

Community Investment Impact System (CIIS) Launches!

By Donna Fabiani

"CIIS [the Fund's data collection system] offers an unprecedented opportunity to capture the industry's impacts, to increase accountability and to ultimately strengthen the community development finance sector." William Bynum, CEO and President, Enterprise Corporation of the Delta, a certified community development financial institution.

The highlighted quotes are among the many public comments sent to the Community Development Financial Institutions Fund, U.S

Department of the Treasury (the Fund) from July through September 2003 regarding its proposed new Community Investment Impact System (CIIS), a web-based data collection system for community development financial institutions (CDFIs) and community development entities (CDEs). CIIS launched successfully on June 1st, and already more than 70 institutions are using the system.

With CIIS, the Fund is creating the country's most complete repository of data on the community development finance industry. This database will contain detailed, standardized information on hundreds of CDFIs and CDEs, information that has never before been available in one place. This database will include information on CDFI and CDE institutional characteristics, financial performance, markets served, loan terms and performance, loan sales and purchases, financial services, technical assistance and training, and community development impacts. For CDEs and a portion of reporting CDFIs, it will also include detailed information on each loan or investment in the institution's portfolio. This transaction-level data will include borrower characteristics, loan terms and status, and community development impacts.

In addition to helping the Fund ascertain the benefits of the federal government's investment in CDFIs and CDEs, this data will be available to the industry, researchers, private sector investors, and other interested parties that seek to analyze the performance of this important pro-growth industry. The creation of the CIIS database is a pivotal step that will enable the entire industry to take pride in their achievements.

While the above quotes demonstrate that there is public recognition of the value of the CIIS repository, the public comments also raised several concerns with this new data collection effort. The top two concerns raised in the public comments and in conversations the Fund and EF Kearney (the Fund's contractor in the development of CIIS) have had with industry participants are the data collection burden and the privacy rights of CDFI and CDE customers. These concerns are both related to the collection of transaction-level data.

Easing the Burden

The Fund recognizes the potential burden that transaction-level data collection might place on CDFIs and CDEs. We are carefully developing our data requirements and data collection system to minimize that burden.

- *The Fund reviewed each data point after receiving public comments. We eliminated a number of them where it did not appear that the benefit outweighed the data collection cost. We will provide the rationale for collecting each data point on the Fund's website in the near future. Our rationales include, among others, that CIIS ensures compliance with Fund assistance and allocation agreements, promotes capital market interest in CDFIs/CDEs, measures industry performance and results, and facilitates peer comparisons. Most importantly, the data should help us to identify what works in promoting sustainable community economic development and what does not.*

"[We] strongly support the CDFI Fund's efforts to collect data from both CDFIs and CDEs in order to better measure what the CDFI/CDE industry has accomplished as well as what this industry could accomplish." Frank Altman, President, Community Reinvestment Fund, a certified community development entity.

- *Transaction level data collection – as opposed to institution level data – is being phased in over time. More than 300 CDFIs and CDEs are required to submit Institution Level Reports through CIIS by the end of June 2004. However, only six institutions are required to submit a Transaction Level Report by this date. These six are NMTIC Program allocatees that issued a Qualified Low Income Community Investment (QLICI) loan or equity investment by December 31st, 2003. No CDFIs are required to submit a Transaction Level Report in June, though they may do so voluntarily. The first CDFIs that will be required to submit Transaction Level Reports are the 32 FY 2003 Financial Assistance Component awardees. Their first reports are expected to be due in June 2005.*

- *The Fund acknowledges that not all CDFIs/CDEs are collecting every transaction level data point included in CIIS and that some institutions that are collecting data may not have entered it into an electronic tracking system. The Fund does not expect CDFIs and CDEs to be able to answer every question in their first annual submission, though they*

"We believe that high-quality and widely available comparable data will bring higher levels of investment in CDFIs." Mary Jo Mullen, Vice President for Programs, FB Heron Foundation

are expected to be able to answer all questions that will be used to measure compliance with their assistance or allocation agreements.

- *The Fund does not expect any CDFI or CDE to enter transaction level data manually unless that CDFI/CDE (i) has very few transactions and (ii) cannot complete an automated data upload to CIIS. CIIS provides two options for uploading transaction level data electronically, one using Excel and the other using XML.*
- *We are providing loan servicing software vendors the technical information they need to upgrade their off-the-shelf systems to enable CDFIs and CDEs to track and electronically submit all of the data covered by CIIS. Currently, three software vendors are testing their products with CIIS (see Vendor Testing Opportunities on this website for the names of the vendors and the testing schedule). To the extent that vendors take advantage of this business opportunity, CDFIs and CDEs may be able to purchase off-the-shelf system upgrades that will give them the capacity to store CIIS data and upload it to CIIS as easily as they attach a file to an email. The same technical information can be used by CDFIs and CDEs with customized systems.*
- *In the future, before most institutions are required to submit transaction-level data, we plan to provide web-based training on the three methods for submitting this data through CIIS: manual entry, Excel upload, and XML upload.*
- *We are meeting with private and public sector community development finance funders to help ensure that CIIS includes data that is important to them. Our goal is to help reduce reporting burdens for CDFIs and CDEs that have multiple funders.*

Alleviating Privacy Concerns

In an effort to ensure that CIIS provides the protections that are required by law, the Fund will not collect any CDE/CDFI borrower/investee names, social security numbers, or taxpayer identification numbers. In addition to meeting the requirements of federal law, the Fund believes that this will alleviate many of the broader privacy concerns expressed by CDFIs and CDEs. CIIS currently collects borrower street addresses. Borrower or investee location is a critical data point for the Fund because it enables us to identify which CDFI/CDE loans and investments were made in economically distressed areas. The Fund is considering accepting FIPS Codes (a code that identifies the census tract that a street address falls in) in place of street addresses in a future release of CIIS. The Fund will not release borrower/investee street address data to the public.

Another important privacy concern relates to the collection of a borrower's credit score. Credit score is the numeric representation of a borrower's financial responsibility, based on his/her credit history. The public comments expressed concern

that the transaction-level data would enable the Fund to identify the credit score of a particular individual. Since the Fund will not collect borrower names or social security numbers, credit scores cannot be tied to an individual borrower.

The public comments indicated a general lack of understanding of the Fund's rationale for collecting credit score information. The credit score has become the most widely understood and used measure of credit risk. By collecting the credit scores of CDFI and CDE borrowers, the CDFI/CDE industry can readily demonstrate that it is reaching a market that does not meet traditional lenders' strict credit score minimums. Whether a CDFI or CDE uses the credit score in its underwriting process, this measure is a simple way for that lender to demonstrate that it is serving a truly underserved market and that the risk of such a market can be properly and effectively underwritten to promote business and economic development.

CIIS Milestones

In April 2003, the Fund hired EF Kearney to design and develop a web-based data collection system for institution-level and transaction-level data. As many readers know, during the last 12 months EF Kearney and the Fund have been very busy designing the new system. The process has involved gathering input from future system users (namely, CDFIs and CDEs), as well as funders and researchers who are very interested in using the data once it has been collected. This thoughtful and sometimes challenging input has been invaluable in helping us design a system that we hope addresses the needs of all stakeholders – the Fund, the CDFIs/CDEs, other funders, and other users of the data. Key milestones along the way have been:

June - September 2003: EF Kearney interviewed 88 CDFIs and seven CDE allocatees to learn about their data collection systems and current abilities to submit transaction-level data to the Fund. Upon analyzing the interview results, EF Kearney classified more than half of the respondents as either "Accomplished" or "Assisted," meaning they should be able to submit the required data if provided with a user-friendly web-based system and a fully integrated Help Desk. Nearly 25 percent were categorized as "Supported," meaning that they would require support and individual training to be successful.

August - September 2003: EF Kearney held three "User Centered Design" sessions, in which 17 CDFIs and seven CDEs spent a day at EF Kearney's office in Northern Virginia using the software under development and discussing transaction-level data submission. From these interactive sessions, we were able to make the survey questions and instructions clearer for a wide range of users, and make the software application more user friendly.

September 2003: The Fund received 30 public comment letters on our proposed data points. While the comment letters expressed many concerns about the data collection burden being placed on CDFIs/CDEs and about borrower privacy, there was also clear recognition of the value this data could bring to the industry as demonstrated in the sample quotes at the beginning

of this article.

October 2003 - March 2004: EF Kearney designed, developed and tested CIIS.

November 2003: The Fund and EF Kearney held a Software Developers Conference to provide developers with the information they needed to develop new software or upgrade existing software to be compatible with CIIS. Twenty seven software developers either attended the conference or contacted EF Kearney to obtain the conference materials.

April - May 2004: The Fund, CDFIs and CDEs tested the CIIS application to help ensure that the system functions properly. This testing identified several areas for improvement, all of which have been addressed.

June 2004: CIIS 1.0 launches. Sixteen CDEs and more than 300 CDFIs are required to report through CIIS by June 30th.

The Fund strongly believes in the value of institution-level and transaction-level data. We appreciate all of the input the industry has given us to date and will continue to work with you to develop and implement a successful system that can benefit all of us, and, most importantly, lead to increasing improvements in our ability to promote economic development in our nation's poorest communities.