

CNote®



QUARTERLY
IMPACT
REPORT
Q4 2023



IMPACT SPOTLIGHT

CNOTE BORROWER SPOTLIGHT

Kaua'i Federal Credit Union Provides Relief for the Restaurateur

Chef John Paul Gordon's life took an unexpected turn when the challenges of homeownership in Kaua'i collided with the tumultuous rental market of the pandemic. Previously an executive chef catering to tourists on the island, John Paul found himself unemployed and navigating the difficulties of making ends meet. The median home price on Kaua'i surged from \$800,000 to \$1.8 million during this period, adding further strain to his already precarious situation. Like many locals, he was forced to juggle multiple low-wage jobs to navigate through these housing challenges.

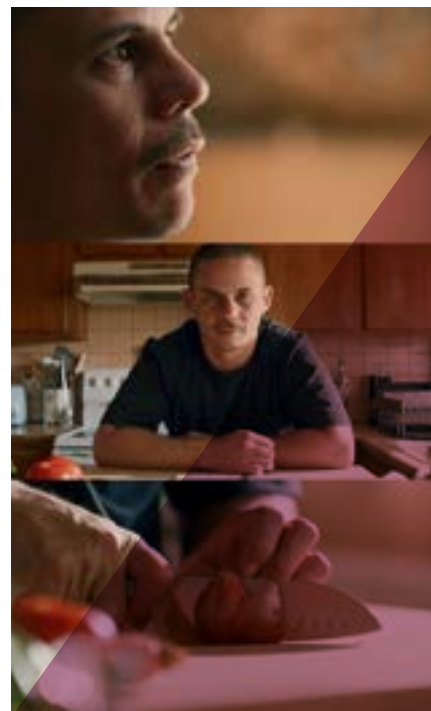
Fortunately, he was connected with Kaua'i Federal Credit Union (KFCU), a CNote Impact Cash® partner, which had received federal dollars as a part of the rent relief initiative to help support under-resourced communities struggling with rental payments.

With the money he was able to save through the rent relief program, John Paul was able to take on almost \$50,000 in debt to launch Table at Poipu. Within three months of opening, John Paul was debt-free, and in his first year, John Paul projects the restaurant will make \$1.6 million in revenue. Better yet, he's been able to employ and provide full benefits for nearly 30 employees.

John Paul is back to paying \$5,000 a month for his two-bedroom, one-bath rental duplex, but he's thankful that he had 15 months of rent relief. It helped him both to get through the trials and tribulations of the COVID-19 pandemic and to make his dreams of owning his restaurant come true.

"The rent relief program gave me the freedom to fail," he said, "and I just went for it."

Read the full story [here](#).



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 underresourced 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 our work.

Beyond Numbers: Assessing Impact Through Community Integration

CNote's impact framework, developed to assess and report on the positive impact made by community financial institutions (CFIs), includes a key category: "community integration." ([Read more](#))

This category helps us gauge how closely CFIs remain connected to the underserved communities they serve and the strategies they use to adapt their products and services in response to evolving community and borrower needs. One aspect that can strongly support community integration is the governance structure of the institution, serving as a means to embed accountability to underserved communities. All of CNote's CFIs are impact-driven financial institutions and have governance structures that support underserved market accountability including:

CDFIs demonstrate accountability through advisory boards comprised of members from the under-resourced communities they serve.

Impact-driven credit unions feature boards elected by the membership, composed of the credit union's members.

Mutual banks are directly owned by their depositors and don't have external shareholders.



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. These products help entrepreneurs start and grow small businesses, provide families with affordable housing options, and expand access to healthcare, education and other community resources.

CNOTE BORROWER SPOTLIGHT

David Akinniyi, Baltimore Community Lending

Baltimore Community Lending (BCL) is a mission-based CDFI in CNote's Flagship Fund portfolio whose loans help low-income, low-wealth, and other disadvantaged communities join the mainstream economy.

They supported David Akinniyi, founder and owner of the Akinniyi Group, a real estate development and leasing company based out of Baltimore. Akinniyi bought a parcel of land where he planned a multi-family apartment building. While he'd purchased prebuilt properties before, constructing a new build was a more challenging experience. BCL helped Akinniyi secure better interest rates than other lenders were offering and provided him with the mentorship he needed to make sure no details were overlooked.

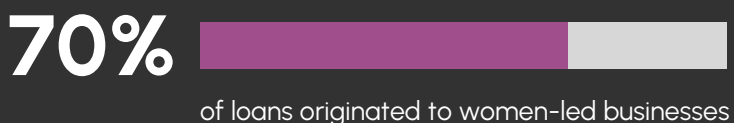
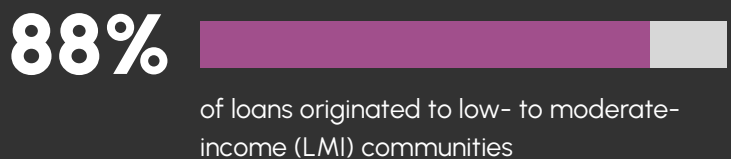
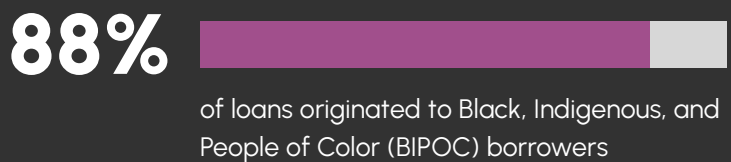
Thanks to Baltimore Community Lending's diligent work and partnership, David completed construction on the building and has begun welcoming tenants faster than would have been possible on his own. Unlike out-of-town real estate opportunists, Akinniyi plans to stay in Baltimore. He hopes his new apartment building and the larger residential community he's planning, will provide a home for residents who want a decent place to live and thrive.

"I just really want people to have a good place to live. It's not just for money. It's more to enhance the city."

Read the full story [here](#).



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



Loans originated since 2017 have resulted in:

9,435
jobs created/retained

5,866
affordable housing units created

Navigating Capital Challenges: The CDFI Balancing Act

In a challenging capital environment, CDFI Loan Funds face a significant hurdle as the cost of new capital has sharply risen to 7.5% compared to the average 2.5% over the past five years. This increase limits CDFI Loan Fund's ability to maintain low loan product rates essential for meeting the needs of low-income borrowers and underserved communities.

"The rising rate environment has caused traditional lenders that have supported CDFIs to slow down their support," noted Chuck Wall, CFO of Renaissance Community Loan Fund. "This has caused us to halt funding new first mortgages that do not qualify to be sold to correspondent partners, as our available financing capital is rapidly diminishing. This is a large portion of our mortgage financing business."

As CDFI Loan Funds grapple with raising capital, they face a surge in demand for their products. Traditional lenders' tightened activities redirect more borrowers to community lenders like CDFI Loan Funds. The higher cost of capital remains a significant challenge, restricting their ability to fully meet this growing demand.

A promising strategy is emerging in secondary market transactions. CDFI Loan Funds are increasingly leveraging loan sales and participations, freeing up capital crucial for originating new loans. This approach provides a vital avenue to navigate the challenges posed by the current capital environment.

In the face of high interest rates, securing impact investing capital becomes paramount for community financial institutions. This capital infusion is essential to meet the escalating demand for loans supporting small businesses, affordable housing, and the development of vital community facilities in under-resourced areas.

Wisdom Fund Updates

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.

ICA Fund (ICA), one of CNote's Wisdom Fund CDFI Participants, recently published a new research report, **"Small Business Levers of Wealth Creation"** which sought to test the effectiveness of ICA's integrated advising and investment model on driving wealth creation in diverse communities. Dianna Tremblay, Chief Program and Strategic Initiatives Officer, shared some of their key learnings at the Wisdom Fund Collaborative's Q4 2023 meeting. Key results included:

- 1** Business growth is higher when founders have access to both advising and capital, instead of just one.
- 2** Seeking capital leads to stronger growth, and ICA programming can help encourage this, especially among POC + women founders.
- 3** ICA investments help founders secure additional capital — for every \$1 invested by ICA, portfolio companies raised an additional \$7.
- 4** Employees of ICA companies are more diverse, better compensated, and more likely to get benefits.

CNOTE BORROWER SPOTLIGHT

TruFund and Poppin-With-A-Purpose Entrepreneur, Tanesha Sims-Summers

TruFund — is a 501(c) 3 certified CDFI loan fund headquartered in New York City with field offices in Alabama and Louisiana. TruFund provided a \$50,000 loan to Naughty But Nice Kettle Corn Co., a gourmet, hand-popped kettle corn company based out of Birmingham, Alabama, to complete the build-out of Naughty But Nice Kettle Corn Co.'s food truck — Miss Poppy — and to provide some extra cushion for miscellaneous expenses. *"We would not have been able to be up and running and popping around the city without that investment from TruFund," Tanesha said. "But they didn't just offer us lending, they offered us education."* As entrepreneurs, sometimes we do need capital, but sometimes we need to learn how to be more efficient, how to streamline our processes, and how to allocate money effectively so that we can continue to grow."

To date, Tanesha has also taken advantage of several of TruFund's program offerings, and through the CDFI, has connected with and learned from fellow entrepreneurs across Birmingham to strengthen her business.

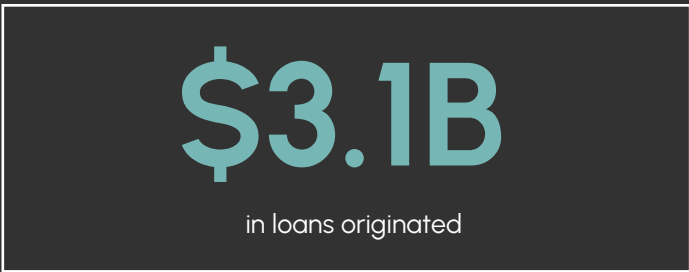
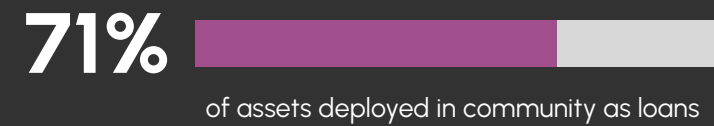
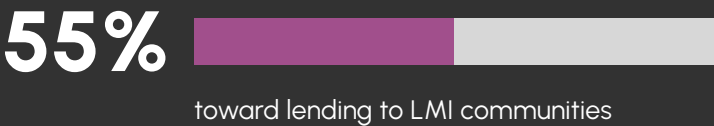
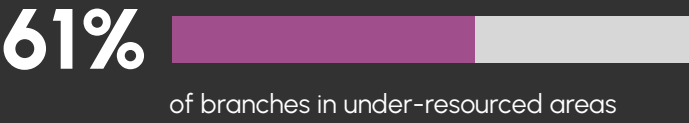
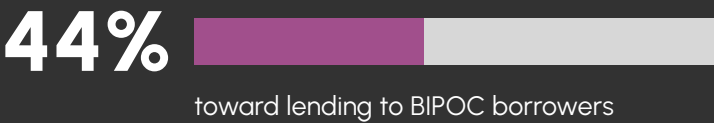


Read the full story [here](#).

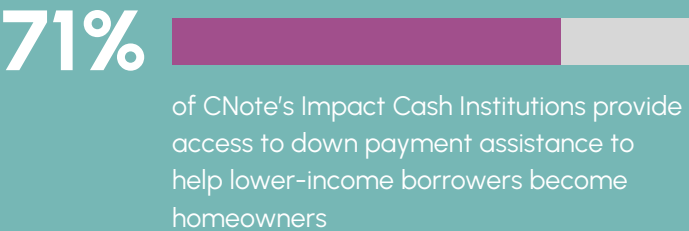
IMPACT CASH[®]

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 Program institutions used deposits to support their overall lending activity.
In Q3 2023, institutions reported:



Affordable Housing Highlights



Impact Cash Program's Financial Performance as of Q3 2023:¹



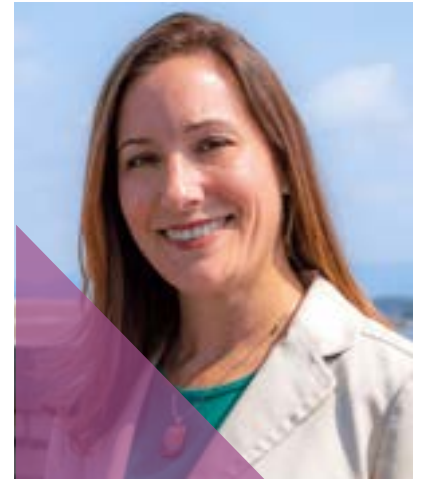
CNOTE BORROWER SPOTLIGHT

Freedom First Credit Union and their Common-sense Approach To Homeownership

One of Freedom First's signature programs is its affordable housing program, where they take a "common-sense" approach to helping people get into homes, even in some of the most physically segregated cities in the country. In other words, Freedom First is willing to work with unbanked and underbanked individuals and to offer situational lending opportunities to nontraditional borrowers because the credit union knows its community better than anyone.

For example, around Roanoke, the majority of firefighters work nine 24-hour shifts a month. Although many of these firefighters also work as emergency room technicians or paramedics, a large percentage of firefighters work seasonally. Unlike other lenders, Freedom First is willing to take the average of a firefighter's seasonal and part-time income to determine what kind of down payment assistance or first-time homebuyer loan they can qualify to receive.

In 2022, Freedom First made \$26M in home loans to borrowers throughout their service area to LMI borrowers, secured \$222,997 in down payment assistance for their borrowers through partner organizations, and prevented 7 home foreclosures with emergency assistance.



Allison Wolf, Housing Advocate at Freedom First



Read the full story [here](#) when posted Q1 2024

Navigating the Digital Frontier: Fintechs Empowering Mission-Driven Finance

As the financial landscape undergoes rapid transformation, propelled by technologies such as robobanking and user-friendly apps, consumer expectations for a robust digital interface are on the rise. However, decades of undercapitalization, ongoing capacity constraints, and staffing challenges have left many mission-driven financial institutions struggling to keep pace with the evolving spectrum of digitalization.

In response to this challenge, mission-driven banks and credit unions are increasingly turning to fintech partnerships to stay competitive. According to Cornerstone Advisors' [What's Going On in Banking 2023 study](#), there are about 500 community banks and credit unions making direct investments into fintech startups. These collaborations leverage the community ties and trust inherent in mission-driven banking, and the agility of tech-savvy fintechs to rapidly develop new solutions.

Partnerships with fintech solutions are viewed as essential for streamlining operations, retaining customers, and enhancing efficiency. Research indicates that [fintech integration actively lowers financial intermediation costs](#), resulting in increased efficiency. Additionally, research done by the FDIC during the pandemic found that

banks with robust financial technology capacities demonstrated better readiness to provide emergency capital to small businesses, creating a positive feedback loop of adaptability and resilience.

Digitalization represents an opportunity for mission-driven financial institutions to expand their lending footprints and deepen their impact. The growing fintech collaborations enable these institutions to foster innovation, bridge the digital gap, and help grow their balance sheet.

Financial institutions curious to learn more should check out the National Banker's Association's [Fintech playbook](#) to help guide MDIs on how to partner with technology companies or check out CNote's webinar with CUNA, ["Navigating Volatility | Insights and Strategies for Credit Unions in a Challenging Economy"](#) to hear more from experts about the role of fintechs in credit union success in the current economic environment.

INVESTORS WITH HEART

T.RowePrice®

CNote collaborates with corporate and foundation clients to diversify their deposit base, achieving both yield and social impact via our cash management solution, Impact Cash. A recent profile by [Treasury Management International \(TMI\)](#) spotlights the successful partnership with T. Rowe Price, an Impact Cash client, and shares how Vice President and Assistant Treasurer Evantz Perodin leveraged the platform to integrate their social impact goals with the company's corporate treasury portfolio. The TMI article gives a thorough review of how we work with corporate clients, and provides a nuanced exploration of this collaboration's success, emphasizing the delicate balance between financial priorities and societal change.

Key Highlights

Strategic Partnership for Social Impact:

Motivated by the Black Leadership Council's commitment to narrowing the racial wealth gap, T. Rowe Price sought a partner to enhance its social impact. CNote identified through a proprietary selection process, proved uniquely positioned to align with T. Rowe Price's social impact goals, providing the ideal expertise, knowledge, and technology.

Real-world Impact Through Deployment:

T. Rowe Price's commitment, deployed through CNote's Impact Cash solution, reached over 50 mission-driven financial institutions. The funds have been instrumental in supporting loans to BIPOC and low-to-moderate-income communities, showcasing the tangible outcomes of impactful cash management.

Balancing Treasury Priorities and Impactful Goals:

The collaboration underscores the delicate balance between traditional treasury priorities and impact goals. While social impact remains paramount, T. Rowe Price emphasizes the continued monitoring of financial positions, ensuring alignment with social impact objectives without compromising financial prudence.

[Read the full article](#) to learn more about the collaboration with T. Rowe

CNote out and about:

NBA Annual Conference: Danielle Burns, VP of Partner Success, recently attended the NBA Annual Conference for Minority Depository Institutions. Engaging with industry partners, Danielle explored vital themes for banks like adapting to CRA Changes, navigating climate-related financial risks, and preparing for the changing CDFI Certification Application being released. The conference also shed light on technology challenges, data-driven impact strategies, and MDIs' pivotal role in climate finance. These insights will guide CNote's continued support for MDIs in their diverse initiatives.

OFN Conference: Julia Phipps, Director of Due Diligence, shares insights from the OFN conference, exploring the theme "Capital Meets Purpose." Attendees engaged in impactful meetings on CDFIs' role in climate justice, the future CDFI workforce, and financial management. The event prioritized expanding expertise in crucial areas like climate lending and talent recruitment/retention, aligning with CNote's commitment to supporting the growth of CDFIs' lending programs.

Money 20/20: Aimeelene Gasper, CNote's Chief Product Officer, spoke at Money 20/20 in Las Vegas. Her session explored how financial technology platforms enable secure, diversified investments for corporate finance teams while scaling the impactful work of community-focused lenders—without sacrificing yield.

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

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CNote tracks and monitors institutional and financial metrics (for internal purposes only) as reported on a quarterly basis in Impact Cash participating bank and credit union call report data, published by the FDIC and NCUA respectively.

Institutional Age Average: the average age (in years) of each institution as of 2022.

Capitalization: This calculation measures an institution's core capital against its total assets to reflect the bank or credit union's ability to safeguard against potential losses and protect depositor's interests.

Net Charge Off Rate: This metric assesses the proportion of outstanding loans that a bank or credit union deems uncollectible compared to its total loan portfolio, providing insights into the quality of its lending practices and its resilience to loan defaults.

Deposit Growth Rate: This indicator measures the rate at which a bank or credit union's deposit base changes quarter over quarter, reflecting its effectiveness to attract and retain deposits. It often can serve as a gauge for customer confidence and institutional stability.