

First Mover: The CDFI Fund's CIIS Database Holds Promise to Create Substantial Data Repository for Community Development Investments

Heidi Kaplan

Federal Reserve Board of Governors

As private investors seek to enter or increase their stake in the community development market, the cry for additional data to support investment decisions is growing louder. The lack of consistent and detailed information on the performance of community development financial institutions (CDFIs) has hindered the industry's entrance into the capital markets. Although an assortment of industry data sets are available for simple evaluations of CDFIs and their portfolios, the existing data are inconsistent and relatively sparse across reports. As a result, the call for a comprehensive data set to inform and attract investors interested in CDFI portfolios has become a mantra in the community development environment.

In 2002, the CDFI Fund (the CDFI Fund) recognized the demand for more detailed industry data and committed to filling the gap. The CDFI Fund contracted E. F. Kearney to develop and house a new data collection system, now widely known as the Community Investment Impact System (CIIS). Since fiscal year 2003, the CDFI Fund has used CIIS to collect organization, financial, and impact data annually from award recipients. In addition to the customary survey data, the CDFI Fund also collects transaction-level data on the organization's entire portfolio through CIIS. To date, the CIIS data has been made available to the CDFI Fund, two additional federal agencies, and two private parties conducting contracted services for the CDFI Fund.

CIIS is the first system to collect standardized transaction-level data on the community development finance industry. CIIS is a comprehensive program designed to be the primary data source for the CDFI industry. The transaction-level data makes CIIS a unique and highly desirable data set. This article discusses all aspects of CIIS with a particular focus on the transaction-level data as a unique and long-awaited data set for the investors and researchers interested in the community development industry.

Introduction to CIIS

In 1994, Congress established the CDFI Fund within the Department of the Treasury to expand the availability of credit, investment capital, and financial services in distressed communities nationwide. Over the past decade, the CDFI Fund has developed into an important government entity that promotes access to capital and economic growth in low-

income communities through monetary awards to CDFIs and the allocation of tax credits to community development entities (CDEs).¹

Through the CDFI Program, the CDFI Fund offers monetary awards for both financial assistance and technical assistance. Certified CDFIs are eligible to apply for financial assistance awards, which are typically used for capitalization. The CDFI Fund awards financial assistance as equity investments, loans, deposits, or grants that must be matched with nonfederal funds. Certified CDFIs and entities seeking certification may apply for Technical assistance grants to build capacity through the acquisition of prescribed products or services such as technology upgrades, staff training, or consulting services.

The New Markets Tax Credit (NMTC) program allows taxpayers to receive a credit against federal income taxes for equity investments in CDEs awarded an NMTC allocation. To date, the CDFI Fund is authorized to allocate a total of \$16 billion in equity, including \$1 billion specifically earmarked for the recovery and redevelopment of the Gulf Opportunity Zone.

In 2004, the CDFI Fund introduced CIIS as the annual data collection tool for awardee and allocatee financial performance and community development outputs. According to the CDFI Fund's "Rationale for Collecting Data" document, CIIS data are used to measure CDFI and CDE performance, conduct peer analysis, support community development research, and enhance community organizations with access to the capital markets.²

CIIS is comprised of the Institution Level Report (ILR) and the Transaction Level Report (TLR). The ILR captures organizational data, including the CDFI or CDE background information, financial position, lending and investing activities, community development outputs, and development services. The CDFI Program awardees are required to submit an ILR annually for two or three years and NMTC allocatees are required to submit an ILR annually for the life of their NMTC investments. Any certified CDFI may voluntarily submit an ILR.

The TLR captures data on each individual loan and investment in a CDFI's portfolio and a CDE's NMTC-funded portion of the portfolio. The TLR includes nearly 200 data points covering the loan or investment's rates and terms, underwriting criteria ratios, project costs and characteristics, geography, borrower characteristics, community development outputs, and program-specific information. Many of the TLR data points are optional.³

Financial assistance awardees are required to submit a TLR annually for three years and NMTC allocatees are required to submit the TLR annually for the life of the NMTC investments. Any certified CDFI may voluntarily submit the TLR. For each annual report submission, organizations are required to update loan and investment data reported in the

1 For a more complete definition of CDE and other terms used in the NMTC program, use the following link: <http://frbsf.org/publications/community/review/122005/article10.pdf>. Additional information about the CDFI Fund can be found at www.cdfifund.gov.

2 <http://www.cdfifund.gov/ciis/Rationale.pdf>.

3 Additional information about CIIS can be found at http://www.cdfifund.gov/what_we_do/ciis.asp.

previous year and add new loans and investments for the current year. Each TLR transaction has a unique CIIS identifier allowing data users to perform longitudinal analyses.

The CDFI Fund began collecting data through CIIS for fiscal year 2003 and has recently completed the data collection for fiscal year 2006. The four parts of the CIIS Data Collection table show the number of CIIS reports received for each fiscal year.

CIIS Data Collection⁴

Number of CDFIs (by type) providing an ILR

	Fiscal Year			
	2003	2004	2005	2006
Banks	8	7	8	17
Credit Unions	28	29	22	21
Loan Funds	178	194	139	168
Venture Capital Funds	9	6	4	4
Total CDFI ILRs	223	236	173	210

Number of CDEs (by type) providing an ILR

	Fiscal Year			
	2003	2004	2005	2006
Banks	2	6	11	11
Credit Unions	1	1	2	1
Loan Funds	6	36	76	97
Venture Capital Funds	7	10	13	20
Total CDE ILRs	16	53	102	129

Number of CDFIs (by type) providing a TLR

	Fiscal Year			
	2003	2004	2005	2006
Banks	0	0	0	1
Credit Unions	0	1	7	13
Loan Funds	0	19	61	93
Venture Capital Funds	0	2	3	3
Total CDFI TLRs	0	22	71	110

⁴ Data provided by the CDFI Fund. Number of ILRs and TLRs represent cleansed reports for fiscal years 2003, 2004, and 2005. Number of reports for fiscal year 2006 represents total reports submitted, because the cleansing process is not complete.

Number of CDEs (by type) providing a TLR

	Fiscal Year			
	2003	2004	2005	2006
Banks	0	4	6	0
Credit Unions	0	1	1	0
Loan Funds	1	31	36	31
Venture Capital Funds	3	7	4	3
Total CDE TLRs	4	43	47	34

CIIS Data Quality

The CDFI Fund has made high-quality CIIS data a priority. The commitment to quality is demonstrated through the CDFI Fund’s production of detailed instructions, ongoing development of system technology, and user accessibility to knowledgeable staff. In addition, the CDFI Fund has been responsive to the industry’s feedback on CIIS by regularly updating the system and supporting documentation.

The CIIS instruction documents serve as the users’ guide to data definitions and the CIIS technology. The TLR instructions are essential for introducing users to the transaction-level data-collection requirements, including date-point definitions, the identification of data as “Mandatory,” “Optional,” or “Conditionally Required,” and the description of permissible data-point responses. Organizations review the instructions to prepare for the data-collection effort, data storage, and uploading data options.

CIIS offers three options for uploading TLR data. The simplest TLR submission option is online manual entry. Online entry is intensely time-consuming for a portfolio of more than four or five transactions. However, a manual submission does not require the source data to be stored electronically. Organizations with some technological savvy may select the second upload option, submitting the Excel Template provided by CIIS. Filling in and formatting the Template may be time-consuming depending on the state of the source data. However, the Template allows users to collect, upload, and save the submission in a single file. Finally, a third submission option allows users to upload data through an XML interface using a file generated directly from their information systems. XML is the most reliable upload option for ensuring accurate data transmission because it eliminates human error that may occur during manual entry or copying and pasting. The CDFI Fund has encouraged software vendors that support CDFI and CDE loan management systems to develop and market CIIS XML modules for their software. According to the Fund’s website, four vendors (three for CDFIs and one for CDEs) had CIIS-compatible software available for the fiscal year 2006 reporting period.⁵

The CDFI Fund supports consistency and quality across the CIIS data by maintaining personnel dedicated to CIIS. Specifically, the CDFI Fund contracted E. F. Kearney to

⁵ http://www.cdfifund.gov/what_we_do/CIIScompatibleSoftware.asp

provide a full-time CIIS Help Desk to respond to CIIS users year-round. The Help Desk is available to the public for questions regarding data definitions, technology issues, and other CIIS-related issues. In addition, the CDFI Fund offers user training for all aspects of CIIS. A sample of the training is available on the CDFI Fund’s website.

The CDFI Fund further boosts accuracy in the CIIS data by following the annual submission process with rigorous data “cleansing.” “Cleansing” is the process of comparing the data to the organization’s year-end financial statements and other data points within CIIS. During the cleansing process, the CIIS Help Desk contacts organizations about any questionable submissions. The CDFI Fund does not accept an organization’s data for analysis until the data-cleansing process is complete.

CIIS Contributions to the Community Investment Industry

The CIIS is a database that is unique and potentially a great resource to the community development investing community. The CDFI Fund released an initial analysis of the CIIS data set. The CDFI Fund has also shown that it is open to changes in how the data are collected.

Unique Data Set

The availability of the CIIS TLR data will provide key information about the community development finance industry, with a particular contribution to capital market players interested in community investments. Currently, CIIS is the lone system collecting detailed loan and investment data from CDFIs and CDEs. The system offers new insights into the terms and performance of these investments. The CIIS TLR data are also valuable because they include detailed geographic data on each transaction.

The community investment industry clearly hungers for more comprehensive data on the characteristics of community development financial products and their performance. The CIIS data may help enhance the liquidity of CDFIs and CDEs by providing capital market investors with the data they need to analyze portfolio performance. Such analysis may not only increase these investors’ interest in CDFI and CDE portfolios, but it may also lead to better terms for CDFIs and CDEs because investors will have the appropriate information to price these portfolios accurately.

In a *Community Development Investment Review* article, “Turning Uncertainty into Risk,” Mary Tingerthal discussed the need for data to respond to standard investor measures of due diligence, including the debt-coverage ratio, issuer background, delinquency and defaults, prepayment performance, and liquidity of securities.⁶ Although CIIS does not collect all of the requested data, the data set does offer a significant contribution toward resolving these questions. The following is a brief discussion of how the CIIS data meet, or fall short of, Tingerthal’s list of the investor data requirements.

6 Mary Tingerthal, “Turning Uncertainty into Risk: Why Data Are the Key to Greater Investment,” *Community Development Investment Review* 2, no. 2 (2006).

Debt Coverage

Initially, the CDFI Fund did not collect data on debt coverage ratio is in CIIS. Beginning with the fiscal year 2006 TLR, the CDFI Fund required CDEs to provide the debt service coverage ratio for all loans as calculated at the time of investment. The debt coverage ratio is not collected for CDFI transactions.

Track the Record of the Issuer

For CDFIs, the TLR comprises the organization’s entire portfolio for the report year, including any loans or investments that were active during that fiscal year. Each financial assistance awardee is required to provide three years of annual TLR. Transactions in these successive reports can be analyzed for longitudinal performance trends. For CDEs, the TLR includes the portion of the organization’s portfolio funded by NMTC investments. The CDFI Fund does not require CDEs to submit TLR data on non-NMTC-funded transactions. As a result, CIIS contains a complete history of the performance of the NMTC portfolio, but it lacks key information on an allocatee’s lending and investing outside the NMTC program.

The CIIS reports described above answer many questions about the issuer’s track record. Although the CDFI Fund does not require CDFIs and CDEs to submit data for all the available TLR data points, organizations are required to provide the loan or investment amount and purpose, rates and terms, and fiscal-year-end loan status. Some organizations may also provide data on the delinquency history, debt restructuring, and debt refinancing.⁷ Furthermore, the CIIS ILR provides a broad-brush view of organizational performance for each fiscal year reported.

Financial Status of Issuer

Through the ILR, the CDFI Fund collects information on the financial status of the lender. For CDFIs, CIIS stores key data from their balance sheets and profit-and-loss statements. However, for CDEs, the financial data collected are extremely limited.

Delinquency and Default/Recovery Performance of the Underlying Assets

Tingerthal describes a detailed analysis that may benefit from the availability of CIIS data. As noted above, CIIS provides some information on the assets⁸ and the borrowers.⁹

CIIS does not collect sufficient data to respond to the following: stability of the loan servicing agreements, prepayment performance, priority payment for the class of securities, and liquidity of securities.

7 Date Originated (Mandatory - M); Original Loan/Investment Amount (M); Purpose (M); Interest – Rate, Fixed/Variable, Amortization Type; Equity-like Features; Term; Guarantee; Lien Position; Collateral – Type, Value at Origination; Forgivable Loan?; Principal Balance Outstanding; Loan Status (Active, Closed, etc.); Days Delinquent; 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; and Amount Recovered.

8 Term and amortization of the loans, interest rate (at fiscal year-end), presence and type of collateral, loan purpose, and loan amounts.

9 Debt coverage ratios (CDE), loan-to-value ratios (CDE) and credit score.

Initial Data Analysis and Accessibility

As the community development finance industry players eagerly await access to the TLR data, the CDFI Fund has made great strides to publicly release key data findings. Initial data analysis is available to the public and the raw data have been provided to a small number of private and public agencies. Recently, the CDFI Fund published the first two major online reports, “Growth, Diversity, Impact: A Snapshot of CDFIs in FY 2003,” and “Trend Analysis of CIIS Institutional Level Report Data, FY 2003-2005” using the ILR data. Data used for these reports, are also available to the public. Since the inception of CIIS, the Fund has also released findings on the leverage of CDFI Program award dollars, NMTC project descriptions and characteristics, and maps of the geography of NMTC projects.¹⁰

The CDFI Fund also provides the CIIS data set and analysis to fellow Treasury agencies to support the CDFI and NMTC programs. For example, the CDFI Fund uses the CIIS data to report on the impact and performance of the awardees and allocatees in Treasury’s annual Performance and Accountability Report.¹¹ In addition, the CDFI Fund provides the NMTC data available to the Internal Revenue Service for compliance purposes.

Finally, the CDFI Fund has provided CIIS data to public and private organizations for the purposes of program evaluation and research. The Government Accounting Office used the NMTC data to complete an evaluation of the NMTC program that was published in January 2007.¹² Two private contractors have accessed the CIIS data as a component of their detailed evaluations of the CDFI and NMTC programs. In addition, this year the CDFI Fund announced funding for a Policy Research Initiative. The proposal selections were announced in October 2007, and each affiliated researcher will have access to the CIIS data upon completion of their contract.¹³ The CDFI Fund has stated its intent to make the TLR data available to the public, although the agency has yet to work through the privacy and technological hurdles of this commitment.

CDFI Fund Responsiveness

The CDFI Fund has adapted to the constant demand for CIIS updates and improvements to capture the diverse CDFI and CDE market. CIIS is a comparatively new data-collection system representing a wide spectrum of financial products that evolve from year to year. The CDFI Fund’s responsiveness to requested changes, often substantial in nature, is laudable. Not only does the CDFI Fund capture the array of CDFI awardees, but the agency effectively met the challenge of designing CIIS alongside a developing and untried NMTC program.

Over the past four years, the CDFI Fund has added and adjusted data points to the TLR. For example, when the Fund became aware of the demand for additional data on underwriting ratios, data points for loan-to-value and other relevant ratios were introduced in the

10 http://www.cdfifund.gov/impact_we_make/data_reports.asp.

11 <http://www.treas.gov/offices/management/dcfo/accountability-reports/>

12 <http://www.gao.gov/new.items/d07296.pdf>

13 http://www.cdfifund.gov/news_events/PolicyResearchInitiativeResearchProject.asp

subsequent CIIS release. The CDFI Fund uses a help desk, training sessions, and conferences to interact with users and to inform the staff about the need for changes in reporting requirements. The most significant updates have been made to the TLR portion of CIIS.

The CDFI Fund also makes regular updates and clarifications in the instructions. For example, if the CDFI Fund receives questions about instructions or is alerted to a financial product that does not fit the given instructions, the CIIS documentation is updated with the necessary explanations. The CDFI Fund's website includes instructions from previous versions of CIIS, which allows users to view the updates made between annual CIIS releases.

Additional Opportunities for CIIS to Meet Industry Needs

CIIS provides the promise of data demanded by the community investment market. Two distinct actions by the CDFI Fund would make the coveted information that CIIS potentially offers more responsive to the needs of community investment players. First, the CDFI Fund can further develop CIIS as the standard for transaction-level data for the community development finance industry. Second, the CDFI Fund could provide more data and analysis to the public.

Standardize Transaction-level Data for Community Development Finance Industry

The community development finance industry would substantially benefit from a standardized data-collection effort. Currently, multiple government agencies, trade associations, and nonprofit organizations collect information on the industry's financial performance and outputs. The varying data definitions and output measures make it difficult for organizations reporting to more than one entity to collect accurate information and problematic for data analysts to compile data across reports.

The need for uniformity is particularly evident when examining the details and complexities of transaction-level data. With the release of CIIS, the CDFI Fund initiated a transaction-level data standard for the community development finance industry. Maintaining a single point of reference for data definitions and criterion will reduce the information-gathering and -storing efforts for the financing entities. As the "first mover" in designing a transaction-level data report, the CDFI fund earned the advantage of being the defining entity in this endeavor.

If CIIS is to develop as the "gold standard" for community investment analysis, it is imperative that the CDFI Fund continue to evolve the system to respond to the industry's needs. Continuing to solicit industry feedback is essential to providing standardized information that works for the diverse range of CDFIs and CDEs.

In addition, the CDFI Fund should make CIIS available to noncertified CDFIs. Opening CIIS provides an opportunity to reduce the number of existing data-collection efforts and, thereby, the reporting burden of many CDFIs. Increasing the number of CIIS reports also improves the significance of the CIIS data set. Finally, if CIIS remains limited only to the constituents of the CDFI Fund, other entities may develop competing transaction-level data-collection systems, which would lead to more problems with consistency.

Additional Data Analysis

As the sole entity with access to the complete CIIS data set, the CDFI Fund should greatly increase the data analysis provided to the public. The current analysis available on the website focuses on simple summaries of the information provided with few implications for the industry. Given the depth of data provided, the CDFI Fund should focus on providing more detailed statistical analysis and pointed findings. For example, the data could be used to support public policy recommendations, characterize CDFI performance to the public, or assist entities attempting to attract community investments.

The CIIS has the distinct opportunity to become the industry standard for community development loan and investment data. Making the TLR data widely available will allow investors and research analysts to work with the data and discuss issues and findings with the CDFI Fund. The outcome of this process will be important feedback on the data collected, the cleansing process, and the overall quality of the data. Data sharing will allow the CDFI Fund to properly manage the collection effort and the CIIS data to have the broadest impact on community development investments.

Heidi Kaplan is a Senior Community Affairs Analyst at the Board of Governors of the Federal Reserve System. Prior to joining the Board, Ms. Kaplan was a Research Advisor at the CDFI Fund. Ms. Kaplan has a B.A. in Economics from the University of California, Berkeley and a Masters of City and Regional Planning from Rutgers, the State University of New Jersey.