



2009 Annual Development Banking Conference  
November 4-5, 2009

**Growth and Survival Strategies in a  
Recession – Stories from CDFI Bankers**  
9:15 am – 10:30 am

**Moderator:** David J. McGrady  
Vice Chairman, City First Bank of DC  
Chairman, National Community Investment Fund

**Panelists:** Paul Hudson  
President & Chief Executive Officer, Broadway Federal Bank, CA

Guillermo Diaz-Rousselot  
President & Chief Executive Officer, Continental National Bank  
of Miami, FL

Luz Urrutia  
President, El Banco de Nuestra Comunidad

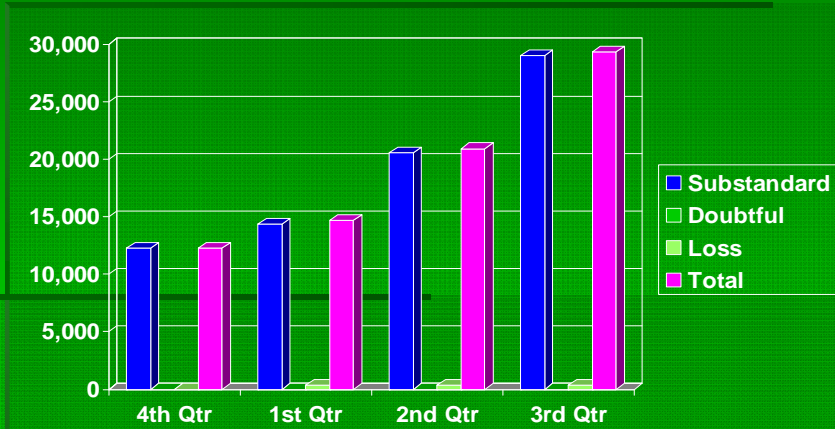
November 4, 2009 [www.ncif.org](http://www.ncif.org)

NCIF 2009 Annual  
Development Banking Conference

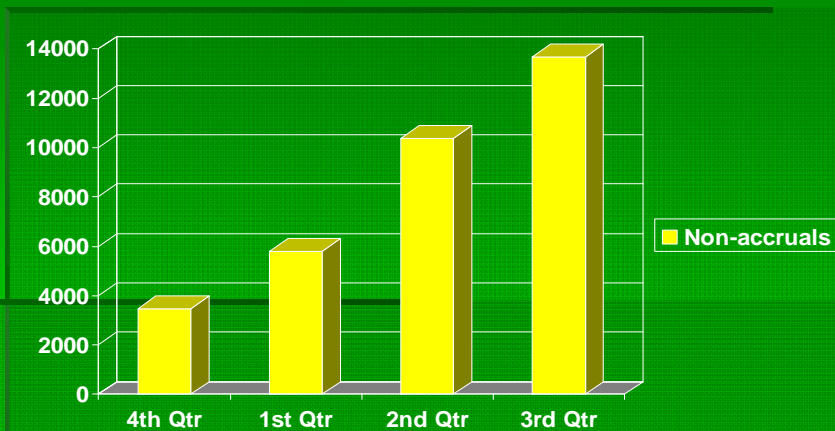
**Growth & Survival  
Strategies  
in a Recession**

Paul C. Hudson  
Broadway Federal Bank  
November 4, 2009

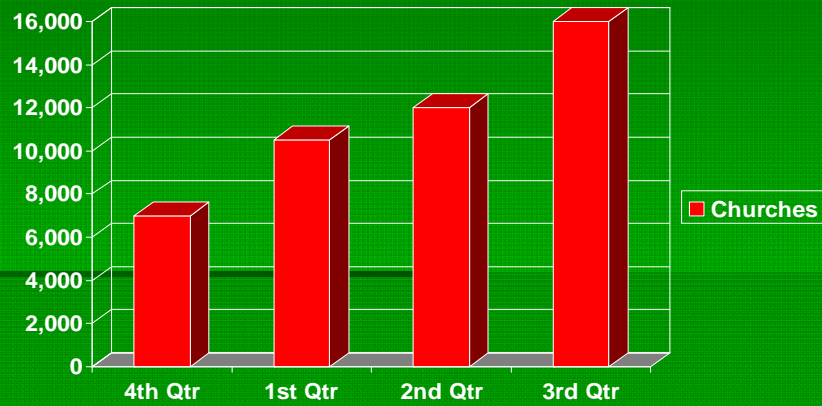
# Classified Assets



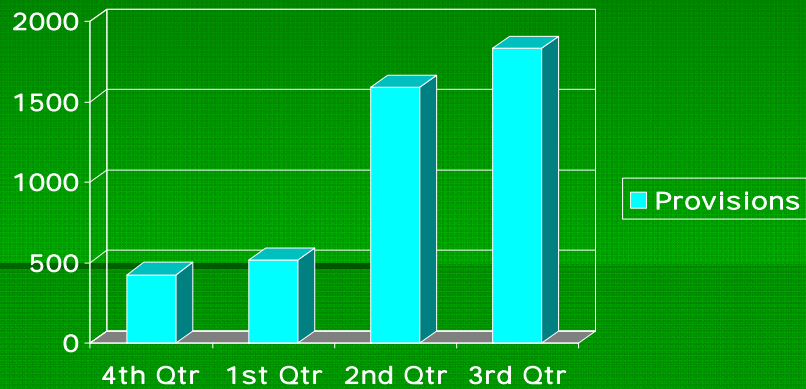
# Non-performing Assets



# Church Loan Delinquencies



# Loan Loss Provisions



## Early Intervention-Loss Mitigation Strategy

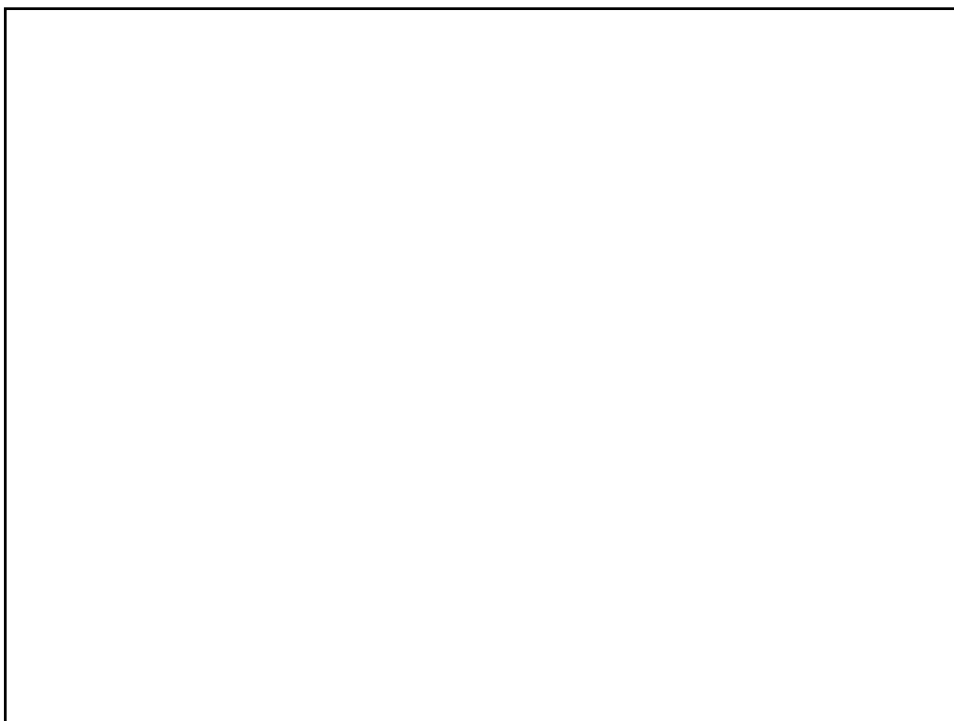
- Identify delinquency characteristics/profile
- Identify loans in portfolio with similar profile
- Allocate additional resources to loss mitigation efforts
  - Hired two asset managers, temp loan analyst, & redeployed loan underwriter to C&I asset mgr
- Incent asset managers to proactively work caseload of profiled loans

## Early Intervention-Loss Mitigation Strategy

- Develop early warning systems
  - Get Broker Price Opinions after loans are 60 days delinquent
  - Prioritize mgmt response based on potential loss
  - Bi-weekly IAR meetings
- Senior Mgmt & Asset Managers performing site visits, communications w/ borrowers and negotiating modification agreements

# Capital Raising Strategies

- U.S. Treasury
  - TARP
  - Small Business Initiative
  - CDFI Fund
- Private Equity
  - Urban Focused Funds
  - Bank Funds
- CRA/Social Investments
  - Banks
  - Foundations



# Continental National Bank of Miami

Guillermo Diaz-Rousselot

## WALKABILITY SCHEDULE

CUSTOMER NAME	Total Commitment Amount	Current BALANCE	Initial Project COSTS	LTC	Last Appraisal Date	Last Appraised Value	LTV	CTV	% Decline to Breakeven	85% of Last Appraisal	Disc LTV	Discounted Value MNUS Commitment	Recovery of Equity %	Disc LTC
1	\$ 900,000	\$ 900,000	\$ 1,175,000	77%	05/21/08	\$ 1,350,000	67%	87%	-33%	\$ 1,147,500	78%	\$ 247,500	90%	102%
participation	\$ (380,000)	\$ (380,000)												
2	\$ 405,500	\$ 345,587	\$ 578,000	70%	04/23/08	\$ 575,000	71%	101%	-29%	\$ 488,750	83%	\$ 83,250	48%	118%
3	\$ 1,290,000	\$ 1,290,000	\$ 1,810,000	71%	05/27/08	\$ 1,600,000	81%	113%	-19%	\$ 1,360,000	95%	\$ 70,000	13%	133%
4	\$ 140,000	\$ 139,486	\$ 240,000	58%	07/03/08	\$ 230,000	61%	104%	-39%	\$ 195,500	72%	\$ 55,500	36%	123%
5	\$ 771,000	\$ 585,063	\$ 1,038,000	75%	04/23/08	\$ 1,140,000	68%	92%	-23%	\$ 969,000	80%	\$ 196,000	77%	106%
6	\$ 940,000	\$ 940,000	\$ 1,250,000	75%	11/13/07	\$ 1,260,000	75%	99%	-25%	\$ 1,071,000	88%	\$ 131,000	42%	117%
7	\$ 162,000	\$ 86,315	\$ 547,000	30%	04/02/08	\$ 540,000	30%	101%	-70%	\$ 459,000	35%	\$ 297,000	77%	119%
8	\$ 406,000	\$ 383,005	\$ 572,500	71%	11/13/07	\$ 1,040,000	39%	55%	-61%	\$ 884,000	46%	\$ 478,000	287%	65%
9	\$ 140,000	\$ 140,000	\$ 246,285	57%	11/16/07	\$ 245,000	41%	71%	-59%	\$ 293,250	48%	\$ 153,250	144%	84%
TOTAL	\$ 4,776,500	\$ 4,430,956	\$ 7,446,785			\$ 8,080,000				\$ 6,868,000		\$ 1,711,500		
GRAND TOTAL (net of Part.)	\$ 4,776,500	\$ 4,430,956				\$ 8,080,000	59%					\$ 1,711,500		

## UNDENIABLE SCHEDULE

Customer XYZ

Loan Amount: \$2,000,000

Appraised Value: \$3,000,000

Interest Rate	Appraisal Scenario	Stress Vacancy			Stress Interest Rate		
		Best Case 6.50%	Most Likely 6.50%	Worst Case 6.50%	Best Case 6.50%	Most Likely 7.00%	Worst Case 8.00%
Gross Yearly Rents	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00
Vacancy	5%	5%	12%	25%	12%	12%	12%
Effective Gross Rents	237,500.00	237,500.00	220,000.00	187,500.00	220,000.00	220,000.00	220,000.00
Expenses:							
Real Estate Taxes	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00
Insurance	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
Repairs & maintenance	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Management	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Reserves	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Others	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Total Operating Expenses	45,500.00	45,500.00	45,500.00	45,500.00	45,500.00	45,500.00	45,500.00
Net Operating Income	192,000.00	192,000.00	174,500.00	142,000.00	174,500.00	174,500.00	174,500.00
Debt Service	110,000.00	110,000.00	110,000.00	110,000.00	110,000.00	130,000.00	145,000.00
Debt Service Coverage	1.75	1.75	1.59	1.29	1.59	1.34	1.20
Stress CAP Rate	7.00%	7.00%	7.00%	7.00%	7.00%	8.00%	9.00%
Valuation (Income App)	2,742,857.14	2,742,857.14	2,492,857.14	2,028,571.43	2,492,857.14	2,181,250.00	1,938,888.89
Loan to Value	73%	73%	80%	99%	80%	92%	103%



## Growth and Survival Strategies in a Recession

November 4, 2009



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### Presentation Outline

1. Company Overview and Mission
2. Value Proposition
3. Growth Strategies:
  - Consumer Non-banking/Banking Services
  - Hispanic Owned Small Businesses
  - Money Service Businesses (Money Remitters)
4. Results
5. Key Learnings and Take-aways



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## Peoples Holding Company



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## Company Overview

### El Banco de Nuestra Comunidad

1. Established in April 2002
2. Multicultural organization with 49 employees from 17 different countries serving the community with bank branches operating 7 days a week.
3. 1st banking operation in the U.S. with a dedicated focus on the unbanked/underbanked Hispanic immigrant consumer and small businesses providing all non-banking and banking services – double bottom line impact.
4. Recognized by the banking, regulatory, and retailer community for its expertise in serving Hispanic immigrant consumers and small businesses with no banking or credit experience in the U.S.



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## El Banco Value Proposition

***We promote economic development among low to moderate income groups with focus on the Hispanic community;***

- Job Creation
- Home Ownership
- Self-Employment
- Small Business Expansion

***...our deposits are used to directly serve unbanked and underbanked Hispanic consumers and small businesses;***

- Fairly priced financial services
- Access to both deposit and loan products
- Migration into mainstream financial relationships

***...to produce meaningful financial results and create goodwill within the Hispanic community that we serve.***



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## El Banco – Restructuring for Growth

***Retail Consumer – Focused on providing non-banking and banking services to unbanked/underbanked Hispanic immigrants with the primary focus of helping them to migrate into mainstream banking relationships.***

***Hispanic Businesses – Focused on providing advisory services and deposit, credit, investment and cash management services to small, medium and large size Hispanic owned businesses and their employees.***

***Money Service Businesses - Focused primarily on providing banking and cash management services to money remittance entities that are serving the Hispanic consumer market in a safely and in compliance with regulatory requirements.***



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## El Banco Growth Strategies – Retail Consumer

1. Reduced branch network at the beginning of 2009
2. As a result of the restructuring, retained top talent within the organization
3. Extensive retraining of all employees on retail sales and customer service
4. Focused on local community based marketing relationships
5. With the savings achieved from reducing branch network, we invested extensively in local advertising (e.g. radio, local community events, flyers, etc.)
6. Ask existing customers for referrals and pay them a fee (e.g. \$10 per new bank account, etc.)
7. Increased focus on conducting financial education at schools, churches, community centers, Consulates, apartment complexes, etc.
8. Implemented performance based compensation



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## El Banco Growth Strategies – Hispanic Owned Businesses

1. Developed extensive database of Hispanic owned businesses in the Georgia market and ran UCC checks to determine banking/credit relationships
2. Implemented an active calling effort by the senior management of the bank focused on the owners/decision makers that are banking with “troubled” banks and/or banks that are exiting certain industries/businesses
3. Extensive training of all Branch Managers on Commercial products, sales and customer service
4. Developed contacts within the Hispanic community that can refer clients and generate trust within the business customers: CPA’s, attorneys, suppliers/customers for existing businesses
5. Asked existing banking customers/business owners for referrals
6. Conducted financial education and seminars in locations that support small businesses: Hispanic Contractors Association, HACED, Accion USA, etc.
7. Solicited deposits from large/mainstream Hispanic businesses that want to support our social mission



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## El Banco Growth Strategies – Money Transmitters

1. Developed extensive database of Money Transmitters in the Georgia market and across the country
2. Implemented an active calling effort on local Money Transmitters headquartered in Georgia and/or providing services through local agents
3. Extended El Banco's Internal Compliance Program to Money Transmitters that required a Banking Relationship because their existing institutions are exiting the business
4. Implemented a "Virtual Vault" to act as the local depository bank in locations/states where El Banco does not have a presence
5. Extensive retraining of all personnel involved to ensure excellent execution on banking Money Transmitters, risk management and compliance
6. Implemented technology required to properly monitor banking activity for Money Transmitters



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## El Banco Growth Strategies – Results

1. Despite the reduction of three branches, we have achieved same store growth of 9.6% year-over-year for non-banking services and 10.3% for banking services
2. Doubled deposit balances in both consumer and business operating and savings accounts
3. As of 9/30/2009, on average, 40 bank accounts opened by each branch per week vs. 23 accounts in 2008
4. As of 9/30/2009, loan volumes have increased over 120% vs. same period in 2008.
5. In 2009, El Banco hasn't experienced ANY loan losses
6. Across the board, employee performance has increased significantly because they see the significant impact/results they're having on the organization



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## Key Takeaways

1. Focus on core competencies and have the discipline to eliminate the “borderline” performing businesses and low performers
2. Success requires differentiation... new customer segments and a unique value proposition
  - Understand the size, needs and segmentation of the market
  - Assess your readiness to serve each segment
  - Evaluate which segment(s) are the best strategic fit
  - Define what it's going to take to be successful
3. Revise credit strategy to ensure underwriting guidelines are keeping pace with existing economic environment and business realities
4. Retain the best talent and openly communicate expectations with the employees
  - Include all employees as an integral part of providing ideas/solutions and executing the implementation plan



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