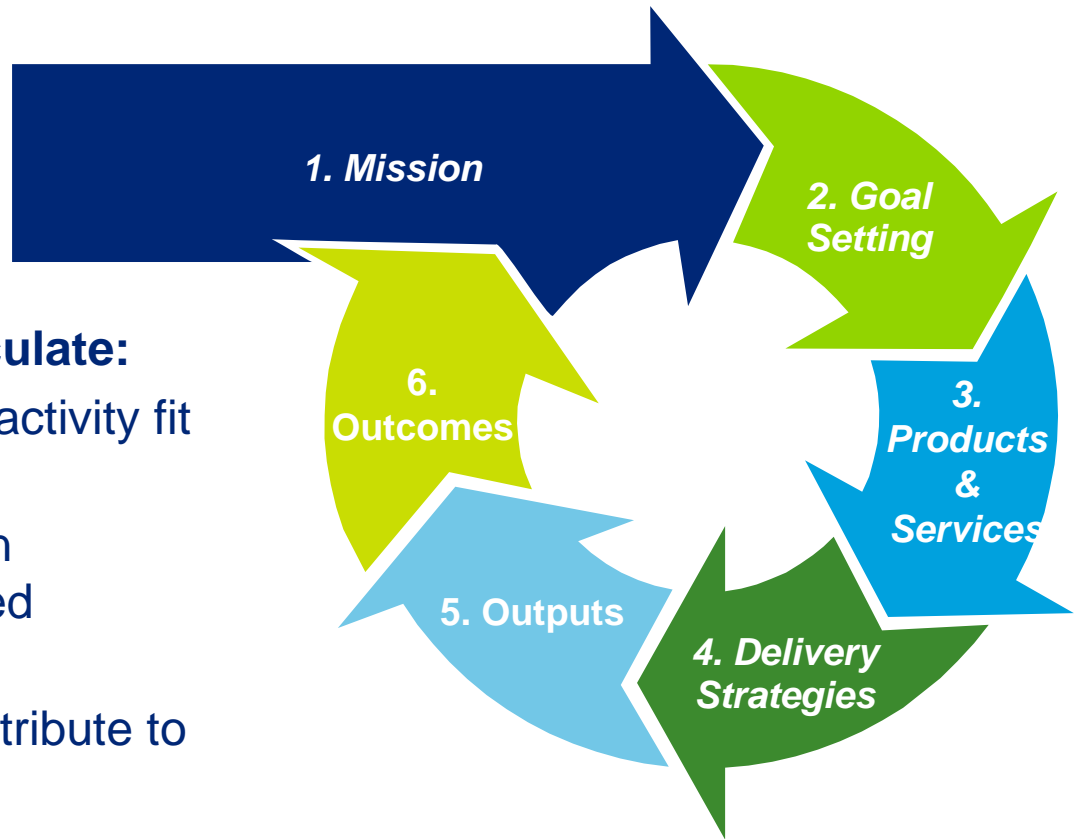
Can management clearly articulate:

- How does all of your bank's activity fit into its stated strategy?
- Are the strategies effective in producing your bank's desired outcomes?
- How do those outcomes contribute to mission?

1. Mission · *2. Goal Setting* · *3. Products & Services* · *4. Delivery Strategies* · *5. Outputs* · *6. Outcomes*

Key Takeaways on Selecting Outcomes that Align with Achievement of Goals

- Hone in a specific focus or goal

- Start with what you have. Which metrics are you already collecting?

- Choose # of metrics collected wisely. Which are the most important?

- Use those metrics to tell a compelling story about how your bank is achieving progress toward your goal

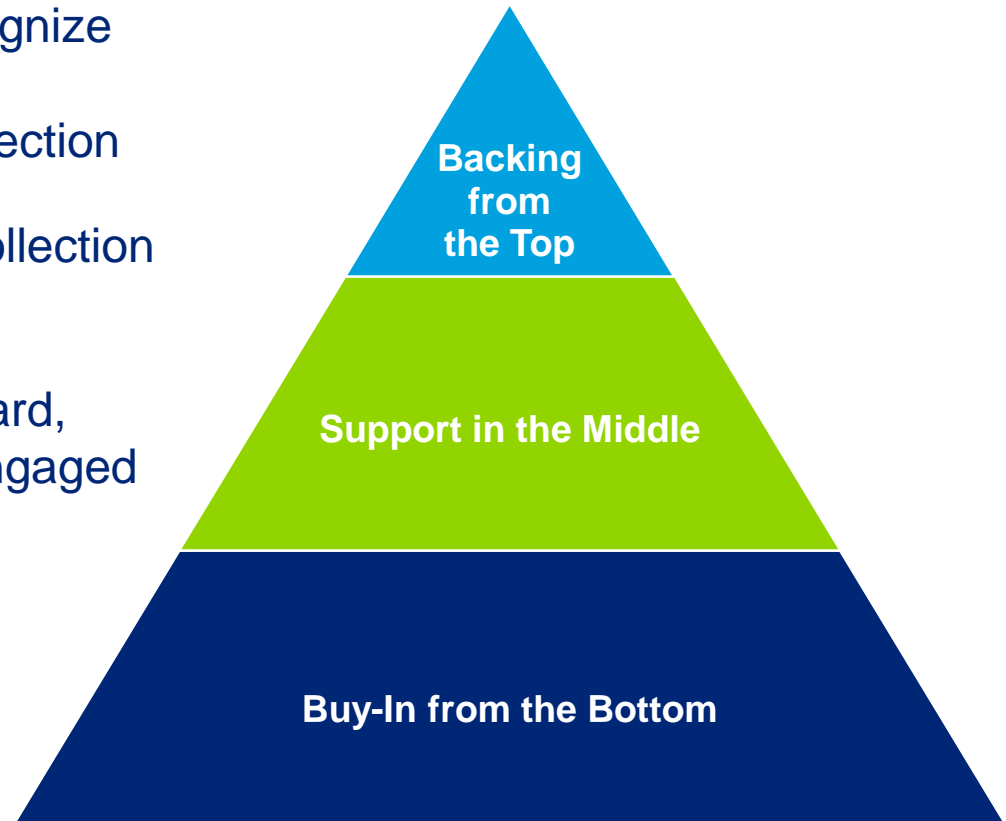# Leading Practices for Social Impact Data Collection

Moving from theory to practice

Creating a Culture that Supports and Values Social Impact Data Collection

- Leadership should explicitly recognize the need to create a culture that prioritizes social impact data collection

- CEOs must make impact data collection a priority for managers

- All levels of the organization (board, management, staff) should be engaged in planning

Backing from the Top

Support in the Middle

Buy-In from the Bottom

3 Levels of Support

Roles and Responsibilities at All Levels of the Bank

	Role	Strategies
Board of Directors and Senior Management	• Be able to communicate the direct benefit of your bank's lending to your shareholders, investors, supporters, etc. • Be able to communicate the difference in the community that your bank's lending makes to staff, board of directors, community members, etc. • Provide progress reports to all staff	• "Top-of-the house" leader needs to want to know this information • In order to support middle management in data collection efforts, devote time and effort to communicating to the lending staff the importance of collecting this data for your bank
Middle Management	• Dedicated to managing the tracking, analysis, and reporting process • Regularly provide progress reports to senior management	• Use the backing of senior management and leadership to drive this commitment • Share with all employees social impact data for their review and knowledge
Loan Officers and Data Entry Personnel	• Accurate, timely, and consistent entry of social impact data • Untrained or unmotivated staff can undermine the integrity of even the best designed system	• Provide staff with training opportunities to learn new systems and workflows • Involve staff in the planning process by soliciting suggestions for strategies to efficiently collect the most critical data

Strategies for Social Impact Data Collection

Challenge	Strategies
Maintaining Quality Control	• Employ consistent data collection methods • Provide staff training • Have written policies and procedures • Create financial incentives for staff to consistently collect data • Use electronic loan application systems (e.g., collecting all data at application from borrowers, designating mandatory data fields for internal staff use)
High cost and burdensome collection	• Use data on your target community already collected from secondary sources • Check that your IT system can create customized data fields and reports • Ability to download data for analysis • Ask borrowers for reports they already generate for other purposes that can be used for social impact reporting (e.g., audit, employer's federal quarterly tax returns, Form 990 for nonprofits, payroll reports)

Investing in Data Collection Systems

Investing in appropriate data collection systems is important. CDFIs need to recognize up-front that data collection costs are real. Strategies to mitigate costs including planning, studying internal data, mining cheap data sources, sharing best practices with peers, and using technology effectively

<u>Reasons cited by CDFI banks for investing in impact data systems:</u>

"Clarify our business model"

"Build a culture around mission"

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

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

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

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

Lessons Learned for Getting Buy-In

- Identify key front-line staff directly responsible for data collection (e.g., loan officers, compliance staff)

- Appoint lead staff person responsible for collection, quality control, and reporting, BUT impact performance must be everyone's job

- Codify impact collection practices and policies in writing

- Educate existing staff and include in new staff orientation

- Communicate impact performance several times a year to the entire organization

- Make data collection easy and necessary

Regulatory Considerations

How to navigate rules and regulations for social impact data collection

Risks and Challenges in Social Impact Data Collections

- Regulatory prohibitions create significant barriers and confusion to collecting borrower data on race, gender, ethnicity, etc. As a result, banks do not have complete demographic data on their customer base (except for home mortgage lending)

- Two CDBA member banks (CDFI banks) have piloted customer data collection techniques using technology and other strategies that separate customer data collection from the credit decision process

- So far (while new) these efforts seem to be acceptable to regulatory agencies

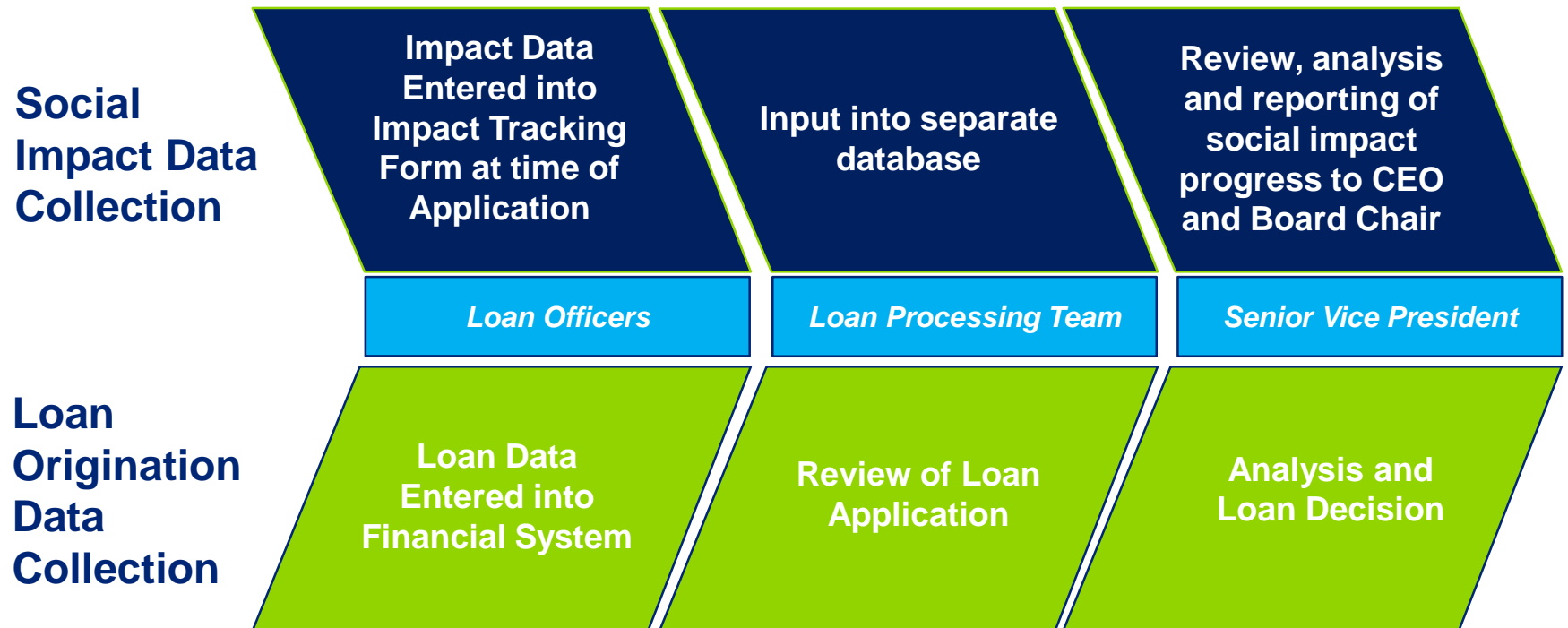|	Regulatory considerations for social impact data collection
Equal Credit Opportunity Act (ECOA)	Prohibits collecting data on race, national origin, gender, religion, and other factors for all credit transactions except a primary residence
Fair Housing Act	Prohibits lenders from discriminating on the basis of race, color, religion, gender, handicap, familial status, or national origin
HMDA	Requires collection of data on race, ethnicity, gender, income, and location for mortgage lending on a primary residence

Case Studies: Overcoming Regulatory Barriers
Southern Bancorp Example

The CDFI bank created two walled off databases to separate the impact reporting from the loan approval process
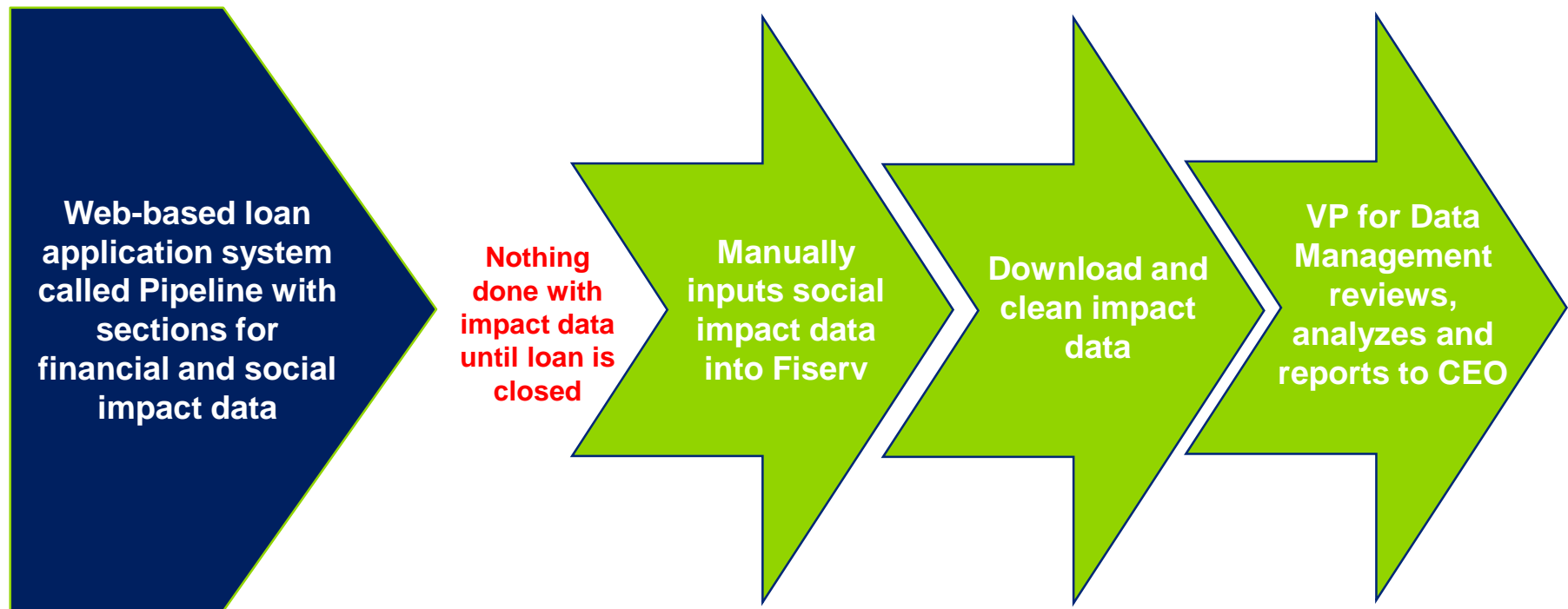
Social Impact Data Collection	Impact Data Entered into Impact Tracking Form at time of Application	Input into separate database	Review, analysis and reporting of social impact progress to CEO and Board Chair
	Loan Officers	*Loan Processing Team*	*Senior Vice President*
Loan Origination Data Collection	Loan Data Entered into Financial System	Review of Loan Application	Analysis and Loan Decision

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Case Studies: Overcoming Regulatory Barriers
Community Capital Bank of Virginia Example

**The CDFI bank waits until the loan is closed to download impact data into system**

- **Web-based loan application system called Pipeline with sections for financial and social impact data**
- **Nothing done with impact data until loan is closed**
- **Manually inputs social impact data into Fiserv**
- **Download and clean impact data**
- **VP for Data Management reviews, analyzes and reports to CEO**

Wrap-Up

Summary of Leading Practices

- Be intentional and plan up front

- Create feedback loop to inform future strategies

- Create an internal culture that makes social impact measurement a priority

- Identify and share best practices among CDFI bank peers and other CDFIs

- Manage restrictions on collection of borrower data

- Mine cheap data sources and maximize the use of secondary data

- Optimize customization and select software and systems that provide maximize flexibility

- Recognize costs upfront but understand system development is evolutionary overtime

- Get started! Start with what you have and work from there
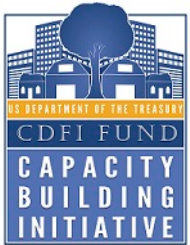
Potential Areas for Technical Assistance

- Geospatial mapping of social impact including geocoding of loan level data

- Support with development of framework for social impact data collection (identification of social impact indicators, availability of data, etc.)

- Support with social impact strategy setting

- Create social impact implementation plan and advise on operationalizing social impact collection and reporting

- Develop templates for social impact reporting

- Present at board meeting on social impact reporting (what is this, why important, how to operationalize, etc.)

Questions?

For sources and further information, see the "Telling Your Story" Tab in the Training Binder

Deloitte.