



**Capital  
Plus** Financial

Social Impact Learnings While

# **INVESTING IN DISINVESTED COMMUNITIES**

**2020**



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# A message from our CEO



*We made a promise to strive for deep impact*

2020 was as hard on our communities as it was for our country and the world. The Pandemic's hardships reminded our stakeholders and us of community importance and being there for each other. Capital Plus is proud to support our borrowers through the harrowing uncertainties of 2020 by offering forbearance and technical assistance for the city, state, and federal support programs.

As we look at merging our CDFI with a community bank to expand essential banking services to the underbanked and unbanked, the mission of Capital Plus to impact individuals and families remains constant. The causes of community disinvestments are complex. Fixing issues such as providing affordable homes & financing to underserved families can break the cycle of disinvestment and drastically improve residents and businesses' quality of life. The dream of homeownership for qualified borrowers and financial security for our most vulnerable will continue to drive us each day as we do our small part to bring positive change in our country. As our business goal is to create social change, we need to report on the difference we are making. Our impact management goals are to learn how our stakeholders see the change, learn their needs, use impact data for effective decision-making, build trust, improve accountability, and manage risks.

In 2019 we formally started the impact measurement process and promised to take an even deeper dive into learning stakeholder sentiment. This year we identified the gaps and revised our impact framework. We are happy to report that we stood by our stakeholders despite all the obstacles 2020 brought.

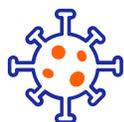
We also noted that while we could not satisfy all our borrowers' needs during the Pandemic, it reinforces our longer-term mission of merging our CDFI into a community bank. Through that we will be able to offer more products and solutions to underserved communities. Our impact learnings keep us motivated to serve better. Our impact journey continues as we enter 2021 with new hope.

A stylized, handwritten signature in black ink, appearing to read 'Eric Donnelly'.

Eric Donnelly, CEO



# Impact learnings at a glance



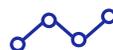
98.4% of our clients could keep their home during the pandemic



Our portfolio has 100% affordable homes



In 2020, 35% of loans originated to women



Annual portfolio retention is 97%



78% of clients are first-time homeowners



Our stakeholders are underserved but not underbanked

## Our Impact Learning Goals

- To learn how our stakeholders see the change
- To use impact data for effective future decision-making
- To build trust, improve accountability, and manage risks
- To learn the needs of our stakeholders and business to serve better

# Our Why

## WE CONSISTENTLY STRIVE TO WORK WITH FIRST TIME HOME BUYERS.

During a national health emergency, when the safest thing to do is a shelter at home, our country needs more housing stability, not less!

Our mission is to fill this gap.

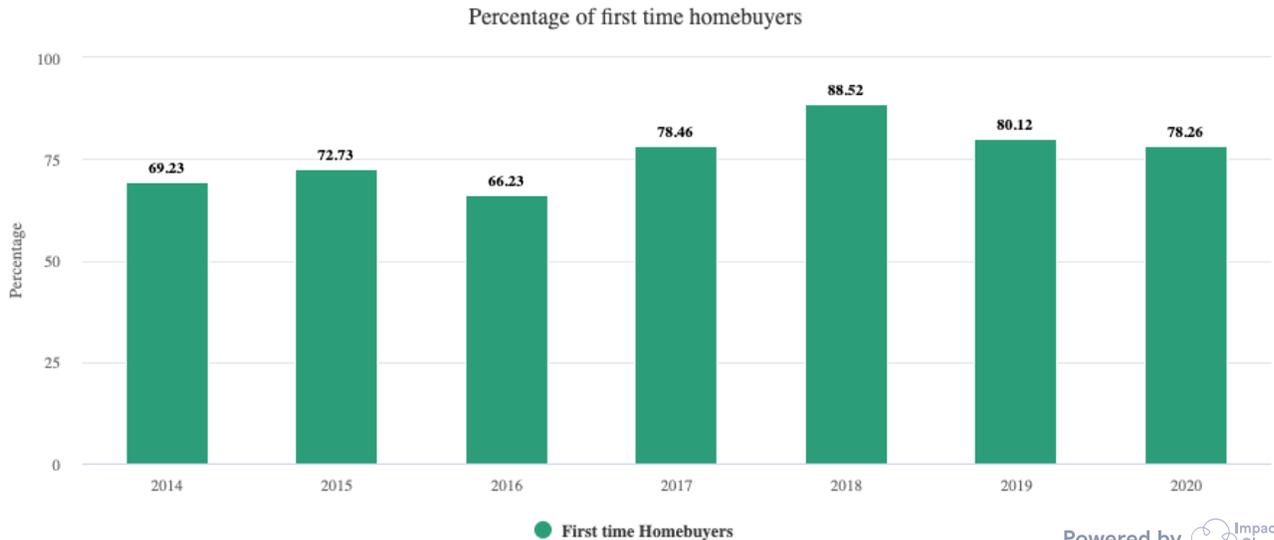
80.12%

2019

78.26%

2020

PERCENTAGE OF FIRST TIME HOMEBUYERS



### Did you know...



In 2018, 4.9 million Hispanic millennials (between the ages of 22 and 37) were "mortgage ready," many of whom are located in Texas.

- NAHREP 2019 Report

According to the 2018 U.S. Census Bureau and the Department of Housing and Urban Development (HUD) housing data, many families struggle with housing's rising costs. The intersection of discrimination, a tight housing market, and a lack of financial credit and affordable housing pushes families of color disproportionately into high housing cost burdens and unhealthy housing conditions.

# Barriers to first-time homeownership

## What keeps the Latino community underserved?

- Latino borrowers have lower credit scores than others
- Only 26 % of Hispanics claim to have advanced financial literacy (FINRA)
- Only 15% of Hispanic families have three months of living expenses saved compared to 42% of non-Hispanic families
- Latinos were denied a mortgage at a rate of about 15% higher than the rate experienced by Whites (UnidosUS)
- Latinos are more likely to live in severely inadequate housing than non-Latinos (2.04% compared to 0.97%)

More than ninety-seven percent (>97%) of our borrowers are from underserved Latino communities. They are a rising national powerhouse, but face barriers in finding affordable housing, which adversely impacts their overall health and often leads to economic disparities.

### TOP 5 BARRIERS TO HOME OWNERSHIP



Capital Plus Financial's mission is to remove these barriers to bring housing affordability, physical and mental stability, improved finances, and reduced health problems. We are proud of the journey we have made together with our stakeholders so far and are very excited to continue this journey in the years ahead.

## HISPANIC HOUSEHOLD FORMATIONS IN 2019

**31.4%**  
OF NET GROWTH  
**+435,000**  
NEW HOUSEHOLDS

SOURCE: U.S. CENSUS BUREAU



# Our Impact Approach

In 2020, we entered a new era of impact management, one in which social interventions have to meet a new standard - a higher standard of impact assessment. We envision and intend to integrate social and environmental factors into our financing decisions. 2019 was our first formal impact measurement and reporting initiative. As a purpose-driven B-Corp, we are committed to making the world a better place for future generations. We wanted to hear directly from our stakeholders how they see the change we are working hard to facilitate. The new impact approach incorporated learnings from the 2019 impact measurement.

## 1. Impact Strategy

In 2019 we systematically created a Theory of Change or Logic Model to understand the short-term Outputs and mid-term Outcomes. This year, we added a lens of five dimensions of impact from the Impact Management Project to acknowledge our work's positive and negative social change. We leveraged the new IRIS+ for selecting indicators.



## 3. Analyzing, Learning, and Demonstrating Impact

All the stakeholder feedback came seamlessly to Sopact Impact Cloud® to analyze, understand, and share results.

## 2. Stakeholder Feedback Collection

Stakeholders are the center of our impact learning journey. We used our learnings from last year's feedback and selected a revised set of questions per their 2020 needs. Questions were translated into Spanish, contextualized, and sent to our clients' mobile phones.

### How is impact learning changing in 2020?

- In light of COVID, we used new technology solutions such as Kobo ToolBox, Twilio, and Sopact Impact Cloud® to collect results with increased efficiency and safety.
- Modern technology is reshaping how social impact learning is evolving from only evaluation to continuous learning.
- This year we engaged more stakeholders to learn about social change.
- We received an actionable insight from the survey, which is easy to understand and communicate as it aligns with the five dimensions of impact.

# The Impact Management "Norms"

Aligned to the Five Dimensions of Impact, Sustainable Development Goals (UN SDG), and IRIS +



- CFP educates financially disadvantaged people to break the cycle of poverty and build a path to a fulfilling and financially secure future.
- CPF also provides a restored affordable home in Texas's densely urban areas below average market price plus no closing cost.
- To learn what changes these services bring to our community, we turned to five dimensions of impact by the Impact Management Project because this framework is useful in understanding the stakeholder's voice.

The Impact Management Project (IMP) provides a forum for organizations to build consensus on measuring, assessing, and reporting impacts on environmental and social issues. The practitioner community of over 2,000 organizations came together to debate and find agreement (norms) on impact management techniques.

The Impact Management Norms provide a common logic to help enterprises and investors understand their impacts on people and the planet to reduce the negative and increase the positive. These norms are measured across five dimensions:

**TABLE 1** The five dimensions of impact

Dimension	Questions on each dimension
 What	What outcome(s) do business activities drive? How important are these outcomes to the people (or planet) experiencing them?
 Who	Who experiences the outcome? How underserved are the stakeholders in relation to the outcome?
 How Much	How much of the outcome occurs across scale, depth, and duration?
 Contribution	What is the enterprise's contribution to what would likely happen anyway?
 Risk	What is the risk to people and planet that impact does not occur as expected?

# Impact Management Projects's 5 Dimensions of Impact

## ○ Who

Stakeholder type and characteristics

- Target Stakeholders
- Target Stakeholder Demographic
- Target Stakeholder Socioeconomics
- Client Individuals Female
- Client Individuals Low Income

## + Contribution

Our strategies that contribute to the impact

- Accepting that impact matters
- Engage actively
- Grow new or undersupplied capital markets
- Provide flexible capital
- Percentage of money that CapPlus lends from the total value of the house

## □ What

Strategic Goal and Importance of outcome to stakeholder

- Increasing residential stability
- Increasing residential safety
- Increased standard of living (measured by Client Retention Rate)

## △ Risk

- External and Drop-off risk for natural disasters/pandemic

## ≡ How Much

Scale:

- Number and percent of individuals housed and retained
- Client Individuals Total
- Client Individuals Active
- Client Individuals New

Depth:

- Change in Client Retention Rate

## HOW CHANGE IS HAPPENING?

- Number of Housing Units Improved
- Number of Housing Units Financed
- Number of Housing Units Constructed
- Percent Affordable Housing
- Client Feedback System
- Stakeholder Engagement

\*Impact management is an iterative process. We are continuously learning from our stakeholders to be able to serve them better.



# WHO

## Who do we serve? Stakeholder types and characteristics

- Our home buyers and loan borrowers are mostly from Hispanic communities. We consistently include borrowers without credit, and often women originate the loans.
- According to a Freddie Mac study, the rate of homeownership among Hispanics has improved to 47.5%, but 23.5 percentage points below the rate for whites (71%), based on 2019 data.



**97%**  
**MINORITY**

>97% of homeowners were Hispanic in 2020.



**35%**  
**FEMALE**

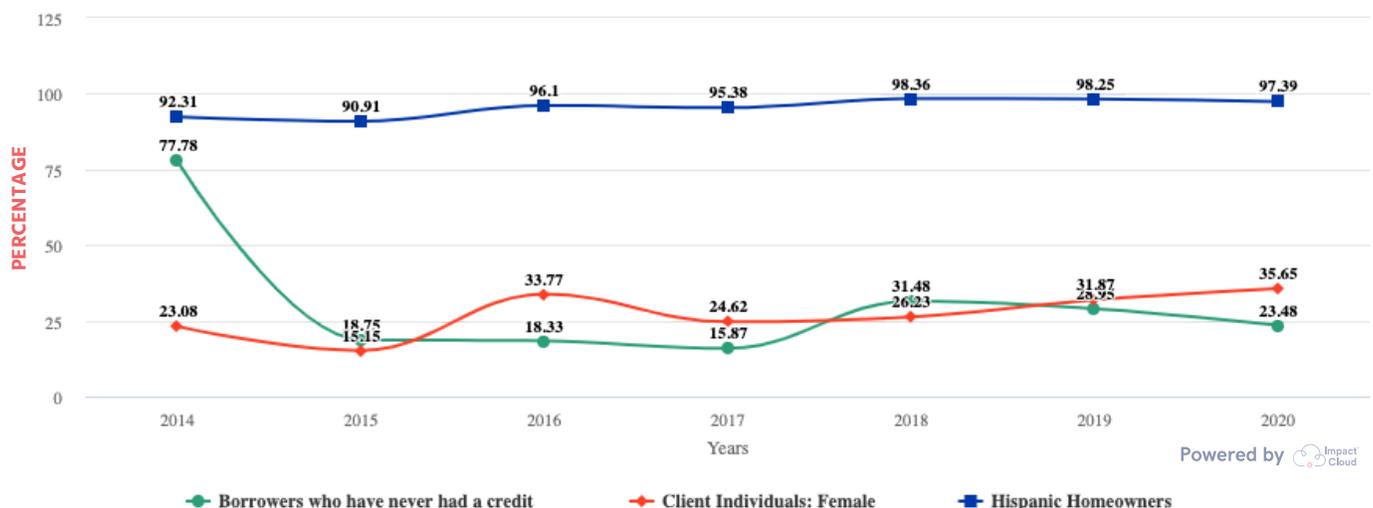
~35% of loans originated to women in 2020.



**23%**  
**UNDERSERVED**

We work diligently to underwrite borrowers without credit

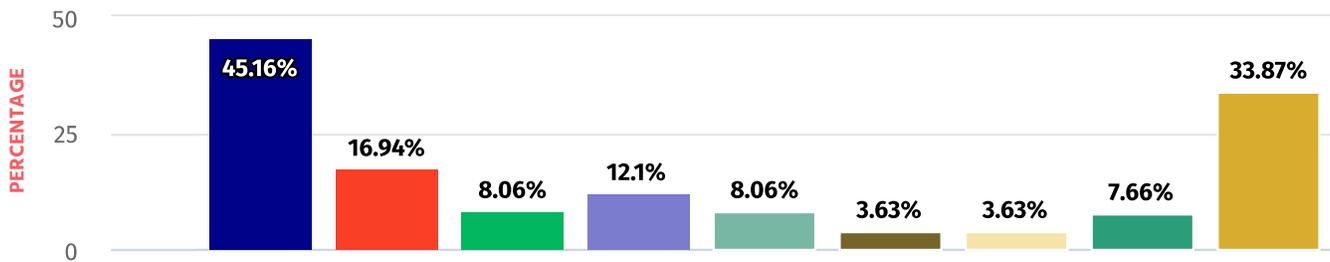
Borrowers who never had credit, Client individuals: Female, Hispanic homeowners



# WHAT DO YOU HAVE TO DO TO BE ABLE TO PAY YOUR RENT OR MORTGAGE? (IN LAST 3 YEARS)



WHAT DO YOU HAD TO DO TO BE ABLE TO PAY YOUR RENT OR MORTGAGE?



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- Take on an additional job or work more hours (Tomar un empleo adicional o trabajar más horas en el empleo actual)
- Stop saving for retirement (Dejar de ahorrar para su retiro)
- Accumulate credit card debt (Acumular deuda en su tarjeta de crédito)
- Cut back on healthy, nutritious food (Reducir el consumo de comida sana y alta en nutrientes)
- Cut back on healthcare (Dejar de pagar su seguro médico)
- Move to a neighborhood that they feel is less safe (Mudarse a un vecindario que es menos seguro)
- Move to a place where the schools are not as good (Mudarse a un vecindario en el que las escuelas no son tan buenas )
- Not sure (No estoy seguro)
- None of the above (Ninguna de las anteriores)

**45%**



OF OUR BORROWERS TAKE AN ADDITIONAL JOB OR WORK MORE HOURS TO PAY THEIR MORTGAGE.

**17%**



OF OUR BORROWERS HAD TO STOP SAVING FOR RETIREMENT

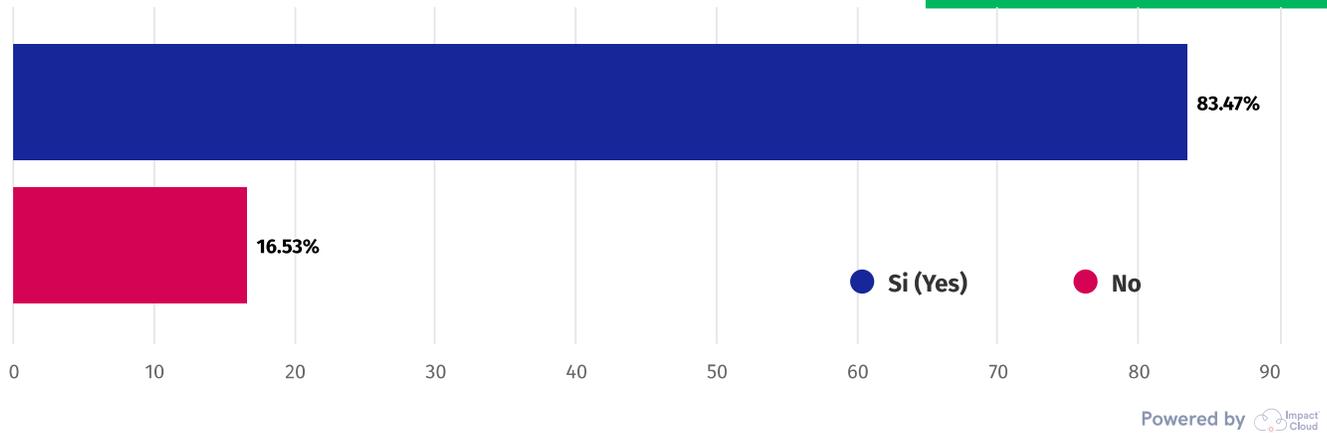
## UNDERSTANDING FINANCIAL BEHAVIORS

Capital Plus Financial is merging with a community bank. This transaction will expand our mission to serve communities of low to moderate-income census tracts across the state of Texas and develop products and services for the underbanked and unbanked.



### DO YOU HAVE A BANK ACCOUNT?

**17%**  
OF OUR CLIENTS ARE UNBANKED.

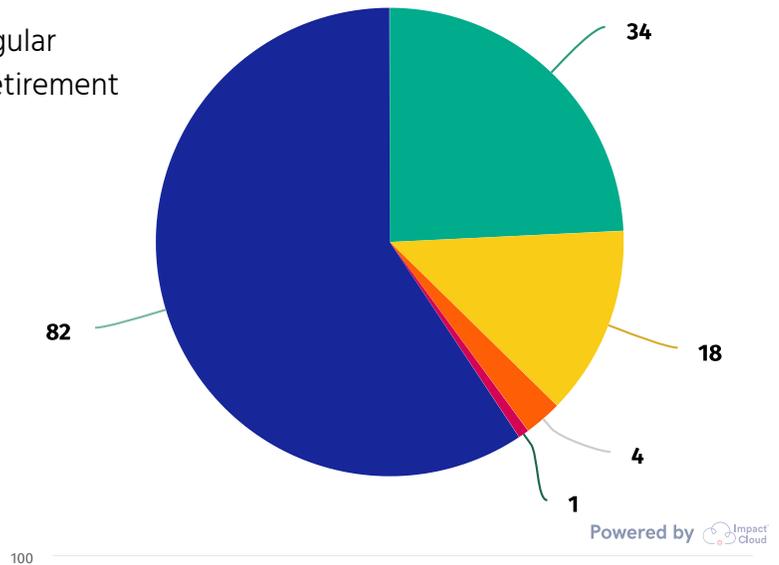


### WHAT TYPE OF BANK SERVICES DO YOU USE?

More than 80% of our borrowers use regular checking accounts and only 1% have a retirement account.

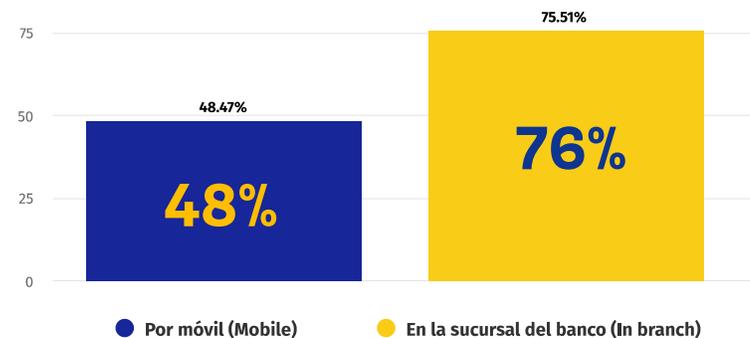
- >30% of people have savings accounts
- >18% of people have credit cards
- >3% of people have car loans

- Savings account (Cuenta de ahorro)
- Car loan (Préstamo para automóvil)
- Regular checking account (Cuenta de cheques)
- Credit card (Tarjeta de crédito)
- Retirement fund (Fondo de retiro)



### HOW DO YOU BANK?

More stakeholders use in-person banking than mobile banking. Understanding financial behavior will help us serve our stakeholders better in the future.



# Impact Stories

## Thank you for, Taking Time

"Capital Plus Financial explained the process to us in a step by step manner. It helped us in making a decision, and we learned a lot in the process."

-Ramos family



## Personal Service

"It helped us while buying our first home that the approval process was straightforward to understand. They explained well to us, which made us very comfortable."

-Castro family

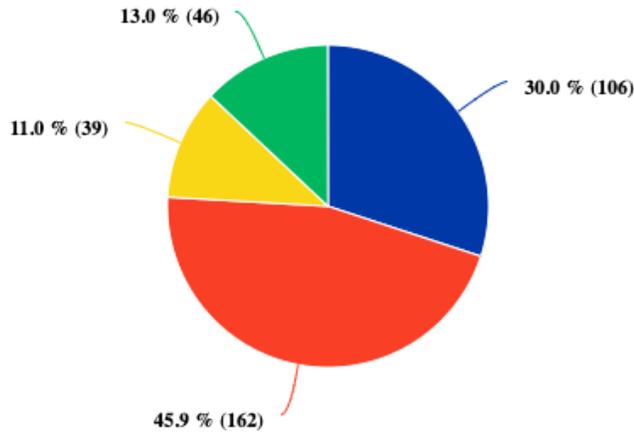
## Communication

"We appreciate the communication of Capital Plus Financial with us from the beginning of the application to the end of closing."

-Jimenez Family

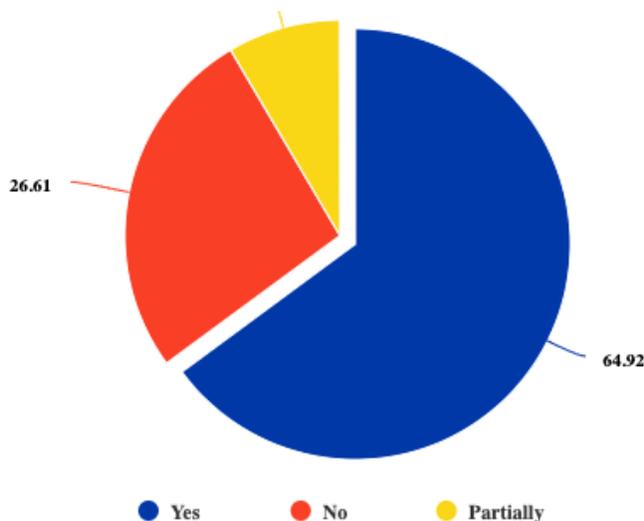


## WE ASKED OUR HOMEOWNERS, WHAT DID YOU EXPECT WHEN YOU BOUGHT YOUR HOME?



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- A long-term investment to build wealth and assets (Una inversión a largo plazo para crear bienes)
- Higher safety for my family (Más seguridad para mi familia)
- Better education for my kids (Mejor educación para mis hijos)
- Improvement in physical and mental health for my family (Mejora en la salud física y mental de mi familia)



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# What



"What" is changing? This dimension is about strategic impact goals and importance of outcomes to our stakeholders.

Our options are based on the research. Over the years it is proven that:

- Homeownership leads to better health.
- Homeownership leads to greater educational achievements.
- Homeownership provides better security and safety.
- Homeownership helps generate wealth and builds a pathway out of poverty.

## DID WE MEET YOUR EXPECTATIONS?

It is important for us to know what our stakeholders want and ensure if we are meeting our stakeholders' expectations.

**Yes: 64.9%**  
**Partially: 8.5%**  
**No: 26.6%**

# How Much



## HOW DEEP IS OUR CHANGE?

- 2020 was a difficult time for our borrowers but we are happy to post that 98.39% of borrowers could keep the home during pandemic time.
- Our Loan Client Retention Rate is 97% in 2020. No change.

## HOW MUCH: SCALE

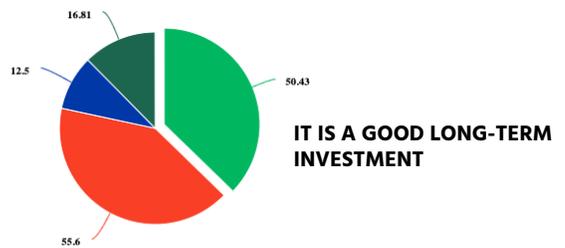
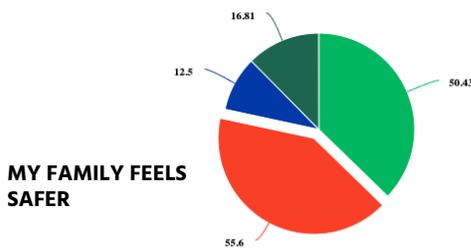
- 141 New Families Served in 2020
- 1312 Active Client Households in 2020
- Invested \$19.4M in improving homes and neighborhoods across the state
- Provided affordable homes to 156 families

## HOW CHANGE IS HAPPENING?

- 150 Housing Units Improved
- 141 Housing Units Financed
- 6 New Housing Units Constructed
- 100% of our Homes are Affordable
- Active Financial Education for Successful Homeownership



## HOW HAS YOUR LIFE IMPROVED SINCE YOU MOVED INTO THIS HOUSE?



- Esta casa ha demostrado ser una buena inversión a largo plazo (This house has proved to be a good long-term investment)
- Mi familia está más segura (My family is experiencing higher safety)
- Mis hijos están recibiendo una mejor educación/asistiendo a clases más seguido (My kids are receiving a better education/attending school more ..)
- Mi familia ha mejorado su salud física y mental (My family is experiencing improved physical and mental health)

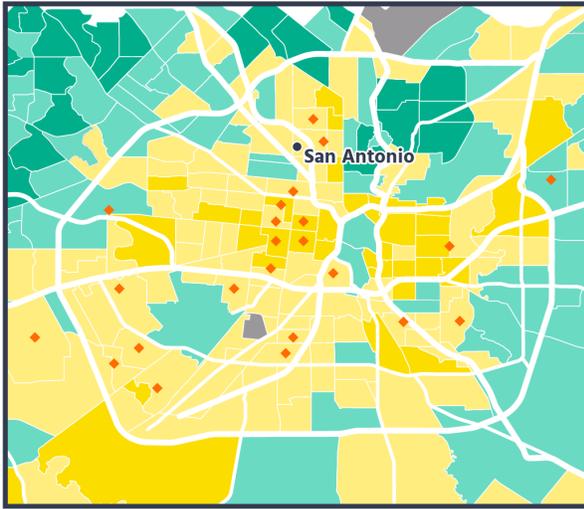
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# OUR GEOGRAPHICAL FOCUS

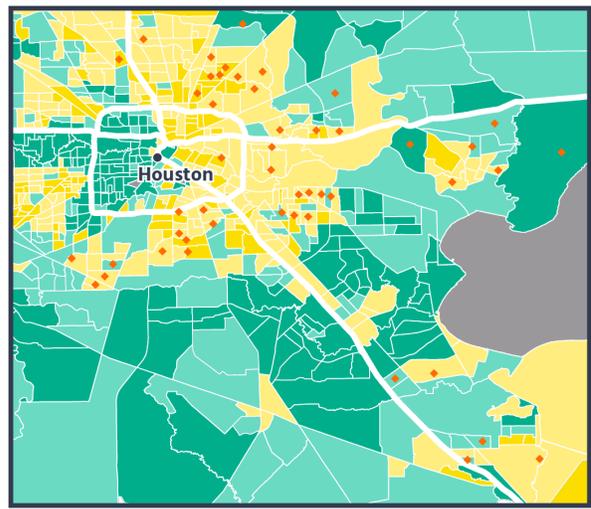


## How Much

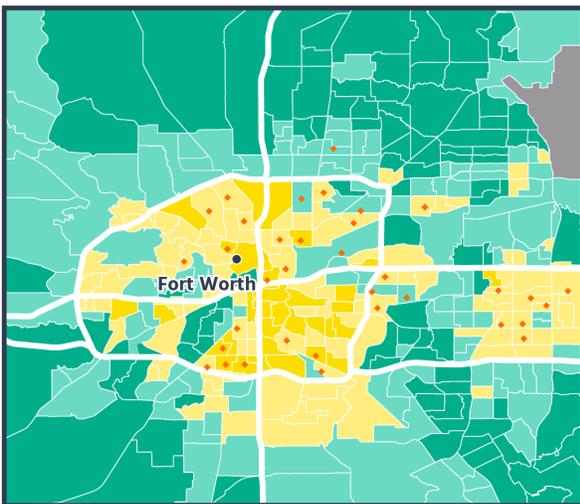
Capital Plus Financial serves the Houston, San Antonio, Dallas, and Fort Worth areas in Texas.



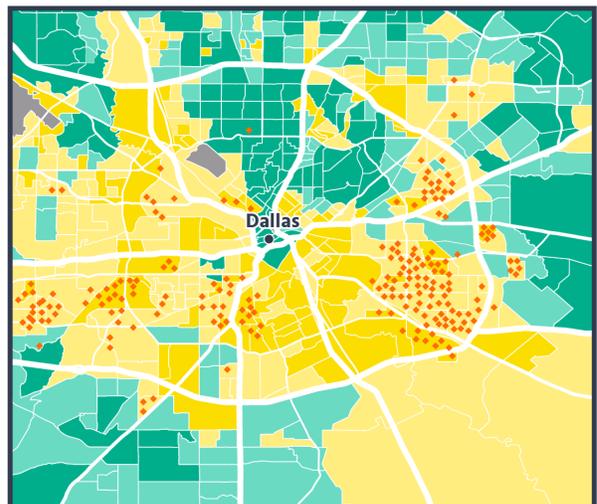
**San Antonio**



**Houston**



**Fort Worth**



**Dallas**



# Contribution

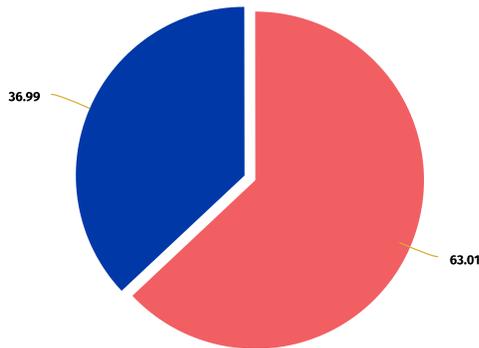
Contribution tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.



## SUSTAINABLE DEVELOPMENT GOALS

Our investments are producing benefits that reflect aspirations defined by the UN Sustainable Development Goals

### WHY DID YOU DECIDE TO BUY YOUR HOUSE THROUGH CAPITAL PLUS FINANCIAL?



- CapPlus was the only institution to provide me a loan (CapPlus fue la única institución que me aprobó un préstamo)
- After comparing, CapPlus was the best option for me (Después de comparar varias opciones, CapPlus fue la mejor para mí)

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- Our first contribution to impact is our strategy of reaching out to underserved communities
- We are not only accepting that impact matters, but we also invest in learning about our social impact by actively engaging with our borrowers
- We are growing new or undersupplied capital markets by providing flexible capital
- We educate financially disadvantaged people to break the cycle of poverty and build a path to a fulfilling and financially secure future

### 11 SUSTAINABLE CITIES AND COMMUNITIES



### 1 NO POVERTY



### 10 REDUCED INEQUALITIES



### 3 GOOD HEALTH AND WELL-BEING



### 4 QUALITY EDUCATION



### IMPACT MANAGEMENT PROJECT

## CONTRIBUTING TO SOLUTIONS

### AVOIDING HARM

Capital Plus Financial is acting to avoid harming its stakeholders by following regulations and helping the underserved community.

### BENEFITING STAKEHOLDERS

We have positive effects on our stakeholders such as; economic stability, improved health, education, and inclusiveness.

### CONTRIBUTING TO SOLUTIONS

We contribute to the solutions for; homelessness, poverty alleviation, health, and education by creating thriving communities.

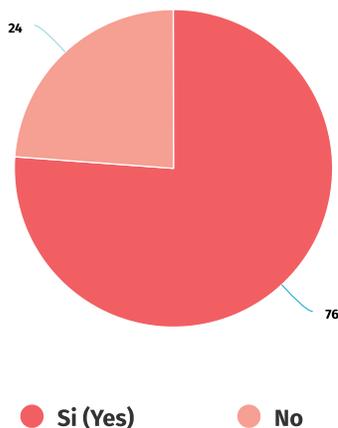
# COVID-19

What risks do enterprises and investors face in seeking to create impact? How can they evaluate and mitigate these impact risks? The 'Risk' impact dimension helps us address these questions.

When COVID-19 arrived in the United States, so did uncertainty for the economy and the affordable housing industry in the Central U.S. The full extent of COVID-19's economic, social, and health impacts are still unclear, but the virus has already affected affordable housing. We tried our best to keep our stakeholders housed during and after the COVID-19 crisis.

Today, many services our stakeholders need during the Pandemic are not part of Capital Plus Financial's offerings, but soon with the CDFI Bank merger, additional support will be possible.

## DID YOU EXPERIENCE ANY FINANCIAL HARDSHIP DURING COVID-19?

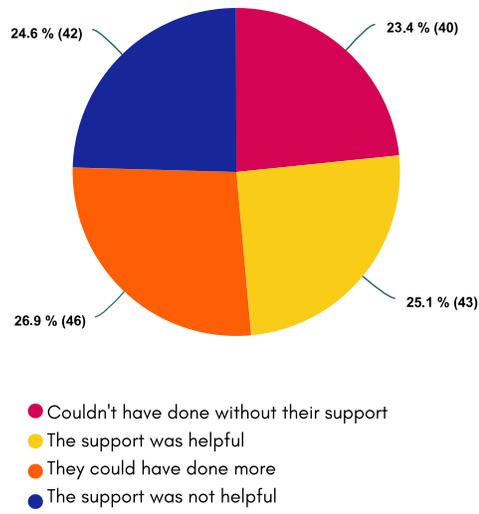


## How did we extend our support during the Pandemic?

We provided forbearance to those in need and also provided education on various city, state, and federal support programs during the pandemic

Our borrowers, when physically allowed to leave their homes and work, quickly rebounded back to work in essential services such as residential construction. We are happy to share that job loss has been minimal and portfolio performance is back to historical levels.

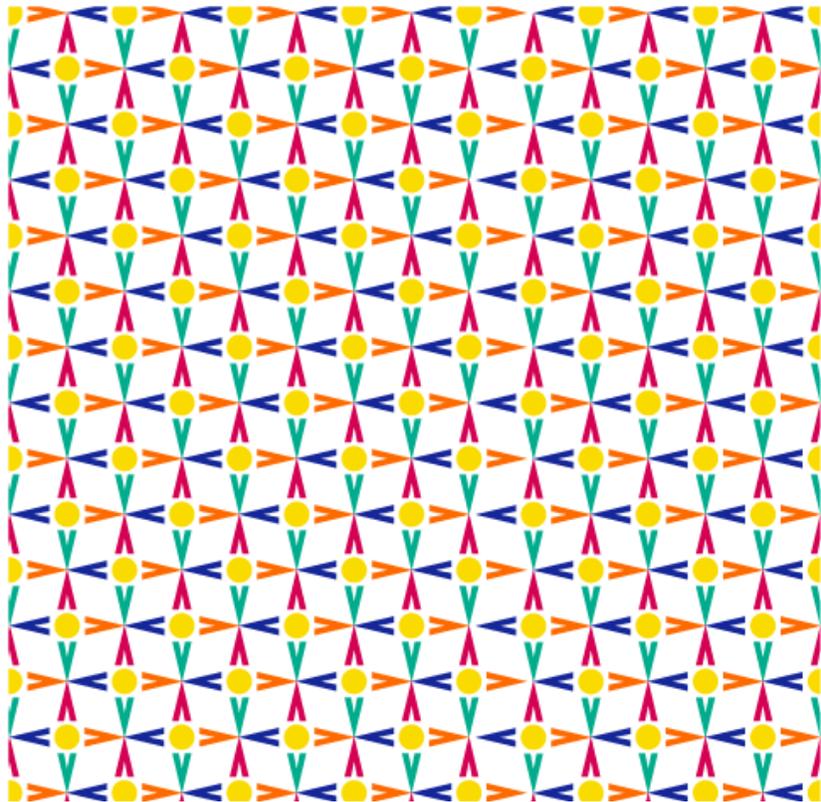
## HOW SATISFIED ARE YOU WITH CAPITAL PLUS FINANCIAL'S SUPPORT DURING THIS FINANCIAL HARDSHIP?



**Thank you.**



**Providing Affordable Housing &  
Financing for Families**



Impact Measurement & Management Powered by



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**[How affordable housing impacts latino health](#)**



**[Impact Management Project](#)**



**[Four financial challenges facing Hispanic Americans](#)**

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