



November, 1, 2013

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By email to: [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov)

Re: CDFI Coalition Comments on Awardee/ Allocatee Annual Report (OMB Number 1559-0027)

Dear Mr. Bischak,

In 2010, the CDFI Coalition submitted comprehensive comments regarding the Community Investment Impact System (CIIS). We continue to believe it is important that the Fund address these issues to make reporting less of a burden in order for the Fund to carry out this very important data collection effort. Pasted in below is the Coalition's 2010 Comment Letter. A couple of items have changed since then:

- 1) Regarding comments about connecting the ILR with the financials, it is our understanding that the Fund has addressed this and the ILR now pulls from Call Reports. Non-regulated institutions still need to replicate information in their audits on the ILR but this seems less of a problem and without as clear a solution;
- 2) Regarding the Coalition's comment on requirements being publicized earlier, the Fund is now publishing the report requirements much earlier (before the end of the reporting year) which is a much appreciated change; and
- 3) The Coalition would also like to note other improvements the Fund has made, most notably not requiring loan level detail about consumer loans – that made the report much easier.

We would be happy to meet with the CDFI Fund to discuss our thoughts with you.

#### 2010 Comments:

The CDFI Coalition submits this letter in response to your solicitation for comments on the Institution Level Report (ILR) and the Transaction Level Report (TLR) required to be submitted by CDFI Financial Assistance and Technical Assistance (FA and TA) awardees as a condition of the Assistance Agreement each awardee enters into with the CDFI Fund. We specifically wish to address the collection of data through the Community Investment Impact System (CIIS).

The CDFI Coalition supports the collection of data because of its importance in making the case that CDFIs are having an impact in distressed communities. However, the CDFI Coalition believes that a significant overhaul of the TLR and the Fund's data collection infrastructure are necessary and overdue, and we urge the CDFI Fund to make available the necessary resources to undertake and complete this work and make meaningful changes to the data and data collection infrastructure as soon as possible.

We agree that quantifiable data is important and is "necessary for the proper evaluation of the effectiveness and impact of the CDFI Fund's programs ...." We recommend that the CDFI Fund's data collection efforts have three objectives: to demonstrate the impact CDFIs are having in underserved communities, to ensure compliance with the FA and TA program requirements and the program's effectiveness, and to support research on CDFIs and their role in the nation's financial services delivery system. As the CIIS system has evolved, it cannot meet these objectives, which is a loss for all stakeholders including the program's champions in the Administration and in Congress.

We believe the CDFI Fund shares these objectives for quality data collection and timely reporting. However, the CIIS data as currently collected and disseminated, cannot provide the kind of information the Fund had hoped it could. The CIIS tool needs to be rebuilt not only to deliver a more meaningful and streamlined set of data, but also to improve the usefulness, quality, transparency and timeliness of the data the Fund collects, while reducing the burden on CDFIs who provide the data.

Both the current and previous chairmen of the Federal Reserve Board of Governors have noted the importance of quality research on the impact of CDFIs. The CDFI Fund is the only federal agency in a position to uniquely gather and publish data on CDFIs as institutions and with regard to the work they do to support low income communities. Yet this data has not been made available on a timely basis to meet the need for this information. The Fund tested the usefulness of CIIS data when it funded twelve research projects in 2007 and asked researchers to use the CIIS data to investigate their chosen topics. Universally, the researchers that used the CIIS data felt the dataset was difficult to use and warned that because of data limitations their findings could not be generalized.

We suggest that the CDFI Fund establish a working group under the auspices of the CDFI Advisory Board (a Research and Analysis Working Group) to discuss and advise the Fund on the design and content of future ILR and TLR reports as well as on methods for collection and dissemination of the data. Such collaboration will certainly result in a more user friendly, succinct set of data that could be published in a timelier manner. It is also possible that such efforts could result in a data collection system that offers CDFIs a means of collecting and storing their data, ideally avoiding double entry, and could offer them access to a range of privacy protected reports that would provide peer comparison. Such a system would offer a benefit to those CDFIs using it that could be sufficient to attract a larger number of CDFIs to use the reporting system than simply those with an award in a given year.

In May, the CDFI Coalition responded to the CDFI Fund's request for comments on its authorizing statute. Included in that comment letter were recommendations regarding whether to require each certified CDFI to submit an annual report to the CDFI Fund on a limited number of data points. We recommend that the proposed Research and Analysis Working Group address this "Certified CDFI Annual Report" together with changes to the ILR and TLR, as well as any planned changes to the recertification process to avoid duplication of reporting and to allow multiple reports to draw from a single entry of data to the extent possible.

In designing an improved reporting and data collection system, we have consulted with CDFI Coalition members, which includes a wide range of types and sizes of CDFIs, as well as firms engaged in the research and analysis of community development and CDFI data. Collectively, we have the following comments on CIIS:

### **The ILR Presents Far Fewer Issues**

In the Coalition's discussions with its membership, the ILR was not reported as having the difficulties presented by the TLR. We would note, however, that those CDFIs filling out the ILR must input data from their audited financial statements, and then submit the statements. Uploading can be a problem given the size of the data files. More importantly, it appears to be duplicative to ask each CDFI to enter the data and also submit a document that contains the same data. We recommend that the Fund explore with bank and credit union regulators whether basic financial data could be auto-populated from required reports those entities submit. In addition, as part of the proposed Research and Analysis Working Group, we suggest that the Fund meet with those organizations that have been part of the CDFI Data Project, which includes many members of the CDFI Coalition, to ensure the data collected covers the data needed for a meaningful profile of CDFIs in the ILR.

### **The TLR is a Particular Challenge for Some CDFIs**

CDFIs consider the relative costs and benefits of the TLR, and some find that it is overly burdensome on CDFIs. This view is more prevalent among CDFIs that are regulated financial institutions or which have a variety of affiliates and have thousands or tens of thousands of transactions that fall under the reporting requirements. The CDFI Fund could either develop mechanisms that make uploading thousands of transactions fast and easy, or create an alternative for such CDFIs, including reporting on their portfolio in some kind of aggregate way. We recommend that an effort be made through the proposed Research and Analysis Working group to review the TLR to develop a means for CDFIs with such large transactions to participate. At a minimum, the TLR data points should be reduced. The CDFI TLR asks for 100 different data points for each loan ever active during the reporting year. By contrast, the Home Mortgage Disclosure Act (HMDA), which most financial institutions complete, contains only 26 fields for each home loan originated during the fiscal year (including optional fields).

While large, diverse CDFIs have significant problems with the data burden of the TLR, CDFIs that are loan funds with relatively small portfolios do not experience the same difficulties. On balance, these CDFI loan funds feel that transaction level detail is important to support the impact and research goals of CDFIs. That said, very small CDFIs, particularly those in native areas or for whom there are language barriers, view the TLR as a burden that is sufficient to dissuade some of them from applying for FA.

### **Online System Difficult to Use**

Once a CDFI puts together the data required for the TLR, the CDFI must upload this data through an onerous online system. The system checks the uploaded data to make sure it complies with the reporting requirements. CDFIs report that this upload effort can take 60 hours or more to complete depending on the number of loans on which it is reporting.

CDFIs report a variety of problems encountered, such as:

- **Erroneous errors:** During validation, the system often generates errors for data submitted as TLR, which then takes time for the CDFI to review. Often, it turns out there were no errors, and that the error reports were sent erroneously.
- **Address problems:** Although the instructions allow CDFIs to submit FIPS codes instead of addresses, the "25% Rule" excludes all loans submitted with FIPS codes.
- **File rejection:** When using Excel, many times the files are rejected very soon after upload. The system will accept some of the loans in the file (a random set varying from just a few loans to a few hundred loans at a time) and then stop. This results in many hours of work through an iterative process of 1) uploading the file,

- 2) determining which loans from the file were accepted and 3) creating a new file minus the accepted loans to re-upload.
- Significant time delays: The system can take a great deal of time to process uploads, validate transactions, pre-certify validated transactions and respond in general. One CDFI reports that it has taken as many as 12 hours from the time of upload to receive a batch validation report.

### **The Place to Ensure “Clean” Data is at the Point of Submission**

We know that the CDFI Fund spends several months after the CIIS data is submitted “cleaning” the data to ensure that all data is reported in response to the correct data point. CDFIs are, however, complicated financial institutions that use innovative programs and financing strategies to bring capital to markets ignored by traditional lenders. This leads to complicated loans that do not fit easily into standardized reports. This requires that the CIIS Help Desk be knowledgeable. While very knowledgeable about the reports, the people staffing the CIIS Help Desk lack lending experience and provide answers based on the system’s requirements rather than an understanding of the attributes of financial products. The assistance needs to be timely and authoritative. We believe that better front end assistance could reduce the level of and time spent on cleaning the data that is ultimately submitted.

In addition, the data cleansing process is illustrative of the lack of timeliness we now experience in obtaining the datasets. CDFIs often wait 6-12 months for the cleansing process to even begin. One CDFI has not yet received word that the cleansing process has begun on their FY2008 CIIS reports.

### **Requirements Must Be Publicized Prior to the Time Loans are Made**

Specific instructions about the information required in the CIIS reports are often released after the loans on which CDFIs report are made. We suggest that new instructions on data points be applicable only on loans going forward, as it is tremendously burdensome to go back to borrowers for information months, and sometime years after a loan is made. By communicating reporting requirement changes that will occur for the following year, CDFIs can update their loan protocols at the underwriting stage to provide the required information.

### **Time Burden**

The end result of these difficulties is that the TLR can be more time consuming to complete than anticipated, and certainly in excess of the combined 64 estimated burden hours for CDFI Program FA TLR/ILR reporting set forth in Federal Register Notice Vol. 75, No.88/ May 7, 2010. We have received reports that the TLR report alone can take from a minimum of 60 hours to more than 175 hours to complete. These hours are a real cost to CDFIs, most of which are nonprofits that could use this time to further the mission of bringing financial products and services to the underserved.

### **ILR and TLR Are Not Currently Set Up to Provide Consistent Data about the CDFI Industry**

Because the ILR and TLR reports are only submitted during the 3 year award period, a very limited number of CDFIs are providing reports in any annual period. This feature undermines the ability to assess the impact CDFIs have over time. We do not recommend that the reports be made mandatory. However, if the reports were more concise, more transparent, easier to use, automated to the maximum extent possible, and offered benefits to the CDFIs who participate in them by providing them with internal reports, for example, we believe there would be a higher level of voluntary participation.

In addition, there are currently fields in the TLR that are optional, and we recommend that whatever data fields are required be mandatory. In addition, the report requirements have changed over time. Between reporting years some fields are added and some made mandatory. This not only makes it hard for CDFIs to complete the report from year to year, but makes the data difficult to use for research.

We recommend that future reports address these issues to arrive at a more limited set of data that would not change annually and be required of all respondents.

**Conclusion**

As we did in 2010, the CDFI Coalition would like to thank the CDFI Fund for requesting public comment on this important element of the Fund's work. We believe government and the CDFI field have a shared interest in collecting and disseminating timely data. We support the CDFI Fund's devotion of the necessary resources to the effort to overhaul the data, the means to collect the data, and to update the mechanisms to make data more useful to the CDFI Fund, CDFIs and the community development practitioner field. It will remain important for us to work together to respond to the many stakeholders who need data to support our work.

Sincerely,



David Beck  
CDFI Coalition Board Chair