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Via email: cdfihelp@cdfi.treas.gov

Re: CDFI Fund Proposed Data Collection Comment Request Notice in August 27, 2013
Federal Register

November 20, 2013

Dear Dr. Bischak,

Self-Help appreciates the opportunity to comment on the CDFI Fund's annual reports, in particular the Transaction Level Report (TLR) and the Institution Level Report (ILR). Self-Help is pleased that the Fund is evaluating these data collection systems and welcome the chance to help shape future reports.

Self-Help operates three certified CDFIs, including one certified in 1996, 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 the need to measure and quantify this impact.

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 currently CIIS is an unnecessarily ineffective and costly data collection system.

In Self-Help's view the key failures of the CIIS system primarily relate to the TLR. In specific, the TLR does not provide useful data for research or tracking compliance 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 Cost to 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 the TLR.

- *The TLR is enormously time consuming to complete.* Self-Help has consistently spent in excess of 175 hours annually completing these reports in each of the last 5 years. This is far in excess of the combined 100 estimated burden hours for CDFI Program FA TLR/ILR reporting set forth in Federal Register Notice Vol 78, No.166/August 27, 2013.
- *The TLR requires CDFIs to design and maintain costly data systems.* The TLR requires Self-Help to collect much data not required by other funders and investors. 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.
- *New Data requirements created retroactively.* In FY2012, TLR fields about actual jobs created were added **and** made mandatory. If a CDFI did not collect this information at loan origination, they had to spend extensive time to go back to the borrower to gather the data. It is unlikely that this data, gathered at a high cost (particularly on seasoned loans), would be accurate.
- *The online system is unable to handle the volume of transactions in the TLR.* First, the system for uploading the TLR is underpowered. Every year, the online system for reporting is overloaded and crashes for a period of time—ranging from hours to days. It is common for validation of submitted Self-Help files to take from 2-18 hours. The system (apparently) is unsupported on the weekend which resulted in an outage that lasted several days near the end of the reporting cycle this year. Second, the system to review/correct submitted data is cumbersome: submitted records are reordered; it is not possible to search for specific loans; paging through the loan records is extremely slow, taking several minutes or timing out completely during high volume periods; website page refresh times are excessive.
- *Inadequate Geocoding support.* While not directly related annual CIIS reports, another problematic area of the CDFI website is the inferior mapping technology. The data has not been updated consistently or is often uncoordinated with the Fund's changing requirements; the upload and download features are limited; and the interface is difficult to use. The NMTC mapping system has still not been updated for 2010 census data requiring allocatees to rely on a spreadsheet provided by the Fund resulting in a cumbersome method for verifying that QALICB addresses meet eligibility requirements. The mapping portal could be a very helpful resource to increase visual and data efficiencies for CDFIs. The ability to add additional layers (such as county maps, railroad or highways) or change the aerial view would provide CDFI's with a central location to run maps. CDFIs often need to access and highlight geographic data on the maps to support CDFI program applications and for other purposes (including submitting FIPS code as part of the TLR). However, the system often crashes when more than 50



addresses are loaded. As a result, we have had to develop alternate means of mapping loans and integrate that system with the CDFI Fund's unique information. Another quirk of the mapping system is that if CDFIs upload multiple addresses, the mapping system reorders the addresses. Additionally, the mapping system is periodically down, often for days.

The TLR Does Not Provide Reliable Information about the CDFI Industry

Putting aside the collection inefficiencies, the central weakness is that TLR data does not accurately describe the lending done by CDFIs. As a result, conclusions and recommendations made about the CDFI Industry can be inaccurate or altogether wrong. This problem is due to a number of different design characteristics of the report itself.

- *The TLR is not industry-wide.* Only CDFIs who received funding from the CDFI Fund in one of the three previous award periods are required to submit CIIS reports. This is a significantly limited subset of certified CDFIs and an even smaller subset of all organizations operating as CDFIs. As a result, the dataset is not indicative of the CDFI industry, making it impossible to draw conclusions that are can be generalized. .
- *The TLR contains data from an inconsistent group of CDFIs.* CDFIs drop in and out of the dataset depending on if they receive 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 for FY2005, FY2006, and FY2009-FY2012. Longitudinal studies covering 2005 through 2012 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 inconsistent and severely limits its usefulness.

These problems ultimately make the report of dubious utility to researchers because it is inherently problematic to draw accurate conclusions. For example the Fund funded 12 research projects in 2007 to use the CIIS data to investigate the CDFI field. Universally, the researchers that used the CIIS data concluded that the dataset was difficult to use and

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.



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 envisioned.

We suggest that the Fund eliminate the transaction level data and instead focus on collecting information about CDFIs at an aggregate level through the ILR.

Recommendation: Replace the TLR with a More Comprehensive ILR

Required CIIS reporting consists of two parts: the Institution Level Report (ILR) and the Transaction Level Report (TLR). The ILR includes overall financial and organizational information about award recipients. The TLR includes data about each loan the recipient has active during the reporting year, whether or not the loans are related to a CDFI Fund grant. For the reasons stated above Self-Help believes the TLR data cannot add value, and, worse, 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 focused and comprehensive 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 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 All of these data points should be revisited to determine their necessity for satisfying the Fund's reporting requirements. Those that are unnecessary should be dropped and others that serve a useful purpose for documenting impact and effectiveness can be added. This aggregate data should include portfolio performance, loans originated and several output measures (jobs, housing units, etc.)

In addition, The Fund might consider requiring a smaller amount of data points from all CDFIs, including those not receiving awards, in order to provide a more accurate picture of the CDFI industry as a whole. Like bank and credit union call reports, the data could be collected from all CDFIs (or perhaps all CDFIs with more than \$20 million in assets, sufficient to capture more than 80% of the industry's impact) on a quarterly basis, and should include basic financial, lending and loan performance data, a subset of those data collected in the ILR from CDFIs awardees.

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>



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 significant improvement is possible and necessary. Self-Help provides these comments in the spirit of making the Fund even more effective and efficient in carrying out its programs and improving the quality and utility of information derived from CDFI reports. Self-Help is glad to work with the Fund going forward on these and other matters.

Respectfully yours,

Robert N. Schall, President
Self-Help Ventures Fund

Randy Chambers, President
Self-Help Credit Union

