Impact Measurement for CDFI Small Business Lenders

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Survey Objectives

1. identify types of impact measures already being collected by CDFI small business lenders
2. identify other measures that would be useful to such lenders and determine barriers that prevent them from collecting those measures
3. understand how CDFI small business lenders use their impact data

Impact Measurement

What Is It?

• Collection and analysis of data which point to level of CDFI’s positive effect on community

• Output measures: describe borrower or community at time product/service provided

• Outcome measures: gauge positive changes in borrower or community over time.

What Measures Are Lenders Collecting?

• CDFIs reported 43 different indicators
• Most frequently collected impact measures:

Survey of CDFI Small Business Lenders

• Electronic survey: 18 of 21 partners in the Goldman Sachs 10,000 Small Business CDFI Growth Collaborative
• Telephone survey: 5 of 18 survey participants
• Diverse group of CDFI survey participants in terms of mission, geographic focus, asset size, range of products & services

Impact Measurement

Why Is It Important?

• Satisfies external reporting requirements to funders
• Internal tool to assess whether CDFI holding true to mission
• Internal tool to track progress against set of impact goals and objectives → gives management ability to:
  – identify deviations from expectations early on
  – make changes to correct course & better serve constituents

Most Frequently Used Impact Measures (for CDFIs using measures)
What Measures Are Lenders Collecting?

Groups of data points to understand larger issue:
- Business resiliency (NHCLF)
- Quality of life (PeopleFund)
  - Personal wealth of business owner
  - Business stability
- Local food value chain development (NCIF)
- Job Quality

Wish List” of Indicators

Output Measures
- Net Profit
- Debt-to-Worth
- Livable Wage Jobs
- If Requests for Financing
- Business Education / Technical Assistance Tracking
- Customer Satisfaction Reporting
- Comparative Business Performance Data (Peer Comparison)

Outcome Measures
- Jobs Created / Retained (Actual)
- Impact of Development Services
- # Businesses Still Operating after 5 Years
- Change in Revenues / Profitability After Loan
- Change in Business Owner Credit Scores After Loan
- State Taxes Paid by Businesses Financed
- Change in Neighborhood Safety
- Change in Quality of Life
- Environmental Outcomes (energy & water use, waste generation, etc.)
- Longitudinal changes on borrowers after initial contact to repayment

Data Collection Barriers

- Limited staff capacity
- Limited MIS capacity for tracking data
- Inability of MIS to automatically generate reports needed to properly analyze data
- Difficulty collecting data from borrowers post-loan closing

Borrower Data Submission (post-loan closing)

Response Rates

<table>
<thead>
<tr>
<th>Response Rates (%)</th>
<th># of CDFIs</th>
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<tbody>
<tr>
<td>&lt; 25%</td>
<td>2</td>
</tr>
<tr>
<td>25% to 50%</td>
<td>3</td>
</tr>
<tr>
<td>50% to 75%</td>
<td>7</td>
</tr>
<tr>
<td>75% to 100%</td>
<td>6</td>
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</tbody>
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Methods for Increasing Borrower Response Rates

- Request reports borrower already produces
- Adopt “best practice” methodology
  - List required data in commitment letter / loan closing documents
  - Discuss CDFI impact measurement policy at loan closing
  - Develop easy methods to collect & input data
  - Determine which measures inappropriate to collect & do not ask for it
- Use intern to manage annual borrower survey

Impact Data Tracking Software

- Choose system with virtually no limit in number of ways it can be customized / modified by internal staff
- Ensure CDFI staff has technical in-house depth to build & modify system
- Key data management person should have strong understanding of CDFI products & services plus some understanding of databases
- Agree to set of stable, codified definitions for each measurement that management agrees to use consistently over time
How Is Impact Data Used?

- External reporting purposes (mostly government agencies and foundations providing loans/grants)
- As a “general barometer of success in mission”
- Share with board and all staff on frequent basis to:
  - Ensure strict focus on mission
  - Create environment in which data used to actively inform decisions about strategies, products & services

➢ If used intentionally and proactively, impact measurement can serve an important function in ensuring CDFI small business lenders stay true to their mission.