ELLEN SEIDMAN

So, first of all, I also want to thank the people who have put together, as Arjan pointed out, not only this conference but a long series of really spectacular events that keep bringing more and more interesting people together. Without stealing the thunder of the next panel, I hope, and without, hopefully, repeating some of what's come before, I want to do a little bit of sort of trying to summarize and pull together. I think that it's really important as we think about this area to start by saying "What are ratings or certifications for? What is the purpose of what we're doing?" So, one obvious answer is to attract investment, but of course, even that, as any number of people have pointed out isn't sufficient. We could be trying to attract investment to the industry as a whole or we could, obviously, be trying to attract investment to individual entities and this is, to some extent, where this spectrum of investors and kinds of investment comes along. Are we talking about a credit in institutional investors? Are we talking about retail investors? Are we talking about retirement accounts, family office, that kind of thing? But another use is to measure outcomes. And, again, measuring outcomes across an industry? Measuring outcomes of individual entities? Measuring outcomes of the activities of various subsets? Then we have the green washing issue which is to distinguish among those all attempting to or at least stating that they're meeting some goal. And, finally, what Paige [sp?] brought up which is encouraging those who are attempting to meet goals to improve their own performance. So, I think that while there's, you know, a temptation to focus solely on the investment issue, one of the things that we've really heard here is that there are multiple issues not only within the investment category but also beyond it; and it's important to think about that because what it's for determines a lot. If what you're trying to do is encourage investment in an industry, aggregated data may be just fine but it obviously is not going to be very useful if what you're trying to do is encourage or distinguish among different entities. So, and then, even when you get beyond that, what level of detail are you going to provide? So, a classic certification, CDFI, is either in or out but there are also gradations. So, a CRA rating has five grades? Four grades? Four grades; sorry, everybody wants five but there are only four. On the B Corp, yes, the certification is in or out but there's a wide range of-- it's a 200-point scale, right, of which only 80, you know, 80 is the cutoff but there are grades above and below. And then there's the question about the subparts [?] known. So, in a CARS rating, you know the financial piece and the impact piece and then there's also actually a third piece of that policy. In CRA, you can learn about, with a little bit of work, and Saurabh's right, it's not as transparent as it should be, about investment savings and lending and in various different markets, but with a CDFI, you know, it is or it isn't. So, that's another question. And then, of course, you have who does it and we've talked about self-certifying, external using data collected for other purposes which is really what NCIF does in its basic performance metrics, external using specifically generated data which, in some ways, is what CARS does or the government can do it. Another issue that we've clearly discussed here is so what are we trying to measure? And, you know, we talk about-- we use the word "impact" and I really think one of the things that we need to think about very seriously is that word because if you say the word "impact" to an academic they will ask you what the counterfactual is. And then they will ask you how you proved causation. And then they will ask you how you proved but-for causation. And when you're done with that even what Julia was talking about will look easy. And so, I realize that it's a nice world; it tends to make us feel like we're actually accomplishing something but I worry that what it does is it walks us into a trap that makes it virtually impossible to, in fact, demonstrate that we're doing anything, which doesn’t seem to me to be a really good idea. So, then we go back and maybe the word-- I mean, maybe we've been sort of defaulting here a little bit to the word "performance" and have been using it mainly to mean "financial performance" but I think we probably can also use it to mean how-- closer to what the CARS rating does which is "How well are we doing what we said we were going to try to do?" And so then we get into even more questions about, you know "How do we decide what's important? Over what timeframe?" I haven’t heard anybody talk about timeframe except where Paige was talking about trends but it's just-- it is so important and it gets us right back to this impact question because one of the very first meetings that we had here on this topic, we spent a lot of time talking about "How do we collect performance data for CDFI investments over the last 20 years?" So going backwards is, you know, could, in fact, provide us, we believe, with really good evidence, and these days when so many of our investments have been forced backwards by the external economic situation it sure would be good to have had the data from 2006, but how do we do that? How do we get ourselves in a position where we can go backwards? And then there's the opposite question; if we really want to prove impact, how do we go forward? And if what you want to demonstrate is that early childhood education really has this 17 times investment benefit that the Perry Preschool Project demonstrated that it had; yes, but they had to wait 20 years to actually get the measures. So then, you run into the next question of "Are there earlier proxies that you can use to measure the later results?" But I think what is really important for us to think about as we're doing that is to make sure that the research that connects the early proxy to the later results us robust, because if it is, then we may have a way of beginning to solve our problem, but if it isn't, then I don't think that we've moved the ball ahead all that much. And the, of course, what we--there's the related question which is "Is what's important measurable, consistently and who's paying for it?" Julia's question. Finally, on the government role; I just think it's worth listing out some of the things the government can do. Various people have talked about various of these. So, first of all, there's sort of elevating the strategy or mission; making it something people want to do. Either they want to do it because suddenly it's exciting.

The First Lady has used the bully pulpit to talk about healthy foods, to talk about obesity or because there's money in it. Green is important not only because of the bully pulpit but also because a lot of money from the government has been put behind it. Financial capability is another one that where I think it's more a bully pulpit kind of thing than a money going into it but the government has helped make this an interesting area to concentrate on. A second possibility, obviously, is incentives for investing and I think it's not just that the incentives are there; I've been intrigued over the years by the evolution of the new markets tax credit application and one of the things that has been very interesting about that is that the fund has used that application to direct things in various directions that it has decided over the years are more or less important. And so, it is a level of subtlety that is just beyond "Is the government helping to fund us?" Data? Clearly HMDA data was unbelievably important in making CRA a valuable tool in the '90s and continues to be important in, to some extent, helping us understand some of the things that went wrong. Ratings; the government can do that. And, you know, sometimes they make those ratings public and sometimes they don't. The question of whether CAMEL's ratings actually should be public is a really interesting one and it's a particularly interesting one since pretty much anyone on the street who invests in banks can reverse engineer CAMEL's ratings but the public can't and so that raises some interesting questions. Certification, and then finally support of other people's systems, and I think this is an interesting one to end on because it can be enormously amplifying in a positive way but it also can generate-- can be amplifying in a negative way and I just would ask us to think about how the government ended up, in essence, substituting rating agency judgment for its own judgment in many situations and thereby, in some ways, signal to the rest of the world that that was okay as something that probably we don't want to see repeated. So, thank you.