



LEVERAGING CAPITAL FOR CHANGE

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Dear Greg,

The National Community Investment Fund (NCIF) submits this letter of comment in response to your solicitation for comments on the Institution Level Report (ILR) and the Transaction Level Report (TLR) required to be submitted by CDFI Financial Assistance and Technical Assistance (FA and TA) awardees as a condition of the Assistance Agreement each awardee enters into with the CDFI Fund. We specifically wish to address the collection of data through the Community Investment Impact System (CIIS).

At the outset, we would like to mention that NCIF is a strong supporter of data collection and analysis for the sector. Accordingly we are keenly interested in ILR and TLR collection both as an award recipient and for the general support of the CDFI Sector.

Over the past several years, NCIF developed an impact reporting platform, the NCIF Social Performance MetricsSM, that facilitates increased investment into the CDFI bank space by providing socially motivated investors with data highlighting the high-level of financial services access that CDFI banks provide in low- and moderate- income communities. NCIF has devised this mechanism to collect key information under ILR and TLR and to make it useful to the CDFIs in attracting additional funding from stakeholders. This work in the field of impact measurement makes us an expert in the field and we continue to refine the methodology via our own engagement of the CDFI Bank CEOs. We encourage any opportunity to work with the CDFI Fund to share our successes and to strengthen the Fund's reporting process so that maximum benefit can be provided to CDFIs throughout the country.

NCIF believes that a significant overhaul of the TLR and the Fund's data collection infrastructure are necessary and overdue. For CDFIs to continue to participate in the TLR in particular, we urge the CDFI Fund to make available the necessary resources to undertake and complete this work and make meaningful changes to the data and data collection infrastructure as soon as possible.

NCIF agrees that quantifiable data is important and is "necessary for the proper evaluation of the effectiveness and impact of the CDFI Fund's programs" We recommend that the CDFI Fund's data collection efforts have three objectives (1) to demonstrate the impact CDFIs are having in underserved communities (2) to ensure compliance with the CDFI Fund's program requirements and the program effectiveness, and (3) to support research on CDFIs and their role in the nation's financial services delivery system. As the CIIS system has evolved, it cannot meet these objectives, which is a loss for all stakeholders including the program's champions in the Administration and in Congress.

To improve CIIS and to meet the above objectives, NCIF recommends the following changes:

1. Establish a working group that engages experts in the field of impact evaluation;
2. Discontinue the existing TLR and develop a new reporting system that meets the stated goals of program compliance, effectiveness and research;
3. Implement a very brief ILR that is required by all CDFIs;
4. Improve the system of data communication;
5. Fund Industry Efforts and Partner with Industry on Data Collection and Analysis

1. Establish a Research and Analysis Working Group

NCIF suggests that the CDFI Fund establish an independent Research and Analysis Working Group to discuss and advise the Fund on the design and content of future ILR and TLR reports as well as on methods for collection and dissemination of the data that is collected. The group would be composed of experts in the field of impact measurement that will provide the expertise to improve the existing data collection. Several organizations, including NCIF and other members of the CDFI Data Project, are highly active in this space; and a convening of these leaders will benefit from past successes and will ensure that the CDFI Fund is not forced to ‘reinvent the wheel.’ The Working Group would be tasked with ‘rationalizing’ the TLR according to the recommendations below and through the other commentary that the CDFI Fund is currently receiving.

2. Discontinue the Existing TLR

The TLR, in its current form, is overly burdensome on CDFIs and fails to meet its stated goals of program compliance, effectiveness and research. We recommend that an effort be made through the proposed Research and Analysis Working group to review the existing TLR to develop a new reporting system that is able to more effectively meet these goals.

Recommendations to Improve Transaction Level Data Collection

1. Required data points must be reduced.

The CDFI TLR asks for 100 different data points for each loan ever active during the reporting year. By contrast, the Home Mortgage Disclosure Act (HMDA), which most financial institutions complete, contains only 26 fields for each home loan originated during the fiscal year (including optional fields). The Research and Analysis Working Group should be tasked with generating a more user friendly, succinct set of data that can be published in a more timely manner. It is also possible that such efforts could result in a data collection system that offers CDFIs a means of collecting and storing their data, ideally avoiding double entry, and could offer them access to a range of privacy-protected reports that would provide a means of peer comparison. Such a system would offer a benefit to those CDFIs using it that could be sufficient to attract a larger number of CDFIs to use the reporting system than simply those with an award in a given year.

2. Reporting only up to the amount of awards

All CDFIs should only be required to submit data on transactions that sum up to the amount of the awards received, rather than their entire portfolio since the latter is a huge disincentive for organizations to apply for FA awards (especially CDFI Banks that have much larger loan portfolios). CDFIs consider the relative costs and benefits of the TLR, and some find that it is overly burdensome on CDFIs to report the entire lending portfolio.

3. **Improve the online reporting system.**

Once a CDFI puts together the data required for the TLR, the CDFI must upload this data through an onerous online system. The system checks the uploaded data to make sure it complies with the reporting requirements. CDFIs report that this upload effort can take 60 hours or more to complete depending on the number of loans on which it is reporting.

CDFIs report a variety of problems encountered, such as:

- a. **Erroneous errors:** During validation, the system often generates errors for data submitted as TLR, which then takes time for the CDFI to review. Often, it turns out there were no errors, and that the error reports were sent in error.
- b. **Address problems:** Although the instructions allow CDFIs to submit FIPS codes instead of addresses, the “25% Rule” excludes all loans submitted with FIPS codes.
- c. **File rejection:** When using excel, many times the files are rejected very soon after upload. The system will accept some of the loans in the file (a random set varying from just a few loans to a few hundred loans at a time) and then stop. This results in many hours of work through an iterative process of 1) uploading the file, 2) determining which loans from the file were accepted and 3) creating a new file minus the accepted loans to re-upload.
- d. **Significant time delays:** The system can take a great deal of time to process uploads, validate transactions, pre-certify validated transactions and respond in general. One CDFI reports that it has taken as many as 12 hours from the time of upload to receive a batch validation report.

3. **Implement a Brief ILR that is required for all CDFIs**

NCIF recommends that all certified CDFIs be required to submit a very brief ILR each year. Currently the ILR and TLR reports are only submitted during the 3-year award period, resulting in a very limited number of CDFIs providing reports in any annual period. This feature undermines the ability to assess the impact CDFIs have over time. The new ILR report would include high-level organizational and financial information (perhaps only the dollar amount of assets under management). By compiling all of this information, the CDFI Fund would be able to generate timely, annual reports that provide a snapshot of the CDFI sector and will have a database that can provide breakdowns by state or by congressional district for the Fund’s advocacy efforts.

4. **Improve the Communication of Data**

The CDFI Fund should conduct and release reports using the collected data. Currently, the CDFI Fund has only released sporadic reports detailing the substantial impact that CDFIs have in economically distressed communities. At a minimum, summary annual reports should be created and released within 12 months of year end so that stakeholders can receive a current illustration of the work being completed by CDFIs. In addition, the Working Group can discuss options wherein external researchers would be able to access CDFI Fund reporting data to conduct additional research into the sector. As in the Census data (that collects a lot of private information), there are different levels of access and if someone wants really detailed access, they will need to get proper clearances from the Fund.

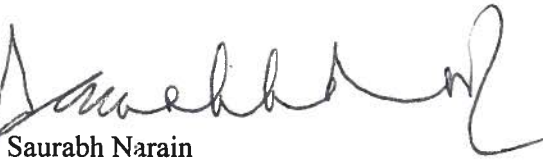
5. **Fund Industry Efforts and Partner with Industry on Data Collection and Analysis**

The CDFI Fund should consider working with industry experts (CDFI Data Project, NCIF, National Federation of Community Development Credit Unions, Opportunity Finance Network, CDVCA) to enhance existing systems to support the CIIS efforts. This will leverage the existing industry knowledge and help in timely collection and dissemination of data.

NCIF would like to thank the CDFI Fund for requesting public comment on this important element of the Fund's work. We believe government and the CDFI sector have a shared interest in collecting and disseminating timely data. We support the CDFI Fund's devotion of the necessary resources to the effort to overhaul the data, the means to collect the data, and to update the mechanisms to make data more useful to the CDFI Fund, CDFIs and the community development practitioner field. It will remain important for us to work together to respond to the many stakeholders who need data to support our work.

We look forward to your support and continued partnership in this important effort.

Regards,



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