



**ANNUAL  
IMPACT REPORT  
2021**

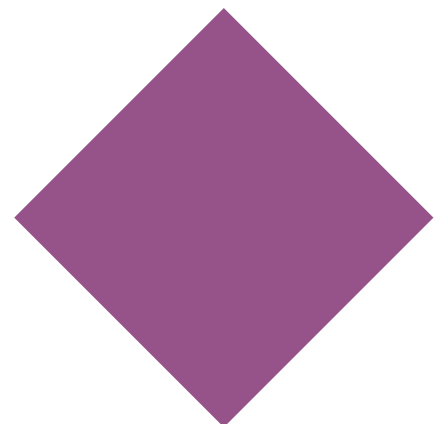
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**CNOTE**

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# CNote

## AT A GLANCE



CNote is a women-led, B Corporation on a mission to close the wealth gap through financial innovation. Using the power of technology and a community-first framework, CNote enables individuals and institutions to efficiently invest at scale in fixed income and time deposit products that advance economic equality, racial justice, gender equity and climate change initiatives. As part of our offering, CNote delivers regular reporting on the social impact of deposits and investments made through its platform.

We believe in the importance of co-creation and community voices in building lasting solutions. By using the power of technology to drive high-impact capital flows into communities via community development financial institutions (CDFIs), loan funds and deposit institutions, we take a community-first approach when working with our mission-driven partners. We work to mobilize more equitable capital for marginalized groups across the US by supporting mission-driven financial institutions and those led by people of color.

CNote's network of community finance institutions are focused on meeting the diverse needs of their communities through strategies to reduce financial exclusion for people of color and energy efficiency loans to address climate change goals. Our network partners are actively

working towards fulfilling specific United Nations Sustainable Development Goals (SDGs).<sup>1</sup>

CNote firmly believes that diversity, equity, and inclusion should be intentionally integrated at every level of our company, from purchasing from small businesses and businesses owned by women and people of color to cultivating a supportive environment for our employees. At CNote we work towards accountability as a community member and employer, and believe it is paramount to our success.

CNote has been a certified B Corporation since 2019, and in early 2022 became a Delaware public benefit corporation with a specific public benefit purpose of advancing economic and social justice by unlocking access to impact investments. This report shares the work we've done during our fiscal year 2021 to advance that public benefit purpose.

### CNote B Corporation Score



<sup>1</sup>As part of the CNote diligence process our financial institution partners provide information related to the UN Social Development Goals that their work supports. <https://sdgs.un.org/goals>

# KEY ACCOMPLISHMENTS

*In 2021, CNote made an impact on a national level*



YOY GROWTH OF 290% WITH  
OVER **\$220,000,000 ASSETS ON  
PLATFORM**



**68% OF DOLLARS** WERE LENT TO  
**LOW- TO MODERATE-INCOME**  
PEOPLE OR COMMUNITIES

“Other sources of deposits provide liquidity when we have liquidity needs. Very few of them are intentionally creating impact. CNote is intentionally impact driven and actually brings us new investors, for free.”

Dominik Mjartan,  
President and CEO, Optus Bank



TEAM CNOTE GREW  
BY **OVER 60%**



INVESTMENTS THROUGH THE  
CNOTE PLATFORM CREATED  
OR SUPPORTED **OVER 4,000  
JOBS** SINCE INCEPTION



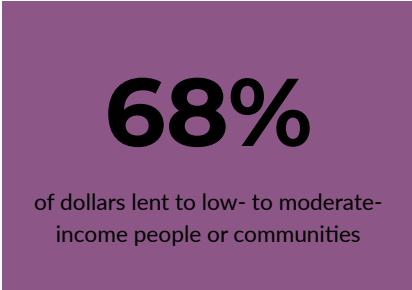
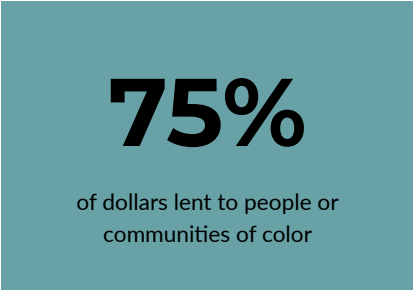
# Impact CASH™

CNote’s Impact Cash is a cash management solution insured through FDIC and NCUA coverage that provides institutional investors a single management point for deposits targeting positive social impact.

Impact Cash fills a gap for investors that want to support financially underserved communities across the country while continuing to generate returns on their cash allocations. CNote invests Impact Cash dollars in depository products, such as money market

accounts and CDs, from vetted FDIC- and NCUA-insured mission-driven banks and credit unions.

To achieve similar financial and social returns without Impact Cash, investors would have to find the right products, research them, and manage multiple accounts to maximize returns and maintain relative liquidity—all cumbersome and time-intensive processes.



## RECOGNITION OF CORPORATE INVESTORS

CNote’s work and the impact felt nationwide is possible because of the continued commitment of our investors. CNote would like to acknowledge the corporations and organizations that have committed millions of dollars through our platform.



# CNote Partner Spotlight: Self-Help Credit Union **CLIMATE CHANGE**

Low-income communities and racial and ethnic minority communities disproportionately feel the effects of climate change. CDFIs exist to serve these vulnerable populations and are actively responding to needs in their communities by offering tailored products and services designed to help communities address climate change and mitigate climate change effects.

Self-Help is at the forefront of its peers with a commitment to climate justice and they integrate this commitment across their operations by:

- Screening out investments which involve fossil fuel extraction or production;
- Investing in projects, companies and nonprofits that generate a positive environmental impact such as renewable energy, energy-efficient homes, and sustainable food systems; and
- Provide technical assistance alongside capital to advance energy efficiency and clean energy.

Self-Help recently released their first carbon footprint report, and is one of the leaders of a CDFI collaboration to apply carbon accounting principles to their operations and loan portfolios.

Self-Help's commitment to the environmental is evident in the impact they've achieved:

- **Paycheck protection financing worth \$6.9 million extended to 44 environmental organizations,** helping them maintain **473 jobs** during the pandemic;
- **Loans to 274 businesses and nonprofits** with a proven commitment to providing a sustainable future; and
- **Funded 225 energy efficient, affordable housing units** that include renovations of dilapidated houses, new construction, and transit-friendly mixed use, like the new Willard Street Apartments.



## CNOTE PARTNER SPOTLIGHT: OPTUS BANK

### MEET MELLANEY WILLIAMS, THE BIG DREAMER BEHIND AMERICAN HOME AND COMMERCIAL SERVICES

Mellaney Williams and her husband grew an irrigation side hustle into a fully fledged landscaping business, American Home and Commercial Services LLC, that offers a wide range of landscape design and installation services. However, when the COVID-19 pandemic hit in March of 2020, Mellaney's business was immediately affected.

Initially, Mellaney wanted more information about the Paycheck Protection Program (PPP) but couldn't get straight answers online or at a bank. Fortunately, someone in Mellaney's

network suggested that she reach out to Optus Bank, a Black-led community bank in Columbia, South Carolina with the mission of strengthening their community by closing the wealth gap created by systemic disparities in the financial industry. According to Mellaney, her experience working with Optus Bank was "amazing." She said that the application was straightforward, deadlines were clear, and her questions were answered — by real people. Within two weeks of contacting Optus in July 2020, Mellaney was approved for her PPP loan.

"[Optus] extended that hand to help me, and they gave a lifeline to my business. They made me a believer, and I can't recommend them enough. Optus Bank will have my business for all of my future endeavors, because I have plans for big things."

Mellaney Williams

*Mellaney Williams, Owner of American Home and Commercial Services. Photographer: DW IMAGE*



# Fixed INCOME

CNote is committed to community investment. We recognize that communities know what they need and what they need most is access to capital to accomplish their goals. CNote makes loans to CDFIs in communities across the country, channeling capital to fund social missions like affordable housing, women’s empowerment, and entrepreneurial funding. CNote provides flexible capital, as well as the opportunity to access targeted capital, to help CDFIs expand into new markets, launch new products, and improve the financial health of their institutions. The Fixed Income numbers provided below are for the 12 month period ending September 30, 2021.

**61% of dollars to  
low- to moderate-income  
people and communities**

## WOMEN-LED BUSINESSES

72% of fixed income  
dollars were lent to  
women-led businesses



1,560



**1,560 affordable housing  
units** created/maintained



1,500

**1,500 jobs** created/  
retained



**\$22.5M in 619 loans**  
originated with CNote  
capital

82%

82% of dollars were  
lent to **people and  
communities of color**



A photograph showing two women sitting in the front seats of a blue car. The woman on the left, Michelle Corson, is wearing a blue and white patterned sweater and is smiling. The woman on the right is wearing a black top and is also smiling. The car is parked outdoors, and the background is slightly blurred, showing trees and a bright sky.

# CNote Partner Spotlight: ON THE ROAD LENDING

Michelle Corson (left) CEO of On The Road Lending, at a client car delivery. Photo Credit: On The Road Lending

## BUILDING PROSPERITY WITHOUT SACRIFICING THE ENVIRONMENT

On the Road Lending is a CDFI based in Irving, Texas that helps low-income communities secure reliable transportation through vehicle selection assistance and long-term financial mentoring. They focus on making low-cost loans on reliable cars based on who people are, not on their credit scores. Additionally, their work is triple-bottomline-oriented, meaning their commitment is not only to enabling clients to make solid financial decisions that work for them and help build prosperity, but doing so in a more climate-friendly way. To date, On the Road Lending reported that **81% of borrowers purchased vehicles that are better for the environment than the vehicle they previously drove**, achieving an average of 30% reduction in emissions and fuel consumption.

[Read more here.](#)



# CNOTE PARTNER SPOTLIGHT: GENESIS FUND MAINE CDFIS INNOVATE LENDING TO MEET NEEDS OF MUSLIM BORROWERS



Yassin arrived in western Maine in 2008 as a refugee from Djibouti. After realizing the shortage of quality affordable housing in the US, he set out to create his own small business renting apartment units to other immigrants like him.

However, as a Muslim, Yassin was prohibited by his faith from paying or receiving interest, so a traditional small business loan was out of the question. Yassin connected with Coastal Enterprises Inc. (CEI), a CDFI that's been working in Maine since 1977 to build a more equitable and sustainable economy. CEI developed a fee-based lending program designed with Maine's Muslim community in mind. Fee-based lending provides loans with 0% interest, and fees associated with the loan are either prepaid by the borrower or divided into flat monthly payments that are added to monthly principal payments.

In fact there are several CDFIs adapting the fee-based lending approach to their own work. The Genesis Fund, for example, offers fee-based loans centered around affordable housing and community facility finance. Having determined that fee-based loans and interest-based loans make the same return, the Genesis Fund is enthusiastic about new, innovative ways to fill gaps in the lending market and getting other lenders to offer fee-based lending, too.

Today, Yassin owns 12 properties, and he estimates that 90% of his residents are immigrants. According to him, without having the opportunity to simultaneously borrow money and adhere to his Islamic faith, he wouldn't have been able to pursue his entrepreneurial dreams, including hiring two full-time employees. Chief Lending and Program Officer John Egan of the Genesis Fund notes, "When somebody can own property in their neighborhood instead of rent, they have a much louder voice. When you've got a higher concentration of owner-occupants in a neighborhood, those people take pride in their properties and reinvest in those properties, and community conditions improve. That's what Maine needs."

[Read more here.](#)

*Pictured: Yassin (left) with a family that lives in one of his apartment complexes. Photographer: Flax Studios. Photo Credit: Genesis Fund*

“WHEN SOMEBODY  
CAN OWN PROPERTY IN  
THEIR NEIGHBORHOOD  
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VOICE.”



# CNOTE PARTNER SPOTLIGHT: IMPACT DEVELOPMENT FUND CREATIVE, STRATEGIC LENDING FOR COMMUNITY OWNERSHIP

Elevation Community Land Trust (Elevation) makes homeownership more accessible for Colorado families through the community land trust model, a proven tool for creating and preserving accessible, inclusive communities for generations, but one which requires creative financing partners.

Since Elevation was established in 2018, it has added more than 200 homes to its portfolio and 75 homeowners have closed on their homes. Another 330-plus housing units will be completed over the next two years. Stefka Fanchi, President and CEO of Elevation Community Land Trust, credits their quick success to community actors including the Impact Development Fund (IDF). IDF is a Colorado-based CDFI that creates economic opportunity in the state by delivering flexible capital for affordable housing and nonprofit facilities in underserved communities.

Through IDF, Elevation got access to low cost capital and help reducing the development cost per unit of housing built. On top of that, IDF brought creativity, expertise, and willingness to think outside the box on things that might be traditionally unbankable to help Stefka and her team navigate the complexities of affordable housing development.

With great need and the intention to make real impact generationally, the Elevation team intends to add **1,000 affordable home-ownership opportunities to the Colorado housing market by 2027** with IDF's support. Stefka notes, "the great thing about IDF is that they are strategic thinkers, and we started talking about what we wanted to accomplish, not what we needed, and how we can work together to get that done."

[Read more here.](#)



*The Elevation Community Land Trust Team. Photographer: Rebecca Sloan Blanton*

“THE GREAT THING ABOUT IDF IS THAT THEY ARE STRATEGIC THINKERS, AND WE STARTED TALKING ABOUT WHAT WE WANTED TO ACCOMPLISH, NOT WHAT WE NEEDED, AND HOW WE CAN WORK TOGETHER TO GET THAT DONE.”



# Wisdom FUND

The Wisdom Fund is a fixed income vehicle that increases capital access and lending for businesses owned by women of color (a co-created effort with CNote's CDFI lending partners). The Wisdom Fund aims to bring new thinking, experimentation, and sustainable solutions to drive wealth creation for women of color in the United States. In 2021, CNote partnered with ICA and Impact Experience to address a misperception of risk in lending to women of color and unearth systemic challenges in women of color accessing capital. CNote's amazing multi-month journey led to a deeper understanding in two areas.

A 10-year look back analysis sought to explore women of color borrowers' experience with lending. Three takeaways stand out:

- Women of color (WOC) were not riskier borrowers than other demographics. ICA's analysis shows that there was no statistically significant difference between the credit risk among women of color and other groups of borrowers.
- Women were, on average, a lower credit risk than men: ICA found that the probability of defaulting on loans was between 2 to 4.5 percentage points lower for women than men.
- Despite being a lower risk, our analysis also shows that women of color typically receive lower loan amounts than other borrowing groups, but are sometimes charged higher interest rates.

Research was conducted using a Human Centered Design (HCD) approach to better understand how and where the "system" is failing WOC in the lending process in terms of getting access to capital. Through this effort, led by Impact Experience, several key findings suggest there's more we can do to improve capital access for women entrepreneurs of color:

- Offer larger loans and more flexible loan terms, including credit lines for working capital.
- Revamp credit scoring to more accurately reflect creditworthiness—by considering rent and utility payments, lack of delinquencies and revenue under contract, for example.
- Standardize loan applications across lenders to reduce the time and administrative burden of applying.
- Provide transparency in decision-making as well as post-lending resources, such as financial and leadership coaching, to increase the likelihood of business success.

The CNote Wisdom Fund remains a vehicle for catalyst change. CNote is actively working with its lending partners through the Wisdom Fund Collaborative to innovate their products and services to better serve female entrepreneurs of color.



# CNote Partner Spotlight: **JUSTINE PETERSEN**

*A Good Shepherd Preschool and Infant/Toddler Center Teacher. Photographer: Beth Farnsworth Photography*

## WHEN ONE MOTHERS QUEST FOR CHILCARE CAN UPLIFT AN ENTIRE COMMUNITY

After a series of bad experiences at both commercial and home-based daycare operations, single mother of two Cortaiga Collins resolved to quit her job and create a childcare solution families could trust. Cortaiga went back to school, gained experience as the Director of her Church's elementary school, and earned a grant to open her own center but it wasn't enough.

Fortunately, Cortaiga got connected with Justine PETERSEN, a CDFI that helps low-to-moderate-income individuals and families in Missouri build assets and create enduring community change. Justine PETERSEN loaned Cortaiga the capital she needed to finish renovations and open the doors to Good Shepherd Preschool and Infant/Toddler Center.

Cortaiga's center was so successful she decided to open up a second location after just seven months and again turned to Justine PETERSEN for funding support. This support allowed Cortaiga to purchase land enough to bring her centers together under one roof, grow her team, and increase capacity to serve over 100 children at a time.

Reflecting on her goals, Cortaiga has big dreams for her community beyond the Good Shepherd Center. Today she has launch a nonprofit called Foundation for Strengthening Families with the goal to help families rise above poverty through education. Cortaiga has learned that it's not just children who need care — it's entire families. [Read more here.](#)






## CNote Partner Spotlight: **TRUFUND FINANCIAL SERVICES, INC.**

*Ethel Brooks and William McGlasker of Bennett Construction. Photo Credit: WOLFHART Creative*

### **TRUFUND ASSISTS BORROWERS TO RECOVER FROM AND BUILD DISASTER RESILIENCE**



The impacts of disasters and the long-term effects on vulnerable communities has been apparent as the world has struggled through a second year of the COVID-19 pandemic. CDFIs across the country have been involved in numerous COVID-relief efforts and in some cases these organizations were particularly poised to help because of experience assisting communities affected by natural disasters. TruFund is a CDFI that invests in small businesses across their service area. TruFund has also been supporting small businesses affected by natural disasters since 2001, when it began as a program under the community development nonprofit SEEDCO designed to help small businesses recover from the 9/11 attacks. TruFund combines targeted business advisory services with affordable, and most crucially, timely capital to help minority-owned small businesses prepare for and recover from disasters.

TruFund's disaster recovery and resiliency (DRR) efforts have provided **\$130 million in 4,600 loans** which includes pandemic DRR lending of \$75 million in 2,200 loans through the end of 2021.



## MESSAGE FROM OUR CO-FOUNDERS

As CNote completes our sixth year, we want to express our sincere gratitude to the individuals and institutions that have invested on our platform, as well as invested in our journey, to create a more equitable future for all. The wealth disparities across the United States have dramatically deepened since the onset of COVID19, making your commitment to economic justice and equal opportunity that much more important. It is clear we have much work ahead of us, but it is equally clear that the power of investing in each other is a force that when unlocked can transform opportunity for generations. We continue to be both inspired and strengthened by all that we can and will accomplish, together.

*Cat Berman & Yuliya Tarasava*  
CNote CEO & COO

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