Impact Rating
Initial Concept and Goals

• A loan-level rating system
• Counterpart to risk rating system
  o Potential role in determining the interest rate

• Impact ratings for each loan would add up to a portfolio score – like a loan loss reserve
  o Performance tracked over time

• Improve focus on:
  o Factors of poverty, racial disparity, etc
  o Impact reporting: outcomes vs. outputs
Impact Rating
Initial Concept and Goals

Impact Rating
Partners and Resources

Internal Partners
• Management and Board
• Key staff
• Lending department

External Partners
• Annie E. Casey Foundation
• SF Fed
• Pacific Community Ventures
  • 6+ month consult to develop rating system
  • Close collaboration between PCV InSight and NCCLF staff
A ratings framework with four dimensions

**Impact on Community**
Does the community where the borrower or client population is located face barriers to opportunities?

**Impact on Borrower**
Will the loan improve the borrower’s effectiveness or capacity to serve its target population?

**Impact on Beneficiaries**
What are the direct impacts of the borrower’s services on beneficiaries that are supported by NCCLF’s loan?

**Impact of Financing**
Is there potential for NCCLF to increase the impact of the borrower (and other similar organizations) as a result of working with NCCLF specifically, and not another lender?

Four Dimensions of NCCLF’s Social Impact

Categories are not equally weighted

<table>
<thead>
<tr>
<th>Category</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on Community</td>
<td>10%</td>
</tr>
<tr>
<td>Impact on Borrower</td>
<td>30%</td>
</tr>
<tr>
<td>Impact on Borrower Clients</td>
<td>50%</td>
</tr>
<tr>
<td>Impact of Financing</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

- Heavily weighted toward clients served and impact on borrower
- Process of trial and error, going through favorite/least favorite loan exercise
- Ed Roberts Campus example
Impact Rating
The importance of Data

Third-party source:

Location
- We chose U.C. Davis Regional Opportunity Index
- Other possibilities
  o CDFI Fund NMTC eligibility d-base
  o CDFI investment Area

In-house/self-reported sources:

Borrower Leadership
- Racial/ethnic diversity, other factors
- Similarity of leadership to clients services

Borrower clients
- Race/ethnicity
- Income levels
  - Affordable housing vs. other clients (e.g. FQHCs)

Regional Opportunity Index

![Image of Regional Opportunity Index map]
The Social Impact rating system

<table>
<thead>
<tr>
<th>Category</th>
<th>Impact Rating</th>
<th>Loan Score</th>
<th>Median Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Score</td>
<td>High</td>
<td>75.4%</td>
<td>56.6%</td>
</tr>
<tr>
<td>Impact on Community</td>
<td>Good</td>
<td>37.5%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Impact on Borrower</td>
<td>Good</td>
<td>62.5%</td>
<td>62.5%</td>
</tr>
<tr>
<td>Impact on Borrower Clients</td>
<td>Very High</td>
<td>100.0%</td>
<td>54.5%</td>
</tr>
<tr>
<td>Impact of Financing</td>
<td>Moderate</td>
<td>29.4%</td>
<td>58.8%</td>
</tr>
</tbody>
</table>

Current Status and Next Steps

• Piloting with loan officers by incorporating scorecard into underwriting process

• Disseminating information on impact rating to ‘consumers’: loan committee, managers, board

• Developing a feedback loop to measure the effectiveness of ratings

• ‘Tuning-up’ with PCV in 2016 / 2017
Harvesting Plenty

• Food justice nonprofit
  – Social enterprise model focused on formerly incarcerated, at-risk youth
  – Client base mostly African American, Latino; all low-income
  – HP management and board relatively diverse

• West Oakland Community Aquaponics Farm
  – Low-income community (food desert)
  – $600K acquisition loan request
  – Rejected by other lenders
  – Have raised funds for down payment, build-out

Harvesting Plenty

• WOCAF impacts
  – Improve HP’s ability to serve client base
  – Increase Healthy Foods access in LIC
  – Create 6 new FTEs with Living Wage, benefits

• Existing NCCLF client; meets Healthy Foods goal

• Risks:
  – Weak financial reporting
  – Organizational development needs
  – No committed repayment source
Harvesting Plenty

• Once you score the loan manually, hand your scorecard to us and we will input it into the loan rating system. Send a representative from your group the front to decide on the following:
  – Would you make this loan (either as proposed, or with additional conditions)?
  – Does the impact rating have any influence on your decision to make the loan?