Incorporating Racial Equity into LISC’s Impact Rating

LISC’s Impact Matrix incorporates racial equity into every dimension using indicators* that are both racially explicit and racially informed.

- **Community-Centered**: Was the project designed/programmed with input and influence from the community? Is the project located in an area that was historically redlined or in a majority-people-of-color (POC) community? Does this initiative or program explicitly target POC clientele?
- **Who**: Who leads the sponsor? Who serves on the board of the sponsor? What are the demographics of the sponsor’s workforce? What are the demographics of the project/professional services team?
- **Contribution**: Does the borrower fall outside traditional lending standards?
- **Risk Mitigation**: Does the borrower consider diversity, equity, inclusion and justice in its culture and hiring practices? Do the borrower demographics match the demographics of the intended beneficiaries or community? Does the investment support maintaining existing residents in the community?
- **Alignment**: Does the project align with LISC’s and the local LISC office’s strategic goals?
- **Effectiveness**: What is the scale, depth, and duration of the intended impact?

Impact Rating Example

Impact Matrix scores are reviewed for relative performance compared to the portfolio (radar graph) and overall impact (table).

<table>
<thead>
<tr>
<th>DIMENSION</th>
<th>MAX SCORE</th>
<th>ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community-centered</td>
<td>26/30</td>
<td>High</td>
</tr>
<tr>
<td>Who</td>
<td>19/20</td>
<td>Very High</td>
</tr>
<tr>
<td>Contribution</td>
<td>8/15</td>
<td>Moderate</td>
</tr>
<tr>
<td>Risk (Mitigation)</td>
<td>13/15</td>
<td>Very High</td>
</tr>
<tr>
<td>Alignment (What)</td>
<td>14/20</td>
<td>Moderate</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>28/30</td>
<td>Very High</td>
</tr>
<tr>
<td>Overall</td>
<td>107/130</td>
<td>High</td>
</tr>
</tbody>
</table>

Note: This is not an exhaustive list of indicators in the Matrix. For more, check out introducing the LISC Impact Matrix.
Impact vs. Expected Profitability Scatterplots

The 56 loans totaling ~$108MM brought to Credit Committee Jan–June 2022 are widely distributed across impact score and expected profitability, with a smaller segment of highly profitable loans subsidizing lower return loans.

Outlier Cases

Unique loan circumstances and characteristics produced more extreme internal rates of return.

How LISC is using the Impact Matrix

Current Uses & Benefits

- Bring impact to the discussion of every loan LISC approves
- Identify places for increased impact in individual loans, including technical assistance and grant opportunities
- Communicating our impact to a diverse audience including partners, investors & communities
- Sharing our experience & learnings to build CDFI IMM capacity
- Align to globally accepted industry standards & frameworks

Next Steps

- Refine financial performance metric to better reflect actual costs & benefits
- Incorporate learnings about impact, financial performance & risk into overall lending strategy
- Identify characteristics of high impact loans for future resource development & fundraising efforts
- Integrate Impact Matrix into existing LISC reporting about impact
- Expand impact measurement & management practices to other aspects of LISC’s work

Lessons Learned

Solicit Feedback Early & Often

- Bring staff – not just leadership – into the process in order to ensure buy-in & alignment to existing processes & priorities
- Make sure diverse voices – both by demographics but also by job type, experience level, etc. – are included in feedback sessions
- Don’t just listen – incorporate feedback into your matrix to show staff that their ideas are valued
- Establish a set cadence to incorporate ongoing feedback

Be Flexible to Different Project Types

- Try to strike a balance between being too rigid or too lax in analyzing different project types
- Different project types create vastly different impacts – think an affordable housing development vs. a childcare center vs. a grocery store
- Allow for deal specificity in your matrix without creating too many different categories that create comparison difficult
- CDFIs do not fund “one size fits all” projects – be flexible as new projects or products come up

Utilize a Phased Implementation Plan

- Build time into your adoption plan to learn about & refine your matrix
- Before setting any specific targets or goals, make sure you & staff understand how that will change strategy or affect other goals, like volume
- Solicit ideas from staff across the organization about how to use matrix data internally & externally