

Connecting Communities

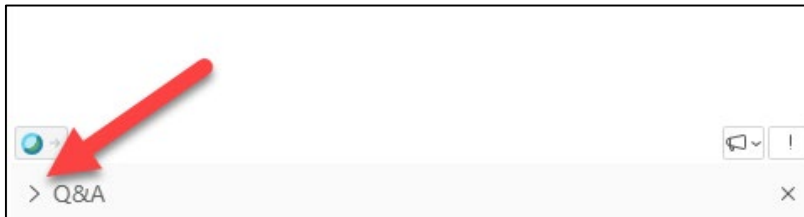


Virtual CDFI Symposium – CDFI Impact & Evaluation

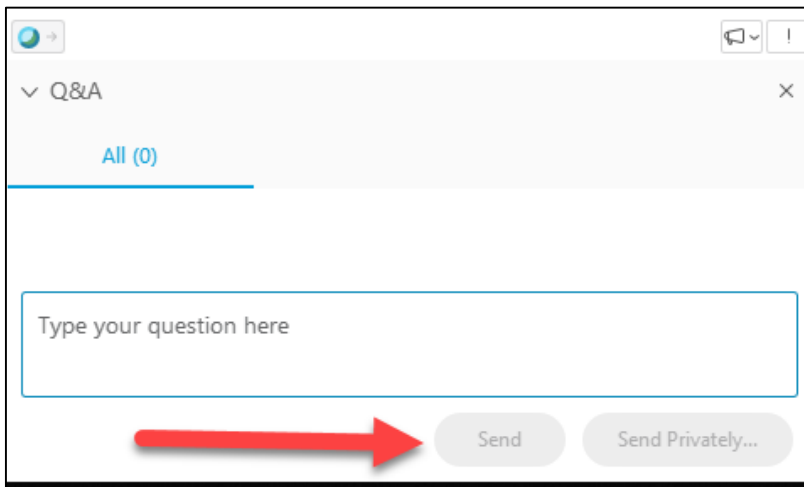
May 20, 2020

Participate during the Q&A.

Select the > next to Q&A in the lower right corner of your screen to open the Q&A panel.

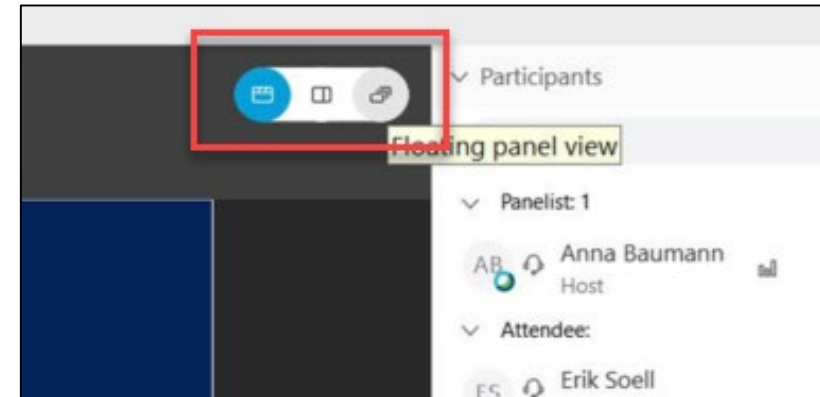


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Ask your question Live.

Click **Raise Hand**  at the bottom of your participant's panel.

Click **Unmute my microphone**  when you are called on to speak.

This event is hosted by the following organizations.



Community Development

The mission of the Federal Reserve's community development function is to promote the economic resilience and mobility of low- to moderate-income and underserved individuals and communities.



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The information, analyses, and conclusion set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, The Federal Reserve Banks, or members of their staffs.

Welcome



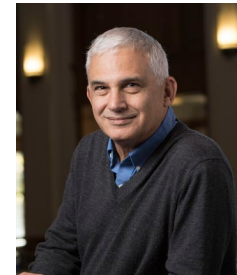
Greg Bischak
CDFI Fund



Meredith Medlin
Accion



Caroline Loyas
Impact Seven

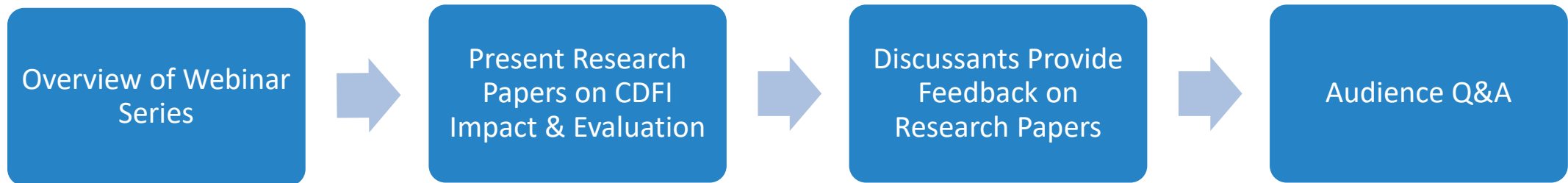


Michael Swack
University of New
Hampshire



Lance Loethen
Opportunity
Finance Network

Agenda for this webinar



Helping Entrepreneurs Write Their Own Success Stories



Meredith Medlin

Accion

A woman with long dark hair, wearing a black top and a necklace with circular pendants, is focused on measuring a piece of fabric with a white tape measure. She is in a clothing store, with various garments hanging in the background. The entire image has a teal color overlay.

Helping Entrepreneurs Write Their Own Success Stories

A longitudinal study of the impact of Accion and Opportunity Fund's services on small business owners across the United States

National Small Business Impact Study

Based on the work of:

ACCION

Opportunity Fund
working capital
for working people

Lead funding by:

W.K. KELLOGG FOUNDATION™

JPMORGAN CHASE & CO.

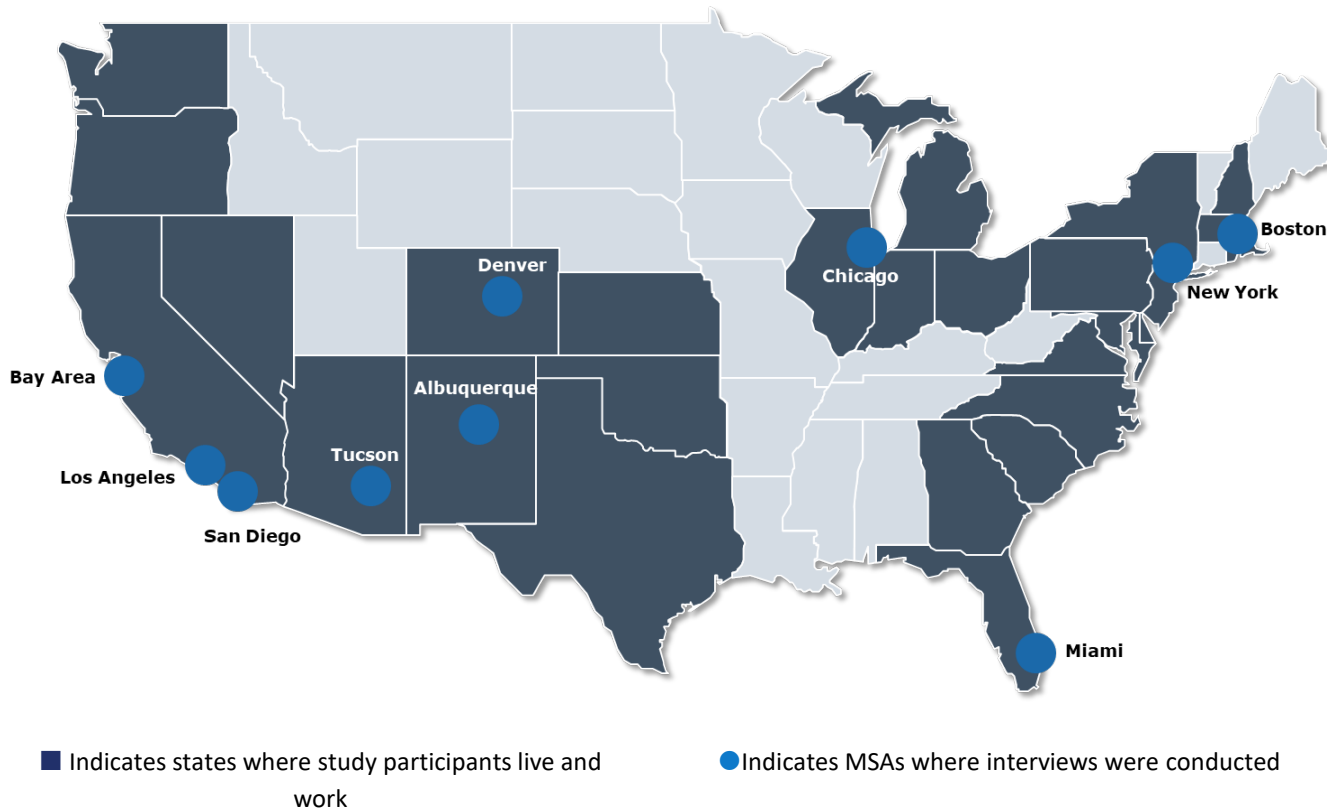
Additional support
from:

S&P Global

Research by:

harder  **co** | community
research

Who did we talk to?



Race/Ethnicity

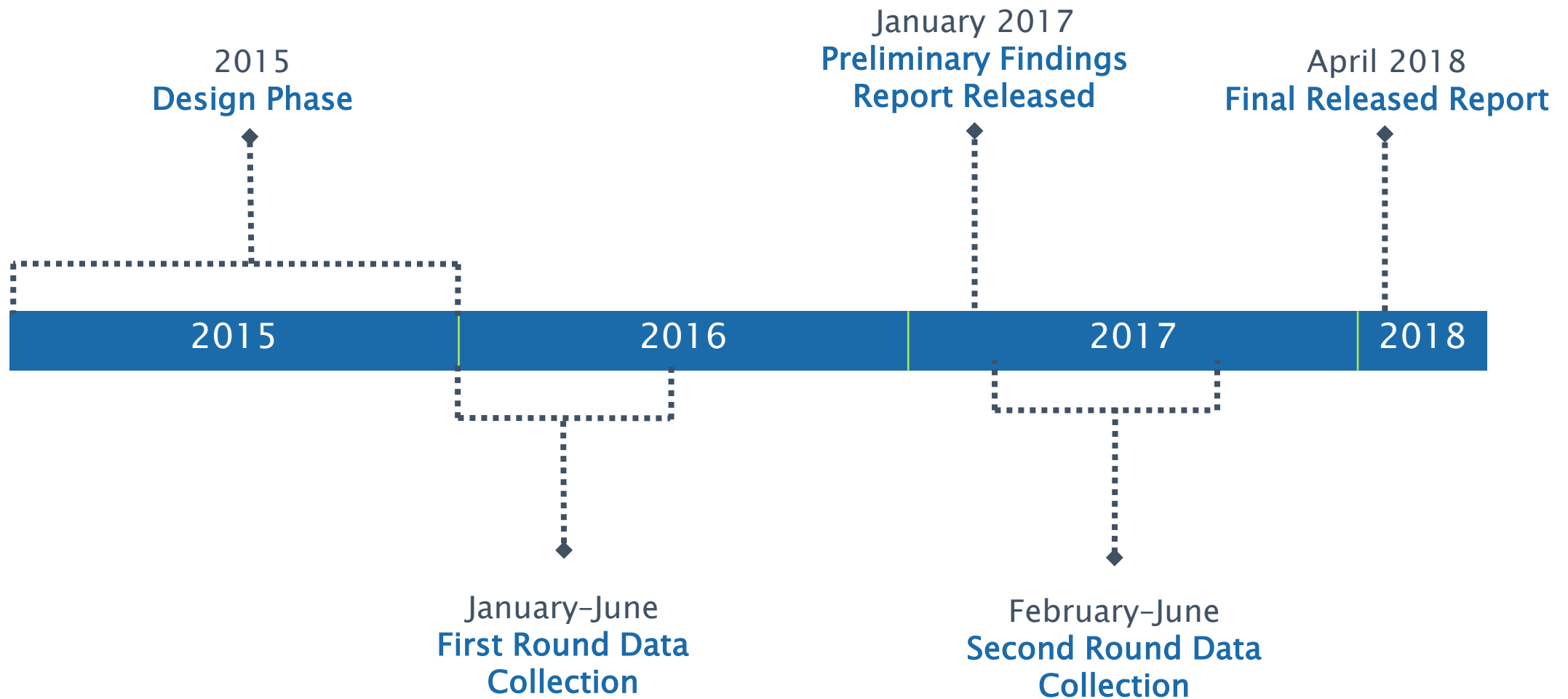


Gender



Study participants were proportionately representative of Accion and Opportunity Fund's entire client portfolio geographically, demographically, and by industry.

Study timeline



What did we learn?

4 important successes

- Borrowers' financial stability increased over time
- Borrowers use their businesses to set up long-term financial success
- Borrowers create quality jobs
- Accion and Opportunity Fund's services impact borrower success

3 key challenges

- Financial emergency preparation
- Volatile cash flow
- Business planning

Diverse goals and journeys in entrepreneurship

How Accion + Opportunity Fund have responded



Borrower Success: Entrepreneurs are increasingly financially stable

Over the course of the study:

53% of borrowers reported increased feelings of financial stability.

53% reported reduced levels of debt.

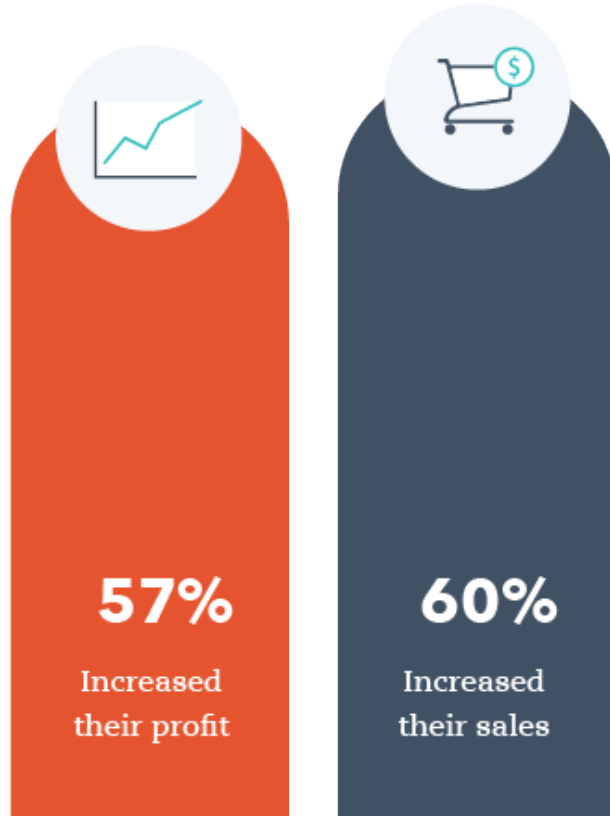
By the end of the study:

73% of borrowers felt able to handle their financial future.

68% of borrowers feel they have adequate information to make financial decisions.



Borrower Success: Entrepreneurs are experiencing long-term business success



94% of businesses are still open 2–3 years after their loan.

“As a result of the loan, I was able to buy more inventory, which in turn gave me more revenue from different revenue streams, which then meant my cash flow was healthier, which then allowed me to bring on employees. It’s a trickling effect.”

“I was able to pay for my daughter to go to college.”

Borrower Success: Entrepreneurs are creating good jobs

40% of borrowers added jobs during the study period, for a total of **335** new full-time equivalent jobs created.

“*Once we got in the new staff, that opened up the whole possibility to us of adding more services into the facility.*”

Borrowers significantly increase the benefits to their employees



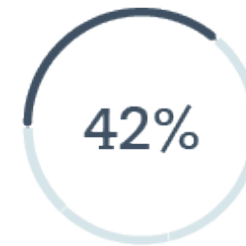
Offer paid sick time



Offer paid holidays



Offer paid vacation days



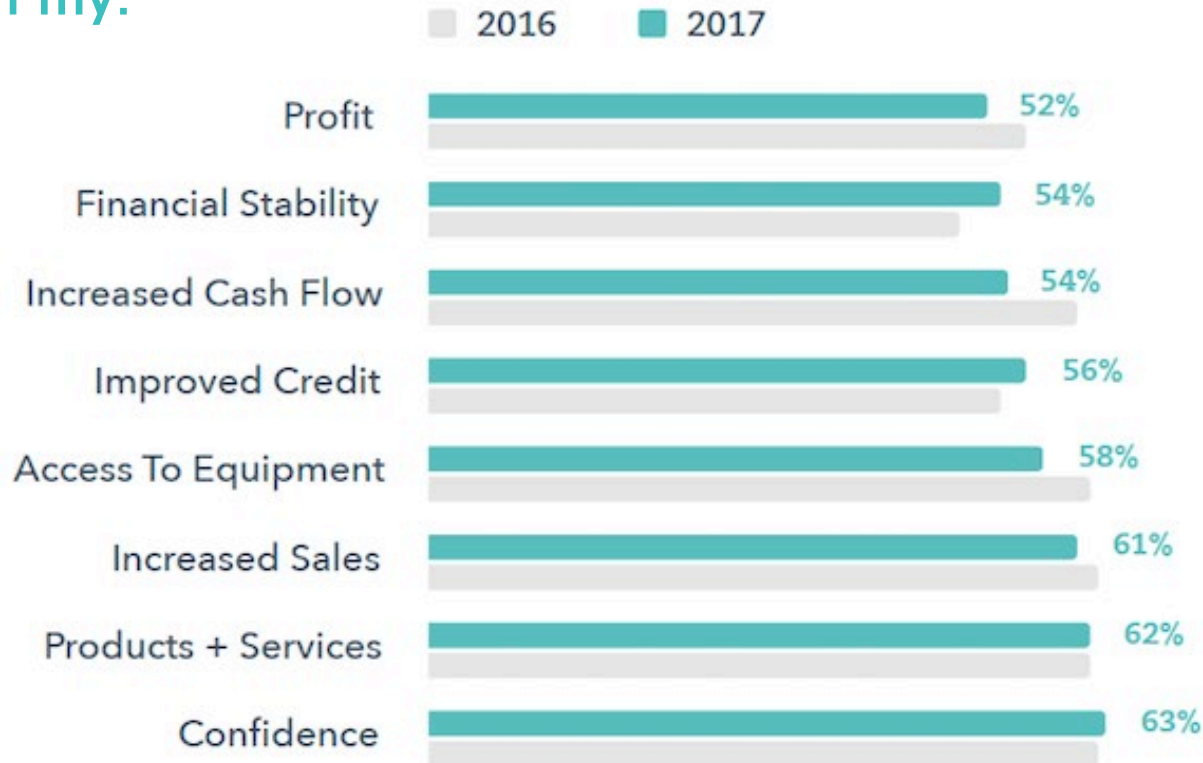
Offer development opportunities



Offer flex time

Accion + Opportunity Fund's services had a lasting impact on entrepreneurs

Accion or Opportunity Fund had a lot of impact on my:



“The biggest thing has been the confidence that I’ve gained in myself... I’m really proud of it.”

Entrepreneurs still face challenges



Financial
emergency prep



Volatile cash
flow



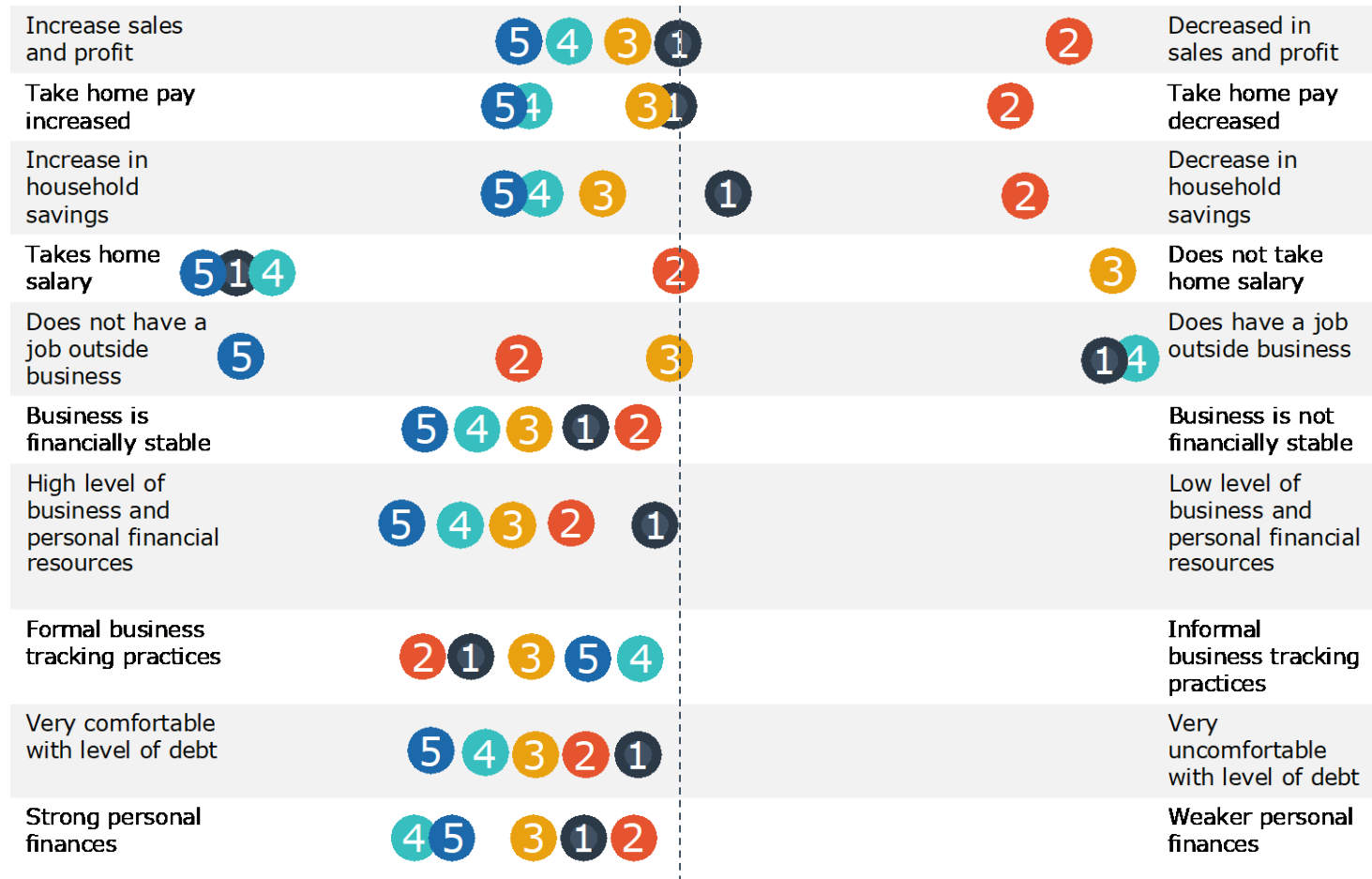
Making + sticking to
a business plan

Diverse journeys in entrepreneurship



Diverse journeys in entrepreneurship

Cluster analysis allows us to group clients based on business outcomes.



Focused and growing



Borrowers who started strong, wanted to grow, and are on the way to reaching their goals

- **44%** of borrowers
- Financially strong at beginning and end of study
- Use influx of capital strategically
- Attribute success to Accion or Opportunity Fund's services at a higher rate than other clusters
- Use the business as their sole source of income: 13% had another job at the beginning of the study, but none had more than one job by study's end

Stable and strategic



Borrowers who prioritize their families' financial stability and use multiple sources of income to achieve their goals

- **12%** of borrowers
- Seek incremental, safe growth of their businesses
- Use capital strategically for well-planned opportunities
- All have at least one job outside of the business, though most bring home salary from this business
- Some stable & strategic borrowers differ on their goals: some seek to only have one job, while others happily balance multiple income sources

Off balance and seasonal



Borrowers who sought capital to help them through a challenging time, but external factors hindered the loan's impact

- 9% of borrowers
- Decreased business sales and profit from the beginning to end of the study
- Used the loan for payroll or to ease cash flow constraints
- Lower sense of financial stability than the other clusters
- Half of borrowers in this cluster bring home a salary from this business
- Most have a second job outside the business
- Lowest sense of Accion or Opportunity Fund's positive impact on the business
- No formal financial plan for the business

Retrenching



Borrowers who used their loan to get started, have seen some growth, and are now at a crossroads with the business

- **19%** of borrowers
- Sacrificing personal salary to grow or maintain the business
- Almost all rely on outside sources of income
- Most experienced slight increases in business sales and profit over the study period
- Strong day-to-day financial tracking, but less of a long-term financial plan
- Lower sense of financial stability than other clusters
- The loan's main impact was increasing confidence that borrowers' business ideas would become reality

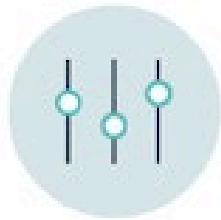
Slowly growing and optimistic



Borrowers who anticipate growth, but haven't charted their exact course to get there

- **17%** of borrowers
- Incremental increases and sales over the study period
- Niche businesses with the most inconsistent cash flow of all the clusters
- Business is the sole source of income for these borrowers
- Mixed attribution of impact from Accion or Opportunity Fund
- Less financial stability in covering expenses
- Trouble planning and saving for financial emergencies

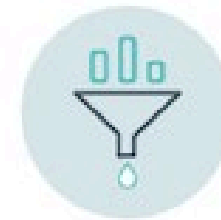
Accion + Opportunity Fund put knowledge into action



Diversify our
financial product
offerings



Make advising
services relevant
and easy-to-use



Evaluate, test, and
refine our
approaches

Thank you!

<http://smallbizimpact.org>

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A Qualitative Model For the Evaluation of Community Development Financial Institutions



Caroline Loyas

Impact Seven

A Qualitative Model For the Evaluation of Community Development Financial Institutions

Caroline Loyas

Director of Resource Development, Impact Seven, Inc.

Pennsylvania State University



Project Background

- Working question: How do CDFIs impact the social fabric of community?
- Theoretical framework: Interactional field theory
- Evaluation framework: Qualitative applied research
- Objectives:
 - Develop a process to enhance CDFIs' understanding of their own outcomes and impacts while identifying potential impact indicators for future study; and
 - Keep it low-cost and feasible for small- to mid-sized CDFIs to implement with existing staff.

Step 1: Identify the borrower group to interview

- **Asset class:** Small business
- **Product type:** Term loans for working capital, equipment or real estate
- **Geography type:** Rural Wisconsin
- **Other:** Borrowers involved in daily management of the business

Step 2: Develop a set of interview questions

- In general, questions should be open-ended.

For example:

- *What would be different for your business if you had not obtained your loan?*
 - *If your business didn't exist, where else would people go to obtain the goods or services your business provides?*
 - *Are you/your business better off because of the loan and other services you received? If so, how? If not, why not?*
- Consider seeking expert assistance to develop, review and/or revise your questions such as a local university or extension service.

Step 3: Select the sample frame

- A sample frame is the group of borrowers to be interviewed.
- For best results, this number should be as large as possible.
- Include all borrowers in a small portfolio.
- For large portfolios, select a representative sample of a manageable size.

Step 4: Set up a spreadsheet for tracking contacts and entering responses

Borrower	Contact Attempt 1	Contact Attempt 2	Contact Attempt 3	Question 1	Question 2	Question 3	Question 4, etc.
1. Name	Date	Date	Date	Response summary	Response summary	Response summary	Response summary
2.							
3.							
4.							
5.							
6.							

Contact information could be included here for convenience

Step 5: Provide borrowers with notice of the survey

- Send a brief notification via mail or email.
- Include:
 - Purpose of the interviews
 - How information will be used
 - Timeframe for contact
 - Mode of contact (phone, in person, mailed paper, etc.)
 - Discuss anonymity or confidentiality policy, if applicable

Step 6: Contact borrowers and conduct interviews

- Record contacts in the tracking spreadsheet.
- Three contact attempts is a good best practice.
- The response rate will very likely be less than 100%.
- Record your notes in the tracking spreadsheet.

Step 7: Analyze the results

Theme	CDFI is filling a gap left by traditional lenders; has a largely word-of-mouth referral network				Businesses continue to borrow to meet capital needs			CDFI provides TA and DS to businesses	Provides amenities, products or services not otherwise available in area	CDFI loan capital brings about change in businesses	Businesses access an array of community resources and partnerships					Business provides additional benefits to labor/workers		Borrower confidence			
Indicator Respondent	Loan would not have been obtained but for Impact Seven	Previous turndowns by banks	Borrowed from I7 due to relationship with loan officer/staff	Referred by bank	Referred by TA provided such as SCORE or EDC	Have taken out additional loans from I7	Have taken out additional business loans from other lenders	Need additional capital?	I7 has provided other services	Provide amenities/products/services not otherwise available	Change in business	Member of trade group	Involved in local economic development efforts	Chamber of commerce	Donates/participates in local fundraising for marketing purposes	Community partnerships	Worker benefits (raise wages, add'l benefits)	Other benefits for employees (e.g. training, hired add'l)	Borrower confidence	Better off because of loan?	
1	1	1	1			1		1		1	1	1	1		1		1	1	1	1	
2	1	1			1		1				1				1			1		1	
3	1	1			1		1	1	1		1	1			1	1			1	1	
4	1	1			1			1		1	1	1						1	1	1	
5	1	1				1		1		1			1	1					1	1	
6	1	1	1			1		1		1	1				1	1	1		1	1	
7	1	1			1			1			1					1		1	1	1	
8	1	1				1	1	1	1	1	1				1	1			1	1	
9	1	1			1				1	1			1	1						1	
10	1	1			1				1		1				1			1	1	1	
11			1			1			1	1	1				1				1	1	
12	1	1			1				1	1	1				1	1			1	1	
13	1	1			1			1	1	1		1	1	1	1	1		1	1	1	
14					1		1				1		1		1	1	1	1	1	1	
15	1	1			1				1		1			1	1		1	1	1	1	
Number	13	13	3		8	3	6	4	7	9	8	13	3	5	6	11	6	3	10	14	15
Percentage	0.86666667	0.86666667	0.2		0.53333333	0.2	0.4	0.26666667	0.46666667	0.6	0.53333333	0.866667	0.2	0.333333	0.4	0.73333333	0.4	0.2	0.666667	0.933333	1

Step 7, con't: Analyze the results

Results from Impact Seven included:

- 95% of borrowers exhibited self-efficacy through confidence in their abilities to mitigate challenges and achieve success.
- 53% of borrowers reported that their business' goods or services are not available elsewhere in their communities.
- 40% of borrowers reported “community partnerships,” or involvement in informal social networks with positive purpose.

Step 8: Utilize results to inform action plans

Results may indicate . . .

- Opportunities to improve financial products, services and technical assistance for borrowers.
- Improvement or expansion of data collection and tracking for outcome and impact analysis.
- Promising best practices to continue, refine, or share.
- Data that adds value to fundraising or marketing efforts.
- Potential outcome or impact metrics for further academic study.

Step 9: Disseminate Results

Internal Stakeholders

- Lending staff
- Data collection staff
- Fundraising/grantwriting staff
- Marketing/communications staff
- Strategic planning committees
- Board
- Consultants assisting in the above functions

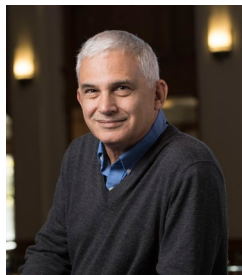
External Stakeholders

- Funders/investors
- Ratings institutions
- Industry groups
- Potential and current borrowers
- Researchers
- Policy makers



Impact Seven builds the places that build community.

Discussants



Michael Swack
University of
New Hampshire



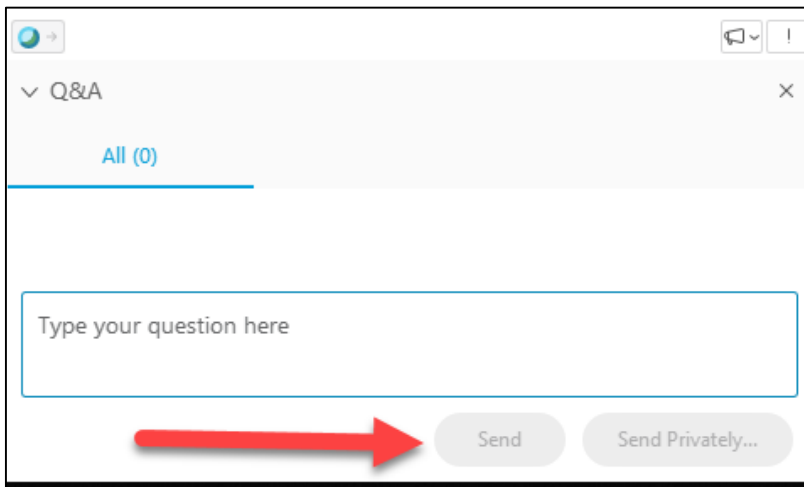
Lance Loethen
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Next Steps

- All session materials are available on our web site and in the next few days we will post an audio file of today's session.
- Information about future sessions will be posted on our website along with archived materials from past sessions: <https://bsr.stlouisfed.org/connectingcommunities>
- The second installment of the Virtual CDFI Symposium is next **Wednesday, May 27 at 3 pm ET**. It will focus on research pertaining to CDFIs and Minority-Owned Firms and registration is now open at stlouisfed.org/events/cd