

CDFI Technology Landscape Scan: Key Themes from Technology Providers

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Introduction

In recent years, the Covid pandemic highlighted the need for quality technology solutions. In conversations with both technology providers and CDFI practitioners, Fund CI has heard story after story of how technology was a major differentiator at the start of the pandemic – were CDFIs able to transition quickly to a virtual environment? Were lenders able to adapt quickly to launch Covid response products and/or Paycheck Protection Program (PPP) loans? Beyond the Covid crisis, the ability to adapt to changing technology environment continues to be a differentiator as CDFIs seek efficiencies to better leverage their staff; buildout online options to interface with clients; compete with online lenders; adapt to new opportunities; etc. Other researchers have documented the benefits of embracing technology for CDFIs. In particular, the Urban Institute’s *Leveraging Technology to Scale up Small Business Lending*¹ provides an in-depth and thorough overview.

Fund CI entered this research with the observation that both the CDFI industry and the technologies that support them are changing. CDFIs continue to evolve new products and approaches to meeting their missions. But, in an ever-changing environment, how can CDFIs identify the best platform, or platforms, to meet their needs? To tackle this question, Fund CI conducted interviews with 15 technology providers to learn more about their platforms.

The interviews are compiled into a series of profiles, presented with the intent of these profiles is to introduce technology providers from an ever-changing landscape. Our initial set of profiles is not comprehensive of all providers, though we welcome other technology providers to join our landscape analyses.

These interviews also allowed us to learn more about how technology providers interact with the CDFI industry, and vice versa. Fund CI sought to explore how technology providers are responding to the evolving environment and how they can help to create efficiencies. Advances in technology, such as Artificial Intelligence (AI) are entering everyday use in a range of ways and are much on the news. Through the interviews, we also explore what trends in technologies will most likely affect CDFIs.

This Technology Landscape Scan highlights the key themes from the technology provider interviews:

- 1) Involvement across the organization is crucial for success.**
- 2) Start with a clear understanding of internal processes and workflows.**
- 3) Good data leads to good outputs.**
- 4) With a broad range of solutions available, consider how to configure them to your CDFIs' workflow needs and budget.**
- 5) Many CDFIs have basic technology advancements that they can make to add efficiency and security to their operations.**

Process

Fund CI contacted 20 technology providers working with CDFIs. The list of potential participants was created based on technology providers with a booth or that attended the 2023 OFN conference, in addition to several other providers who were identified by an online search. Ultimately, 15 companies responded to the inquiries and participated in interviews. We recognize that the list is not comprehensive, and we welcome the opportunity to complete additional interviews to add to the landscape overview. Interviewed companies are listed in Appendix 1.

For consistency's sake, each interviewee was asked the same set of questions, which is available for review in Appendix 2. After the draft profiles were completed, they were circulated to the interviewee to edit and update as needed.

Research Notes

Interviews for this project were conducted in Quarter 1, 2024. The discussed features of each product may have changed since that time. We recommend that you contact the companies directly should have specific questions about their products and their features.

Fund CI has not tested the platforms and does not intend to make recommendations between the platforms. We recognize the use case and price considerations will vary greatly among CDFIs and we encourage readers to view these profiles as a starting point for consideration.

Key Themes from Technology Providers

Our intent with the profiles was to provide an additional resource for CDFIs to make more informed choices when selecting a technology platform. While this is fulfilled in the individual profiles that will follow this main report, the key themes that arose out of the interview can further inform those decisions and provide important insights for the direction of technology within the CDFI ecosystem overall.

1) Involvement across the organization is crucial for success.

A shift or update in technology systems is a major undertaking for an organization and it likely affects most, if not all staff members of the organization. Tech providers recommended the involvement of all levels of staff to be successful.

Executives and upper management need to push for the universal adoption of the new systems and often serve as cheerleaders for successful implementations. This push recognizes and respects that a new system and accompanying new processes can be challenging for staff. The successful adoption of a platform will require training and monitoring as the team shifts processes, which likely needs to come from management. One provider shared examples of management providing “carrots and sticks” for the adoption of new processes within an updated system, such as not moving a loan forward to loan committee until all fields were correctly entered into a new tracking system.

Technology changes can and should also be informed by all levels of staff though by drawing in input and feedback from users of the platform. Those that use existing solutions are best suited to understand what pain points that are may be remedied with a new platform. Staff who are front line, power users of the organization’s platforms are the most aware of their organization’s particular use cases and how workflows should be reproduced. Where possible, staff feedback should be incorporated in the design of workflows and fields in a new system. This helps to ensure a new platform accurately reflects the organization’s needs and aids in adoption as power users have greater buy-in on the new systems.

2) Start with a clear understanding of internal processes and workflows.

Many technology solutions are very flexible with a range of different modules or integrations to choose some. As such, an organization should have an understanding of how their internal processes and workflows work before seeking out or implementing a technology solution. Technology solutions should be considered tools to translate an organization’s processes and workflows into a new format. Several interviewees shared that implementation is often slower when the CDFI client is figuring out their internal processes and just what data points are needed along the way. This can lead to additional iterations and longer build time for platforms.

As noted above, utilizing an inclusive approach that includes staff from a range of functionalities who will be using the platform can aid this process by identifying all processes and workflows to be incorporated from the onset of a new technology project.

3) Good data leads to good outputs.

Related to the above, an updated technology solution is only as good as the data that an organization can input into it. This applies first to the conversion of any existing portfolio data into the new platform: if fields are missing or inaccurate, the new system will not generate them. For some organizations, this is an opportunity to go back and review past files to find any missing fields. However, if the data was not collected in the first place or was incorrect there may be holes in the past data.

Second, a transition in technology platforms is an opportunity to evaluate what data points are truly necessary. Most technology providers shared that an adoption of their platform includes a mapping process, which matches the CDFI's fields to the platform's existing fields and, if needed, building out new fields. This can identify what data redundancies or gaps, such as data points that may be collected at multiple points of interaction with the client or data that is not typically inputted into the tracking systems that would be beneficial for reporting.

4) With a broad range of solutions available, consider how to configure them to your CDFIs' workflow needs and budget.

In the growing field of technology providers that offer solutions catering to CDFI's needs there is a wide range of options that can be beneficial to many budgets and technology needs. Some systems seek to be an all-in-one solution and other focus on a part of the technology stack. While many CDFIs seek an all-in-one solution for overall efficiency, these can be more expensive and time consuming to establish and smaller CDFIs many need to focus on smaller scale implementations and identify technology solutions for a portion of their overall workload to achieve incremental improvements.

Many technologies utilize integrations and APIs to connect to each other. Integrations may be needed to complete workflows. Integrations can either be direct and through an API such that information flows between apps and platforms automatically or may require an export of data from one system to be uploaded into another. When considering a platform or a set of platforms, consider what level of automation you need and what is possible within your budget.

5) Many CDFIs have basic technology advancements that they can make to add efficiency and security to their operations.

As Artificial Intelligence (AI) moves more and more into the mainstream, it can be tempting to envision ways that AI and other new technologies can be beneficial for CDFIs. The

majority of technology providers interviewed for this project noted that their companies continue to monitor new opportunities and are open to adapting their platforms. However, at the time of the interviews, providers focused on more fundamental technology updates that would benefit CDFIs. Top amongst suggestions was ensuring data security to maintain successful operations and protect borrowers' information.

Many CDFIs would likely also benefit from expanding options for client interaction and improving the borrower experience. This may include document depositories to electronically share documents or portals for clients to make online payments and get an up-to-date snapshot of their accounts. Several of the technology providers noted that the ability to interact with clients online is of increasing importance to CDFIs as they experience more competition from online lenders who are already able to quickly respond to credit inquiries. CDFIs may have loan products that are more advantageous to borrowers in terms of their rates or terms, but if they are harder to access some borrowers may go with a faster, online option.

Conclusions

Stay tuned as Fund CI rolls out the profiles of participant technology providers. We encourage you to review each profile and contact the providers with specific questions.

Individually, each technology provider creates a technology solution for CDFIs, ranging from all-in-one platforms to specific solutions that can create efficiencies in particular parts of a CDFI's workflow. Collectively, they provide insights on the overall CDFI technology landscape as the industry continues to evolve. Having worked with hundreds of CDFIs, they also have importance lessons learned for CDFIs as they evaluate their existing technology solutions and consider undertaking technology updates. Overall, they help to illuminate what may seem fundamental but is important to the success of a change of the magnitude of a technology platform shift: A change in a CDFI's technology solutions is a substantial undertaking and in order to be successful, a CDFI should be thoughtful about who is involved in that process and identifying what can realistically be addressed with a technology platform.

Appendix 1: Interviewed Organizations

- Common Goals Software
- Craftsman Technology Group
- Data Select Systems: CLCS
- DownHome Solutions
- Fundingo
- High Impact Financial Analysis
- IvyTek
- Lending Front
- LivePlan
- LoanWell
- Ned
- Nortridge
- Orion First
- Presta
- SPARK
- Ventures Lending Technologies

Appendix 2: List of Interview Questions

Each of the profile participants was asked the following set of questions.

- 1) Can you give us a high-level overview of your products?
- 2) Where does your product fit into the work cycle of a CDFI? I.e. loan sourcing, origination, loan management etc.
- 3) Are there other systems that your product works with? How does the product integrate with other platforms and systems?
- 4) Knowing that it may be unique for each CDFI, what does onboarding generally look like?
- 5) Do you offer ongoing support and if so, how is that structured? What training is offered?
- 6) What makes adoption successful? What do you wish CDFIs knew before they began an implementation.
- 7) What types of CDFIs do you work with – are there some that are a better fit for your product?
- 8) What integrations or reports does your tech solution allow for in terms of CDFI reporting, CDFI certification, or other data requirements?
- 9) Do you have thoughts on how the industry has changed in recent years? Where do you think the industry is going in the next five years and what role will technology play in that change?
- 10) What hasn't been covered yet that you would want someone to know from the profile?

Sources:

- i. Theodos, Brett, Jorge Gonzalez-Hermoso, and Tola Myczkowska. 2022. Leveraging Technology to Scale Up Small-Business Lending: A Guide for Community Development Financial Institutions and Their Funders. Washington, DC: Urban Institute.
<https://www.urban.org/sites/default/files/2023-01/Leveraging%20Technology%20to%20Scale%20Up%20Small-Business%20Lending.pdf>

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