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FROM: Lenwood V. Long, Sr.
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RE: Comments on CDFI Fund CIIS Annual Reports

Carolina Small Business Development Fund (CSBDF) is a certified CDFI small business loan fund serving the State of North Carolina. We appreciate the opportunity to provide input on the CDFI certification process.

Since 2010, CSBDF has made over 540 loans totaling \$38.6 million, which have created or retained over 1,668 jobs across North Carolina. CDFI Fund awards provide a critical source of equity for CDFIs working to make investments and expand access to capital in underserved communities. The data collected in the annual reports is important for tracking CDFIs' effectiveness, and also for illustrating the impact of the CDFI industry as a whole. However, there are aspects of the CDFI Fund's Annual Institution-Level and Transaction-Level reports that are unclear, burdensome, and not useful in illustrating either effectiveness or impact. As such, we provide the following comments on the CDFI Fund Annual Reports.

(a) The cost for CDFIs and CDEs to operate and maintain the services/systems required to provide the required information

The total cost to operate and maintain services, including portfolio, financial, and outcome management software, is approximately \$28,000 per year. As the organization has grown and established additional programs, and as our loan portfolio has increased, it has become necessary to establish more robust systems for reporting. As such, CSBDF uses Blackbaud Financial Edge, Common Goals TEA X, and Salesforce to manage data.

(b) Ways to enhance the quality, utility, and clarity of the information to be collected

Most of the instructions provided in the ILR and TLR guidance are clear. However, there are a few challenges.

Institution-Level Report:

It would be helpful to provide as many examples as possible, particularly for data points that require multi-year entries. The examples should show exactly what the CDFI should enter for each item, and within each time period.



In particular, the instructions in the ILR guidance for the “dollar amount of financial products deployed to target market during the current Performance Period” and “total dollar amount of financial products deployed to the target market from the date of NOA to most recent period end” are very unclear (Section VII, sub section C-G). In this case, the instructions provided do not match what the CDFI Fund is actually looking for. More detailed instructions and a clear multi-year example would help clarify confusion and misunderstanding on the CDFIs’ part in reporting data.

Transaction-Level Report:

In the TLR guidance, the validation for providing race, ethnicity and gender data is also unclear, as it states “not applicable if Investee Type = CDFI or if the investee/borrower is a corporation.” There are a few issues with this guidance. First, there is no definition provided for “corporation.” The definition for “Investee Type” in the guidance only includes “individual,” “business,” and “CDFI.” Second, there are a few different types of corporations, which this definition does not differentiate. Clarification obtained by email revealed that the demographics should be reported for LLCs that are partnerships or sole proprietorships, not s-corps or c-corps. This was not clear from the instructions. Third, as a small business lender, excluding those LLCs would lead to significant under-reporting. Many of our borrowers are single-member LLCs, or have a maximum of 3-4 members and in these cases, demographic information can be obtained. Not reporting on these loans would exclude a significant portion of our portfolio from our TLR, which means we would not be able to show our impact in reaching our target markets or meet our target market threshold.

The TLR error report is difficult to read, as it is formatted as a text file. A more readable format that can be easily sorted, such as an excel or comma delimited file, would be helpful in quickly identifying and correcting errors.

Finally, the updates and changes made to the TLR and ILR guidance should be made well in advance, at least six months prior to the reporting deadline, in order to provide enough time for CDFIs and portfolio software providers to update their reporting modules and obtain any clarification needed.

(c) Whether the collection of information is necessary for the proper evaluation of the effectiveness and impact of the CDFI Fund’s programs, including whether the information has practical utility.

Most of the information collected has practical utility and helps illustrate industry’s impact and effectiveness. However, one item that is both ineffective and unduly burdensome is the new guidance for calculation jobs projected and actual created or maintained jobs. The guidance states the following: jobs supported by working capital loans must be prorated, no jobs should be reported for loans used for fixed assets, jobs supported by business expansion and startup must be prorated, and microloan jobs should be calculated using the same method.

Reference to this guidance was not included in the section on changes to the TLR. Secondly, this guidance not only complicates the calculation of jobs projected, created, or maintained, it also would lead to a significant under-calculation of the true jobs impact. Calculating the prorated jobs would add another layer of burden onto the reporting CDFIs and on the data systems that we use to produce our CDFI reports. Also, prorating does not necessarily yield more accurate results. A loan made to a business, whether for working capital, a fixed asset, expansion, or startup impacts the business as a whole, not just by the prorated amount. If the business was able to hire more workers because of the support that the business obtained from a CDFI loan, then all of those jobs should be counted.



(d) The accuracy of the CDFI Fund's estimate of the burden of the collection of information

We believe the CDFI Fund's estimate of burden is accurate.

(e) Ways to minimize the burden of the collection of information including through the use of technology, such as software for internal accounting and geocoding to capture geographic detail while streamlining and aggregating TLR reporting for upload to CIIS

As the CDFI Fund integrates CIIS with AMIS, we recommend that it carefully and clearly provides instructions on what CDFIs need to complete and exactly how. Currently with AMIS, it can be difficult to navigate the different tabs, making it unclear as to which tabs need to be filled out and what data the CDFI Fund is expecting for each. In addition, making changes to our organizational information, such as a name change, should be simple to verify and implement. We hope that prior to the roll-out of the CIIS and AMIS integration, the CDFI Fund performs rigorous testing to ensure that the integration is working correctly and to work out any bugs. We also hope that the integration will reduce duplication, particularly for CDFIs that submit FA applications, as the data requested for the application is often the same as the data submitted for reporting. This would reduce the burden significantly.