



Capital at the point of impact.

July 6, 2010

Greg Bischak
Program Manager for Financial Strategies & Research
CDFI Fund, U.S. Department of the Treasury
601 13th Street NW, Suite 200 South
Washington, DC 20005

RE: TRF Comments on the CDFI Fund Institution and Transaction Level Reports (ILR and TLR)

Dear Mr. Bischak,

The Reinvestment Fund (TRF) welcomes the opportunity to comment on the CDFI's CIIS database. Our comments draw on our view that there is a parallel between CIIS and the Home Mortgage Disclosure Act (HMDA) database. An Act of Congress created HMDA in 1975 with the purpose of making data available to "citizens and public officials of the United States" so that they may learn whether chartered institutions were meeting their obligations to serve the needs of the communities within which they were chartered. Since its passage, HMDA data have facilitated some significant positive changes in the way institutions provide credit in communities of color and of various income levels. We attribute much of that change to the research activities undertaken by community-based organizations, academics, the media and regulators. HMDA-based research has focused on a variety of things including not only the activity of specific institutions, but also on the movement of capital in and out of communities. Notwithstanding the many valuable things that have been done with HMDA data, the HMDA database is admittedly imperfect. Over the years, Congress amended HMDA to ensure that it continued to serve its vital public purpose. HMDA's reporting requirements are straightforward and reasonably easy to abide; public data are reported in a timely manner and because of the consistency in all data element definitions, the data can be compared reliably across institutions. Using HMDA as a model for CIIS, our comments focus on improving data integrity via improved data entry processes and reporting capabilities, thus allowing CIIS to fulfill its potential as a valuable research tool.

General Comments

The ILR does not require a significant amount of time and expense to complete and we believe it is a critical part of the CDFI Fund's data collection process, as it allows for macro-level reporting and analysis of the CDFI industry. Nonetheless, we have a few comments and recommendations for the ILR. Firstly, there is inconsistency in the way the ratios are prepared. For example, the purpose of the Self-Sufficiency Ratio is to measure the extent to which an organization is covering its annual expenses through internally generated sources (i.e. Earned Income). For this ratio calculation, grant revenue and grant expense are excluded, but expenses related to third party consultants (directly attributable to grants) are included with other operating expenses – this calculation does not provide an accurate measure of our ability

to cover expenses. Secondly, it would be helpful if other organizations, such as OFN, accepted the ILR in place of their annual survey.

The TLR, while much more burdensome and costly, is also a valuable dataset because it facilitates more specific micro-level research related to the impact of CDFIs on specific geographies, loan types, portfolios, and industries being financed, to name a few. The research awards granted a few years ago, one of which TRF received, prove that CIIS requests valuable data for impact research; however, many of the essential data fields were simply not populated consistently enough to satisfy most of the research methodologies, including a portion of ours. This lack of data integrity suggests that data collection may be too burdensome; even though TRF has successfully modified its data collection systems to comply with CIIS, we agree with this notion.

Specific Comments and Recommendations (TLR only)

Minimizing the Burden

Even prior to the advent of CIIS, TRF spent a significant amount of money designing systems to collect and report data related to the outcomes and impacts of our loans, investments, and grants. While nearly all of these data fields have equal or similar counterparts in CIIS, there are many additional fields requested by CIIS that required major modifications to our data collection and reporting systems. The contingently mandatory fields have been especially onerous, as are any of the fields announced within short notice of the annual submission deadline – some submission years have required new mandatory fields with less than a month’s notice, which is very challenging.

Given the inordinate amount of time CDFIs and CDEs (“organizations”) have spent creating and modifying their data collection and reporting systems, it seems as though this time and money would have been better spent on a custom, centralized data collection and reporting system hosted by the CDFI Fund. We envision a web based data entry and collection system so flexible, comprehensive, and user-friendly that all organizations would gladly substitute it (or at least supplement) for their current impact data systems. This universal system would be flexible enough to offer custom data fields for organizations wishing to collect additional data beyond CIIS and would also accommodate data exports from parallel systems that would normally be collected outside of an impact database, such as accounting databases. Additionally, the reporting functions would be tailored to the CDFI industry, offering both standard and custom reports. A powerful reporting system would likely ensure data integrity by enticing organizations to use these reports for most of their internal and external monitoring and reporting – if they rely on the system for reporting, there is little reason to believe they would overlook critical data entry.

Additionally, because such a system would be useful to organizations, it could be marketed to all organizations and not just those within the award reporting period, which has the added benefit of obtaining a universal dataset. Lastly, this system would encourage data entry as each transaction closes, as opposed to entering an entire portfolio at year-end; this would reduce the delays experienced by organizations when entering and uploading data.

Quality, Utility, and Clarity of Information

Given the wide range of activities carried out by CDFIs and CDEs, CIIS instructions and field options are often not flexible enough to accommodate the full range of loan products and services. There are many times when we are forced to choose the closest option instead of the actual or correct option. Additionally many of the numeric fields are formatted in a way that is inconsistent with industry standards, such as interest rates and loan-to-value ratios, leading to confusion and consistent errors in the data entry process. Also, we see no reason to have optional fields – they should be either mandatory or nonexistent. Contingently mandatory fields should be more intuitive and instructive with regard to their logic.

Another major issue is the problem of double counting outcomes data (e.g. jobs, charter school seats, and housing units) in CIIS due the fact that TRF rarely issues a single financial note when financing a project. Since, CIIS asks for CDFI outcomes data at the loan level, we submit outcomes data in duplicate records when there is more than one loan involved. To address this problem internally, TRF is working to implement a *project-phase-note* hierarchy, whereby we start with a project (e.g. charter school) and then attach phases of development (e.g. predevelopment, construction, permanent), each of which can have multiple financial notes attached to it. The CDE CIIS format offers a *project-note* hierarchy, which allows multiple financial notes to be related to a single project – we believe the CDFI CIIS format should also incorporate the project-note hierarchy, at the very least. Ideally, CIIS would incorporate a project-phase-note hierarchy.

Relevance of Data

From an impact assessment perspective, CIIS data are relevant and useful to researchers when data are fully populated. However, TRF is sympathetic to organizations that are not fully populating some portions of their CIIS submissions. For example, as a CDFI that does not issue loans directly to homeowners, we find it difficult to populate the beneficiary race and income fields for most of our transactions, especially housing, but also for nonresidential projects. It is difficult enough to estimate the number of jobs associated with a project, let alone each job holder's race and income. The typical scenario involves employees working for a business that is leasing space from a developer receiving a TRF loan; we are usually too far removed from the employers to obtain details on employee race and income.

For the problem of job estimates and other appropriate data fields, we recommend the use of employment multipliers based on the project's leasable square feet and NAICS code of the tenant(s). TRF has been experimenting with square feet multipliers and we have found that many industry trade groups, trade associations, etc. provide reasonable estimates for the number of jobs per square foot. In the absence of actual job data, these would serve as an adequate substitute, saving a great deal of time and effort among reporting organizations. We do not know of a reliable multiplier for reporting race and income profiles among employees and housing occupants.

TRF fully supports the CIIS mission and believes that once data integrity is assured, CIIS data will facilitate valuable research on the CDFI Fund's impact on credit markets, local economies, and targeted populations. Please contact me at 215-574-5817 or mike.crist@trfund.com, if you have questions or would like to discuss these comments.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael M. Crist", with a long horizontal flourish extending to the right.

Michael M. Crist
Executive Vice President & Chief Financial Officer