

# TELLING THE STORY

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*The Impact of the Reporting Banks and the  
Mission-Oriented Banking Industry*

APRIL 2015

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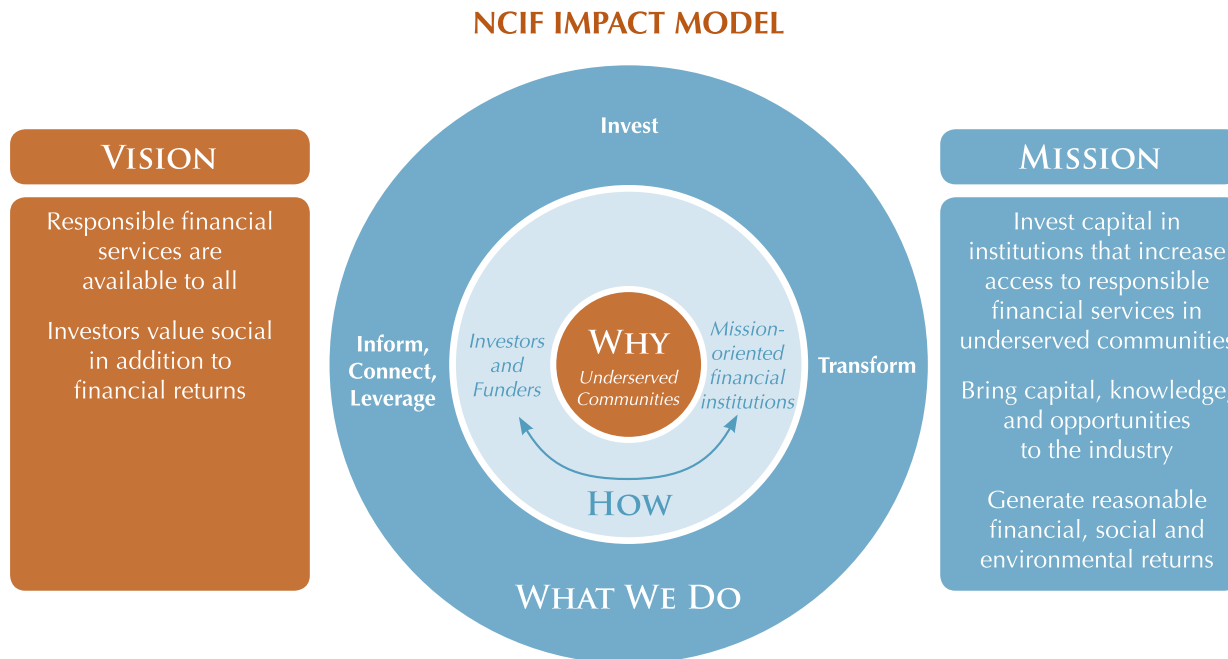


**BankIMPACT**  
an NCIF resource



## ABOUT NCIF

National Community Investment Fund (NCIF) is a 501(c)(4) nonprofit investment fund that invests in mission-oriented banks and other financial institutions in order to increase access to services and catalyze economic development in low-income and underserved communities. As an impact investor, NCIF supports the mission-oriented banking industry by investing capital. Additionally, NCIF creates innovative business opportunities and facilitates the flow of funds from mainstream, philanthropic, socially responsible, and public sources. NCIF supplies research and impact metrics for banks and their investors and encourages collaboration through the NCIF Network. We aspire to transform the financial industry so responsible services are accessible to all and investments are valued based on social and environmental impact as well as financial performance.



## DISCLAIMER

This report sets forth information regarding a number of financial institutions, their social missions, and various metrics by which to measure their success in satisfying their social missions. Readers of this report are cautioned that it has not been prepared with any particular reader in mind and each reader should review this report carefully and thereafter make his or her own decision as to whether an investment in debt or equity securities or deposits in financial institutions or any particular financial institution is appropriate. This report is not intended as an offer to sell, or a solicitation of an offer to buy, a security or deposit in any particular financial institution. A reader should not rely solely on information contained herein in making an investment decision about whether to purchase securities or deposits in any particular financial institution. Readers should also be aware that National Community Investment Fund may, from time to time, invest its own funds in one or more financial institutions, including those discussed in this report, and therefore may have its own interest in the success of these institutions.

## SOURCES

NCIF utilizes information self-reported by the banks covering activity during 2013. Data is collected both as loan-level information and an in-depth survey, and includes the following: information on all loan originations, products and services offered, accounts, job creation numbers, board and staff diversity measures, environmental, and other mission-related outputs.

NCIF uses this data to supplement the following publicly-available data sources: 1) Home Mortgage Disclosure Act (HMDA) reported lending data as of 12/31/2013, accessed through the Federal Financial Institutions Examination Council (FFIEC); 2) Investment Area and Highly Distressed census tract data accessed through the Community Development Financial Institution Fund (CDFI Fund), with tract designation is based on the 2006-2010 American Community Survey Report; 3) Summary of Deposits data as of 6/30/2013, accessed through the Federal Deposit Insurance Corporation (FDIC); and 4) Statistics on Depository Institutions data as of 12/31/2013, accessed through the Federal Deposit Insurance Corporation (FDIC).

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# THE IMPORTANCE OF MISSION-ORIENTED BANKS

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## *The Importance of Data-Driven Action*

National Community Investment Fund (NCIF) has a mission of increasing the flow of capital and financial services in underserved markets nationally. In pursuit of this mission, we focus on banks and credit unions by investing capital, providing infusions of deposits, facilitating the booking of loans, and highlighting their impact to a range of audiences. We believe that mission-oriented banks are local, anchor institutions operating in underserved communities and that the work they do creates long-term change for individuals and businesses. Mission-oriented banks are an important vehicle for community and economic development in their ability to leverage investments through lending activity as well as their depository and non-financial services.

Each year, we ask banks in the NCIF Network to provide data on their lending and non-lending products, with the following three primary objectives:


1. To “Tell the Story” of the impact of the mission-oriented banking sector as a whole via publicly-available and privately-reported data. This year we have analyzed private data from 24 pioneering banks, 92% of which are certified Community Development Financial Institution (CDFI) Banks and 67% are Minority Depository Institution (MDI) Banks, in addition to data on all the 6500+ banks in the U.S. This enables individual bank analysis as well as meaningful peer group comparisons;
2. To catalyze the flow of capital from investors into the highest performing mission-oriented banks; and,
3. To inform and influence policy, community, and regulatory stakeholders on the “too important to fail” nature of these institutions that have consistently supported underserved communities, including during the Great Recession.

We are proud to present ***Telling the Story, The Impact of the Reporting Banks and the Mission-Oriented Banking Industry***, an aggregation of findings on the 24 reporting banks, which, among other things, highlights that 81% of the median bank’s lending is focused on underserved and low- and moderate-income communities or otherwise supports the bank’s mission; 87.5% of their branches are in these areas, with at least one bank having a branch in an area that has a poverty rate of 71%; 44% of the banks’ deposit accounts hold less than \$1,000, suggesting higher-touch clients with higher costs of operations; and that they foster the creation of jobs in their communities. Many of the banks have also begun to incorporate green and environmentally-responsible practices into their operations and lending considerations.

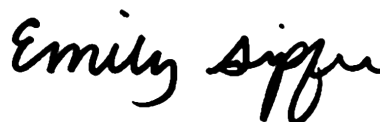
These are powerful findings and conclusions that warrant a focused strategy from the public sector, mainstream and philanthropic investors, as well as community support for mission-oriented banks, even as the landscape for banking is changing rapidly. We encourage readers to use this report to learn more about the different ways social performance can be leveraged to support mission-oriented banks.

A final word — NCIF has created an infrastructure for improved data collection and analysis, consistent with global standards like the Impact Rating and Investment Standards (IRIS) of the Global Impact Investing Network (GIIN) and the CDFI Fund’s Community Investment Impact System (CIIS) to standardize definitions and reduce the financial costs and time burden of reporting. We hope our banks will use these resources for their own benefit.

We look forward to engaging with you on the findings within this report.



**Saurabh Narain**  
President and CEO  
snarain@ncif.org



**Emily Sipfle**  
Director of Impact  
esipfle@ncif.org

## 2013 REPORTING BANKS

NCIF is pleased to showcase the 24 banks who provided data to support our efforts to add to the information available on the sector.

**Albina Community Bank**

**Beneficial State Bank**

**Broadway Federal Bank, FSB**

**Carver FSB**

**Citizens Savings Bank & Trust Co.**

**Citizens Trust Bank**

**City First Bank of D.C., N.A.**

**City National Bank of New Jersey**

**Community Bank of the Bay**

**Continental National Bank**

**Finance and Thrift Company**

**First American International Bank**

**First Eagle Bank**

**Guaranty Bank & Trust Co.**

**Illinois-Service Federal Savings & Loan Assoc.**

**Industrial Bank**

**Liberty Bank & Trust Co.**

**Mechanics and Farmers Bank**

**Mission National Bank**

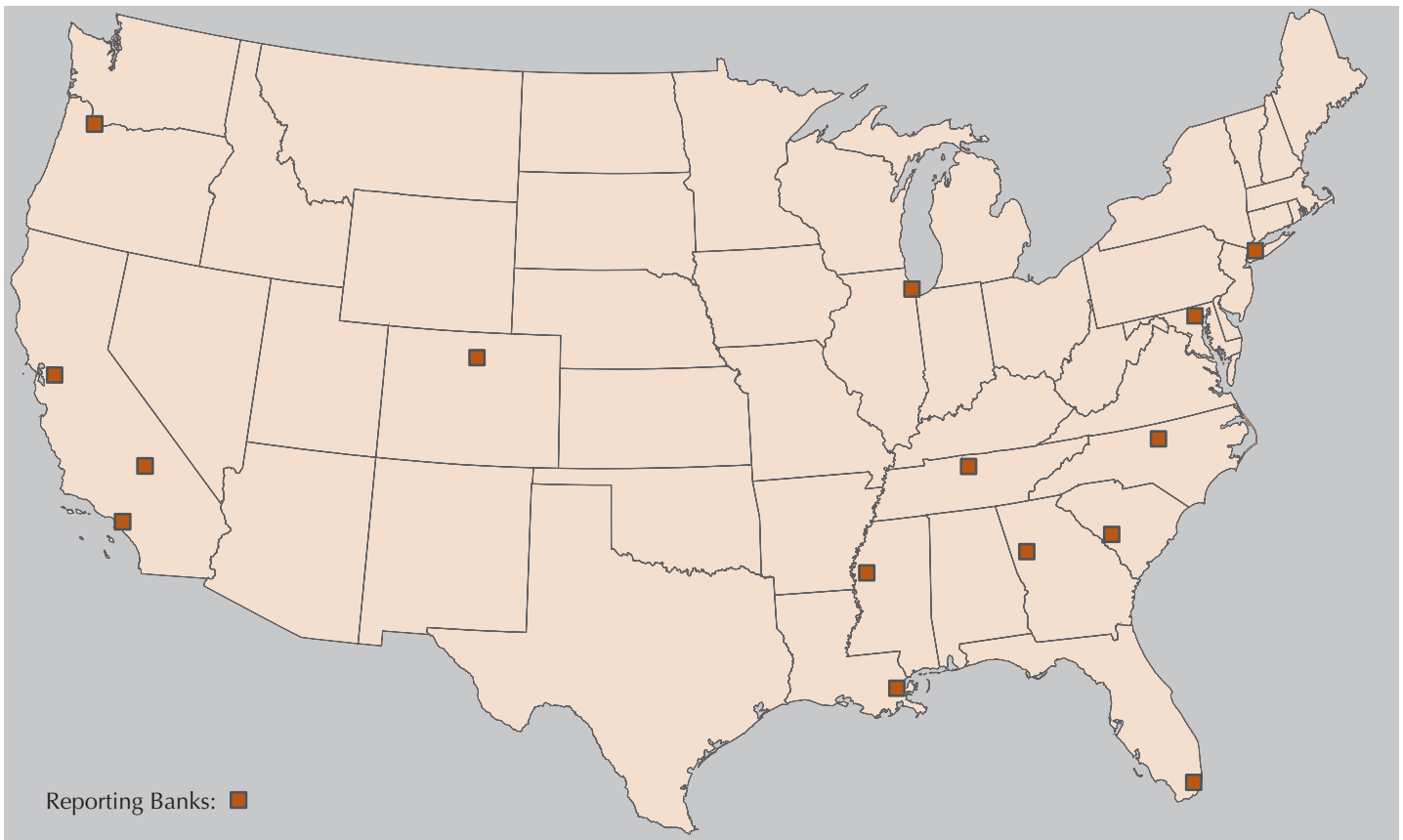
**Native American Bank, N.A.**

**Security Federal Bank**

**Spring Bank**

**The Harbor Bank of Maryland**

**Urban Partnership Bank**



# TURNING DATA INTO INFORMATION AND ACTION

## Enabling Stakeholder Support for Mission-Oriented Banks

Investors, bank leadership, regulators, and public policy practitioners can all turn the data in this report into action that supports mission-oriented banks. Each group is an important stakeholder in the success of the banks and their ability to grow as an asset class, expanding both their financial and social impacts. NCIF recognizes that each group has different data needs, and, as such, strives to collect a wide range of data points as well as narratives to tell the story of mission-oriented banks in ways that benefit each group. See below for more on how different groups can use different types of information:

	PLACE-BASED OUTCOMES	PEOPLE-BASED OUTCOMES	ENVIRONMENTAL OUTCOMES	FINANCIAL PERFORMANCE
	<i>Capture how banks meet the needs of the communities in which they are located</i>	<i>Capture how banks meet the needs of their customers through products, services, staffing, and governance</i>	<i>Capture banks' growing emphasis on environmental and sustainable factors</i>	<i>Capture the financial performance of banks</i>
<b>INVESTORS</b> Capital investors Funders Grantors Depositors	Identify and learn about local banks that are anchors in LMI communities  Place CRA deposits in banks located in their area	Support banks that meet programmatic goals such as supporting small business or improvements in education  Identify and support banks that have strong employee engagement and diverse boards and management	Invest in and support banks that are involved in energy, conservation and other environmentally beneficial projects	Evaluate financial performance, dividend, and exit strategies  Identify and place deposits in profitable institutions
<b>BANK LEADERSHIP</b>	Benchmark the bank's mission performance compared to peers at a point in time or as a time series analysis  Report to investors, funders, and the local community	Capture mission-related activities that fall outside of low- and moderate-income areas  Ensure that scale is achieved by going beyond the service area in serving previously underserved groups	Enhance awareness of the need for environmental focus, conservation and regenerative capitalism	Benchmark the bank's performance in comparison to peer groups — CDFI, MDI, and customized peer groups in the local markets
<b>REGULATORS/ PUBLIC POLICY PRACTITIONERS</b> Regulators Congressional Representatives Other practitioners	Understand the broad impacts of the sector in local markets  Legislate to protect, strengthen, and grow mission-oriented banks	Support banks that are investing energies in achieving mission-scale even if it is not strictly in LMI census tracts	Contribute to the discussion around conservation for the long-term goals of the real economy	Understand the operating differences between community banks and community development banks

Note: Data is available to the extent it is reported by banks or in publicly-available sources.





## KEY FINDINGS

PLACE-BASED: LENDING	63.6%	Of all the median bank's lending was in LMI communities.
PLACE-BASED: LENDING	69.4%	Of HMDA lending by reporting banks was in LMI communities, compared to 25.5% by the median of the All Bank peers.
PLACE- AND PEOPLE-BASED: LENDING	73.2%	Of all lending is mission relevant, based on bank designation.
PLACE-BASED: FINANCIAL SERVICES PROVIDED	84.9%	Of reporting bank branches are located in census tracts with higher poverty rates than the national median.
	80.9%	Of reporting bank branches are located in census tracts with lower-than-average median income rates compared to the national median.
	69.1%	Of reporting bank branches are located in census tracts with higher unemployment rates than the national median.
PLACE-BASED: BRANCH PRESENCE	85.7%	Of reporting bank branches are located in LMI qualifying census tracts.
PEOPLE-BASED: CUSTOMER PROFILE	80.5%	Of clients are minoritites for the median bank.
PEOPLE-BASED: CUSTOMER PROFILE	43.7%	Of depository accounts have deposit balances less than \$1,000. These small depository accounts reflect banks' service to higher-touch clients.
PEOPLE-BASED: BOARD AND STAFF DIVERSITY	63.6%	Of board members are minorities.
	20.0%	Of board members are female.
	85.7%	Of staff are minorities.
	67.5%	Of staff are female.
PEOPLE-BASED: JOBS CREATED	10,609	Jobs were created via loans to borrower businesses.
MISSION: MISSION COMMITMENT	92%	Of the banks are certified Community Development Financial Institutions (CDFIs).
	67%	Of the banks are Minority Depository Institutions (MDIs).
MISSION: MISSION INTENSITY	81.4%	Median Mission Intensity Score, meaning more than 80% of lending supported banks' missions.
PEOPLE-BASED: INNOVATIVE PRODUCTS	100%	Of banks offered innovative products like small dollar loans and check cashing services that are tailored to economically vulnerable communities.

# AGGREGATE ANALYSIS OF REPORTING BANKS

## MISSION INTENSITY: *A focus on the community*

NCIF uses loans originated as a marker of a bank's interaction with its community. Mission Intensity considers the overall impact of lending activity, capturing loans that are qualified by 1) location in a qualified census tract\* or 2) supporting the bank's mission, as identified by the bank.

Reporting banks make loans in a range of categories to support their mission, as seen below. The identified loans are very much aligned with the type of lending expected of mission-oriented banks, such as loans to nonprofits, loans to low-income borrowers, loans to minority and women-owned businesses, etc. These categories can help NCIF and other industry stakeholders understand the concerns and populations that mission-oriented banks overall have chosen to support. By providing loans to groups and individuals that have been previously underserved, these banks are extending credit to important subsets of their communities.

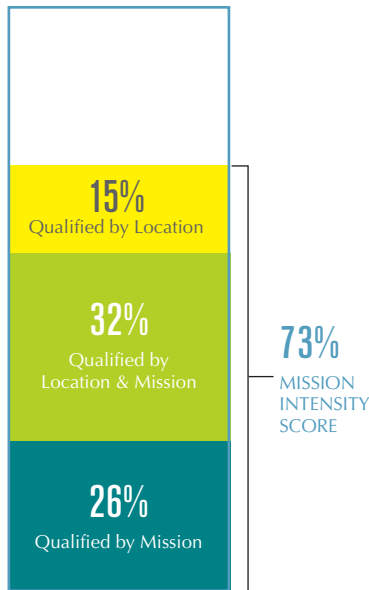
### KEY TAKE AWAY:

**81% OF THE MEDIAN REPORTING BANKS' LENDING SUPPORTS ITS MISSION**

### Trends from the 2013 Mission Intensity analysis:

- Many banks indicated that individual loans meet multiple mission-relevant lending categories.
- 32% of reported lending was doubly qualified by both location and mission.
- The median Mission Intensity score for reporting banks was 81.4%, a high dedication to lending to underserved groups and areas.

## AGGREGATE MISSION INTENSITY



Types of loans made in support of mission	Number of banks
Loans for projects benefiting low- and moderate-income individuals	17
Loans to support community development	18
Loans to minority-owned businesses	16
Loans to women-owned businesses	14
Loans to low-income borrowers	18
Environmental lending	4
Loans to nonprofit borrowers	15
Faith-based lending	11
Loans in low-income areas	20
Loans to minority borrowers	18
Other	3

\*Qualified tracts are identified as Investment Areas tracts by the CDFI Fund.

## DEVELOPMENT LENDING INTENSITY: *Measuring lending in underserved communities*

Development Lending Intensity (DLI) is one of the core NCIF social performance metrics, and provides information on a bank's lending concentrations in low- and moderate- income (LMI) areas. Lending information is critical, as loans in economically disadvantaged communities support local development. Also, within the community development finance space, mission-oriented banks are best positioned to maximize community development lending as these institutions are able to leverage equity investment with deposits to maximize loanable funds.

DLI is a place-based metric, allowing us to understand how banks interact with their physical surroundings and change the places in which they are operating.

### KEY TAKE AWAY:

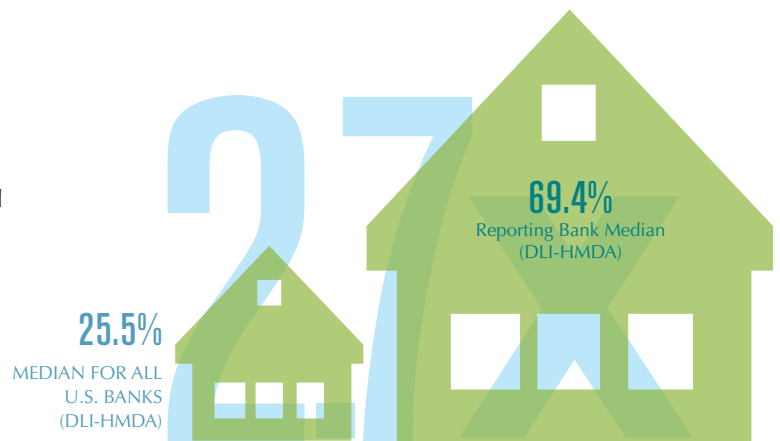
63.6% OF LENDING BY THE MEDIAN BANK IS LOCATED IN QUALIFIED CENSUS TRACTS.

DLI SCORES OF ABOVE 40% ARE OVER THE THRESHOLD FOR SUPERIOR IMPACT.

### How do mission-oriented banks compare to all banks?

DLI-HMDA is based on publicly-available information and can be created for all U.S. banks required to report information per the Home Mortgage Disclosure Act. Because of the breadth of this dataset, we are able to draw comparisons between the median reporting bank and the median DLI-HMDA score for all banks. Reporting banks and other subsets of the mission-oriented banking sector consistently outperform the All Bank peer group, demonstrating a greater concentration of HMDA lending to low- and moderate-income communities.

- The median reporting bank has a DLI-HMDA of 69.4%, which is 2.7 times higher than the All Bank peer group.
- CDFI banks have a median DLI-HMDA of 53.6%.
- MDI banks have a median DLI-HMDA of 44.3%.



### How is lending concentrated in underserved communities?

NCIF collects loan-level information from reporting banks to get a more detailed look at what types of lending are being targeted to low- and moderate-income communities. This enables us to get a better understanding of a bank's overall lending, since HMDA lending is only a portion of a bank's total lending efforts. DLI scores document the percent of lending within each category located in qualified tracts, as reported by banks.

	Median score of reporting banks
DLI-All Loans	63.6%
DLI-Housing*	56.1%
DLI-CRE	61.5%
DLI-Small Business	59.3%
DLI-Agriculture	99.5%
DLI-Consumer	63.7%

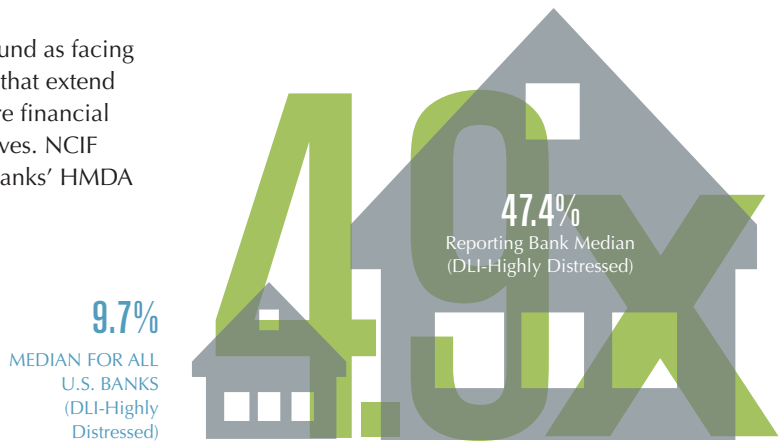
- 63.6% of all lending reported by banks is in qualified areas
- There are high concentrations of lending to qualified areas across all loan types
- Reporting banks concentrate 59.3% of important small business lending to these communities, helping to create jobs
- DLI-Agriculture reflects the agricultural and farm loans of two institutions, each with high concentrations in qualified areas

\*DLI-HMDA and DLI Housing can be slightly different — one is based on reporting by the banks under the HMDA rules while the other is based on self-reporting to NCIF.

**What are banks’ activities in highly-distressed communities?**

Highly-distressed\* areas are communities identified by the CDFI Fund as facing more severe economic challenges than other communities. Banks that extend lending and other services to these communities are working where financial services are often limited to payday lenders or other bank alternatives. NCIF calculates DLI-Highly Distressed as a metric of the proportion of banks’ HMDA lending in these highly-distressed areas.

- The median reporting bank had a DLI-Highly Distressed of 47.4%, well above the All Bank peer group of 9.7%.
- CDFI Banks have a median DLI-Highly Distressed of 38.0%.
- MDI Banks have a median DLI-Highly Distressed of 25.3%.



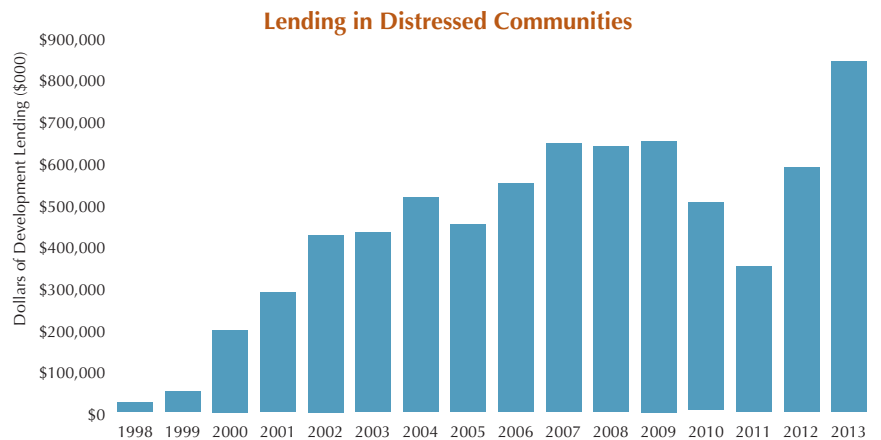
**How is equity leveraged in communities?**

We can also use lending activity to understand how a bank’s equity is annually leveraged through lending into communities. DLI-Equity compares the amount of lending that takes place in low- and moderate-income areas as a proportion of a bank’s equity. This provides a magnifier, signifying how many times each dollar of equity is leveraged annually.

- Reporting banks have a DLI-Equity of 23.4%, signifying that, for \$1 of equity investment lent out, \$0.23 is reinvested annually as HMDA lending. This is well above the All Bank peer group of 16.7%.
- CDFI Banks have a median DLI-Equity of 27.9%.
- MDI Banks have a median DLI-Equity of 16.8%.

**What is the long-term presence of banks in underserved communities?**

NCIF has collected loan-level data on banks since 1998, and a look at historic lending activity shows us there has been a long-term commitment to lending in distressed communities. Lending magnitudes fluctuate in part due to changes in reporting banks each year, yet we can see an ongoing commitment to lending in these areas.



**What is the magnitude of lending by reporting banks?**

Analyzing loans originated provides insights into the lending concentrations of mission-oriented banks overall. It can also shed light on the typical size of loans in each of the loan categories. The table provides total on all reported lending, regardless of location. Of the nearly \$1.5B in lending reported to NCIF, housing loans made up the largest portion in terms of dollar amount followed closely by commercial real estate. Consumer loans contributed the greatest number of loans. Of note is the small dollar size across each category when considering average and median loan amounts.

	Dollar of Loans	Number of Loans	Average	Median
<b>Total</b>	1,494,217,734	12,519	119,356	10,522
<b>Housing Loans</b>	695,717,897	2,117	328,634	215,000
<b>Commercial Real Estate</b>	423,059,644	692	611,358	225,000
<b>Small Business</b>	112,733,125	829	135,987	22,000
<b>Agriculture and Farm Lending</b>	38,506,420	189	203,738	50,200
<b>Consumer Loans</b>	61,860,684	7,491	8,258	6,243

\*To qualify as highly distressed, a census tract either has a poverty rate of greater than 30%, a median family income of less than 60% of the area’s median income, or an unemployment rate of 1.5X the national average.

## DEVELOPMENT DEPOSIT INTENSITY: *Measuring branch presence in communities*

Development Deposit Intensity (DDI) is another core NCIF social performance metric. NCIF considers branch location to be an important marker of a bank's relationship with its community. Banks offer a range of products and services in their communities beyond lending, and proximity to a branch location can be important for individuals and businesses in a community to benefit from these offerings. Locating branches in the communities also allows banks to establish local connections and solidify their role as economic contributors and community stakeholders. DDI is a place-based metric, allowing us to understand how banks interact with their physical surroundings and change the places in which they are operating.

### KEY TAKE AWAY:

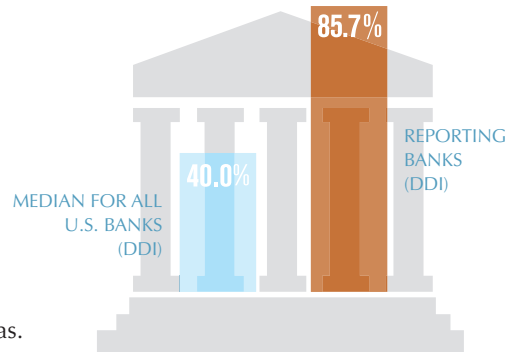
85.7% OF THE MEDIAN REPORTING BANK BRANCHES ARE IN QUALIFIED TRACTS.

DDI SCORES OF ABOVE 50% ARE OVER THE THRESHOLD FOR SUPERIOR IMPACT.

### How do mission-oriented banks compare to all banks?

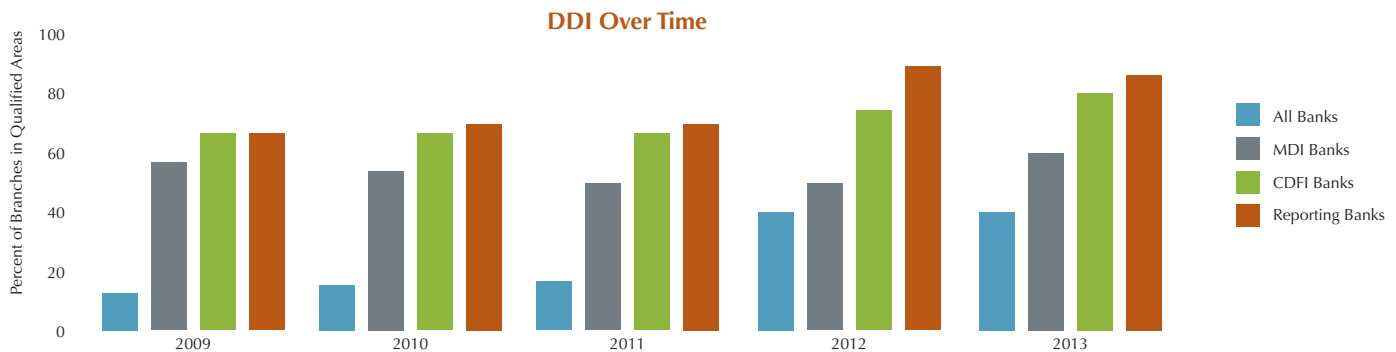
Because bank branch locations are publicly available, we can compare the concentration of reporting banks in qualified census tracts to the All Bank peer group. Reporting banks, along with other mission-oriented bank peer groups, consistently out-performed the All Bank peer group in 2013.

- 85.7% of reporting bank branches are in qualified areas compared to 40% for the All Bank peer group.
- For the median CDFI bank, 75% of branches are in qualified areas.
- For MDI banks, 60% of the median bank's branches are located in these areas.



### How have mission-oriented banks contributed to their communities over time?

The 2013 DDI scores corroborate long-term trends of mission-oriented banks having above-average branch concentrations in LMI areas. Both reporting banks and mission-oriented banks have become more concentrated in these areas over the past five years.



### Where are banks operating?

In addition to having their branches located in primarily LMI census tracts, the reporting banks have a variety of market sizes. Most of the reporting banks serve a regional population, ranging from a multi-state to multi-county market, while others operate in smaller geographies such as single counties or towns. Reporting banks serve predominantly urban areas, although two are located in rural areas.

## QUADRANT ANALYSIS: Visualizing overall community presence

The Quadrant Analysis combines Development Lending Intensity and Development Deposit Intensity into an additional metric to capture overall concentration in the community, recognizing that banks interact with their communities through lending as well as other products and services operated out of branches.

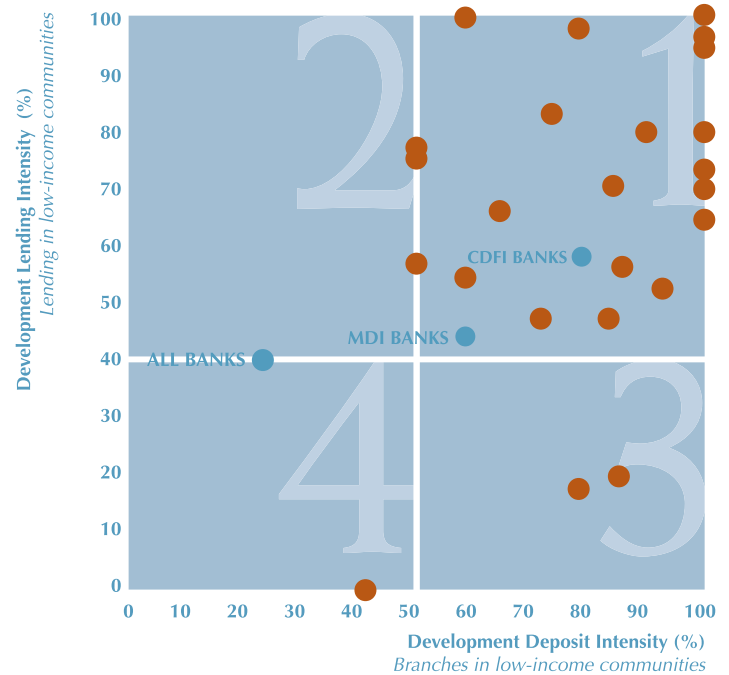
Banks which have a high percentage for each indicator are placed within Quadrant 1, signifying high social performance. To be a Quadrant 1 Bank, banks must have at least 40% of their lending and 50% of their branches in LMI areas. Quadrants 2 and 3 have at least one measure above the threshold.

### KEY TAKE AWAY:

21 OF ALL REPORTED BANKS ARE QUADRANT 1 BANKS, NCIF'S HIGHEST QUADRANT SCORE.

ONLY 11% OF ALL BANKS QUALIFY AS QUADRANT 1 BANKS, WHEREAS 88% OF REPORTING BANKS DO.

- 21 of the reporting banks are Quadrant 1 Banks.
- There are 765 Quadrant 1 Banks overall. NCIF represents these banks as having strong social performance.
- 35 of all CDFI banks are Quadrant 1 Banks and 49 of all MDI banks, demonstrating their higher social performance compared to the All Bank peer group.



- **2013 REPORTING BANKS**  
Using DLI-All Loans data when provided.

## A PROFILE OF POTENTIAL CLIENTS: *Understanding communities where banks operate*

While the social performance metrics can give us a sense of where a bank is operating, they do not give us a sense of who its clients might be. For that, we rely on data provided to us by the banks themselves, supplemented by demographic information from the communities surrounding branches.

This information is gathered for several reasons. First, by understanding the community with which banks are likely interacting with, impact investors interested in targeting specific groups of individuals can better identify banks in which to invest and feel more confident that impact goals are being met. Second, banks can have a better understanding of the potential needs of their clients and work to target products and services that reflect clients' economic realities.

### KEY TAKE AWAY:

REPORTING BANKS ARE OPERATING IN AREAS OF SIGNIFICANTLY HIGHER ECONOMIC DISTRESS COMPARED TO BANKS OVERALL.

### What can the banks tell us about their clients?

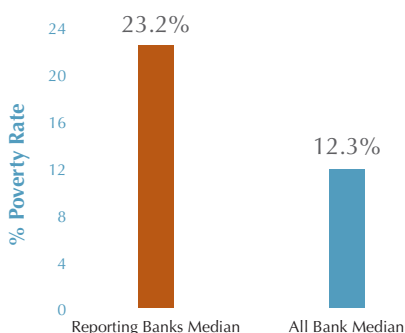
Some banks are able to provide us with estimates of their client base to help establish the profile of clients those banks are serving. For the median bank:

- 80.5% of clients are minorities.
- 42.5% of clients are female.
- Clients have a credit score of 650.

### Creating a profile of reporting banks' clients

Looking at the demographics of the census tracts where banks are situated gives insights into who might be accessing the banks located within their neighborhoods. To create the following profiles, NCIF looked at the characteristics of the census tracts where reporting banks are located and compared reporting bank branches' data to the census tracts underlying all bank branches. This analysis demonstrates that the areas where reporting banks choose to operate are more economically challenged.

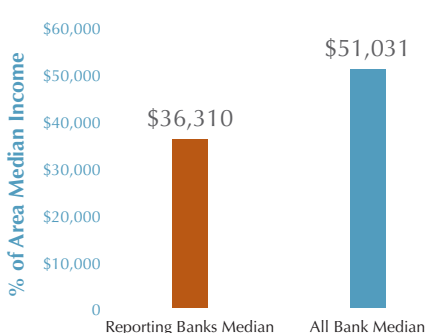
#### Poverty Rates in Reporting Bank Census Tracts



Reporting banks are operating in areas with significantly higher unemployment rates.

- The median poverty rate in reporting bank census tracts is 1.8 times higher than that of banks overall.
- Branches are located in areas with poverty rates as high as 70.6%.

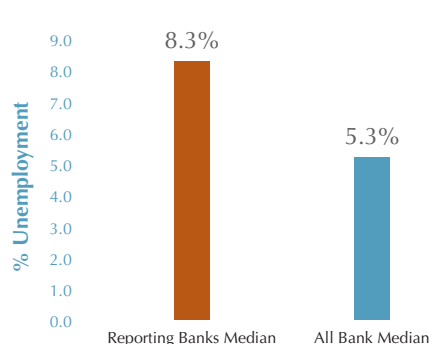
#### Median Income in Reporting Bank Census Tracts



Reporting banks are operating in areas with lower median income compared to all bank branches.

- The median income in reporting bank census tracts is only 71.1% of the median income of tracts in which bank branches are located nationally.
- Branches are located in tracts with median income as low as \$9,954.

#### Unemployment Rates in Reporting Bank Census Tracts



Finally, reporting bank branches are located in census tracts with higher unemployment rates than all bank branches.

- 1.6 times the unemployment rate.
- Branches are located in census tracts with unemployment rates as high as 23.2%.

## PRODUCTS AND SERVICES OFFERED TO CLIENTS

A bank can reach clients through a variety of interactions, including different account types, technical assistance, through products and services tailored to meet community needs, and by supporting job creation. NCIF collects these data points to create an expanded picture of how banks are interacting with their clients.

### KEY TAKE AWAY:

BANKS CONNECT WITH THOUSANDS OF INDIVIDUALS ANNUALLY, INCLUDING SUPPORTING MORE THAN 10,000 JOBS

### Meeting clients' needs through additional products and services

In an effort to comprehensively capture the impact of mission-oriented banks, NCIF asked the 24 reporting banks about transactional and alternative products to meet the needs of their clients, like payment products, prepaid cards, check cashing, and alternatives to payday lending.

Reporting banks provide innovative products that are tailored to meet the needs of the specific communities they serve. As the table below details, many of the reporting banks offer a range of products to meet the needs of LMI communities and people in their service area. Additionally, some have adopted technologies such as mobile and online banking to better serve the customers where they are, moving beyond branches.

	OFFERED	INDIVIDUALS SERVED	
<b>Prepaid cards</b>	3	2,695	An alternative to traditional banking accounts, prepaid cards provide a stepping stone out of the cash economy and towards becoming banked.
<b>Mobile banking</b>	9	9,685	Offerings like mobile and online banking provide customers access to their funds at any time so accounts can be more closely monitored to avoid overdrafts or other problems. Mobile banking, in particular, gives clients the flexibility to access information about their funds and manage their accounts at their leisure.
<b>Online banking</b>	20	44,784	Online banking is an online platform allowing users to perform banking operations via the Internet.
<b>Check cashing</b>	9	66,680	Check cashing services grant banks an opportunity to encourage check cashers to establish bank accounts or employ safer money access methods, such as stored value and prepaid cards.
<b>Small dollar loans</b>	11	2,630	Small loans can help clients get funds while avoiding the predatory practices of payday lenders.
<b>Deposit secured loans</b>	15	661	Deposit secured loans can be an important way for clients to build credit.
<b>Secured credit cards</b>	8	1,796	A secured credit card is a type of credit card secured by a deposit account owned by the card holder.
<b>IDA accounts</b>	7	236	Individual Development Accounts (IDA) are savings accounts used for a specific purpose, such as education, purchasing a first home, or starting a business. IDAs help lower-income individuals build assets and save for the future so they can break the cycle of poverty and achieve long-term self-sufficiency.
<b>VITA tax preparation</b>	3	10,332	Volunteer Income Tax Assistance (VITA) is an IRS program that utilizes volunteers to help provide free tax preparation services to low-income taxpayers.

### Technical assistance

Reporting banks provide technical assistance in a range of forms to their customers to improve their experience in using products and services and to improve their financial knowledge. Technical assistance can take on many forms, including general financial education training on such topics as budgeting and understanding debt, to counseling during a loan application process, and many other forms.

- 13,380 individuals received technical assistance in 2013. The median bank served 150 individuals.
- 230 organizations received technical assistance in 2013.



**How are customers accessing different accounts?**

Customers access a range of account types as part of their interactions with their banks. NCIF collected information on the total number of customers to help us understand the different services offered and the number of customers reporting banks are serving. This helps to understand the concentrations and scope of mission-oriented banks overall.

	Lending Customers	Depository Customers	Transaction Customers
<b>Total</b>	35,677	188,141	940,038
<b>Average</b>	1,699	9,902	55,296
<b>Median</b>	570	7,200	2,200

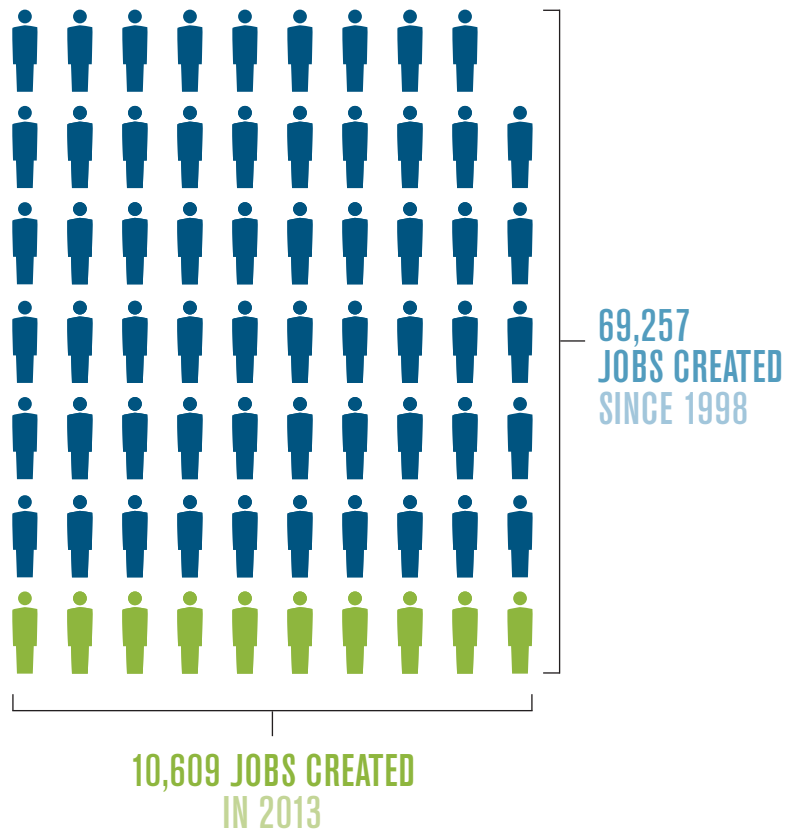
Banks also provided information on account holders with less than \$1,000 in their accounts. These low-balance accounts have less of a return for the banks even though they require similar costs from the bank in order to maintain. 44% of deposit accounts held less than \$1,000 — a high proportion of low-return, high-costs account for the bank — which likely represent lower-income and higher-touch clients.

**Supporting communities through job creation**

Jobs are crucially important for communities and individuals. They create wealth and give individuals the ability to meet the needs of themselves and family members. By supporting economic activity in their communities, the funds that banks supply can help generate jobs.

- 10,609 jobs were created through lending activity in 2013.\*
- Through estimates and reported information, we estimate that NCIF reporting institutions have created almost 70,000 jobs since 1998 through their lending activity.
- Reporting banks make up 92% of CDFI banks and 67% of MDI banks, so this job creation represents a portion of the important work done by mission-oriented banks.
- Several banks were able to provide estimates on who jobs were going to and reported that, on average, 45% went to women and 65% went to minorities.

In addition to supporting job creation through lending, banks are also employers themselves, generally offering high-quality jobs within their communities. Reporting banks employed 1,819 individuals directly, including 150 new positions.

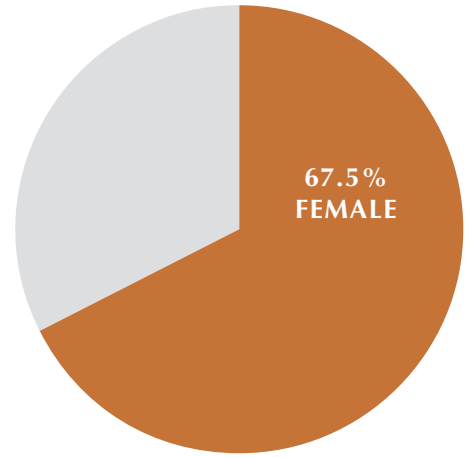
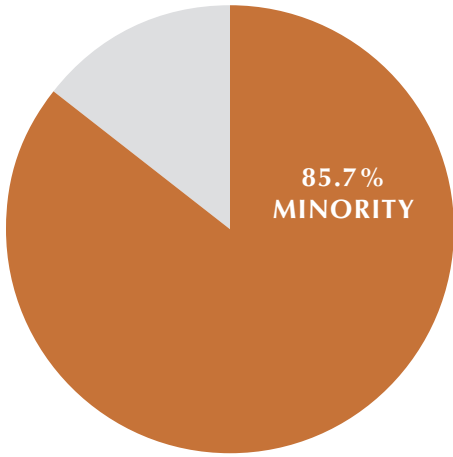


\*How do we calculate jobs? NCIF asks reporting banks to report on the number of jobs created by borrower businesses to obtain the most accurate jobs numbers, but not all banks have developed tracking systems to generate these numbers. For banks that did not report jobs created, NCIF approximates the number of jobs created based on averages from other reporting banks. In 2013, we estimated that one job was created for every \$93,898 invested. This is in line with, and more conservative than other estimates such as the White House analysis “Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009,” which measures the number of jobs created per \$1 invested. The report estimates that one job is created for every \$92,136 invested.

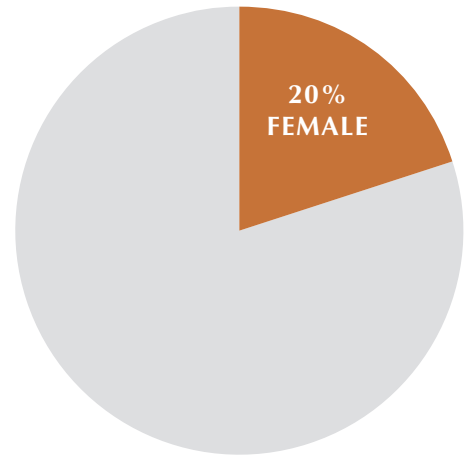
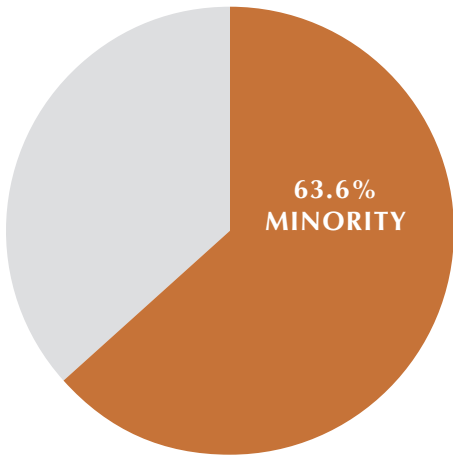
**Diversity in staff and governance**

Mission-oriented banks are beneficial both to the people that make up the communities they serve and to their staff members and stakeholders. Diversity among a bank’s staff and board may be beneficial for two main reasons. First, if the composition of a bank’s staff and board reflects the communities it serves, it may be able to more adequately understand the needs of its customers. Second, by combining a range of backgrounds and experiences, diversity enriches the knowledge base on which an institution can draw.

**FULL-TIME-EQUIVALENT  
EMPLOYEE COMPOSITION**



**AVERAGE BOARD COMPOSITION**



## ENVIRONMENTAL IMPACTS: *Understanding a bank's relationship with its physical surroundings*

### Environmental indicators

Banks are increasingly incorporating environmentally-friendly or “green” practices in their activities, both in their internal operations and in lending practices. Banks are tackling important green lending concerns like housing with green features, sustainable food and agriculture, clean and green technology, and brownfield remediation. Additionally, banks reported 32 green or environmentally-responsible loans originated in 2013 for \$37.9 million in lending. This lending is a small but important part of lending activity that NCIF expects to grow in coming years.

The 24 reporting banks told us how they are beginning to incorporate green and environmentally-friendly activities, including:

	Percent of Banks
By tracking emissions and electricity use	8.7%
Through environmentally-responsible purchases	17.4%
Through locally sourcing purchases	17.4%
By pursuing green building certification	13.0%
Through written policies and procedures	21.7%

## Highlighting Reporting Banks

Reporting executives tell NCIF about why they choose to participate in the BankImpact Dashboards...



...as part of our ongoing focus on low- to moderate-income and distressed communities to ensure they have access to affordable banking solutions.

Cheryl Cebula, President and CEO  
Albina Community Bank



...because we hold a commitment to strong third-party, auditable metrics to ensure our banking practice is driving toward a new economy that is fully inclusive, racially just, and environmentally sound; we can always improve — but only if we keep and challenge our benchmarks.

Kat Taylor, Co-Founder and Co-CEO  
Beneficial State Bank



...to highlight the bank's commitment to our community. Our Mission Intensity of 90% shows that a majority of our loans support low- and moderate-income communities and our mission directly.

Wayne-Kent Bradshaw, President and CEO  
Broadway Federal Bank, FSB



...to show that Carver Bank is committed to community focused banking services and dedicated to the economic viability of the communities we serve.

Michael Pugh, President, CEO and COO  
Carver FSB



...for recognition among the mission-oriented banking industry that we are a 'human-first' bank — in terms of metrics, we are happy to say that we are a Quadrant 1 Bank.

Deborah Cole, President and CEO  
Citizens Savings Bank and Trust Co.



...to help confirm our ongoing commitment and strong legacy of meeting the needs of an entire community, especially those in underserved markets. Our priority is our promise to enhance the lives of our customers and communities by helping them achieve their financial dreams and goals. As a Quadrant 1 Bank we can comfortably say we do.

Cynthia Day, President and CEO  
Citizens Trust Bank



...to highlight, our continued commitment to strengthening the distressed communities in and around our nation's capital through affordable financial products and services."

Brian Argrett, President and CEO  
City First Bank of D.C., N.A.



...to highlight that we have developed online and mobile banking capabilities, and introduced new products to help underserved and underbanked individuals in a range of ways.

Preston Pinkett III, Chairman and CEO  
City National Bank of New Jersey



...to highlight that as a Quadrant 1 Bank, we are equally committed to high standards of social performance and to the more common financial measures of bank performance.

William Keller, President and CEO  
Community Bank of the Bay



...to highlight the bank's dedication to individuals and businesses and assistance to their economic growth.

Guillermo Diaz-Rousselot, President & CEO  
Continental National Bank



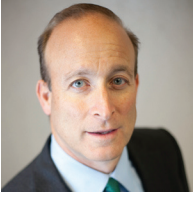
...to position our efforts at facilitating access to financial services using NCIF's metrics and analysis. With a Mission Intensity of 100 percent, we now know we are keeping those efforts in mind each day and with each loan.

Robert Hughes, President and CEO  
Finance and Thrift Company



...to help show our long-standing commitment to Asian-American communities and contributions as a CDFI institution. Our Mission Intensity score of 99.7% clearly demonstrates our dedication to the communities in which we work."

Mark Ricca, President and CEO  
First American International Bank



*...to tap into the benefits of being a part of the NCIF Network. The BankImpact Dashboard provides us the kind of material we want to share with our customers and our communities, which we proudly serve and in which we are personally invested.*

Andy Salk, Vice-Chairman, President & CEO  
First Eagle Bank



*...to showcase our institution's impact in serving the credit and depository needs of the communities we serve — especially in rural Mississippi.*

Huey Townsend, Chairman, President & CEO  
Guaranty Bank and Trust Co.



*...to have a trusted third party work with us, letting us know how our services and activities are responding to the needs of our valued customers.*

Joseph Haskins, Jr., Chairman and CEO  
The Harbor Bank of Maryland



*...to measure how effectively we respond to our underserved and minority customers. A Mission Intensity of 100% lets us know that we continue to be thoughtful in our lending practices.*

Norman Williams, Chairman and CEO  
Illinois-Service Federal Savings and  
Loan Association



*...to better communicate the ways that we are making a difference in the lives of people and in the development of their communities. As a Quadrant 1 Bank, we know we are doing so.*

B. Doyle Mitchell, Jr., President and CEO  
Industrial Bank



*...to demonstrate the bank's commitment to its communities through branches and lending activity.*

Alden McDonald, Jr. President and CEO  
Liberty Bank and Trust Co.



*...to quantify our level of dedication to community, which is why we are proud of our 87% Development Deposit Intensity.*

James Sills III, President and CEO  
Mechanics and Farmers Bank



*...to better understand where we stand in relation to our ongoing mission to promote economic growth and stability in underserved communities. Scoring highly on external standards like NCIF's DLI, DDI, and Quadrant analysis makes us proud to present to others that we are a Quadrant 1 Bank.*

Mukhtar Ali, President and CEO  
Mission National Bank



*...to demonstrate our unique ability to financially serve the Native American communities, which may have otherwise been unable to connect with the services of the mainstream banking system. We have a development lending intensity above 90% and a Mission Intensity of 100 percent.*

Thomas Ogaard, President and CEO  
Native American Bank. N.A.



*...to put metrics behind our label of "community bank", and demonstrate that the majority of our loans are serving the community.*

J. Chris Verenes, Chairman and CEO  
Security Federal Bank



*...to evaluate our success. Bank Impact is a great tool. It helps us achieve our goal to set a new standard in mission-based banking, and it helps us tell customers and stakeholders that their trust in us is well placed — that we walk the talk.*

Eric Pallas, President  
Spring Bank



*...to benchmark our mission of supporting and building vibrant and stronger urban neighborhoods and communities. NCIF's metrics help demonstrate that we are on the ground in primarily LMI communities, working closely with our customers to help them realize and achieve their financial goals.*

William Farrow III, President and CEO  
Urban Partnership Bank

# HOW WE “TELL THE STORY”

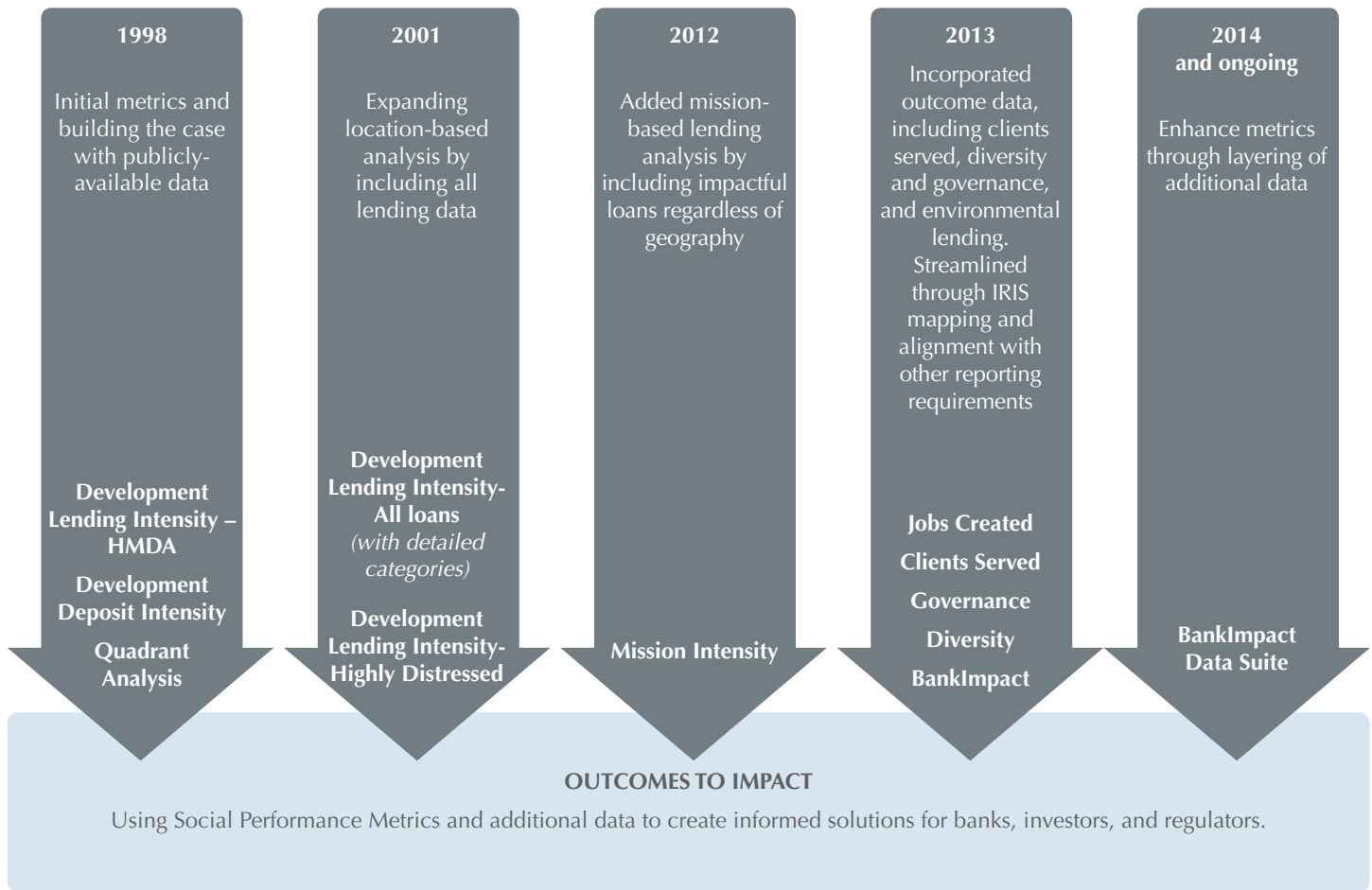
## The Evolution of NCIF's Social Performance Metrics

NCIF began creating the Social Performance Metrics in 1998 with the understanding that the metrics could be used as tools to understand a bank's impacts both individually and in comparison to peer groups. Since then, we have been creating and evolving the metrics with the following themes in mind:

- Impacts can take on a range of forms. To recognize the complexity of a bank's relationship with its community and clients, NCIF collects data points reflecting People, Place, and Environmental impacts. It is the combination of these factors that describes the banks' impacts. This year's report debuts an extended section on environmental impacts, showcasing how banks are beginning to incorporate environmentally-friendly procedures and “green” lending.
- Publicly-available data allows for comparison, but privately-reported data provides more depth. Metrics were created initially on publicly-available data, but, through our partnerships with banks, NCIF has collected and analyzed loan-level detail since 2001. With this level of detail, we can more fully understand concentrations of lending activity. Public-level data is still important, though, as it allows us to create comparisons and peer groups across all banks.
- While numbers are important, a bank's unique story is important too. Each mission-oriented bank is unique, responding to the particular needs of its clients and community. As such, in addition to the quantitative data collected here, NCIF also collects narrative information on each bank's unique approaches and outcomes.
- Data collection takes effort on the part of the banks, so the process should be as streamlined as possible. NCIF achieves this by aligning data collection with other reporting requirements and by using the global standard in metrics definitions, through the IRIS metrics. NCIF helped IRIS develop metrics related to community development banks and continues to use these universal definitions where applicable.



Over time we've evolved our data collection efforts and the metrics themselves to better fit the needs of stakeholders. See below for an evolution of the metrics:



# GLOSSARY

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**DDI: Development Depository Intensity:** The percent of branches located in Investment Area census tracts as defined by the Community Development Financial Institutions Fund (CDFI Fund). Census tracts are defined as Investment Areas if they have a poverty rate greater than 20%, an unemployment rate greater than 1.5 times the national average, or a median family income that is less than 80% of the relevant statistical area. Investment Area tracts are based on 2010 information provided by the CDFI Fund. To calculate DDI, bank branch addresses are geocoded and compared to Investment Area census tracts.

**DLI-All loans:** Development Lending Intensity-All Loans is the percent of total annual lending located in CDFI Investment Areas, based on self-reporting by banks as of 2013. To calculate this and other DLI transactions, banks provide addresses of their lending, which is then geocoded and compared to CDFI Fund Investment Area census tracts.

**DLI-CRE:** Development Lending Intensity-Commercial Real Estate is the percentage of lending that banks self-identify as commercial real estate lending.

**DLI-Housing:** Development Lending Intensity-Housing is the percentage of lending that banks self-identify as housing related.

**DLI-Small Business:** Development Lending Intensity-Small Business is the percentage of lending that banks self-identify as for small businesses.

**DLI-Consumer:** Development Lending Intensity-Consumer is the percentage of lending that banks self-identify as for consumer loans.

**DLI-Agriculture:** Development Lending Intensity-Agriculture is the percentage of lending that banks self-identify as for agricultural purposes.

**DLI-HMDA:** Development Lending Intensity-HMDA is the percentage of HMDA-reported loans located in CDFI Investment Areas. To calculate DLI-HMDA, loan information is collected from FFIEC, geocoded, and compared to CDFI Fund Investment Areas. Data is collected as of December 31, 2013.

**DLI-Equity:** Development Lending Intensity-Equity provides a measure of a bank's leverage in communities. HMDA-reported lending occurring in low- and moderate-income census tracts as defined by the CDFI Fund, as a percentage of total equity.

**Mission Intensity:** Mission Intensity allows banks to self-identify those loans that fall under mission-based categories. Loans that have been indicated as mission based are then aggregated with the base DLI-loans score. This additional analysis captures loans that are related to the bank's mission but fall outside of CDFI Fund Investment Areas.

**Quadrant Scores:** Quadrant analysis provides a simultaneous look at a bank's DDI and DLI-All loans by charting each on an X axis representing DDI and a Y axis representing DLI. To score in Quadrant 1, a bank must have above 50% for DDI and above 40% for DLI. The quadrant divisions are set such that only higher performing banks are ranked as Quadrant 1 banks.

## THE BANKIMPACT SUITE OF PRODUCTS

NCIF produces several products in our efforts to supply high-quality data and analysis to inform decision-making and support mission-oriented banks. The BankImpact suite of products includes:

- **BankImpact database:** An online search tool providing financial and social performance information on all U.S. banks. The BankImpact database allows investors to identify high-performing institutions; allows bank leadership to compare performance to a set of standard or customized peer groups; and allows regulators and public policy practitioners to access information on the industry.
- **BankImpact dashboards:** Working with individual banks, NCIF collects information and creates third-party analysis on the information. Results are published in an aggregate format within this report and also provided back to banks for internal use. The individual dashboard documents are frequently used by banks to better understand their own impacts and guide internal decision-making, to provide potential investors with third-party analysis of the banks, and provide an understanding of the bank's particular role within the community.
- **Publications:** NCIF produces research papers as well as periodic reports on the mission-oriented banking industry.
- **Custom analysis:** Custom analysis can be used to meet specific objectives, such as identifying potential investment opportunities or tracking the performance of an existing investment. Time series analysis is available for individual banks and peer groups.



135 SOUTH LASALLE STREET, SUITE 2040 · CHICAGO, ILLINOIS 60603 · [WWW.NCIF.ORG](http://WWW.NCIF.ORG)