

Quarter One 2021

CNote Quarterly Impact Report



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Letter from CNote's Head of Business Development



As CNote's VP and Head of Business Development, I am constantly on the lookout for new ways to expand our reach and get more capital into the hands of small business owners and nonprofits in underserved communities across the country.

One of the biggest changes that I have seen over the past year is the increasing importance for corporations to demonstrate their cause and thought leadership. Corporations want to double down on their Diversity, Equity, and Inclusion (DEI) initiatives to show their employees, shareholders, and clients that they are following through on their promises.

This has meant that Corporations have sprinted to drive investments through CDFIs into the financially underserved, often BIPOC communities, that really need it. In this way, CDFIs have continued to be a catalyst for the long term, high impact, and sustainable change that financially disadvantaged communities so desperately need.

In looking for the communities across the country that desperately need an infusion of outside capital to survive or grow, we have noticed the trend that they are often communities of BIPOC Women, which traditional banks have been hesitant to invest in.

Contrary to this long-standing lending prejudice, [research done](#) by ICA, as a part of the [Wisdom Fund](#), has shown that loans to women of color present no elevated risk over other demographics of borrowers.

Deployment of capital to communities of BIPOC Women is good business, that will have a snowball effect in impact; helping communities stand on their own two feet now and transforming it over time. This impact can be seen in the [building of playgrounds and affordable housing units](#), a [children's language learning center being able to survive the pandemic](#), or a [child's daycare center](#) being able to stay open so their parents could continue working.

This is transformational and empowering, not only for the business owner or non-profit leader, but for each and every member of that community that benefits from that service- be they someone who gets to live more affordably, or a child who receives the fairly priced speech therapy they so desperately need. None of this would be possible without CDFIs driving outside investment into largely neglected areas.

At CNote, it is our privilege to continue partnering and supporting our CDFI partners at every turn. If you have any questions about CNote, our partners, or how you can work with us, please don't hesitate to contact me at Danielle@mycnote.com

Thank you for reading!

A handwritten signature in cursive script that reads "Danielle".

Danielle Burns
CNote VP and Head of Business Development

In Quarter One of 2021, CNote Deployed

59% of Dollars to Low-and Moderate-Income Communities

That money went on to fund community leader Gloria Dickerson, founder of We2Gether Creating change, a nonprofit dedicated to showing the people of Drew, Mississippi how to thrive despite poverty. She worked with all age groups in classes ranging from financial literacy to mindfulness and meditation. But Gloria knew that if she was going to help her community move from poverty to prosperity, she was going to have to find a way to make physical improvements to Drew.

That's when Gloria contacted CNote partner, HOPE Credit Union. Not only was HOPE able to provide Gloria with a PPP loan to keep her two staff members employed, but they also funneled grant dollars, which went towards tearing down decrepit houses and building affordable housing in their place.



"If it wasn't for HOPE, I would have had to lay off my employees," Gloria said. "I'm glad I was able to keep them, and I'm grateful that we were able to get that funding, because we wouldn't have been able to continue with things unless I was able to keep those two on."



In Quarter One of 2021, CNote Deployed

47% of Dollars to Women-Led Businesses

Julia Sleeper-Whiting initially moved to Lewiston, Maine to study animal care at Bates College. However, after being placed in an English Language Learning (ELL) class, Julia became intrigued by education.

After graduating, she continued to offer homework help and tutoring to the community and in the Summer of 2011, she co-founded Tree Street Youth—a summer youth camp for the same students she worked with throughout the year.

Two years after opening, Julia received word that the building they had been renting was being put on the market. In desperation, Julia googled, 'How a nonprofit purchases a building'. The Genesis Fund, a CNote CDFI partner, popped up. Julia connected with Bill Floyd, then executive director of the Genesis Fund, who came down to the building and told Julia "You're going to own this in a year." Bill was true to his word. Within 12 months, Tree Street Youth owned the building.



"Tree Street literally grew out of the community, no pun intended," Julia said. "There's been so much influence from so many people over the years. It's an example of what can truly happen when every member of a community comes together to support their kids, and how empowered kids can truly change a whole community."



In Quarter One of 2021, CNote Deployed

62% of Dollars to BIPOC-Owned Businesses

These investments ended up in many businesses that were heavily impacted by COVID, like Felicia Parks' Jimmy Johns, which she opened in the same Atlanta neighborhood she had grown up in.

Felicia initially connected with Access to Capital for Entrepreneurs (ACE) for business coaching, but when COVID hit and her sales dropped 64% she needed more than coaching; she needed capital.

After being rejected from all the traditional financial institutions and banks that she had used in the past, Felicia finally received a bridge loan from ACE to keep her head above water. Slowly, she was able to bring back more of her employees, particularly the single parents whose kids were doing remote learning from home.



"I didn't grow up wealthy," she said. "I grew up in one of those situations where a lot of kids don't make it through; but, I was blessed enough to make it. So, I just always want kids to know, no matter where you are, you can bring yourself out of that with hard work and dedication and commitment and focus, and you can get anywhere you want to be."



In Quarter One of 2021, CNote Created or Maintained

436 Jobs

To date, investments and deposits
in CNote have resulted in the
creation or maintenance of over

4,500 Jobs



A Note on CNote's Impact Report Timing:

As an intermediary lender to CDFIs, CNote provides CDFI partners 45 days after the close of the prior quarter to report financial and impact data; this is to afford CDFIs the opportunity to complete quarter-end close activities unimpeded. CNote then reviews submissions and conducts follow up as needed. Because the data is aggregated on a weighted average basis, incomplete or inaccurate submissions can materially impact quarterly reporting, CNote attempts to resolve any data gaps discrepancies over the next 45-day period. The result is about a quarter lag of when the data is reported, though this timeline can extend depending on other factors including fiscal year end of the CDFI. For example, CNote CDFI partner data for the January 1, 2021, through March 31, 2021 period was due May 17, 2021. CNote then used the rest of May and June to conduct follow-ups for missing data and reviews of submitted data.



CNote Firm Update

Everything that we do at CNote is orientated towards creating a positive and sustainable impact for financially underserved communities. By driving investments to our CDFI and low-income designated credit union partners, CNote is fighting to close the wealth chasm and build a more inclusive economy.

That is why it was particularly exciting to be selected to the [Impact Assets 50](#) list for the second consecutive year. The IA 50 is one of the most recognized databases of impact investment fund managers and is a gateway into the world of impact investing for high-net-worth individuals, corporations, foundations, and other institutional investors. We are thrilled to see the investments this will drive towards the CDFI universe.

Beyond driving capital to our nationwide network of CDFI partners, CNote is committed to highlighting their work, past and present, as well as their needs. In March, CNote's Head of Community Development, Stacy Zielinski, was featured in the [CDFI Coalition](#), where she discussed three things that will support the continued success of the CDFI industry: universal accessibility, flexible and reliable sources of capital, and the opportunity to develop at their own pace.

By highlighting CDFIs in this way, CNote amplifies the efforts and results that CDFIs bring to financially underserved communities, as well as the obstacles that exist on the path towards a more inclusive economy. By candidly sharing these struggles, CNote drives both interest and capital to troubled areas so that CDFIs can continue their transformational work.

To that end, CNote was also featured in a wide array of publications, including [Forbes](#), [MorningStar](#), and [ImpactAlpha](#). This spotlight on CNote's work is truly exciting, as the end result will be the funneling of more impactful dollars towards the hands of those working towards community and economic development and empowerment.



CNote Portfolio Update

CNote continues to see no delinquencies, no modifications to address loan repayment difficulties, and no loan losses to date since inception across its entire lending portfolio.

Across the board, CNote CDFI borrowers saw strengthening financial indicators in Q1 2021. Most borrowers saw continued increases in net assets relative to the prior quarter. Most borrowers in CNote's lending portfolio also saw preserved or increased levels of cash, preserved or decreased levels of delinquencies, and preserved or decreased levels of charge-offs.

These stable or improved financial trends point to a muted economic impact on CDFIs from COVID-19 through Q1 2021, despite some federal relief measures expiring in fall 2020 and the anticipated ensuing decline in their respective portfolio quality. CDFIs, by and large, didn't see that decline, continuing the trend of limited delinquencies and loan losses, and otherwise stepped in and surged additional state and local resources and philanthropic support with troubled borrowers as needed.

"Since the creation of the CDFI Fund more than 25 years ago, CDFIs have played an increasingly important role in opening access to capital and economic opportunity in low-income communities and for low-income people. At the end of 1997, there were 196 certified CDFIs, with total assets of \$4 billion. There are now more than 1,200 certified CDFIs, operating in every state, with assets of over \$220 billion. The collective capacity of this field to deliver fair and responsible financing is growing rapidly."

- Noel Andrés Poyo, Deputy Assistant Secretary for Community and Economic Development



CNote Portfolio Update

The relaunching of the highly successful PPP program (that ended in August 2020) in early January 2021 also provided CDFIs and its borrowers with another avenue of support, working capital support for businesses that had not previously received a PPP loan or that could demonstrate eligibility and need for a second PPP loan. With an original deadline of March 31, 2021 extended to May 31, 2021, PPP was an extra lifeline for businesses and CDFI portfolio quality through Q1 2021 and much of the following quarter. Quite a number of small business CDFIs paused normal lending activities and redirected efforts towards PPP originating activities, and in this regard, lending data in Q3 2021 and beyond is expected to be more indicative of the longer-term performance outlook of CDFIs, particularly small business lenders.

At the time of writing this summary, CDFIs also saw a major financial boost imminent in their future. On June 15, 2021, the CDFI Fund announced allocations to 863 CDFIs from the Rapid Response Program, a \$1.25B supplemental appropriation for the fund to provide grants to CDFIs to support, prepare for, and respond to the economic impact of the COVID-19 pandemic. CNote is pleased to share that all of its current CDFI borrowers received allocations through this program, with all except two receiving the max allocation of \$1.8MM. In practical terms and in most cases, these allocations will translate into similarly-sized net asset gains over the next 12 months, as CDFIs are set to receive and must otherwise obligate 90% of those funds in the next year. While the allocation allows for some minimal use towards operating expenses, the vast majority will be used by CDFIs as lending capital or to otherwise strengthen its balance sheet through collateralized loan loss reserves.

"By one measure every dollar injected into a CDFI catalyzes eight more dollars in private sector investment. That means that today's announcement might lead to an additional \$10 billion in investment."

-Secretary of the Treasury, Janet Yellen



Thank you for reading.

If you have any questions or would like to inquire about partnering with CNote, please email info@mycnote.com

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