Training Module:

Telling Your Story Through Social Impact Data Collection and Reporting

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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
Are Doing What You Say You are Doing?

What are you trying to accomplish in your community?

How will you know if you are successful or not?
Quick Exercise

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

- Mission & Social Impact in Community
- Regulatory Constraints
- Financial Performance
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?
Social Impact Measurement Defined

Vocabularies and frameworks for understanding social impact data collection and reporting
A Spectrum of Social Impact Measurement Options

Output
Easiest to Collect

Data describing borrower or community at time of loan closing or service provision
- Number of loans
- Dollar amount of loans
- Number of loans by borrower characteristics
- Number of customer accounts
- Number of individuals receiving training

Intermediate Outcome
Moderately Difficult to Collect

Data on borrower or community changes after loan closing
- Number of affordable housing units financed
- Number of jobs created
- Improvements in customer credit scores
- Number of individuals that started a business after training

End Outcome
Hardest to Collect

Data on borrower or community changes over loan life or other defined time
- Rental savings for households in affordable units
- Number of credit counseling customers able to qualify to buy a home
- Increases in revenues of Business borrowers
- Percent change in property values
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
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**: focus on medium-term results
  - 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**: focus on long-term results
  - 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

**Tip:** 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:
- Business Revenue
- Number of housing units
- Number of Employees
- Household Income
- Square footage of a facility financed

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”

<table>
<thead>
<tr>
<th>NNB IMPACT IN THE SAN DIEGO REGION: 2006-2010</th>
<th>NNB LOANS</th>
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<tbody>
<tr>
<td></td>
<td>NUMBER</td>
</tr>
<tr>
<td>Total Lending</td>
<td>450</td>
</tr>
<tr>
<td>Business Lending</td>
<td>256</td>
</tr>
<tr>
<td>Small business lending</td>
<td>179</td>
</tr>
<tr>
<td>(57% of all loans)</td>
<td>(70% of all business loans)</td>
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<tr>
<td>JOBS SUPPORTED</td>
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<tr>
<td>Jobs supported at business borrowers</td>
<td>2,470</td>
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<tr>
<td>Dollars loaned per job supported</td>
<td>$21,900</td>
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<tr>
<td>PERCENTAGE OF DOLLARS IN TARGET AREA¹</td>
<td></td>
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<tr>
<td></td>
<td>High Poverty Areas</td>
</tr>
<tr>
<td>All loans</td>
<td>15%</td>
</tr>
<tr>
<td>Business loans</td>
<td>11%</td>
</tr>
<tr>
<td>NNB DEPOSITORS</td>
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<tr>
<td>All depositors (n=309)</td>
<td>48%</td>
</tr>
</tbody>
</table>
Case Study Neighborhood National Bank: Using Primary and Secondary Data

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

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

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

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 customers understand how to build or improve their credit scores, how to maintain a house, etc.?
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?
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?

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
Step Six: Selecting Outcomes that Align with Achievement of Goals

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
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*”

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**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

Source: Bank2, 2013
Goal Setting Case Study: Southern Bancorp (CDFI Bank)

**Goals:** Southern identified 3 “Transformational Goals” 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 quantified 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 measure improvement 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
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?
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.

3 Levels of Support:
- Backing from the Top
- Support in the Middle
- Buy-In from the Bottom
# Roles and Responsibilities at All Levels of the Bank

<table>
<thead>
<tr>
<th>Role and Senior Management</th>
<th>Role</th>
<th>Strategies</th>
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<tbody>
<tr>
<td>Board of Directors</td>
<td>• Be able to communicate the direct benefit of your bank’s lending to your shareholders, investors, supporters, etc.</td>
<td>“Top-of-the house” leader needs to want to know this information</td>
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<td></td>
<td>• Be able to communicate the difference in the community that your bank’s lending makes to staff, board of directors, community members, etc.</td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>• Provide progress reports to all staff</td>
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<tr>
<td>Middle Management</td>
<td>• Dedicated to managing the tracking, analysis, and reporting process</td>
<td>Use the backing of senior management and leadership to drive this commitment</td>
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<td></td>
<td>• Regularly provide progress reports to senior management</td>
<td>Share with all employees social impact data for their review and knowledge</td>
</tr>
<tr>
<td>Loan Officers and Data Entry Personnel</td>
<td>• Accurate, timely, and consistent entry of social impact data</td>
<td>Provide staff with training opportunities to learn new systems and workflows</td>
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<td>• Untrained or unmotivated staff can undermine the integrity of even the best designed system</td>
<td>Involve staff in the planning process by soliciting suggestions for strategies to efficiently collect the most critical data</td>
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## Strategies for Social Impact Data Collection

<table>
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<tr>
<th>Challenge</th>
<th>Strategies</th>
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</table>
| **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

Reasons cited by CDFI banks for investing in impact data systems:

“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.

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Regulatory considerations for social impact data collection

<table>
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<tr>
<th>Act/Rule</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Equal Credit Opportunity Act (ECOA)</td>
<td>Prohibits collecting data on race, national origin, gender, religion, and other factors for all credit transactions except a primary residence</td>
</tr>
<tr>
<td>Fair Housing Act</td>
<td>Prohibits lenders from discriminating on the basis of race, color, religion, gender, handicap, familial status, or national origin</td>
</tr>
<tr>
<td>HMDA</td>
<td>Requires collection of data on race, ethnicity, gender, income, and location for mortgage lending on a primary residence</td>
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</table>
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
  - Loan Officers

Loan Origination Data Collection
- Loan Data Entered into Financial System
  - Loan Processing Team

- Review of Loan Application
  - Senior Vice President

- Analysis and Loan Decision
  - Senior Vice President

Review, analysis and reporting of social impact progress to CEO and Board Chair.
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?
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