

CNote



QUARTERLY  
IMPACT  
REPORT  
Q3 2023



this  
must be  
the place

# GENERATING IMPACT

As a certified B Corporation and a Delaware public benefit corporation, CNote has a purpose of advancing economic and social justice by unlocking access to impact investments. We seek to build a more inclusive economy by driving capital to under-resourced groups via impact-driven financial institutions that are on the front lines of supporting community needs. CNote builds solutions to make sustainable change by incorporating community voice and the values of co-creation into all aspects of their work.



Azul Sanchez, CEO of Comunidad Latina Federal Credit Union, a new partner depository institution

## Empowering Communities with Aligned Community Financial Institutions

CNote collaborates with community financial institutions (CFIs) to provide transformative capital to communities through our fixed income and Impact Cash® programs. These institutions undergo a comprehensive evaluation of their financial as well as impact capabilities prior to onboarding. CNote deploys investor funds from fixed income offerings through community development financial institution (CDFI) loan funds, while our Impact Cash solution diversifies investor deposits across a network of impact-focused banks and credit unions, including those designated as Minority Deposit Institutions (MDIs). [Recent groundbreaking research from the National Bankers Association \(NBA\)](#) highlights the impact banks with an MDI designation have in the communities where they are located.

**41%**

of CNote's Impact Cash participants have an MDI designation

**Exploring the MDI relationship to payday lending and economic mobility, for example, NBA found:**

*"Counties with more Black-owned bank branches [MDIs] have significantly fewer payday loan stores."*

*"The counties where MDIs were located had a higher share of economically mobile people (11%) than non-MDI branches (8%) and non-MDI community banks (7%)."*

# FIXED INCOME SOLUTIONS

CNote's fixed income solutions allow both institutional and individual investors to fund targeted impact initiatives while diversifying their portfolios. Investments in CNote's Flagship Fund, Wisdom Fund, and Custom Notes support CDFI loan funds that offer affordable and accessible financial products to help entrepreneurs start and grow small businesses, provide families with affordable housing options, and expand access to healthcare, education and other community resources.

CDFI loan funds used fixed income capital from CNote investors to support the following lending activity in Q3 2023:

**80%**

of loans originated to Black, Indigenous, and People of Color (BIPOC) borrowers

**73%**

of loans originated to low-to moderate income (LMI) communities

**77%**

of loans originated to women-led businesses

Loans originated in Q3 2023 resulted in:

**60**

jobs created/  
retained

Loans originated since 2017 have resulted in:

**8,887**

jobs created/  
retained

## Resilience in Action: CDFIs' Proactive Solutions to a Changing Economy

As interest rates rise and economic uncertainties persist, traditional financial institutions often tighten their lending practices. This can leave out groups like LMI borrowers, BIPOC individuals, and women entrepreneurs. CDFIs, on a mission to serve these under-resourced communities, have been stepping up to close the gap. The rate shift has sparked a noticeable increase in demand for CDFIs' supportive lending services, which in turn leads them to seek additional funding to maintain operations.

Despite the challenges, CDFIs remain steadfast in their commitment to community well-being. Going beyond immediate capital needs, these community lenders continue introducing innovative financial solutions to tackle obstacles. An outstanding example is the implementation of climate-related financing, underscoring CDFIs' ability to address current concerns while staying true to their primary goal of community empowerment.

# Growing the Wisdom Fund

**The Wisdom Fund (WF)** is a fixed income vehicle that provides access to low-cost, flexible capital for women of color (WOC) entrepreneurs. It was co-created with CDFIs to bring new thinking, experimentation, and sustainable solutions to drive wealth creation. In addition to capital that directly supports entrepreneurship, CDFI loan funds in the Wisdom Fund portfolio participate in the Wisdom Fund Collaborative, which provides peer learning opportunities and occasional grant support.

## Business Consortium Fund joins Wisdom Fund

Founded in 1984 by the National Minority Supplier Development Council, the Business Consortium Fund (BCF) exists to empower entrepreneurs by advancing equitable capital access for business owners of color. It provides funding and advice to certified minority businesses operating in the supply chains of the nation's largest corporations, as well as the supply chains of government organizations. It is the only CDFI focused on supplier diversity and 100% of the loans they make support entrepreneurs of color.

## CNOTE BORROWER SPOTLIGHT

### Michea Rahman Increases Affordable Childcare Access with TruFund

WOC-Owned Business · Early Child Development · Disability Services

**TruFund** is a CDFI in CNote's Wisdom Fund portfolio that invests in small businesses in Alabama, Louisiana, New York, and Texas. TruFund tailors its financial and technical assistance to the unique needs of each site—from contractor mobilization lending in New York and Louisiana to rural Black Belt initiatives in Alabama.

They supported Michea Rahman, the founder of Children's Language Center, a pediatric speech therapy office that blends quality care and affordability for children with autism and language delay. Michea received a loan from TruFund which gave her business the momentum it needed to survive. Michea also took a marketing class through TruFund, which helped her to grow her business.

Read the full story [here](#).



# IMPACT CASH®

CNote's Impact Cash is a technology solution that provides clients a single administration point for deposits targeting social impact. Deposits are deployed with a network of impact-driven depository institutions that support BIPOC and LMI communities, as well as women entrepreneurs. Impact Cash deposits are offered to banks and credit unions to help them meet the changing needs of communities with supportive lending activities. This includes small business lending; affordable housing programs; financing for infrastructure developments; climate resilience and energy efficiency lending; and safe and affordable consumer lending products.

**Impact Cash network institutions used deposits to support their overall lending activity. In Q3 2023, institutions reported:**

**49%**

toward lending to BIPOC borrowers

**55%**

toward lending to LMI communities

**71%**

of assets deployed in community as loans

**63%**

of branches in under-resourced areas

**Institutions supported individuals with low and no credit scores:**

**670**

average credit score of borrowers

## Strengthening Trust in Community Banks and Credit Unions

Amid FDIC scrutiny of major banks' uninsured deposit handling, community banks and credit unions stand out for their security and reliability. With insured deposits reaching up to 91% of total deposits, these impact-driven institutions offer financially stable and impactful diversification options to investors and corporations.

Data from the National Association for Federally Insured Credit Unions (NAFCU) [unveils credit unions' and community banks' connections to community](#), with **91% of deposits** fully insured for credit unions and 70.36% for community banks (compared to 50% insured at national and regional banks.) Q1 2023 National Credit Union Administration (NCUA) data revealed a **\$39 billion (2.3%) surge in insured** shares and deposits, supporting increased momentum to very high levels of insured deposits amidst economic uncertainty.

Beyond financial resilience, these community financial institutions (CFIs) exhibit deep commitments to impact and social change. Rooted in member-driven principles, CFIs work with underserved communities, and that is reflected in their offerings. Notably, the [increase in credit unions](#) with a low-income designation—53% in Q1 2022 to 55% in Q1 2023— exemplifies an alignment with impactful banking. **Additionally, between 2019 and 2023 we saw a nearly 60% increase in the number of banks, and an 82% increase in the number of credit unions, with a CDFI designation.**

# CNOTE BORROWER SPOTLIGHT

## Carver Federal Savings Bank and DREAM charter school works together to keep schools open for under-resourced students

Education · Community Development

For over 73 years, **Carver Federal Savings Bank** has provided New Yorkers with capital and banking services, emphasizing support for minority and women-owned businesses. They partnered with DREAM, a network of public charter schools and community youth development programs dedicated to equitable opportunities and lifelong learning. Carver's assistance secured \$6 million in PPP loans for DREAM, which enabled them to preserve full staffing, an uninterrupted class schedule during the pandemic, and sustain their "extended-day, extended-year" model. This includes a free afterschool and summer program, while ensuring a safe and nurturing environment for scholars and families. Carver Federal receives deposits through CNote's Impact Cash program.

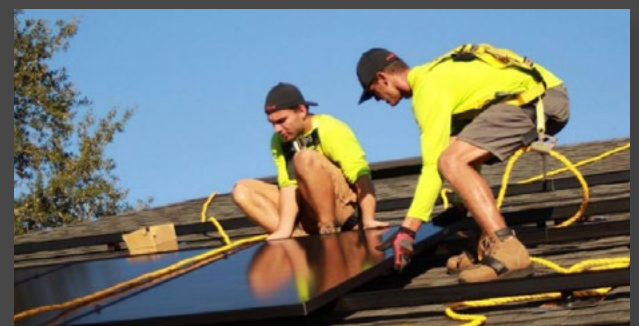
Read about their work [here](#).



# INVESTORS WITH HEART

Climate change is a pressing reality that is disproportionately affecting lower-wealth communities. While solutions like energy-efficient retrofitting offer promise, cost barriers often exclude marginalized groups. As investor interest in climate justice grows, CFIs can play a pivotal role. Impact-driven banks, credit unions, and CDFI loan funds offer tailored financial solutions, especially for marginalized communities. CFIs also champion green finance programs, spanning clean energy, energy-efficient housing, and good and green jobs created through sustainable businesses.

Inclusiv, the community development credit union association, highlighted that more than 400 CDFI, credit union and MDI lenders already offer green lending products and have originated more than \$2.68 billion in green loans in recent years. One credit union alone has reported that since 2017 the nearly \$200 million they've invested in clean energy or other green loans for member households has **offset an estimated 700,000 tons of annual carbon dioxide emissions so far.**



(Photo by Raze Solar / Unsplash)

As more investors rally behind CFIs, they have an opportunity to advance climate justice alongside financial inclusion. Some CNote's CFIs with Flagship Fund investments or Impact Cash® deposits lead on the implementation of impactful green lending programs:



**The Chicago Community Loan Fund (CCLF)** provided an equipment/working capital loan to The Plant, a former meatpacking plant in Chicago's Back of the Yards neighborhood. The Plant is converting into a net-zero social — and sustainable — enterprise center. With CCLF's backing, The Plant acquired an anaerobic digester, capable of diverting 10,000 tons of food waste from landfills while powering the building. Additionally, combined heat and power turbines were installed to achieve its net-zero goal. Funds invested in the Flagship Fund were packaged into a loan to support CCLF and their work.



**Hope Credit Union** and its affiliates (HOPE), whose members face the highest energy burdens in the country, supported energy efficiency improvements to housing in a majority Black neighborhood within their service area. Energy audits revealed that the upgrades reduced energy leakage by 72% per home, saving homeowners more than \$171 in utility expenses per month. HOPE receives deposits to support their lending through the Impact Cash program.

## CNote: Out & About

**Featured on Commerce Conversations Podcast:** Our CEO, Catherine Berman, was highlighted on the Commerce Conversations podcast by Commerce Ventures. This engaging episode delved into the dynamics of leading a social impact and fintech business. Cat discussed diversification opportunities in a post-SVB economy and addressed greenwashing, shedding light on the intersection of social impact and finance. Listen to the episode [here](#).

**Amplifying the Role of Credit Unions:** CNote's recent credit union webinar sparked productive discussions among executives. The session spotlighted the pivotal and efficient role credit unions play in driving direct financial progress within underserved communities. Insights from industry leaders, including Rodney E. Hood of the NCUA, Renee Sattiewhite of AACUC, and Mike Schenk of CUNA, highlighted credit unions' contributions to member well-being and the broader economy. View the recording [here](#).

**Fostering Fintech Innovation:** CNote participated in the sixth annual InOHvate conference as one of six fintechs selected to demo their fintech offerings for credit unions in the Midwest to foster further innovation. The event, hosted by Corporate One Federal Credit Union and the Ohio Credit Union League, provided a platform for dynamic presentations and technical demos.

*"At the InOHvate conference, I discovered how credit unions leverage innovation to thrive amidst new challenges like heightened competition. We saw how solutions like CNote's Impact Cash program can augment their efforts to support members and keep pace with change. Credit Unions' unwavering focus on members, coupled with their ability to turn challenges into opportunities, reaffirmed the resilience and forward-looking spirit of the industry."*

— Lindsey Hamilton  
Operations and Finance  
Manager



*Some of the team from Kauai Federal Credit Union, a depository receiving Impact Cash® deposits. Read their story [here](#).*

Click here to view the [CNote Impact Glossary](#)  
For more information email [info@mycnote.com](mailto:info@mycnote.com)

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