October 24, 2014

Mr. Dennis Nolan  
Deputy Director  
Community Development Financial Institutions Fund  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220  

RE: CDFI Capacity Building Initiative  

Dear Mr. Nolan:

The members of the Community Development Bankers Association (CDBA) are writing in response to the Notice for Public Comment published on September 24, 2014 by the Community Development Financial Institutions (CDFI) Fund seeking comments on the CDFI Capacity Building Initiative (CBI).

**CDFI Bank Sector:**

Today there are 103 CDFI certified banks and thrifts, and 57 certified bank holding companies. These mission-focused financial institutions are a specialized niche within the banking industry. CDFI banks represent only 1.5% of the 6,656 banks in the nation. CDFI banks, however, are very important to the CDFI sector. While certified banks represent only 17.4% of all 917 certified CDFIs, by asset size they account for more than 50% of the total assets of the entire industry.

CDBA is the national trade association of the community development banking sector, the voice and champion of CDFI banks and thrifts. CDBA represents Federal and State chartered banks, thrifts, and their holding companies that are certified by the CDFI Fund. CDBA members serve our nation’s most distressed and credit-starved communities and are engines of economic inclusion throughout the United States.

**Social Impact Data Collection and Analysis**

We appreciate the CDFI Fund’s interest in soliciting feedback and suggestions on how to improve and expand the CBI. In our September 8, 2014, comment letter responding to the Notice for Public Comment on the proposed Annual Data Collection (ADC) Form, CDBA recommended the CDFI Fund provide CDFIs with financial and/or technical assistance support to build their capacity to collect social impact data.

Collection and analysis of social impact data is critically important for all CDFIs to: (1) understand how effectively they are serving their target markets; and (2) to ensure the alignment of strategies and operations with the achievement of mission-related goals. This data is important for external purposes, such as demonstrating a CDFI’s impact to investors or the community it serves. In the aggregate, this data is critical for
demonstrating to policy makers the value-added of the CDFI sector in serving low and moderate income individuals and communities.

In our September 4 letter, CDBA opined that if the CDFI Fund wants all CDFIs to report social impact data, the agency should provide financial and technical support to build industry capacity. Building capacity will require a dedicated and sustained effort by the CDFI Fund over a period of years. Any training should be tailored to unique challenges of regulated and non-regulated entities. As part of a CBI, we urged the CDFI Fund to proactively engage all segments of the CDFI industry in discussion about: (1) what type of impact data can and should be collected; (2) cost-effective means of collecting and verifying data; and (3) how to build the data collection capacity of all sectors of the CDFI industry.

A. Challenges for the Entire CDFI Sector

While CDFI social impact data collection has advanced significantly in the 20 years since the creation of the CDFI Fund, there is great disparity across the industry. Some individual CDFIs have developed robust systems to collect and analyze data. Many other CDFIs struggle with this task given time and resource constraints.

Collection of social impact data is very expensive for all CDFIs – particularly those operating at a large scale. This exercise is complicated by: (1) lack of standardized metrics and definitions; and (2) little or no industry-wide mechanism to share existing best practices. All CDFIs share the burden of collecting impact data; yet, each currently struggles in isolation to figure how and what to collect. There is an industry-wide need for a central source or repository of information about best practices to assist CDFIs with this task.

A CBI focused on social impact should be used to engage the diverse range of CDFIs in a conversation about what types of output and outcome metrics are appropriate and realistic to collect, as well as promote cross-industry dialogue and information sharing. The traditional classroom lecture style format of the in-person CBI workshops needs to be reformatted to focus on practitioner led roundtable discussions. A practitioner led format will be highly effective in providing real world case studies that can be adopted by others – provided there are components that are tailored to different types of CDFIs (e.g. regulated v. non-regulated, by asset size or annual lending volume, type of lending).

B. Challenges for Regulated CDFIs

The CDFI bank sector faces great challenges in collecting social impact data, including: (1) the significant scale of activities relative to other CDFI sectors (For example, the average CDFI bank has $303 million in total assets and $193 in outstanding loans1 – or thousands of transactions every year; whereas most loan funds are well under $50 million2 in total assets; (2) statutory and regulatory prohibitions on collection of certain demographic data (ie. race, religion, national origin); (3) an environment

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1 Based on quarterly Call Report data from the FDIC, Q2 2014
2 Opportunity Finance Network, Side by Side Report 2012
where there is negative regulatory pressure to keep operating costs in line with industry peers that are not CDFIs (that do not have the higher costs associated with serving economically challenged markets); and (4) the high cost of creating and implementing new systems. Some of these challenges may be partially addressed as part of a CBI. The CDFI Fund should also consider providing specific technical assistance grant monies to defray the costs to CDFIs of building internal systems.

CDFI banks have struggled to determine how to collect social impact data within the context of a larger scale institution. In 2013, to gain a better understanding of where the CDFI bank sector stands in relation to social impact measurement, CDBA with CARS (now Aeris) conducted a landscape survey of 10 CDBA member banks. The purpose of this survey was to (1) identify the types of information already collected by the banks; (2) understand the methodologies for data collection; and (3) identify any common or best practices that—if shared and adopted by other banks—could help expand the data collection potential of the sector. The analysis covered a broad range of topics (e.g. metrics, regulatory challenges, data collection systems, implementation and quality control, organizational culture, and planning) and included case studies of several banks. The report, which has been previously submitted to the CDFI Fund, provided a rare glimpse into the practices of a group of CDFIs. The report, however, only scratches the surface by identifying some of the challenges and how some institutions have addressed them.

We urge the CDFI Fund to consider creating a CBI on social impact measurement. The CDFI Fund is in a strategic position to help all CDFIs address these challenges and defray the high cost of designing and implementing new systems.

We thank you for the opportunity to comment on the CBI. We fully appreciate the agency’s efforts to improve all of its programs and enhance the capacity of the CDFI industry. We look forward to working with you on this important issue for the entire sector.

If you have questions, please contact Jeannine Jacokes, Chief Executive and Policy Officer at 202-689-8935 ext. 222 or jacokesj@pcgloanfund.org.

Sincerely,

The Membership of the Community Development Bankers Association

ABC Bank
Albina Community Bank
Bank of Anguilla
Bank of Kilmichael
Bank of Vernon
Bank2
BankFirst Financial Services
BankPlus
Beneficial State Bank (formerly One PacificCoast Bank)
Broadway Federal Bank
Carver Federal Savings Bank
Carver State Bank
Central Bank of Kansas City
City First Bank of DC
City National Bank of New Jersey
Community Bancshares of MS
Community Bank of the Bay
Community Capital Bank of Virginia
Finance and Thrift
First American International Bank
First Eagle Bank
First Independence Bank
First Security Bank
Gateway Bank FSB
Guaranty Bank & Trust
Illinois Service Federal Savings and Loan Association
Industrial Bank of DC
International Bank of Chicago
Mechanics and Farmers Bank
Merchants and Planters Bank
Metro Bank
Mission Valley Bank
Native American Bank, NA
Neighborhood National Bank
Noah Bank
OneUnited Bank
Pan American Bank
Peoples Bank (Mendenhall MS)
Southern Bancorp
Spring Bank
START Community Bank
State Bank and Trust
Sunrise Banks
The First, a National Banking Association
United Bank, Alabama
United Bank of Philadelphia
Urban Partnership Bank