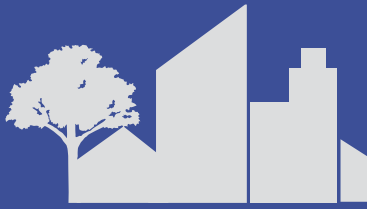


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COMMUNITY INVESTMENTS

Federal Reserve Bank of San Francisco

Data and Measurement

Plus:

The Supplemental Poverty Measure
REO EQ2
Dr. CRA



CI Notebook

by Laura Choi

Peter Drucker, the famous management expert, is often quoted as saying, “What gets measured gets done.” Over the years, this adage has taken on different forms, including “What gets measured gets managed,” and “What gets measured gets funded.” The fact that this statement is so easily adaptable, and appropriate in any number of contexts, reveals the power of data and measurement to drive action. Within the community development field, the implications of Mr. Drucker’s statement are all too familiar. As resources become ever more scarce, policymakers, funders, and investors are increasingly demanding data-driven evidence of “impact,” which is no easy feat given the long-term, cross-sectoral approaches of many of today’s community development interventions. It’s simple enough to count the number of affordable housing units constructed or the volume of small business lending in a distressed community, but how do you take the data to the next level, and assess the impact that these community development activities have had on the lives of the neighborhood’s residents? Despite the challenges of social impact measurement, improvements in data collection, sharing, and analysis are critical for the advancement of the community development field.

This issue of *Community Investments* focuses on the topic of data and measurement and its implications for community development. The articles provide an introduction to the basic concepts and challenges related to impact measurement in the field, and also explore more in-depth issues, such as the impact tensions that arise in place-based initiatives and the use of a logic model for CDFIs to conceptualize their impact. We also examine Social Impact Bonds, a new investment vehicle that reflects an important movement in the impact investing sector toward robust measurement of social progress. Our “Eye on Community Development” section features articles on new research findings from the Supplemental Poverty Measure and a new REO EQ2 lending program that meets the needs of nonprofits utilizing NSP funds for local neighborhood stabilization.

We hope that this issue of *Community Investments* encourages you to think critically about how you measure the impact of your own work and how the field as a whole can advance its approach to data and measurement. We hope you enjoy this issue of *CI* and welcome your comments and feedback.



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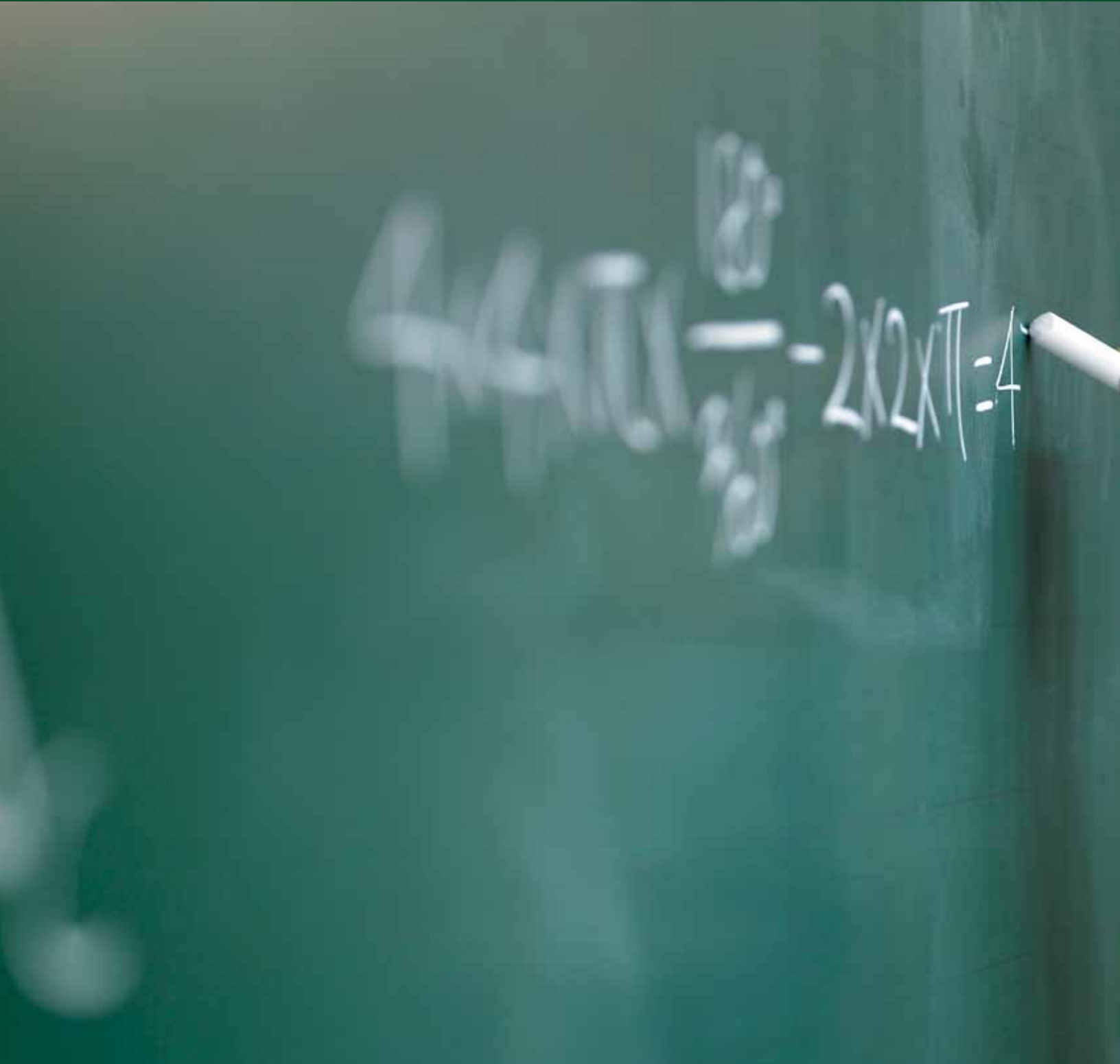
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Doing the Math: *The Challenges and Opportunities of Measuring Results in Community Development*

By Naomi Cytron



Introduction

Are we making a difference? This seemingly simple question – motivated by growing interest in accountability, transparency, and data-driven decision- and policy-making – has been on the front burner for the community development industry as of late. The answer, however, is frustratingly elusive. While we are able to easily count units of housing built, or the number of small business loans closed, it is a much more complicated endeavor to determine if, how, why, and when these efforts improve quality of life and life chances for low-income communities.

Now more than ever, funders – whether public or private – are looking for ways to do more with less, seeking quantitative evidence that helps them identify the interventions that yield better outcomes at lower cost. Encouragingly, many tools and products have come on-line over the past decade to help various sectors access and analyze social and community data that might inform these questions. However, there is still a sizable gulf between the growing expectations of funders and policymakers for information about the impact of particular community development interventions, and the capacity of organizations on the ground to meet these demands. This article highlights some of the various challenges and approaches for harnessing data to measure community conditions and the changes that flow from various community development interventions, and poses questions about the possibilities to align measurement efforts going forward.

The Unique Measurement Challenges in Community Development

Despite the increasing drive to focus on results within community development, getting a firm handle on data and measurement continues to pose challenges. In part, this is because a wide range of players engage in a variety of community development activities. For some, community development hinges primarily on community organizing and capacity building; for others, affordable housing development or education and job training; still others, it's about influencing market behavior, or policy and systems change. For some entities, it's about trying to influence all of these at once. At a minimum, this variability creates complications in determining exactly what it is that the field as a whole is supposed to measure to indicate progress and success.

Moreover, community development is not like making widgets on a factory assembly line, where all the inputs and outputs are discrete and follow a prescribed order, the points of leverage for making changes in the production line are finite, the timeline of creation is known, and each widget looks the same at the end. The process of community and social change is less predictable, as it engages multiple players with varying priorities and is dependent on myriad inputs and contextual factors that shift over time. This unpredictability makes it considerably more difficult to understand exactly how, when, and where change happens. Additionally, community development can include the pursuit of change on a variety of scales – individual, neighborhood, and regional, as well as behavioral, cultural, and institutional – each of which affect the other.

The diversity of potential uses of social change data also complicates the matter. End users might be interested in evaluating the success of past initiatives (“Was this investment worth it?”), monitoring progress toward

If the community development field is serious about focusing on results, then we'll need to find ways to close information gaps and seek areas of alignment so that each measurement approach, method, or system can better inform practice and strategy going forward.

goals so as to allow for learning and course correction (“How could we better implement this program?”), or determining what is worth future investments (“Will this work in a new place?”). Different methodologies and approaches are often used to answer each of these kinds of questions. The tricky part is that there are considerable overlaps in the metrics that inform the answers to each of these questions, rendering it difficult to assign only certain data, tools and methodologies to each question area. For example, the potential success of a community development initiative intended to improve employment needs to be informed by the particular barriers facing the community in question, whether related to transportation, education, social networks, soft skills, or child care. In addition, any issues that might affect implementation, such as institutional capacity and politics, need to be taken into account. But the data that can help illuminate these issues – if they exist at all – are collected, housed, and analyzed in different ways and by different entities.

All this said, there are a number of entities – from national intermediaries to local collaboratives – that are chipping away at the challenge of creating systems to help turn available data into information that can inform and guide decision-making. A variety of data collection and analysis tools are discussed below. However, some data are still difficult to access and analyze, and there is considerable fragmentation among the variety of measurement efforts taking shape in various corners of the field. If the community development field is serious about focusing on results, then we'll need to find ways to close information gaps and seek areas of alignment so that each measurement approach, method, or system can better inform practice and strategy going forward.

Making Data Accessible

Access to local, frequently updated data is a fundamental requirement for understanding baseline conditions and tracking change over time. It is also critical for understanding the unique features of each community and the local context in which community change efforts take

place. Contextualizing a given investment or initiative – i.e., determining what else is happening in a given community and its surroundings that might enhance or compromise community development activities – can be important both for improving performance of a given intervention and for getting a handle on the potential to replicate that intervention in a new context.

The availability of data on a host of topics has risen exponentially in recent years. But this “Era of Big Data” generates its own set of complications. The flood of data can be overwhelming, rendering it difficult to identify which data are important and reliable. The wide range of available data from different entities, which covers multiple topics and geographies, makes aggregation and alignment particularly challenging. On the whole, the capacity to find and use data that might provide insight on conditions and trends is uneven across the wide spectrum of stakeholders engaged in community development.

Several projects have been launched to help remedy these gaps. The National Neighborhoods Indicators Partnership (NNIP), for example, stands as one of the earlier efforts to build local information infrastructure. Established in 1995, NNIP was created as a collaboration of the Urban Institute and local partners to further the development and use of neighborhood-level information systems in community-building and policymaking. Since then, it has helped develop data systems with 36 partner organizations in cities around the nation, each of which collect local data and facilitate its direct use by local entities through consulting, interactive online maps, or local area profiles. These systems are employed for a variety of community development efforts. For instance, a number of the NNIP partners have tracked local housing data to examine the effect of foreclosures in their communities and find ways to strategically target areas for reinvestment activity, or have compiled local health data to create neighborhood-level health indicators.

Another effort to help local organizations make sense of the range of data that is increasingly available is PolicyMap, an online mapping application from The Reinvestment Fund that brings together administrative data from a wide range of sources, including HUD, the Census, the IRS, the Home Mortgage Disclosure Act (HMDA), and the U.S. Postal Service. As such, the application allows users to overlay various data elements – such as school quality, subsidized housing, demographics, or jobs – on one another, allowing even novice mapmakers the ability to create maps and charts to better understand neighborhood conditions and trends. Subscribers can both download data or upload their own, and can embed map “widgets” on their own websites to help disseminate information.

The increasing availability of these kinds of tools and systems, though, doesn't completely crack the nut. Partial-

ly, this is because there is a wide swath of data that is not available through readily accessible datasets. These are data that might illuminate the intangible dimensions of community conditions and social change – for instance, social cohesion, leadership capacity or power dynamics. These factors are important because they can affect the implementation and sustainability of a community development program or initiative, and are thus directly relevant to understanding outcomes and impacts. While there is anecdotal and qualitative evidence about these factors in relation to specific communities, there is little agreement on the appropriate measures that can reliably gauge these “intangibles,” or how to more systematically gather this data without intensive and cost-prohibitive survey mechanisms.

From Tracking Change to Measuring Results

Difficulties arise not only in gathering the “right” data, but also in putting it to use in moving from tracking change to assessing results – i.e., getting at why conditions changed and how that change ultimately matters to community residents. There are a number of factors that complicate the establishment of a clear, linear relationship between community development intervention and specific results. It is tricky to determine just how much “exposure” a person or community has had to a given intervention, how susceptible they are to being affected by it, and when one should begin to look for expected effects. It’s also difficult to set expectations of change appropriately. Is the “theory of change” undergirding an investment strategy a logical, reasonable, and relevant causal pathway linking an intervention to expected results? At what scale – or “dosage” – does a project or program need to be at any of the steps of that pathway to induce results, and has that scale been achieved?

Given the complexity introduced by these factors, determining causal relationships between interventions and outcomes is hard enough. But in community development, we tend to further muddy the waters in seeking relationships between an investment in one domain (for instance, housing or community building) and results in another (education or employment). Sophisticated skills and tools are required for approaching these questions, but community-based organizations and even funding entities rarely have the capacity in-house for such analyses. As such, external evaluators are frequently brought in to test and assess the effectiveness of a given program. Some, though not all, of their analyses employ qualitative as well as quantitative techniques to take into account and control for contextual and process-related issues at hand.

These kinds of evaluations are generally conducted at the end of a funding period, and look retrospectively

at the pathways leading to outcomes. But community development practitioners and funders generally need more than just a “post-mortem” examination of the results of a given initiative or intervention. Complex community initiatives in particular stand to benefit from measurement systems that can offer signposts about performance, implementation processes, and outcomes along the way so as to enable in-time course correction and/or reallocation of resources, should interim results not be as expected. As such, foundations – particularly those that fund comprehensive community development initiatives – have begun to develop their own monitoring platforms that are embedded within their program design.

Additionally, a number of “off-the-shelf,” yet customizable, systems have been developed to help non-profits, foundations, and investors more easily get a handle on performance and interim outcome measurement. NeighborWorks’ Success Measures Data System (SMDS), for example, was launched in 2005, and offers web-based tools to allow subscribers to collect and assess a broad range of both quantitative and qualitative data on topic areas like affordable housing, economic development, and financial capability, and then measure and create reports on the performance and outcomes of their programs. The system houses over 300 data collection instruments – available in English and Spanish – including templates for surveys, interviews, observational checklists, and focus group guides, as well as tools for analyzing data from a variety of sources. By centralizing technology and software, SMDS simplifies the mechanical aspects of data collection and analysis, and allows users to more easily manage and share data and continually assess program results.

Social Solutions’ Efforts to Outcomes performance management software for the social services sector operates similarly. Their software – which offers tools for case management, program performance management, and reporting to funders and stakeholders – allows users to collect and analyze data on individual program participants to gauge the effectiveness of their service delivery. There are multiple modules that organizations can use to enable them to share data on participant demographics, needs, and uses, as well as other data about staff and services, across programs as well as community partners.

The social impact investing sector – which aims to generate financial returns while addressing social and environmental problems – and the community development financial institution (CDFI) industry have also taken on the challenge of developing systems to more uniformly assess and track not just the financial results, but also the social outcomes of their investments (see the article “CDFIs as Catalysts for Improving Social Outcomes” in this issue). For instance, the Impact Reporting & Investment Standards (IRIS) initiative launched in 2008 by the Rockefeller

Are there ways to move toward some degree of alignment among the various systems, methods, and data sources so as to more easily allow integration and interpretation of different types of data?

Foundation, Acumen Fund, and B Lab, aims to create a common framework for defining and reporting both the financial and non-financial performance of social impact capital. The resulting taxonomy includes definitions of how to measure activities in various investment areas, such as technical assistance provision, education, job creation, and health services. This kind of standardization is important for enabling comparisons between various investments and their performance, and for simplifying reporting procedures. The IRIS taxonomy has been adopted by Pulse, which is a data collection and reporting tool for organizations seeking quantification of the social and environmental impact of their projects and investments. The web-based system is pre-populated with IRIS taxonomy, though it also allows organizations to create their own metrics to assess outcomes.

IRIS is also integrated with the Global Impact Investing Ratings System (GIIRS), which offers ratings on the social and environmental impact of companies and funds as a way to enable mission-oriented investors to more easily assess their investment options. It also allows rated entities to benchmark and track their social and environmental performance over time. The ratings include an overall rating, ratings in 15 sub-categories, such as governance, worker treatment, and community practices, and comparisons to similarly situated entities. Similarly, the CDFI Assessment and Rating System (CARS) offers ratings of a CDFI's impact performance and financial strength and performance. While it does not directly measure impact, a high impact performance rating from CARS is dependent on whether a CDFI has processes and systems that track output and outcome data on an ongoing basis; uses this data to adjust strategies and activities in order to better meet its mission; and provides data showing positive changes in the communities or populations being served. Both of these efforts aim to help socially-motivated investors better evaluate their investments by boosting transparency and standardization.

Going Forward

Despite these promising developments, the field is still lacking a common understanding of what works, what doesn't, and why. The tools and systems outlined above demonstrate that the community development industry is not lacking mechanisms to collect data or assess results

of community change efforts. Seemingly, more at issue is whether we are using them most effectively to gain a complete understanding of how the many facets of community change interact. Is fragmentation the problem, and if so, are there ways to move toward some degree of alignment among the various systems, methods, and data sources so as to more easily allow integration and interpretation of different types of data? And in the interim, how can we improve data availability and build capacity for data analysis so that more stakeholders can measure and demonstrate the impacts they are making in the communities they serve? Can we agree upon some proxies that can capture hard-to-measure aspects of change?

Regardless of the precise answers to these questions, the increased interest in information about outcomes and results demands dedicated resources for data collection and analysis, incentives for quality data collection, as well as a commitment to a culture of learning where measurement is seen not as potentially punitive, but rather as a key to developing more effective and efficient approaches to our work. The more complicated task of alignment will entail long-term engagement and commitment from a variety of stakeholders, as well as convergence on definitions of success as well as on shared instruments or data platforms that are compatible across geographies and issue areas. These activities are not without barriers.

The benefits, though, of working to improve and align systems to quantify results are manifold. The belief that data should be used to inform and drive decisions and policy-making, and to improve performance of programs along the way, stems from the faith that measurement and analysis can identify effective - and ineffective - elements of a given initiative or investment strategy. But this is only the case if the data available and the analytical approaches used are well matched to the questions at hand. Community development is a complex endeavor, and not only do one-dimensional metrics and techniques fail in determining where scarce resources should be directed, they may do active harm in biasing resource allocation toward outcomes that are easy to measure at the expense of those that are less readily quantified but that might indicate more substantive change.

Enhanced measurement can also allow us to better adapt to changing circumstances. Neighborhoods are dynamic places, with constantly shifting populations and economic conditions, as well as political and leadership standings. Even the boundaries of what we think of as constituting "the neighborhood" are subject to change. The forces of change outside a given community - for instance, regional employment demand and housing market issues - are likewise not static. If we can improve the ways we gather, track and interpret data on community context and the relative needs of residents, we'll be better posi-

tioned to alter programs and approaches to match changing conditions.

Getting a better understanding of the results of our work enables not only course correction and more efficient use of existing resources, but also can help communicate the value of community development work to policymakers, funders, and community members, which in turn can attract and leverage additional resources. A compelling narrative backed by strong data about whether an initiative is making a difference for children, families, and communities can be highly influential in persuading policymakers, as well as public and private funders, to maintain or increase investment. This can also help to mobilize community residents and stakeholders to otherwise support or engage in community change efforts.

Data and measurement can also set the stage for coordinated activity among various community development stakeholders. The renewed interest in cross-sector coordination as a mechanism to create lasting community change introduces its own set of challenges, as each stakeholder likely brings a unique set of interests and approaches to a given initiative, as well as goals that are not identically defined. However, enhanced data analysis and sharing tools can help provide a neutral platform for aligning strategies across stakeholders and sectors, and for holding involved entities accountable. An emerging example of how this can take shape is the Strive Partnership, which brings together more than 300 diverse education-related organizations, including school districts, universities, private and corporate funders, civic leaders, and nonprofits, in the Cincinnati/Northern Kentucky region to work in concert to achieve better results in education. The Partnership has rallied itself around eight outcomes – kindergarten readiness, 4th grade reading proficiency, 8th grade math proficiency, high school graduation rates and ACT scores, and postsecondary enrollment, retention and completion – with each organization engaged in the same type of activity reporting on the same measures. The Partnership has a firm commitment to evidence-based decision-making, and draws data from across organizations to identify trends and pat-

terns and spark discussion about next steps to improve efforts. Though the Partnership has only been in operation since 2006, the region is already seeing meaningful improvements in many of their focus areas, including kindergarten readiness, 4th grade reading, and 8th grade math proficiency.¹ Their efforts support the argument that results can be amplified by aligning the fragmented efforts of various stakeholders and the numerous ways they deploy resources.

The utility of new models for cost savings also hinges on enhanced measurement processes. The concept underpinning “Pay for Success” models, such as Social Impact Bonds, is that providers should be paid for their services only if they are able to demonstrate that they have achieved agreed-upon results (see the article “Advancing Social Impact Measurement to Build an Asset Class” in this issue). The ability to reliably measure performance and outcomes is central to whether or not these models will work to direct investments to the most promising programs. Doing so requires tackling many of the issues raised above about context, methods for determining exposure and dosage levels, and finding dependable proxies for measuring intangible outcomes.

Conclusion

As noted by FSG Social Impact Advisors in their 2009 report on measurement systems and social impact, “Lasting progress depends on improving the alignment, coordination, and learning of the entire constellation of organizations that affect an issue. Well-structured, facilitated, and ongoing processes, supported by appropriate funding, technology, and analytics, are necessary to create the mechanisms and culture of continuous learning and improvement needed to achieve meaningful social change.”² Community development stakeholders are increasingly recognizing that sustainable change is dependent on multiple stakeholders from across domains – both in terms of organization type and issue focus. The measurement systems we are developing to capture the outcomes of all of our work need to better support and reflect this complex reality. **CI**



Advancing Social Impact Measurement to Build an Asset Class:

The Appeal of Social Impact Bonds

By Jill Scherer and Lynn Schenk, Social Finance, Inc.

Financial metrics have long been utilized to assess investment performance. Social impact measurement, on the other hand, has lacked the same kind of history and rigor. Until recently, social impact has often been anecdotal, rather than quantified using specific metrics. Where social impact has been tracked, investors have lacked access to common metrics. As a result, information on social impact has been fragmented, making it difficult to compare investments of similar social aims. The lack of standard measures has also placed a burden on organizations that have to report on a wide variety of metrics to satisfy their investors. The absence of a coordinated language has imposed high costs on both investors and organizations.

However, investors may soon have an opportunity to invest in a unique instrument that has been creating considerable buzz in the impact investing community over the past year. Social Impact Bonds (SIBs), which raise private capital to pay for evidence-based prevention programs that create government savings, reward investors as the funded interventions create better social outcomes. Rather than funding good intentions, investors in SIBs know they are creating real societal benefit; investors' financial returns are linked to measurable social impact. SIBs reflect an important movement in the impact investing sector toward robust measurement of social progress. Credible and reliable measurement of social impact is essential if impact investing is to attract investors at scale

and become a large, sustained asset class. This article explores the potential of SIBs to advance social impact measurement and attract new sources of funding for critical community development services.

A New Asset Class

SIBs are unique public-private-nonprofit partnerships that align the interests of nonprofit service providers, investors, and governments in an effort to improve the lives of individuals and communities in need. Investors provide upfront working capital to nonprofit organizations to implement proven preventative programs. These programs aim to achieve specific and measurable social outcomes that generate government savings. If an independent evaluator determines that the pre-defined outcomes have been met, the government repays investors their principal and a rate of return that accounts for a share of its savings. If the pre-defined outcomes have not been met, the government owes nothing.

Following Ben Franklin's maxim that "an ounce of prevention is worth a pound of cure," SIBs fund effective programs that tackle the root causes of homelessness, crime, and other disabling economic and social conditions. If SIBs succeed, all partnership stakeholders would benefit. The government would be able to transfer the risk of funding prevention programs to the private sector. Since it only repays investors if the SIB-funded interventions produce cost savings over and above the cost of the intervention, the government would gain accountability for taxpayer funds and better results for its citizens at lower public expense. High-performing nonprofit service providers would have unprecedented access to growth capital to expand their operations. This access to the capital markets would impose market discipline on nonprofit service providers, which would increase competition and result in more effective programs with better outcomes. Furthermore, the stable and predictable revenue stream from SIBs would allow them to spend less time fundraising and more time focusing on serving populations in need. Most importantly, the wider availability of effective prevention services would benefit vulnerable individuals, families, and communities, and break their reliance on crisis-driven interventions.

For investors, SIBs provide a new way to achieve both social impact and financial return. Unlike existing impact investing products, SIBs provide returns that are commensurate with social benefits: the fewer at-risk youth who reoffend, for instance, the higher the financial return. SIBs convert social interventions into investable assets by monetizing social outcomes, or calculating the public-sector cost savings associated with the outcomes produced as a result of the intervention. This unique feature allows investors to fund solutions to social problems in a way that

SIBs convert social interventions into investable assets by monetizing social outcomes, or calculating the public-sector cost savings associated with the outcomes produced as a result of the intervention.

had not been available to them ever before. For example, SIBs turn an intervention to end homelessness into an investable opportunity, where it was once the distinct territory of philanthropy and government funding.

How Social Impact Bonds Incorporate Social Impact Measurement

Measuring impact is at the core of the Social Impact Bond's mechanics. It plays a role throughout the life of a SIB, from selection of the intervention to investor repayment. When selecting potential SIB-funded interventions, for instance, intermediary organizations that structure SIBs require strong evidence that the interventions will lead to better outcomes for a target population. They rely on existing studies that have measured statistically significant social outcomes. Once an intervention is selected for SIB funding, intermediaries identify social metrics to measure over the course of the instrument that indicate the intervention's progress in improving lives and from which governmental cost savings can be calculated. Finally, the achievement of those metrics triggers investor repayment.

The first and only SIB in the world demonstrates the mechanics of the instrument. Launched in 2010 in the UK by London-based Social Finance, Ltd., the Peterborough SIB raised £5 million (~US\$8 million) to fund a comprehensive reentry program for short-sentenced prisoners leaving Peterborough prison over a six-year period. These prisoners typically receive little support upon release; they often leave with little money in their pocket and no housing, job, or family support. Consequently, over 60 percent become repeat offenders within one year. The SIB-funded program aims to facilitate offenders' reentry into the community through efforts to help them find housing, access health care, and increase their income. A government agency, the Ministry of Justice, along with a philanthropic partner, the Big Lottery Fund, agreed to repay SIB investors if one-year post-release reconvictions decrease by at least 7.5 percent, relative to a comparison group. If reconvictions do not decrease by this amount, investors lose their principal. If the program successfully lowers reconvictions beyond this benchmark, investors will receive returns that range between 2.5 percent and 13 percent, with larger returns for better social outcomes.

SIB evaluation relies on a robust data collection system that recognizes the importance of technology, but also human capital in ensuring that data collection protocols follow best practices and data is input in a timely and accurate manner.

As SIBs are best suited to scaling what works, interventions that could be funded by a SIB require strong evidence of their ability to achieve better social outcomes. For instance, permanent supportive housing has been shown to be an effective intervention for individuals who experience long-term homelessness and have multiple barriers to housing, such as a mental illness, substance addiction, or physical handicap. Numerous studies have found that once these individuals are housed, their health improves and residential stability increases. This, in turn, dramatically decreases their use of emergency rooms, inpatient hospital visits, jails, and shelters, which results in significant downstream government savings.

SIBs thus focus on social metrics that reflect an improvement in program participants' lives and can be tied to governmental cost savings. These metrics target outcomes rather than what would be considered inputs (e.g., the number of low-income individuals participating in the program) or outputs (e.g., the number of housing units created). By focusing on how participants have benefited from a program beyond what would have happened in its absence, SIBs provide a stronger indication to investors of the social impact of their investment. Metric selection is no easy task, however. The designated metric has to be carefully designed such that service providers do not have perverse incentives, such as treating "easier" or lower-risk populations.

An independent auditor evaluates these social metrics over the life of the SIB to document whether outcomes have been achieved and investors should be repaid. A third-party auditor provides investors with the confidence that outcomes will be determined fairly and reliably. Importantly, through a robust evaluation design, this entity ensures that outcomes are attributable to the program itself and not some other factors, such as a better economy or changes in governmental policies. The UK SIB, for instance, uses a quasi-experimental evaluation design and compares the program participants against a comparison group comprised of similar individuals. SIB evaluation relies on a robust data collection system that recognizes the importance of technology, but also human capital in ensuring that data collection protocols follow best practices and data is input in a timely and accurate manner. In

addition to an auditor, SIB intermediaries also work with a separate evaluation team to track interim progress on outcomes and use this information to make course corrections and facilitate success along the way.

SIBs are unique in their use of social outcomes to trigger investor repayment. They monetize social impact by calculating the cost savings associated with better outcomes, such as fewer hospitalizations, that are a direct result of the SIB-funded program and are above and beyond what would have happened without the intervention. Investors receive returns on a sliding scale: the better the outcomes, the higher the return. In this way, financial returns are directly linked to and contingent upon social impact.

The Need for Improved Social Impact Measurement

The ability to accurately measure and demonstrate socially beneficial outcomes is one of the core requirements of being able to attract investment dollars through SIBs. Accurate tracking and reporting of investments' social impact would significantly benefit the entire impact investing sector. Data on social metrics would facilitate investors' selection of investments. Just as an investor might choose an investment based on its financial risk and return profile, he or she can select an impact investment using knowledge of its social risk and return. Greater transparency of investments' impact would allow for increased accountability for funds; rather than assuming funds contribute some level of social good, investors would have evidence that their funds are having their intended impact. Furthermore, tracking impact as part of overall performance would have the beneficial byproduct of organizational learning within social enterprises, which can drive program improvement and make these organizations more attractive opportunities for investors. With the use of common measures, investors would be able to compare investments with regard to social impact within and across portfolios, as well as against industry benchmarks.

Fortunately, the impact investing sector has been making tremendous progress in recent years in erecting the infrastructure to support measurement of social performance. New market tools, such as the Impact Reporting and Investment Standards (IRIS) and Global Impact Investing Reporting System (GIIRS), have been developed to respond to impact investors' needs. IRIS provides standardized metrics to track social, environmental, and financial performance. It is a common language that facilitates comparison between social enterprises on, for instance, the number of jobs created or number of individuals housed. Using IRIS metrics, GIIRS rates companies and funds along social and environmental criteria. GIIRS allows investors to compare investments and analyze individual investments over time.

Although this progress is certainly encouraging, the sector still lacks investment opportunities, especially for those investments with reliable evidence of both financial and social performance. In a recent survey conducted by J.P. Morgan, a group of impact investors identified the shortage of quality investment opportunities and inadequate impact measurement practice as two of the top three challenges facing the sector.¹ Social Impact Bonds are an innovative product that strives to fill these gaps.

Conclusion

We expect SIBs to appeal to a wide range of impact investors. The investment's potential social and financial returns would be articulated upfront so investors would have sufficient information to price the risk they are undertaking. The instrument's structure is flexible so it can be amended to appeal to mainstream as well as more philanthropic investors. While the UK SIB has a "cliff effect" where investors lose their principal if social impacts fall short of a certain threshold, other SIBs could incorporate mitigation measures, such as a first-loss reserve.

While the UK issuance is currently the only SIB on the market, governments around the world are exploring the

concept. In the United States, interest has been percolating at the local, state, and federal government levels. In January 2012, Massachusetts became the first state in the nation to formally announce its intention to pursue SIB contracts. The federal government shortly followed, with the Department of Justice and the Department of Labor stating that they will support Pay for Success pilots through funding competitions this year.

Like impact investing, Social Impact Bonds are not an answer to the funding challenges of all enterprises in the social sector. Where they do work, they present information on social impact alongside data on financial performance. The strong interest being expressed by governments at all levels and in various geographies reflects a considerable shift in the collective mindset away from funding good intentions to incorporating measurable social impact into investment decisions. The more we can incorporate such robust measurement, the more we can attract institutional and other investors to participate in these opportunities. We envision that such trends will soon lead to a large, dynamic impact investing sector, which would direct new sources of capital to community development efforts across the country. **CI**

The Potential of Social Investment Bonds and the CRA

A good example of the potential power of a financing tool that measures social outcomes may be in the application of Community Reinvestment Act (CRA) funds to Social Impact Bonds (SIBs). The CRA is intended to encourage depository institutions to help meet the credit needs of the low- and moderate-income (LMI) communities in which they operate, consistent with safe and sound operations. While SIBs do not currently meet the investments tests for CRA, efforts are underway to structure the instrument to make it CRA qualified, which would open up a new pool of institutional liquidity for SIBs within the banking community. It is expected that SIBs will be developed on a community-by-community basis and will primarily address issues that face LMI individuals. As such, there is expected to be significant overlap with CRA's geographic, community needs, and LMI population requirements. In addition, the high standard of rigorous measurement of SIBs will enable more impactful use of CRA funds, thereby expanding the range of opportunities for CRA investments. With clearly defined measurement, a CRA investor is better able to articulate the community development needs and measure the impact of the CRA investments on the actual outcomes of the geographies and populations being served. With strict enforcement of the financial discipline and creditworthiness of transactions, CRA requirements can, in turn, strengthen the pipeline of strong impact investing deals with underlying measurement tools to define and track outcomes, especially when these deals are managed by a clearly defined intermediary to drive the implementation and measurement process.



Tensions and Opportunities in Evaluating Place-based Interventions

By Keri-Nicole Dillman, Independent Consultant
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We are in the midst of a decades-long focus on the “results” of community and social change efforts and a recent trend emphasizes lasting, measurable, and causally-identified impacts. This prioritization exists in government, philanthropic, and nonprofit sectors. Performance is now largely defined by the outcomes of social programs and investments (e.g., the number of trainees who get a job) and their longer-term impacts on well-being (e.g., economic self-sufficiency), rather than through inputs and outputs (e.g., the numbers of grants administered, qualified staff, and training sessions provided to consumers). Demand for meaningful evidence of impact is well-intended, but it also raises tensions within the community development field regarding measurement and evaluation. Rather than

road blocks, we see these tensions as opportunities. In this article, we identify some of these tensions surrounding impact evaluation in the context of place-based change efforts and offer guiding principles to sharpen the focus of conversation on the use of evidence in policy making and practice.

Growth in Place-based Community Development Strategies

While public and policy attention to place is not new, a distinctive comprehensive and geographically targeted approach to community change emerged in the 1990s, primarily through large philanthropic initiatives. More recently, a new wave of place-based initiatives has emerged through locally-embedded family and community foun-

dations, social investors, health conversion foundations, and the federal government.

Broadly speaking, place-based initiatives are efforts to change public systems and policies to address the health and social problems affecting poor communities. While these initiatives are wide-ranging, they share a number of distinguishing characteristics: they seek to change a targeted geographic area; they work across sectors and policy domains, and across multiple levels of the community (such as individuals, families, and the surrounding community and systems); they are flexible and adaptable to a locality and they are based on community-building principles.

Given the varied nature of these efforts, the universe of stakeholders is wide. These stakeholders can be categorized into four groups: (1) practitioners, such as the leaders, staff, and initiative partners who are central to the planning and execution of place-based strategies; (2) funders, including the public and philanthropic sectors; (3) evaluators who conduct impact measurement and research; and (4) community members, including residents and businesses within the targeted geographic area.

Challenges of Assessing the Impacts of Place-based Initiatives

The features that make comprehensive community interventions so compelling are the same ones that create challenges for evaluating their impacts.¹ For example, unlike “people-based” programs that focus on individuals, place-based initiatives consider an entire community. Research designs that randomly assign individuals to “treatment” and “control” groups are often deemed inappropriate or infeasible at the community-wide level. Additionally, place-based efforts are multi-faceted and integrated, working across different sectors, such as economic and community development, health, and education. As a result, disentangling the effects of each strategy and the value-added of their integration is particularly challenging for evaluators.

Another major challenge has to do with the dosage or “touch” of the strategy into the community. First, these models are largely non-prescriptive and assumed to evolve over time in response to changing local conditions. This raises particular challenges for assuming consistency of the treatment or dosage over time. Second, the reach of some interventions may not be evenly distributed throughout the target community; dosage may vary across residents, neighborhoods, or organizations. Meanwhile, individuals and businesses may move into and out of the targeted community, further complicating the issue.

Given these challenges, the demand for gauging program impacts creates several tensions across stakeholder groups when it comes to evaluation, funding, and im-

plementation of place-based initiatives. We observe three main categories of impact tensions as elaborated below.

1. Tensions within the Evaluation Field about How to Measure Impacts

There is an internal conflict among evaluators regarding the best way to design research that can estimate causal effects. Re-ignited by a 2003 statement by the Department of Education’s Institute for Education Sciences (IES), the debate about methods has created divides within the diverse field of program evaluators. Specifically, IES came out in strong favor of using experimental designs, with random assignment of treatment and control units in the evaluation of educational innovations. Opponents argued that such randomized controlled trials (RCTs) are not the best or lone way to establish whether an intervention causes change, and instead aimed to advance what are known as “quasi-experimental” methods.

Our view is that one size does not fit all—while experimental designs allow for causal estimation, they are not necessarily best utilized in all places at all times. A classic evaluation text organizes the evaluation process into a hierarchical series of activities, which involves the assessment of: (1) need for the program; (2) program design and theory; (3) program process and implementation; (4) outcome/impact; and (5) program cost and efficiency. Each of these steps is critical, and their order matters.² The first three levels involve questions about program operations, not impact, and are better served by non-experimental evaluation methods. To avoid “premature experimentation,” impact assessment must follow successful evaluation of program development and implementation, underscoring the importance of different approaches across the hierarchy.³

Moreover, one should not assume that the design challenges posed by place-based initiatives render quasi-experiments the only option. It is hard to know how the impacts of a program diffuse across neighborhood residents, which argues for the extensive and expensive data collection we see in most place-based evaluations. However, these challenges are present whether the evaluative approach is experimental or non-experimental. At the very least, the fact that an intervention involves community saturation is not a sufficient argument to dismiss using an experimental design to evaluate its impacts. As Bell and Peck further suggest, “The entire endeavor of evaluating community-wide change efforts would be a prime candidate for an experimental design: The U.S. is a very large nation, with thousands of local communities that could be randomly assigned into or out of a particular policy or intervention.”⁴ A particularly creative design might even embed an RCT within a place-based initiative’s larger evaluation.

The evaluation field also struggles with the relative importance of “internal” and “external” validity. The internal validity of an evaluation design refers to its ability to support claims that the program caused the changes we observe. Generally, stronger designs have greater internal validity. One of the strengths of RCTs is that they effectively minimize rival explanations for the impacts observed, earning them a higher status among some evaluators. External validity refers to whether an evaluation’s results are generalizable and can speak to other populations, settings and times. Some argue that there is a tradeoff between an evaluation’s internal and external validity: one cannot have both. This does not need to be the case and, recently, scholarly work has considered how to increase the external validity of social experiments.⁵ Of course impact evaluation largely aims to capture the effects of a program most immediately in its place and time and among its targets; but knowing whether results could be replicated elsewhere is of considerable value. Given the very local nature of place-based strategies, understanding how impacts are achieved in one community can provide useful lessons when similar strategies are enlisted in other communities.

2. Tensions between Evaluators and Practitioners – Achieving Impacts and Measuring Them

Community development practitioners want to move the needle as quickly as possible. Success, even small and early, is particularly important to the cross-sector collaboration at the heart of place-based initiatives.

Unfortunately, changes in neighborhood-level conditions targeted by place-based initiatives can take upwards of ten years to observe – a difficult message often carried by evaluators. Some important changes may be hard to detect: practitioners may believe that impacts exist, but evaluators are hard pressed to measure them. Increased community capacity is a valued achievement for many place-based initiatives; however, no consistent measures of “capacity” exist, and evaluation options are therefore time- and resource-intensive, including community surveys, for instance.

This conflict between action and research may not be productive to successful comprehensive community change efforts. Today’s initiatives require attention to dynamic conditions in the community and management tools for real-time learning and mid-course strategy change. They are highly emergent and locally specific, rather than based on prescribed and replicable models. Both evaluators and practitioners have grown to appreciate the importance of time and maturation towards achieving and measuring change. Given the scarcity of time and resources, however, place-based practitioners may still see investments in such learning infrastructure and capacity building as compromising the work itself, rather than strengthening it.

3. Tensions between Evaluators and Funders about Balancing Involvement and Objectivity

Another area of tension in evaluating place-based initiatives is objectivity. The principle of objectivity calls for researcher independence from the subject under study in order to see clearly and to eliminate the potential for (or appearance of) bias when drawing conclusions. This creates challenges for place-based evaluators, who are tasked with conducting independent, neutral research, but are often drawn into various roles with the interventions themselves, potentially compromising their objectivity.

Across all program areas, it is best to incorporate evaluation frameworks into the early stages of program development, enabling an accurate assessment of the starting point for observing later changes. In addition to this engagement at the onset, evaluators of comprehensive community change efforts are increasingly called upon throughout an initiative’s life-cycle. For example, evaluators can and do facilitate program development with tools for articulating program theory (e.g. using a theory of change approach). They also often provide technical assistance with using and interpreting the explosion of micro-level data, as part of the local quality-of-life planning process often central to comprehensive community change initiatives. Further, evaluators also continue the more traditional formative and summative evaluation activities to assess how a program unfolds and what it achieves.

The many roles that evaluators play often bring them close to the action of planning and implementation. Given the coalition-driven and community building nature of many of these efforts, this includes regular work with lead agencies, coalition partners, and communities as they wrestle to prioritize issues, develop strategies, and learn while doing. Place-based evaluation strategies and team members thus become part of the interventions themselves as they emerge and evolve over time.

Funders may become appropriately anxious about the objectivity of evaluators, whose expanded roles bring them close to an initiative’s practitioners and communities. At the same time, funders may be unfamiliar with how to assess the quality of evaluation studies or navigate the cautions from their evaluators about the particular challenges of impact measurement in comprehensive community change efforts, perhaps exacerbating these quality concerns.

Discussion and Implications for Practice

These tensions provide opportunities to make recommendations for evaluating place-based programs. We start from the assumption that tensions are good. Raised voices bring wider attention to a shared problem or agenda and can also clarify the areas of dissent that, ultimately, can be reconciled through new strategies or

Table 1. *Moving from Tensions to Opportunities in Impact Evaluation*

Tension	Consensus	Difference	Opportunity
Social scientists disagree on methodology of impact evaluation	Rigorous evaluation designs are best able to provide actionable evidence of the impacts of social programs	Appropriate evaluation designs	Creatively develop and assess impact designs, in light of evaluation context, rather than a one-size fits all approach
Practitioners want to achieve results; evaluators want to measure them	Results-orientation strengthens efforts to achieve sustained, community change	The relative importance of evaluating impacts and achieving them	Weigh and enable the joint contributions to change made by programmatic and evaluation activities
Evaluators must balance involvement and objectivity	Evaluation is an integral part of the change process	The relative risks and benefits of expanded and integrated evaluation role	Address the politics of evaluation by evaluators and stakeholders

definitions. Table 1 organizes these tensions in terms of the consensus and differences they reveal, as well as the opportunities they create for improving impact evaluation.

Within the evaluation community, an opportunity exists to creatively develop and impact evaluation designs for each place-based initiative. A step forward would be to counter broad judgments about appropriate designs and instead call for all options to remain on the table, allowing evaluators to align the most appropriate measurement strategies with the specific context of individual initiatives.

Both practitioners and evaluators want to bring their tools to the challenge of improving communities. Therefore, this second tension provides an opportunity to combine programmatic and evaluation efforts in a complementary, rather than supplementary, manner (or in ways that they could be perceived as such). In particular, we need a means for weighing and selecting among evaluation alternatives across the life of a program, in a way that considers the immediate and longer-term learning needs they serve (following the evaluation hierarchy reviewed above) and the demands they place on practitioners to support and benefit from them. This would also serve to reinforce the critical role that practitioners play in generating practical lessons for themselves and others as they incorporate evaluation findings into their own knowledge base.

While the expanding evaluation role raises fresh concerns about objectivity in research, it represents a broader call for attention to the politics of evaluation. Funders, practitioners, host communities, and the universe of prospective allies anxiously await evaluation findings, which can sustain successes after an initiative ends. The evaluation community has recognized these realities and advanced strategies in an evolving evaluation “politics toolkit.”⁶ Strategies in the toolkit include systematic as-

essment of stakeholders and the creation of formal evaluation advisory committees representing a breadth of perspectives. A next step would be to develop a politics tool kit specific to place-based initiatives, perhaps including expanded evaluation planning activities and increased evaluator skills for managing politics while improving evaluation quality and use.

Conclusion

In this article, we have summarized the challenges in evaluating the effectiveness of place-based programs, identified some important tensions regarding evaluation, and used the intersection of these to suggest a fresh perspective on impact evaluation. Anywhere that tension exists, so too does energy. We hope those of us involved in evaluating place-based initiatives might capitalize on this energy to renew our commitment to quality evaluation. These tensions urge us to consider how we might tweak prior evaluation designs to make use of new or less frequently used methods and how to effectively balance research and practice. We urge consideration of new and blended methods going forward, including the possibility of employing approaches that were previously deemed unsuitable or undesirable. We also want to ensure that evaluation continues to assess what is going on “inside the black box.” Rich process evaluation and other diverse methods are needed to ensure that we pay joint attention to learning opportunities for each initiative and the field, and the political realities specific to each initiative.

All stakeholders want to ensure that scarce resources are well spent. Therefore, calls for quality evaluation will remain part of our programmatic demands, particularly as we remain focused on what works, how it can work better, and how it can create better communities for all. **CI**



CDFIs as Catalysts for Improving Social Outcomes

By Ela Rausch, Federal Reserve Bank of Minneapolis

Introduction

Community development financial institutions (CDFIs), which play an important role in providing financial products and services to underserved communities, are increasingly being asked to demonstrate measurable returns. This demand for quantifiable impact is not unique to the CDFI industry.¹ As public and private resources become increasingly scarce, it is a challenge they share with many other sectors. In response, both CDFIs and their investors have expressed increased interest in measuring social impact. In other words, how were people's lives improved as a result of a particular community development effort? This article identifies some of the primary challenges that CDFIs face when it comes to measuring these non-financial returns, and demonstrates how the use of a logic model, a tool

used by evaluators, can help CDFIs effectively communicate their role as catalysts for improving social outcomes in underserved communities.

The Current State of CDFI Impact Measurement

Since the 2008 financial collapse, the role of CDFIs has become increasingly important in meeting the credit needs of low- to moderate-income (LMI) communities. According to a recent report by the Aspen Institute, CDFIs are being challenged to reach a greater share of underserved communities than ever before.²

At the same time, many investors, including philanthropic foundations, are requiring CDFIs to produce not only positive financial returns, but also data that demon-

strate community- or household-level impacts. However, when it comes to measuring social performance, many CDFIs are not equipped to meet such demands. Instead, they most commonly track those end-products that are easily quantifiable, such as the number of loans granted, number of minority clients served, and number of housing units financed. In recent years, the industry has tried to move toward a more sophisticated form of measurement, but has done so with limited success.

One example is the CDFI Assessment and Rating System (CARS™). CARS began as a project of the Opportunity Finance Network and became independent in 2012. It provides investment quality ratings for participating CDFIs. CDFIs that are CARS rated receive two performance ratings: one for financial strength and one for “impact performance.” CARS does not measure actual impact, but rather the extent to which a CDFI is having the impact it sets out to accomplish, including the institution’s capacity to measure impact and use those measures to improve performance (see sidebar for more information on CARS). Although CARS recognition of the value of outcome measurement is a step in the right direction, CARS does not tell a CDFI what to measure or how to measure it, quantify social impacts for investors, nor generate impact measures by which CDFIs can be compared with each other.

Overcoming Measurement Challenges

CDFIs face many challenges when it comes to being able to demonstrate longer-term impacts. According to Denise Armbrister, Vice President and Executive Director of Wells Fargo Regional Foundation in Pennsylvania, one of the greatest barriers to measuring impact at the household level is that many of the customers served by CDFIs are highly mobile.³ This characteristic is common in underserved communities, making it very difficult to conduct longitudinal studies that capture long-term impact.

Another issue that CDFIs face when it comes to measuring impact is the question of who gets credit. Kate Barr, Executive Director of the Nonprofits Assistance Fund in Minnesota, provides the example of a CDFI that finances a childcare center in cooperation with other investors.⁴ Can that CDFI take credit for the initial childcare slots created, or should it attribute only a portion of these slots to its efforts? Furthermore, is it appropriate to look at return on investment over-time and count the anticipated number of children served by the center over the next ten years? Barr points out that “CDFIs cannot be held accountable for everything.”

Armbrister offers some valuable advice. She says that the Wells Fargo Regional Foundation in Pennsylvania looks for contribution, not attribution. In other words, would the

CARS™ Ratings

Among the criteria used for CARS impact assessment are:

- 1) How well do a CDFI’s strategies, products, and services (activities) align with its mission?
- 2) Has the CDFI identified outputs and outcomes that are appropriate to track given its mission?
- 3) What methodology does the CDFI use to collect data?
- 4) How does the CDFI interpret and use evaluation data to increase its effectiveness?
- 5) Do outcome data demonstrate the CDFI is reaching its target population with its products and services?

Based on these criteria, CDFIs that participate in CARS may receive an impact performance rating of AAA (highest), AA, A, or B (lowest). The CARS rating scale also takes into consideration a CDFI’s role in supporting policy changes that benefit disadvantaged individuals and communities. CDFIs that demonstrate evidence of leadership in this area can receive a “policy plus” rating.⁵

The cost of obtaining and maintaining a rating for CDFIs can range from \$6,000 to \$10,000 every three years, depending on asset holdings. For potential investors, the cost of ratings reports can range from \$2,500 for three years of reports on one CDFI to \$15,000 for access to ratings reports on all CARS rated CDFIs during a 12-month period.⁶ Because the CARS rating process is very rigorous—both on impact performance and financial strength—many CDFI loan funds delay the ratings process until they can prepare their organizations for a CARS assessment. To date, about twelve percent of all certified CDFI loan funds, which collectively manage 46 percent of all on-balance-sheet assets, have been CARS rated.

The value of a logic model for CDFIs is that it illustrates their role as catalysts by relating their contributions to broader social impacts.

outcome have occurred if the CDFI had not contributed financing? Instead of focusing on longer-term impacts, she suggests that stakeholders look at the contribution of CDFIs from a catalytic perspective. This framework is particularly useful when it comes to demonstrating the value of CDFIs in producing improved social outcomes.

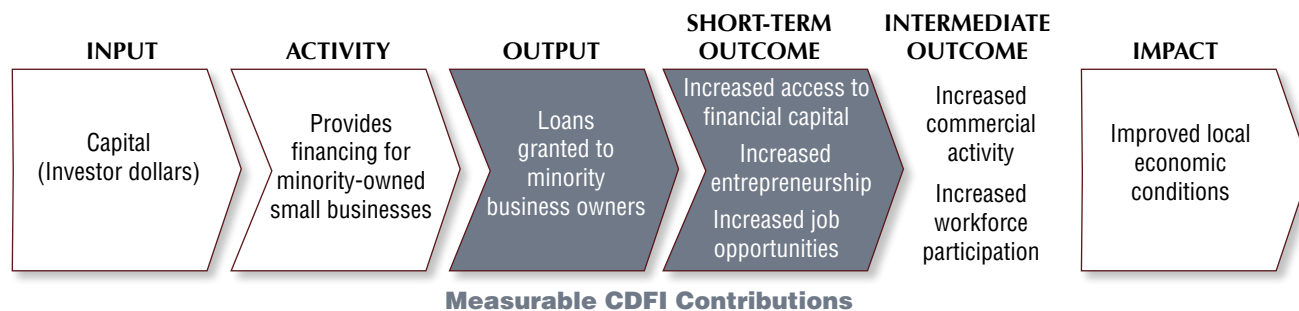
One simple way to visualize CDFIs as catalysts is to think in terms of a logic model. As described by Paul Mattessich, Executive Director of Wilder Research, a logic model is a visual diagram that uses a sequential point of view to measure the results of an effort. Figure 1 depicts a simplified sample logic model for a CDFI that finances minority-owned businesses. The model begins with the inputs that go into a community development effort, such as capital. It then moves on to activities: what does the CDFI do? In this example, the CDFI provides financing to minority-owned businesses. The next category in the sequence is outputs: the immediate, countable results from those activities, i.e. number of loans granted to minority business owners. And then outcomes: what happened as a result of the CDFI's efforts both in the short term and the long term? The final category in the logic model, impact, identifies the ultimate goals or conditional changes we want to occur. Most often, a CDFI's measurable contributions fall into the "output" and "short-term outcome" categories. The value of a logic model for CDFIs is that it

illustrates their role as catalysts by relating their contributions to broader social impacts.

Because CDFIs provide financing to underserved individuals and communities that would not otherwise have access to credit, many of the outputs that CDFIs currently track can be expanded to include measurable outcomes. For example, the output "number of loans granted to minority-owned businesses" can lead to the outcome, "increased financial access for minority-owned businesses." This poses the question, how can we be certain that these individuals would not have obtained a loan from a traditional financial institution? One relatively inexpensive way to provide supporting evidence would be to look at credit scores. If a CDFI's loan recipients have credit scores within a certain point-range or below the average minimum score accepted by traditional lenders in that same geographic area, it is reasonable to assume that the CDFI catalyzed the longer-term outcomes by providing increased access to credit.

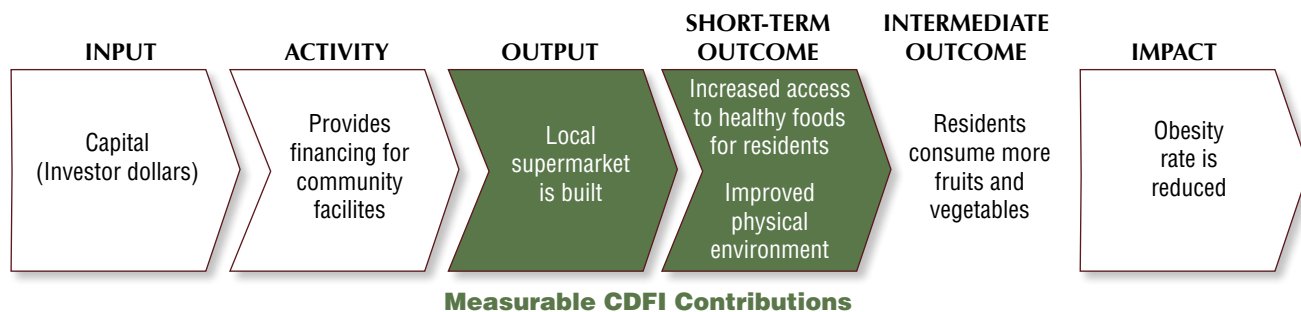
The case of healthy foods financing (Fig. 2) provides another example of the catalytic role that CDFIs can play in improving community conditions. In this example, a CDFI that provides financing for community facilities is the catalyst for a local supermarket being built. In a food desert, this measurable output leads to the short term outcome "increased access to healthy foods." The intermediate outcome "increased consumption of fruits and vegetables" is one behavior change that can have a positive effect on reducing the obesity rate. While CDFIs are not in the business of health behavior change, their lending activity leads to the increased access that makes this behavior change possible. Local supermarkets are illustrative of another community-level outcome that CDFIs

Figure 1. Simplified Logic Model for CDFI That Finances Minority-Owned Businesses



CDFIs play an important role by acting as a catalyst for impact. Focusing on outputs and shorter-term outcomes can help meet investors' demand for measurable social returns.

Figure 2. Simplified Logic Model for CDFI That Provides Healthy Foods Financing



often catalyze, which is an improved physical environment. New or rehabbed buildings can increase the confidence of consumers who may choose to buy a home or locate their business in the neighborhood. In addition, they can also increase a given area's local tax base.

Adoption of these concepts used by evaluators can be extremely useful. When used correctly, the language and tools of evaluation can help communicate the value of CDFIs' contributions toward desired longer-term, community-level changes. For example, the output "number of participants who receive start-up loans" catalyzes the outcome "increased entrepreneurship," and the "number of houses rehabbed" catalyzes the outcome "increased affordable housing opportunities." Barr reminds potential investors and other key stakeholders that, when it comes to measurement, "we need to look at what is appropriate and what is realistic." It is difficult to measure long-term conditional changes over time. However, we can measure the outputs and shorter-term outcomes that are necessary in order for impact to occur.⁸ A logic model

helps illustrate the relationship between the two and can help CDFIs meet investors' demand for measurable social returns.

Making Broader Connections

When it comes to improving quality of life for individuals in underserved communities, community development investments are often, and sometimes literally, the bricks and mortar. Quantifying the net value of these investments, including their spillover effects, requires an accurate estimate of the dollar value of goods and services produced by the CDFI sector. This is a challenge for community development researchers to tackle as CDFIs seek to move toward more sophisticated methods of capturing non-financial returns. In the meantime, CDFIs can respond to investor demands for social impact measurement by focusing on the catalytic role they play in the production of outputs and outcomes necessary for longer term, community-level changes. Says Ambrister, "As a field, we are still trying to knit together our story." **CI**



Community Perspectives: *Designing Responsive Community Development Investments*

By Sarah Bennett, Wells Fargo Community Lending and Investment¹

Since its inception in the late 1990s, the Equity Equivalent (EQ2) financial instrument has provided low-cost, flexible capital to non-profits serving low-income communities across the country. The EQ2 product is a long-term, low-cost unsecured loan that functions like equity. Similar to permanent capital, it enhances a non-profit's financing flexibility, although the investment must eventually be repaid and requires interest payments during its term. Historically, Wells Fargo's two main EQ2 products included a predevelopment EQ2 used by multi-family housing developers and a lending capital EQ2 for CDFIs. However, the recent foreclosure crisis provided an opportunity for Wells Fargo to use the unique, flexible nature of EQ2 capital in a new way, turning the unfortunate situation of a foreclosure into a new homeownership opportunity for a low- to moderate-income (LMI) household. In 2008, Wells Fargo launched the "REO EQ2". This article describes the development process, challenges, and early outcomes of the product, along with lessons learned.

As any lender knows, designing and piloting a new credit product during these tough economic times is not easy, especially if it involves lending in the hardest hit single-family markets in our nation. Despite the challenges, it all came down to the basics: relationships and understanding core credit risks.

First and foremost, we started with relationships. We reached out to non-profit community partners that we had long-standing relationships with and asked what their needs were. Consistently, the loudest message we heard from our partners was that the recently approved federal National Stabilization Program (NSP) had great potential but also had a critical missing link. Through NSP, the federal government provides funding to local non-profits who purchase and rehab foreclosed homes in hard-hit neighborhoods, and then sell them to low-income families. The challenge however, is that most federal NSP funds are disbursed on a "fee for service" or reimbursement basis. As a result, our non-profit partners were faced with the often

daunting task of finding upfront cash for the acquisition and rehab work, as they wouldn't be reimbursed by federal NSP dollars until after the project was completed.

From these conversations, we learned that our EQ2 dollars could potentially be that missing link. The REO EQ2 could provide the long-term, low-cost capital to our non-profits who had received NSP contracts to leverage their REO rehab work. The flow of capital would be quite simple. The non-profit would use the flexible, low-cost funds for its upfront cash to buy foreclosed properties. Once it completed the rehab, the non-profit would receive its NSP reimbursement, replenish its REO EQ2 funds, and then redeploy the funds into the next set of homes.

Once we identified the need for the REO EQ2 product, the next step was to demonstrate to our Loan Supervision team that we understood the fundamental credit risks associated with this new product. We started with a close examination of the NSP regulations to understand the compliance risk associated with the program. We then carefully studied the various business models our non-profits used to execute their REO programs. We asked about the entire real estate process: who would find the homes, hammer the nails, and list the homes on MLS. We gathered information on inventory carrying costs and contingency plans for extended sales periods. We also asked the non-profits for current market data that demonstrated they would still have a cushion between their home prices and competing market rate homes even if the market kept dropping. Last but not least, we became fully versed in their customer profiles and pipelines. Ultimately, we needed to know if they could find interested, qualified borrowers in the tight credit markets.

By asking these questions and making sure we understood the inner workings of the REO business model and the NSP landscape, our bank became more comfortable with the idea of a REO EQ2. And in late 2008, we started underwriting our first REO EQ2 borrowers.

One of our first EQ2 borrowers was Tarrant County Housing Partnership (TCHP). Founded in 1991, TCHP is a non-profit located in Fort Worth, TX dedicated to increasing the supply of quality affordable housing for LMI families. Since 1998, TCHP had acquired and rehabbed foreclosed homes in order to sell them to qualified low-income borrowers throughout Tarrant County. When the foreclosure crisis hit, the demand for TCHP's program increased dramatically. Before the crisis, TCHP had developed about five to ten homes a year; after the crisis, there was opportunity to acquire and rehab at least 30 homes a year. And while TCHP had received a \$7 million NSP contract, it did not have the upfront cash to buy/rehab homes before it could be reimbursed.

From both a relationship and credit perspective, we felt that TCHP was a great match for the new Wells Fargo REO EQ2. For over ten years, Wells Fargo had worked closely with TCHP on its affordable housing efforts. From operating grants and a working capital line of credit, to Board service and countless volunteer hours rehabbing homes, Wells Fargo fundamentally knew this customer, its financials and its business model. We were comfortable with TCHP's NSP compliance risk given its long track record of complying with other government programs and felt its conservative REO business model was prepared to handle the ups and downs of this recession. TCHP received a \$500,000 REO EQ2 from Wells Fargo in 2009 and the results have been impressive:

- TCHP has converted 50 abandoned, vacant houses into new homeownership opportunities for working families.
- All of its families make 85 percent or less of the Area Median Income in Tarrant County, which was \$68,250 for a family of four in 2011.
- With new energy star appliances, efficient HVAC systems, and drought tolerant landscaping, these homes are long-term assets in the community.
- While the process has not always been easy (unexpected costs, long sales processes), TCHP has regularly made a small profit of six to ten percent on each property, which it has reinvested into the next home.

To date, Wells Fargo has provided REO EQ2s to non-profits across the country, working in some of the hardest hit neighborhoods, in areas like Phoenix, Arizona, California's Central Valley, rural Colorado, and Charlotte, North Carolina. When we originally launched the product in 2008, we anticipated that it would only be needed for a few years until the foreclosure crisis had passed. However, we recently completed a customer survey of our REO EQ2 borrowers and confirmed that the product is still critically needed to bridge government REO funding sources. In fact, we learned that the product may need to adapt to new developments in the REO financing landscape. For example, in some states, NSP dollars have run out and local government is stepping in with different types of funds. As expected, when we consider redesigning the REO EQ2 to incorporate the new local government money, we will be going back to the basics of relationships and understanding core credit issues. The process of designing successful and responsive community development investments is never static; it regularly challenges us to balance our appetite for credit risk and the changing credit needs of our communities. **CI**



The Supplemental Poverty Measure

By Laura Choi

In November of 2011, the Census Bureau released new research findings on the Supplemental Poverty Measure (SPM), an alternative approach for estimating the prevalence of poverty in the United States. The SPM does not replace the official poverty measure, which is still the basis for determining eligibility for public assistance and federal funding distribution. But scholars and policymakers have pointed out that the official measure is inadequate on many levels and have argued for an updated measure. The SPM is thus an attempt to address some of the weaknesses of the official measure and provide data that is more reflective of current economic conditions.

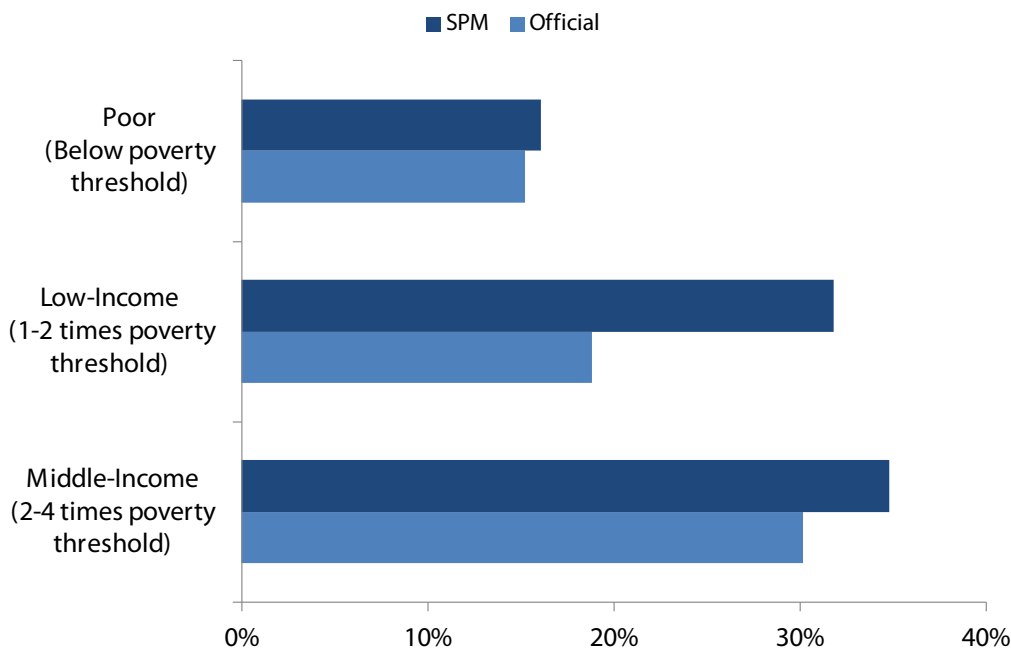
Under the official measure, the poverty threshold for a family of four (two adults and two children) was \$22,314 for 2010; the SPM 2010 threshold for a similarly sized family was \$24,343.¹ As seen below in Fig. 1, the SPM produces a slightly higher estimate of the share of the population in poverty, but results in a much larger increase in the share of the population considered low-income (those with incomes at one to two times the poverty threshold).

The fact that these two measurement approaches create such different estimations of the share of the population considered “low-income” has important implications for community development efforts. This article provides a brief overview of the SPM, how it differs from the official measure, and what it tells us about poverty today. More detailed information on data and methodology is available from the Census Bureau.²

Revisiting the Official Poverty Measure

In 1963, Mollie Orshansky, an analyst at the Social Security Administration, began developing “poverty thresholds” based on a food plan developed by the U.S. Department of Agriculture (USDA). The USDA had four food plans of varying cost that constituted an adequate diet; the “economy food plan,” which was the basis for Orshansky’s poverty thresholds, was the cheapest one and was “designed for temporary or emergency use when funds are low.”³ Orshansky multiplied the cost of the economy food plan times three, based on a 1955 Household Food

Figure 1. Share of People in Different Income Categories, 2010



Source: U.S. Census Bureau, Current Population Survey, 2011 Annual Social and Economic Supplement

Consumption Survey which showed that families spent about a third of their income on food (in contrast, in 2010, the average household spent about one eighth of household income on food⁴). She presented the poverty thresholds as a measure of income inadequacy, rather than adequacy, saying “If it is not possible to state unequivocally ‘how much is enough,’ it should be possible to assert with confidence how much, on an average, is too little.”⁵

Despite the official measure’s shortcomings, it has continued to serve as the metric for determining federal eligibility for public assistance, with few methodological changes. In 1995, the National Academy of Sciences (NAS) released a study that identified the weaknesses of the official poverty measure and offered suggestions for improvement.⁶ In this report, the NAS cited the following key concerns about the official measure:

- The measure does not take into account the difference in expenses of families in which the parents do or do not work outside the home (such as costs related to transportation and childcare);
- The measure does not account for significant variations in medical care costs resulting from differences in health status and insurance coverage across different population groups;

- The thresholds do not account for geographic variation of prices, although significant price differences exist for such needs as housing;
- The family size adjustments in the thresholds are anomalous and do not take into account changing demographic and family characteristics (such as the reduction in average family size and increased cohabitation of unmarried couples);
- The original thresholds are adjusted only for inflation and do not take into account the rise in the standard of living over time; and
- The original income measure does not reflect the effects of important government policy initiatives that have significantly altered families’ disposable income and, hence, their poverty status (such as the increase in the Social Security payroll tax or the growth in the Food Stamp Program). In addition, the original poverty measure cannot reflect the effects of future policy initiatives that may have consequences for disposable income.⁷

One of the goals of the NAS recommendations was to develop a measure of poverty that accounts for government spending aimed at improving the lives

of low-income families by taking into account tax and transfer policies such as the food stamp/SNAP program and the Earned Income Tax Credit (EITC).⁸ Kathleen Short, an economist at the Census Bureau, explained, “The main driving force behind this measure was to give policy makers a handle of the effectiveness of poverty [programs].”⁹

Understanding the Supplemental Poverty Measure

As shown in Fig. 2, the SPM and the official poverty measure take different approaches to developing the poverty thresholds.¹⁰ For example, the two measures use different units of analysis. The official poverty measure uses the family unit, as defined by the Census, which includes all individuals living together who are related by birth, marriage, or adoption (unrelated individuals over the age of 15 are considered independent). Under the SPM, the family unit is defined more broadly to include all related individuals who live at the same address, any unrelated children who are cared for by the family (such as foster children), and any cohabitators and their children. The methodology for determining the poverty thresholds also

differs. While the official measure sets the poverty threshold at three times the cost of the minimum food diet in 1963 (adjusted for inflation), the SPM thresholds are based on out-of-pocket spending on food, clothing, shelter, and utilities (FCSU), based on quarterly data from the Consumer Expenditure Survey. In addition, the SPM uses data from the American Community Survey to account for geographic differences in the cost of housing when calculating the FCSU thresholds, unlike the official measure.

Perhaps the most significant difference between the two measures is the estimation of a family’s resources. Under the original measure, a family’s financial resources were defined as gross before-tax cash income. The SPM expands on this definition of resources by adding any federal benefits that help a family meet its FCSU needs (such as food assistance or housing subsidies), then subtracting tax payments (adding back any tax credits) and necessary expenses, such as those related to work, out-of-pocket medical costs, and child support (see Fig. 3). This expanded estimation under the SPM thus provides a more realistic picture of a family’s resources and allows the measure to capture the impact of future federal assistance policies, unlike the original poverty measure.

Figure 2. Poverty Measure Concepts: Official and Supplemental

	Official Poverty Measure	Supplemental Poverty Measure
Measurement units	Families and unrelated individuals	All related individuals who live at the same address, including any coresident unrelated children who are cared for by the family (such as foster children) and any cohabitators and their children
Poverty threshold	Three times the cost of minimum food diet in 1963	The 33rd percentile of expenditures on food, clothing, shelter, and utilities (FCSU) of consumer units with exactly two children multiplied by 1.2
Threshold adjustments	Vary by family size, composition, and age of householder	Geographic adjustments for differences in housing costs and a three parameter equivalence scale for family size and composition
Updating thresholds	Consumer Price Index: all items	Five year moving average of expenditures on FCSU
Resource measure	Gross before-tax cash income	Sum of cash income, plus in-kind benefits that families can use to meet their FCSU needs, minus taxes (or plus tax credits), minus work expenses, minus out-of-pocket medical expenses

Source: Census Bureau (2011)

Figure 3. SPM Resources Estimates

SPM Resources = Money Income From All Sources	
<p>Plus:</p> <ul style="list-style-type: none"> • Supplemental Nutritional Assistance (SNAP) • National School Lunch Program Supplementary Nutrition Program for Women, Infants, and Children (WIC) • Housing subsidies • Low-Income Home Energy Assistance (LIHEAP) 	<p>Minus:</p> <ul style="list-style-type: none"> • Taxes (plus credits such as the EITC) • Expenses Related to Work • Child Care Expenses* • Medical Out-of-Pocket Expenses (MOOP)* • Child Support Paid*

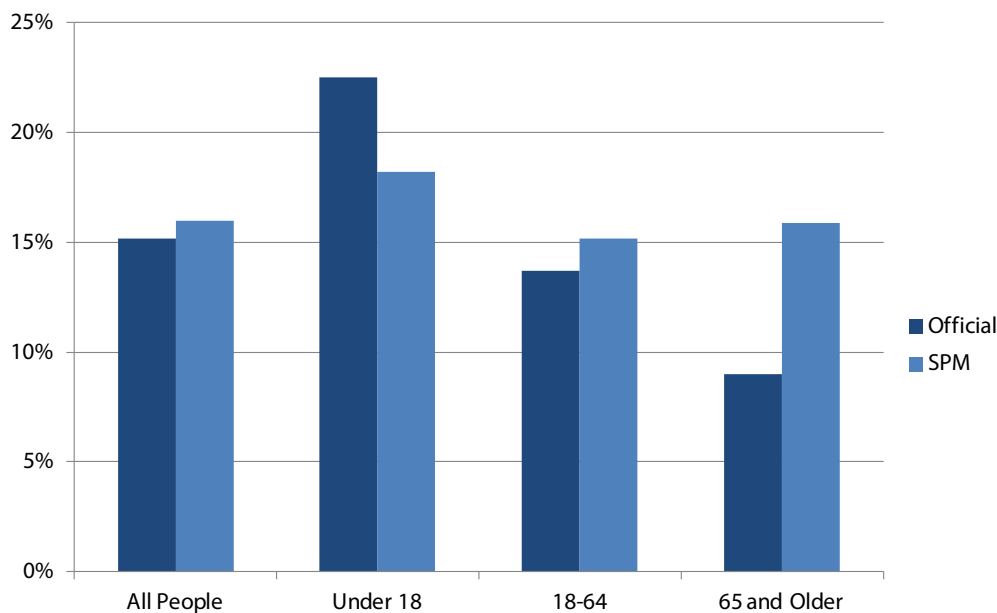
*Items for which data from new Current Population Survey Annual Social and Economic Supplement questions are used in the SPM estimates. Source: Census Bureau (2011)

What Does the SPM Tell Us?

Under the SPM's broader methodological approach, the Census Bureau reports that there were 49.1 million people, or 16 percent of the population, living in poverty in 2010; under the official poverty measure, the figures are lower, at 46.6 million people, or 15.2 percent of the population. As seen in Fig. 4, the SPM provides higher poverty estimates than the official measure for adults 18-64 (15.2 percent versus 13.7 percent) and for seniors over age 65 (15.9 percent versus 9 percent), but lower estimates for children (27.7 percent versus 36.1 percent).

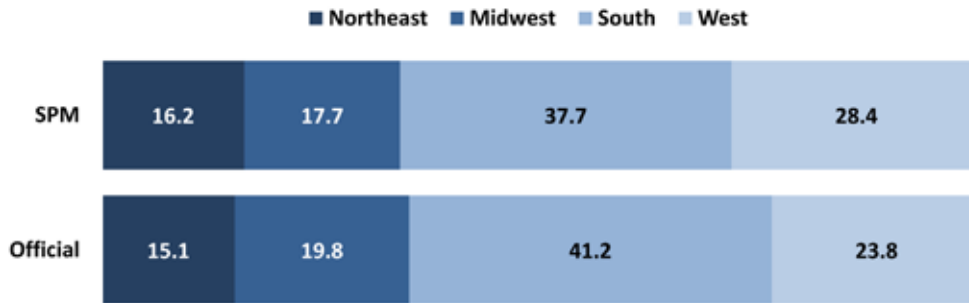
Another interesting result is the impact of regional price differences on the geographic distribution of the population living in poverty. As seen in Fig. 5, under the official measure, 23.8 percent of the poor lived in the West, but under the SPM, this figure increases to 28.4 percent. This difference reflects the fact that the SPM takes geographic price differences in the cost of housing into account, while the official measure does not. A similar effect occurs for the Northeast region.

Figure 4. Poverty Rates for Total Population and by Age Group, 2010



Note: Official measure includes unrelated individuals under the age of 15
 Source: Current Population Survey, 2011 Annual Social and Economic Supplement

Figure 5. Distribution of Poverty by Region, 2010



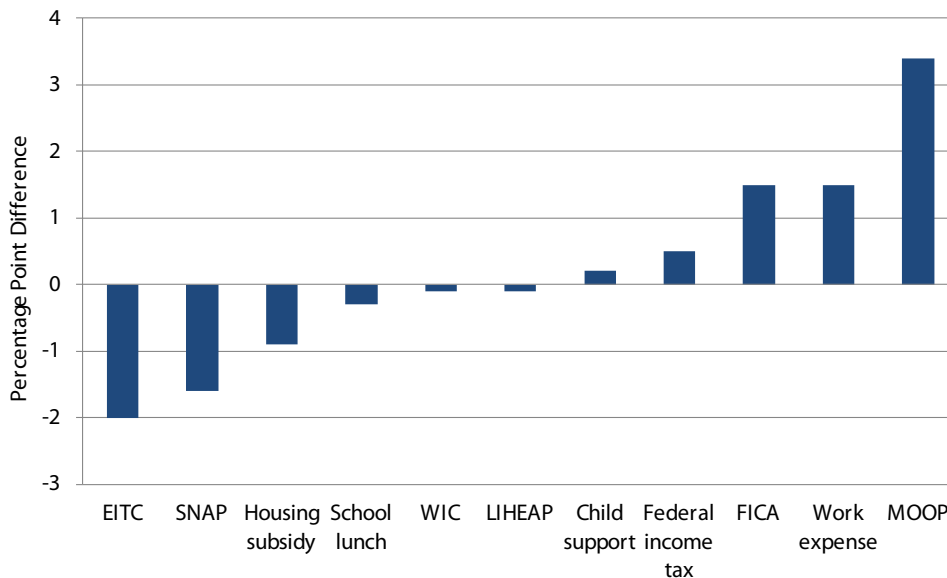
Source: Current Population Survey, 2011 Annual Social and Economic Supplement

Conclusion

Figure 6 shows the effect of additions and subtractions of various elements to the SPM for 2010, holding all else equal. For example, in 2010, the overall poverty rate under the SPM was 16 percent. If everything else remained unchanged, but the value of the EITC was excluded from the resource estimation, the poverty rate under the SPM would be 18 percent; thus the EITC effectively reduces the SPM poverty rate by two percentage points (or six million fewer people in poverty). Similarly, the inclusion of SNAP (food assistance) benefits results in a negative 1.7 percentage point difference in the poverty rate. If medical out-of-pocket (MOOP) expenses were not accounted for, the SPM poverty rate in 2010 would be 12.7 percent; the inclusion of MOOP expenses thus effectively increases the SPM poverty rate by 3.3 percentage points. Work-related expenses similarly lead to a positive 1.5 percentage point difference in the SPM poverty rate for 2010.

The SPM provides an updated estimation of the poverty thresholds that take into account a broader set of economic factors, such as government benefits, taxes, and necessary expenses. However, the SPM estimates remain supplementary and do not have any impact on federal benefits eligibility, which remains dependent upon the official poverty measure. Ultimately, both the official measure and the SPM are only estimates of poverty by definition. For example, the SPM estimates that a greater proportion of seniors and a smaller proportion of children are in poverty, relative to the official measure, but the actual economic hardships facing these individuals remain unchanged. In addition, the SPM measures income poverty, which is only one component of the complex set of factors that determines the present and future well-being of low- and moderate-income individuals. However, the SPM and the official poverty measure enable data and research that are critical for understanding the landscape of poverty in the U.S., making them important resources for the community development field. **CI**

Figure 6. Difference in SPM Rate After Including Each Element, 2010



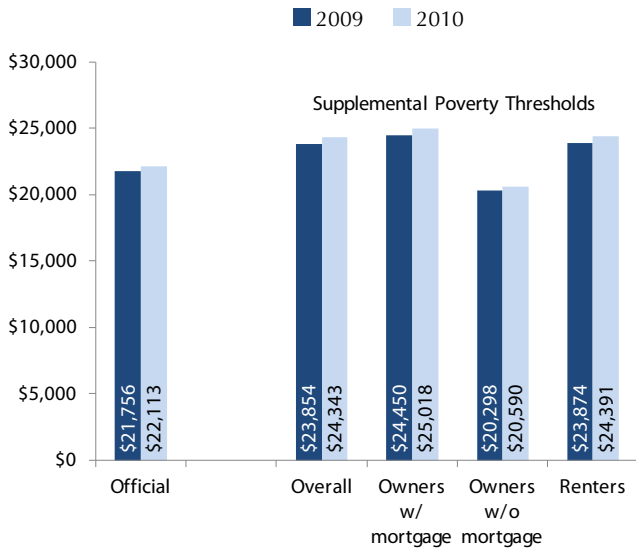
Source: Current Population Survey, 2010 and 2011 Annual Social and Economic Supplement

DATA SNAPSHOT

Data Snapshot: Poverty

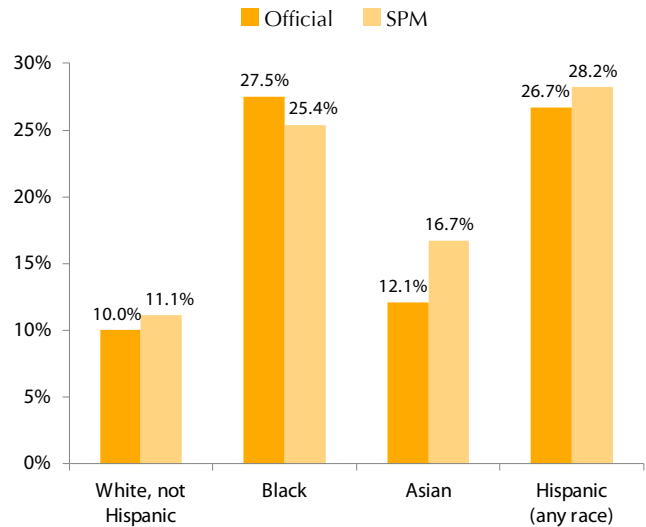
In November of 2011, the Census Bureau released new research findings on the Supplemental Poverty Measure (SPM), an alternative approach for estimating the prevalence of poverty in the United States. To learn more about the SPM and how it compares to the official measure, see the article on page 24 in this issue.

Official and SPM Thresholds, 2009 and 2010



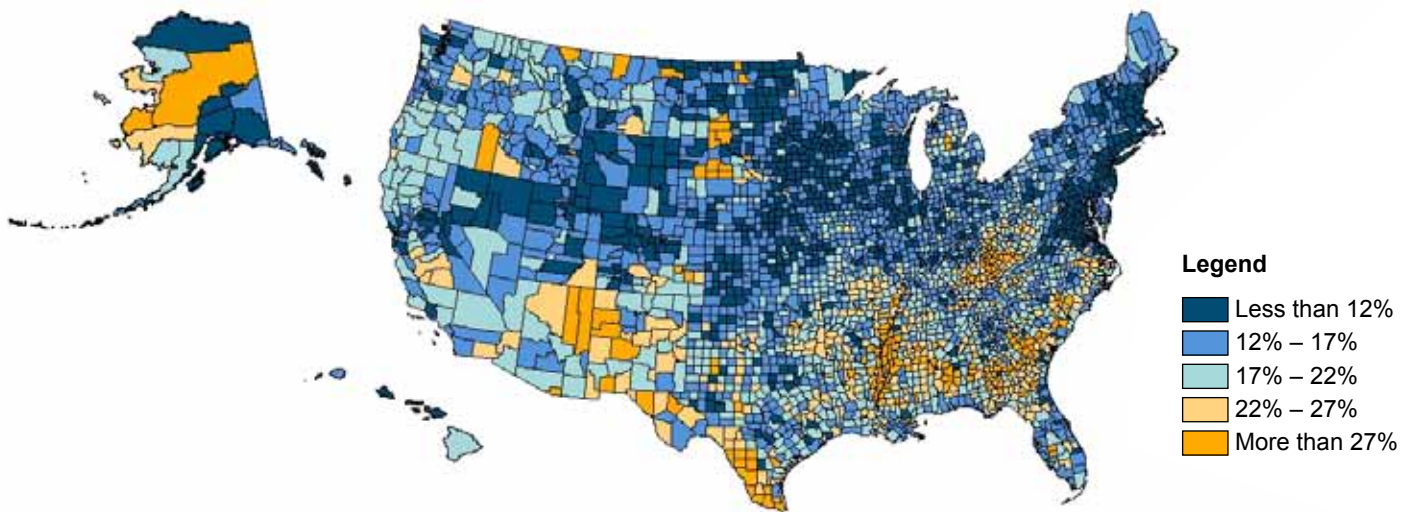
Note: Thresholds for a family of four (two adults and two children)
Source: U.S. Census Bureau

Poverty Rates by Race and Ethnicity, 2010: Official vs. Supplemental Poverty Measure



Source: Current Population Survey, 2011 Annual Social and Economic Supplement

Official Poverty Rate by County, 2010



Source: U.S. Census Bureau, Small Area Income and Poverty Estimates 2010

RESEARCH BRIEFS

Income Inequality and the Academic Achievement Gap

The trend of rising inequality has important implications for the life chances of low-income children, who are more likely than their higher-income peers to face multiple challenges when it comes to achieving academic success. The income gap has widened over the past forty years, but has the achievement gap between children in high- and low-income families also widened?

Sean Reardon of Stanford University addresses this question, using data from nineteen nationally representative studies that provide information on the math and reading skills of students born from the mid-1940s through 2001. He finds that the achievement gap between children from high- and low-income families is 30 to 40 percent higher among children born in 2001 than among those born twenty-five years earlier. He further posits that the income achievement gap has been growing for at least the past fifty years, although the data are less definitive for children born before 1970.

Reardon notes that the income achievement gap is now nearly twice as large as the black-white achievement gap, whereas half a century ago, the black-white gap was one and a half to two times as large as the income achievement gap. Furthermore, rising income inequality does not appear to be the primary reason that the income achievement gap has grown. Instead, Reardon suggests that “a dollar of income (or factors correlated with income) appears to buy more academic achievement than it did several decades ago.” A given difference in family incomes now corresponds to a 30 to 60 percent larger difference in achievement than it did for children born in the 1970s. At the same time, the relationship between parental education and children’s achievement has remained relatively stable during the last fifty years, which suggests that the growing income achievement gap is not the result of a gap between children with parents of varying levels of education. Indeed, family income is now nearly as strong as parental education in predicting children’s achievement.

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Immigrants and the U.S. Safety Net

Beginning with the 1996 federal welfare reform law, many of the central safety net programs in the U.S. eliminated eligibility for legal immigrants, who had been previously eligible on the same terms as citizens. These dramatic cutbacks affected eligibility not only for cash welfare assistance for families with children, but also for food stamps, Medicaid, State Children’s Health Insurance Program (SCHIP), and Social Security Insurance (SSI). In a recent paper from the National Bureau of Economic Research, Marianne Bitler of UC Irvine and Hilary Hoynes of UC Davis examine the status of the U.S. safety net for immigrants and their family members.

The authors use data from the 1995 to 2010 Annual Social and Economic Supplement to the Current Population Survey (CPS), which collects labor market, income, and program participation information, as well as demographic information, including nativity status. The safety net programs measured in their analysis include Aid to Families with Dependent Children/Temporary Assistance for Needy Families, food stamps, Medicaid, State Children’s Health Insurance Program (SCHIP), Social Security Insurance (SSI), school lunch, Low Income Home Energy Assistance Program, and housing benefits.

The study finds that participation in the safety net declined for immigrants compared to natives, and the declines were largest for food stamps and SSI (both of which are the programs with the most severe restrictions for immigrants). Medicaid/SCHIP participation increased for immigrants compared to natives, which the authors suggest may reflect the success of outreach efforts of those programs to minority groups. When the authors compared immigrant versus native low-income households with children, it became apparent that immigrant households rely more heavily on earnings and less on the safety net than their native counterparts. They also find that labor market contractions during and after the Great Recession have led to larger increases in poverty for children in immigrant headed households compared to native-headed households. Further, their results indicate that the safety net offers greater protection from the economic downturn for children in native-headed households than for children in immigrant-headed households.

Bitler, Marianne and Hilary W. Hoynes. “Immigrants, Welfare Reform, and the U.S. Safety Net,” National Bureau of Economic Research Working Paper No. 17667, 2011. <http://www.nber.org/papers/w17667.pdf>

Final Evaluation of the Moving to Opportunity Demonstration Program

The Moving to Opportunity for Fair Housing (MTO) Demonstration Program, sponsored by HUD, began in 1999. MTO was designed to test whether offering housing vouchers to families living in public housing projects in high-poverty neighborhoods could improve their lives and the lives of their children by allowing them to move to lower-poverty neighborhoods. MTO recruited about 4,600 low-income families to participate in Baltimore, Boston, Chicago, Los Angeles, and New York. Families that applied were randomly assigned to one of three groups: (1) the experimental group received a housing voucher that had to be used to move into a neighborhood with less than 10 percent poverty and they also received counseling and assistance; (2) the Section 8 group received vouchers with no restriction on where they could move; and (3) the control group received no treatment.

The recently released final impacts evaluation highlights three important themes that emerged from the MTO demonstration. First, housing mobility programs result in families living in lower poverty and safer neighborhoods. Indeed, families in the experimental and Section 8 groups were more likely than the control group to live in higher-quality homes in lower-poverty and slightly less racially segregated neighborhoods, and to feel safer in their neighborhoods. Second, better health outcomes were associated with the opportunity to live in lower poverty neighborhoods. Members of the experimental and Section 8 groups were less likely to have extreme obesity and diabetes compared to participants in the control group. The adults and female youth (ages 15-20) in the experimental and Section 8 groups also experienced improved mental health and less psychological distress. Finally, there was no improvement in participants' achievements in employment or economic self-sufficiency, nor in the educational outcomes of children. Additionally, the children in the Section 8 and experimental groups were not significantly less likely to engage in most forms of risky or criminal behavior. Researchers did find, however, that male youth in the experimental group were significantly less likely to be arrested for drug distribution, compared to the control group.

When discussing the mechanisms through which MTO participants improved their outcomes, the authors hypothesize that MTO improved health by reducing psychological and social stress. They arrive at this conclusion because MTO led to better health outcomes without changing the most obvious casual pathways. For example, adults in the experimental group were much less likely to experience diabetes and extreme obesity, but there was no impact on diet or on the likelihood of having health insurance, or on other measures of medical care access. The authors recommend additional research on the causal pathways of neighborhood effects on health. At the same time, the authors hypothesize that MTO failed to improve labor market and educational outcomes because MTO only had modest effects on the mechanisms through which neighborhood environments are thought to affect these outcomes.

The authors suggest two lessons that can be gleaned from their findings. First, mobility programs may need to consider a broader definition of poverty than just poverty rates—access to jobs, availability of high-performing schools, and other neighborhood characteristics need to be considered when determining the relative “opportunity” that a neighborhood offers. The authors also emphasize that housing may be a channel through which low-income families can access greater opportunity, but housing alone is not sufficient for achieving additional benefits. Interventions that directly and effectively address individual-level barriers remain essential components in strategies to improve the long-term life chances of low-income families in addition to any housing mobility and neighborhood-based policies.

Sanbonmatsu, Lisa, et al. *Moving to Opportunity for Fair Housing Demonstration Program: Final Impacts Evaluation*. Study prepared for the U.S. Department of Housing and Urban Development. Washington: National Bureau of Economic Research, 2011. http://www.huduser.org/publications/pdf/MTOFHD_fullreport_v2.pdf

DOCTOR CRA

by John Olson



Dear Dr. CRA:

I couldn't make it out to Seattle this year for the National Interagency Community Reinvestment Conference, but my fellow CRA officers told me there were some great CRA training sessions. I want to make sure our CRA activities are top-notch this year. Can you share some of the key highlights from the conference and let me know how can I get caught up on what I missed?

Sincerely,
Sleepless Because I Missed Seattle

Dear Sleepless,

This year, we had over 750 attendees from across the country who participated in discussion, learning, and networking. The conference was divided into three tracks: the CRA compliance track, which covered everything from preparing for an exam to CRA program management best practices; the “Community Development in Practice” track, which covered a wide range of hot topics from cross-sector community investing to pay for performance models; and the National Community Development Lending School, which included hands-on classes for underwriting community development loans.

The material from the CRA track will be especially beneficial for CRA officers like you. The sessions that focused on the regulations featured expert panelists from the three regulatory agencies, who provided an overview of the CRA examination process, including how to prepare for an exam and detailed overviews of the exam procedures for large, intermediate small, and small institutions. Additional sessions covered topics such as the impact of U.S. Census data on CRA examinations and best practices in CRA program management. One session that you might be interested in is “High Impact CRA Activities,” led by senior examiners from two of the regulatory agencies. What makes an activity high impact? Some of the key considerations the panelists suggested include: the number of people served; the leverage the activity creates; the activity’s

sustainability; and responsiveness to community credit needs. They also provided suggestions on finding high impact CRA activities. For example, within your own bank, you could turn to:

- Commercial loan officers who originate community development loans
- Treasury manager who might know of community development investment opportunities
- Person/committee making donation decisions—could they target high impact activities?
- Small business loan officers who might have an idea about how to serve small businesses better or who could develop an add-on product
- Board members who might know of opportunities

Additionally, you could also tap into suggestions from outside the bank by gathering information from affordable housing developers, nonprofit organizations with a community development mission, social service agencies, or a CRA officers group.

We’re sorry you couldn’t make it to Seattle in person, but there are plenty of ways to experience the event! You can watch video highlights and access all conference presentations and materials from our website, <http://www.frbsf.org/community/seattle2012>. We hope to see you in 2014!

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