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July 6, 2010

Dear Mr. Bischak,

Self-Help appreciates the opportunity to comment on the CDFI Fund's annual reports, in particular the Transaction Level Report (TLR), which includes data about each loan the recipient has active during the reporting year, regardless whether the loans are in any way related to a CDFI Fund grant, and the Institution Level Report (ILR) which includes overall financial and organizational information about award recipients. Self-Help is pleased that the Fund is evaluating these data collection systems and welcomes the chance to help shape future reports.

Self-Help operates three certified CDFIs and appreciates the significant funding it has received through the CDFI Fund's Financial Assistance (FA) program. Self-Help shares the Fund's recognition of the impact CDFIs have on people and communities across the nation, and understands the difficulty of measuring and quantifying this impact. Clearly, it is crucial for the Fund and CDFIs to effectively measure their effect.

As the CDFI Coalition suggested in its comment letter, Self-Help agrees that the annual reports should be structured "to support three goals: program compliance, program effectiveness and research on the impact of CDFIs and their role in the nation's financial services delivery system." Since 2005 Self-Help has been using the Community Impact Information System (CIIS) to complete the annual activities reports. In 2007 Self-Help also used data from the CIIS report to research the role CDFIs play in home mortgage finance. Through experience as both a reporter and a researcher, Self-Help concludes that the current reports do not effectively achieve these goals.

The key failures of the existing reports are primarily a result of the TLR. The TLR does not provide meaningful data and is overly burdensome on both CDFIs and the Fund. Self-Help recommends the CDFI Fund abolish the TLR and incorporate its useful components into an improved ILR. Self-Help's rationale is expanded on below.

The TLR overburdens CDFIs and the CDFI Fund

The reports place an extreme reporting burden on CDFIs and a significant data maintenance responsibility on CDFI Fund staff. These burdens are primarily a result of the huge volume of loans that are required to be reported on in the TLR.

- *The TLR is enormously time consuming to complete.* Self-Help spent over 175 hours completing these reports for FY2008 and more than 200 hours on FY2009 reports. This is far 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.
- *The TLR requires CDFIs to design and maintain costly data systems.* Self-Help has dedicated internal resources to developing and maintaining systems that can capture, collate, and report information in the format required by the TLR. These hours are a real cost to CDFIs and the cost is most burdensome for small CDFIs with more limited resources.
- *The online system is unable to handle the volume of transactions in the TLR.* Every year, the online system for reporting is overloaded and unable to accept the data. The server “times out” or processes information extremely slowly. At one point in the upload process, it took two minutes for the system to process each loan from the upload to validation stage. At this speed it would have taken 467 hours to process 14,000 loans. The system takes an unacceptable amount of time to process uploads, validate transactions, pre-certify validated transactions and respond in general. If the Fund expects to receive the data on-line, it must have a system with sufficient capacity to receive and manage the data requested.
- *The Fund is not processing and analyzing the data in a timely manner.* Self-Help Credit Union submitted ILR and TLR reports for FY2008 on June 30, 2009. Self-Help received an email on May 26, 2010 stating that the ILR had been reviewed -- a lag of nearly one year between when the report was submitted and reviewed -- and still has not received word that the TLR submitted in 2009 has been reviewed. Very little of the information collected has been made public and the Fund has not released even summary annual reports based on the data. Perhaps this is a capacity issue at the Fund. Regardless the absence of timely data processing brings into question the rationale for requiring its submittal.

For these reasons, the investment of time and resources by CDFIs and the Fund is inefficient use of time and resources for the Fund and the CDFI industry. CDFIs are mission-driven organizations that that could use this time and resources to further the goal of bringing financial products and services to the underserved. Maintaining the systems for collecting and analyzing data that is too cumbersome to be processed and is ultimately unusable is not a good use of CDFI or the Fund’s resources.

TLR Does Not Provide Reliable Information about the CDFI Industry

Putting aside the collection inefficiencies, the TLR central data weakness is that the data does not accurately describe the lending done by CDFIs. This results from a number of different design characteristics of the report.

- *The TLR is not industry-wide.* Only CDFIs who received funding from the CDFI Fund in one of the three previous reporting periods are required to submit CIIS reports. This is a very limited subset of certified CDFIs and an even smaller subset of all organizations operating as CDFIs. As a result, the dataset can never



be considered indicative of the CDFI industry, making it impossible to draw conclusions that are generalizable.

- *The TLR contains data from an inconsistent group of CDFIs.* CDFIs drop in and out of the dataset depending on if they have received awards. As a result the dataset does not contain information for the same group of CDFIs over time making multi-year analysis impossible. For example Self-Help Ventures Fund reported CIIS information only for FY2005, FY2006 and FY2009. Longitudinal studies covering 2005 through 2009 would have an extremely varied dataset which would make the conclusions unreliable.
- *The TLR contains unreliable loan level information.*
 - *Many of the fields in the report are optional* and many CDFIs including Self-Help, do not report these fields due to data or time constraints. Optional data cannot be considered reliable data.¹ While some CDFIs may choose to report the optional fields, some will not, making the data virtually useless because the sample is too small and not representative of all CDFIs.
 - *The report requirements have changed over time.* Between reporting years some data fields are added and some made required. This not only makes it hard for CDFIs to complete the report from year to year, but makes the data difficult to use.

These problems ultimately make the report of dubious utility to researchers because it is inherently problematic to draw accurate conclusions. For example, in 2007 the Fund supported 12 research projects that used CIIS data to investigate the CDFI field. Universally, the researchers concluded that the CIIS dataset was difficult to use and warned that because of data limitations their findings were not generalizable. The data collected through the TLR, as designed and implemented, cannot provide the kind of information the Fund sought when the TLR was designed and implemented.

Taken together, the enormous burden on CDFIs and the Fund and the limited utility of the data collected by the TLR argues strongly for the Fund to seek another means to meet the reasonable goals identified when these reports were first envisioned. We suggest that the Fund eliminate the transaction level data and instead focus on collected information about CDFIs at an aggregate level through the ILR.

Recommendation: Replace the TLR with a More Comprehensive ILR

For the reasons stated above Self-Help believes the TLR data cannot add value, and can lead to mistaken conclusions because of the unreliability of the data sources.

Self-Help recommends the Fund abandon the TLR and put their resources into developing a more complete ILR. The ILR provides enough information about CDFIs to support the Fund's goals. There are over 150 points of data collected on the ILR, providing an extensive overview of each of the organizations funded by the FA program, their activity, and their progress in meeting the award goals in the reporting year. As the

¹ Examples of optional fields for the CDFI TLR are: Minority Owned or Controlled, Women Owned or Controlled, Low-Income Owned or Controlled, Number of times 60 Days or more delinquent, Number of times the loan was restructured, Number of times the loan was refinanced, Amount Charged Off, Amount Recovered.



Fund noted in “Community Development Financial Institutions (CDFIs) Fund’s Community Investment Impact System (CIIS) Rationale for Collecting Data” each of the defined goals is met with data collected through the ILR.² If necessary, additional aggregate data could be collected through the ILR to provide more information about the impact of CDFI lending in addition to the financial and institutional information currently collected. This aggregate data might include portfolio delinquency, types of loans originated and jobs created.

Conclusion

As noted in previous comment letters, Self-Help has found the CDFI Fund to be a particularly efficient and effective use of federal funds. Self-Help believes that revamping the Fund’s annual reports is an area where improvement is possible and necessary. Self-Help provides these comments in the spirit of making the Fund more effective and efficient in carrying out its programs and improving the quality and utility of information derived from CDFI reports and Self-Help is glad to work with the Fund going forward on these and other matters.

Respectfully yours,

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² CDFI Fund US Department of Treasury. “Community Development Financial Institutions (CDFIs) Fund’s Community Investment Impact System (CIIS) Rationale for Collecting Data” Available at: <http://www.cdfifund.gov/ciis/Rationale.pdf>

