NCIF | National Community Investment Fund

Leveraging Capital for Change

The Impact of Community Development Banks
2008 and Beyond

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LEVERAGING CAPITAL FOR CHANGE

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Overview

This report aims to measure and communicate the impact that Community Development Financial Institution (CDFI) banks and Community Development Banking Institutions (CDBIs) have in the low to moderate income communities that they serve. The National Community Investment Fund (NCIF) has undertaken this research project to communicate to investors and stakeholders the value of CDFI and CDBI banks and the outstanding positive impact that these institutions generate in economically distressed communities.

It is our hope that this continued effort will result in increased visibility and support for CDFI banks throughout the country. The report will focus on the entire CDFI banking sector, with a particular focus on highlighting the impact of the NCIF portfolio institutions.

About Community Development Financial Institutions:
Community Development Financial Institutions (CDFIs) are banks and other financial intermediaries that are certified by the Community Development Financial Institution Fund (CDFI Fund), a division within the US Department of the Treasury. Institutions meet certification requirements by displaying a proven mission of community development; of serving the needs of low income communities and individuals. For more information on CDFIs and the CDFI Fund, please visit www.cdfifund.gov.

About Community Development Banking Institutions:
NCIF coined the term Community Development Banking Institutions (CDBIs) to describe banks that have a mission of working in low-income communities but are not necessarily certified as CDFIs. In short, CDBIs "walk, talk and act" like CDFIs but may not be certified as such.

About National Community Investment Fund:
The National Community Investment Fund (NCIF) invests private capital in, and facilitates knowledge transfer to, depository institutions that increase access to financial services in underserved communities. NCIF was established in 1996 as a nonprofit, private equity fund that is managed by an independent Board of Trustees composed of bankers, private equity professionals and leading economic development experts. Since NCIF began operations, it has invested over $24 million in 37 community focused institutions throughout the country. NCIF also has $128 million in New Markets Tax Credit allocation and operates a CDBI Exchange Network that shares best practices with the senior leaders of certified CDFI banks and other community focused banks. For more information on NCIF, please visit www.ncif.org.

Why Focus on CDFI & CDBI Banks?

Maria Figueroa wanted to move her customized-bicycle shop from a rented space in a residential area to a storefront she could buy and fix up on a busy retail corridor in St. Paul, MN. All she needed to move forward was a loan for $70,000.

Unfortunately, when she applied for a loan with two area banks, both said no. “I was a startup and I didn’t have too much money to put down,” said the 32-year old Figueroa, owner of the Lowrider Shack. “One neighborhood bank wanted me to put 20 percent down and I didn’t have it.” But through a new loan program with University National Bank, Figueroa got the money that she needed. Today, she sells her bikes and car accessories from her storefront on St. Paul’s East Side.

Created and funded by the Community Reinvestment Fund in partnership with University National Bank, the Emerging Entrepreneur Loan program targets business owners, like Figueroa, who have a business plan but lack the track record and down payment many traditional lenders require.

This is just one example of how University National Bank and other certified CDFI banks and thrifts are continuing to serve the financial needs of their low- and moderate- income service areas. The recent economic recession and slow recovery has led to a decrease in lending from many major institutions. However, CDFI banks, thrifts and credit unions are continuing their work in the most economically vulnerable communities throughout the country. Rather than the credit constriction that is being seen from larger national and regional depositories, the CDFI institutions are designing and implementing solutions that are tailored to the specific needs of the communities they serve.

As Maria’s story highlights, she was an entrepreneur in need of startup capital to begin her business, yet the mainstream banks were unwilling to support her project. However, University National Bank was able to meet her needs as they had developed an innovative credit product through a partnership with another mission-focused local organization. To serve the needs of the neighborhood, University went above and beyond what most banks are willing to do and that dedication creates a lasting impact.

Impact Analysis Methodologies

To fully demonstrate the dramatic impact that CDBIs have in their community, it is necessary to measure and communicate the ongoing work of these banks. By successfully doing so, CDBIs will be able to raise capital and other support from investors in order to extend their reach within our nation's most vulnerable communities.

To measure the impact of CDBIs, NCIF uses three primary tools:

- ***The NCIF Social Performance Metrics^{SM}***
- ***The Development Impact of NCIF Investees Report***
- ***NCIF Model CDBI Framework***

By using these tools, it is possible to evaluate and communicate the level of activity that every bank has in underserved, low income communities.

NCIF Social Performance Metrics^{SM}

The NCIF Social Performance Metrics, a suite of transparent measures that use publicly available home-mortgage lending and branch location data, create positive screens for identifying institutions that are highly active in low income communities. Using these metrics, NCIF or any other investor or stakeholder in the community development finance industry is able to identify banks and thrifts that direct a large proportion of their lending and financial services to underserved, low income communities. For more information on the NCIF Social Performance Metrics, we have included a brief write-up in the Appendix. For additional information on the metrics, and to utilize NCIF's searchable database that includes financial and social performance data on all domestic banks and thrifts, please visit www.ncif.org.

Development Impact of NCIF Investees

Since 1998, NCIF has tracked the lending activities of the institutions within its portfolio in an attempt to measure the level of lending that is being directed towards low income areas and borrowers. By analyzing the entire loan portfolio, NCIF is able to communicate the total dollar volume of lending that is reaching the end-user: the borrowers that are located in low to moderate income (LMI) communities. By providing this total dollar amount, the impact of these institutions comes into stark relief.

NCIF Model CDBI Framework

While the above tools utilize quantitative data, NCIF created the Model CDBI Framework to provide a qualitative reflection of an institution's mission orientation. The NCIF Model CDBI Framework examines an institution's market need, credit products and services, non-credit financial products and services, non-financial products and partnerships to ascertain whether or not the bank is providing the types of products and services that an economically distressed community needs. This final level of analysis communicates the innovative nature of CDFI banks, and shows investors the tangible products and services that are being provided to the community.

Impact Analysis Going Forward – Social Performance Working Group

During 2009, NCIF convened a Social Performance Working Group composed of CEOs and senior staff from seven prominent CDFI banks throughout the country. The objective of the group is to finalize a format for impact reporting that builds on the work being done with the Social Performance Metrics, the Model CDBI Framework and other formats currently being used by CDBIs. By creating a standard reporting format that is useful to both institutions and funders, NCIF expects that CDFI banks will be better positioned to communicate their high level of impact to supporters throughout the country. This will result in increased investment in the sector.

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Summary Findings - FY 2008 & Cumulative

Overall

- Overall, CDFI banks exhibit much higher scores on the NCIF Social Performance Metrics than do all domestic banks.
- NCIF Portfolio Investees continue their strong level of lending in LMI communities.

NCIF Social Performance Metrics

- For FY 2008, the median DLI-HMDA score for CDFI banks is 58.98%. This is over 3.5 times greater than the median for all domestic banks (16.15%) and for the "Top-Ten" banks according to asset size (19.25%).
- For FY 2008, CDFI banks originated and purchased mortgage loans in low to moderate income communities totaling $621.0 million.
- For FY 2008, the median DDI score for CDFI banks is 76.79%. This is over 5 times greater than the median score for all domestic banks (14.29%).
- The median DLI-HMDA for the NCIF portfolio banks and thrifts is 60.62%. This represents a slight decrease over the median DLI-HMDA for 2007 (60.92%).
- The median Development Deposit Intensity (DDI) for the NCIF portfolio banks and thrifts is 80.0%. This represents a 1.0% increase from the average DDI for 2007 (79.17%).

Development Impact of NCIF Investees

- Since NCIF began tracking the activities of its portfolio institutions in 1998, they have generated $4.29 billion in 90,063 loans that are geo-coded and tracked to low income communities or low income borrowers.
- For FY2008, the development banks and credit unions in NCIF's portfolio originated 7,995 new development loans amounting to $647.46 million.
- For banks in FY 2008, consumer loans constitute the largest percentage of loan volume by number (48.68%), while commercial real estate loans constitute the largest percentage by dollar amount (45.13%).
- For credit unions in FY 2008, consumer loans constitute the largest percentage of loan volume by number (85.74%) as well as by dollar amount (47.37%).
- The average size of a development loan for banks is $162,739. The average size of a development loan for credit unions is $11,643. This demonstrates the nature of the low-income borrowers that these institutions serve.

Questions for Reporting CDBIs

What is my institution's Development Lending Intensity?

How much of our equity do we annually leverage in loans made to low income communities?

Is my bank offering the products and services that our customers need?

NCIF Social Performance Metrics℠

In 2007, NCIF developed a methodology for identifying depository institutions with a community development mission. The resulting NCIF Social Performance Metrics utilize publicly available census data, branch location data and Home Mortgage Disclosure Act lending data to measure the social impact of banks and thrifts. Institutions that score highly on the metrics are those banks that are focusing on serving the needs of low- and moderate- income communities. The Social Performance Metrics provide a transparent measure of an institution's level of activity in these economically vulnerable neighborhoods, and NCIF utilizes this tool to highlight these institutions for additional investment and support.

NCIF has created a full suite of Social Performance Metrics that have already proven highly valuable to investors. For this presentation, we will focus on the two primary Social Performance Metrics defined below; for more information on the NCIF Social Performance Metrics, please visit our website at www.ncif.org.

Core Metrics

Development Lending Intensity – Home Mortgage Disclosure Act (DLI-HMDA)
The percentage of an institution's HMDA reported loan originations and purchases, in dollars, that are located in low to moderate income (LMI) census tracts.

Development Deposit Intensity (DDI)
The percentage of an institution's physical branch locations that are located in low to moderate income (LMI) census tracts.

CDFI Bank Analysis

Using the two *Core Metrics* (DLI-HMDA and DDI), NCIF performed an analysis of the CDFI sector's median scores relative to the median scores for several peer groups; (1) all domestic banks; (2) the ten largest banks in the country as of YE 2008; and (3) banks with total assets between $100 million and $3 billion (the majority of CDFI banks have an asset level that falls into this range); and (4) minority depository institutions. We have also separately included the NCIF portfolio institutions as another example of CDFI bank performance. The resulting analysis highlights that CDFI banks strongly outperform these three peer groups.

As the data in Table 1 illuminates, the low income community focus of CDFI banks is not only substantial on absolute terms, but the CDFI banks also strongly outperform the various peer groups. The median CDFI bank has a median DLI-HMDA score of 58.98%. This means that for every $100 of home lending generated by the bank, almost $59 dollars is being lent to a resident of a low- to moderate- income community. This figure is over 3 times greater than the median for each of the peer groups non-mission oriented peer groups and is also well above the median score for all minority banks and thrifts. For the first three groups, the highest median would result in just over $19 of lending being provided to a lower income area.

Similarly for DDI, the median CDFI bank has a score of 76.79%, which is over 2.5 times greater than the median for "Top-Ten" banks and over 5 times the median for all domestic banks. For CDFIs, the vast majority of branch locations are located in low- and moderate- income communities, providing the residents of distressed communities the sustainable banking products and services that are a necessary alternative to the irresponsible and predatory financial service providers located throughout these neighborhoods.

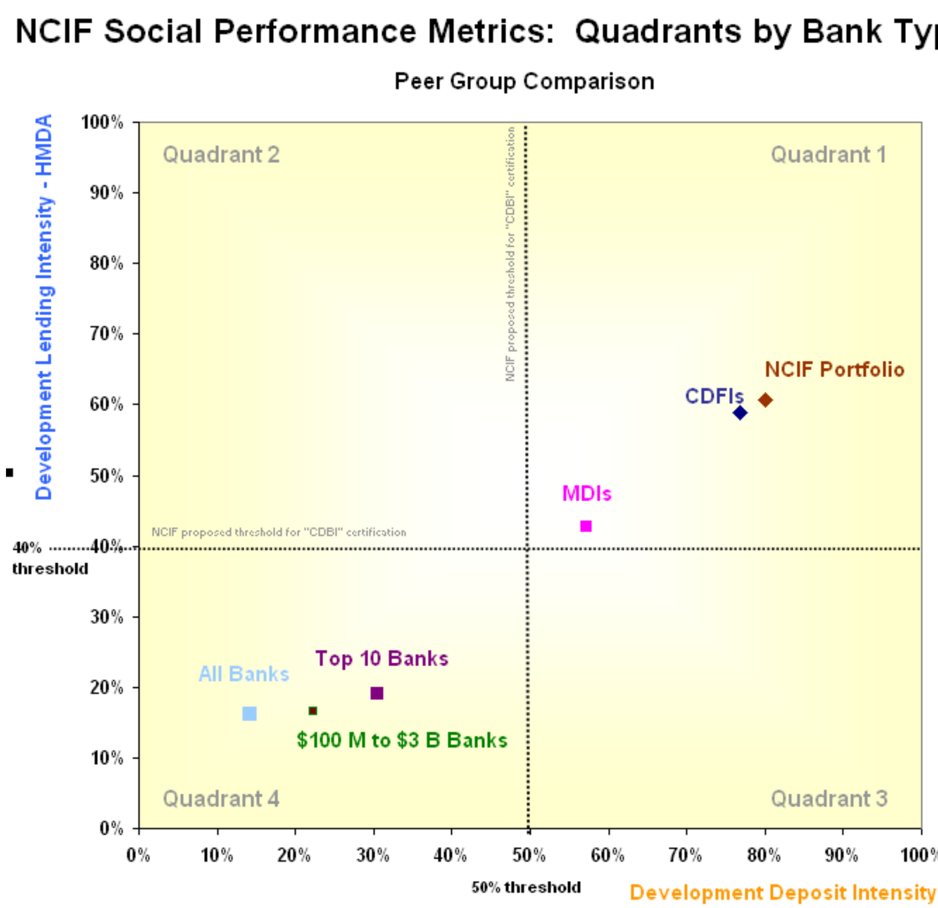
Table 1: FY2008 NCIF Social Performance Metrics for Bank Subsectors (Median)

Peer Group	#	DLI-HMDA	DDI
All Domestic Banks	8,179	16.15%	14.29%
"Top-Ten" Banks by Assets	10	19.25%	30.47%
$100 Million to $3 Billion	4,916	16.63%	22.22%
Minority Depository Institutions	203	42.80%	57.14%
NCIF Portfolio Institutions	11	60.62%	80.00%
CDFI Banks	65	58.98%	76.79%

Table 1 illustrates the relative ease with which the NCIF Social Performance Metrics can be used to compare institutions or peer groups to determine which banks are more focused on low income areas. In addition, NCIF created threshold levels for both DLI-HMDA and DDI that separate individual "high" performers from "low" performers. NCIF is proposing a DLI-HMDA threshold level of 40% to indicate a 'high-performer.' This number is approximately 2.5 times the median DLI-HMDA for all banks in the country (16.15%). A possible use of this threshold is to say that 'a non-CDFI bank that has a DLI-HMDA greater than 40% is likely to have a social mission either by choice or by virtue of its activities in low income areas.' Similarly for DDI, NCIF is proposing a threshold level of 50% to indicate "High DDI" and therefore make a statement about its low income service orientation.

Dividing the chart into quadrants according to the threshold values, NCIF can locate each domestic bank & thrift into one of the four quadrants. Quadrant 1 represents those institutions that score above the threshold values for both DLI-HMDA and DDI. By virtue of their lending activity and branch operations, these institutions display a high level of activity within low-income communities. Quadrant 2 is composed of those institutions that score above the DLI-HMDA threshold, but below the DDI threshold. Quadrant 3 is composed of those institutions that score above the DDI threshold, but below the DLI-HMDA thresholds. Finally, Quadrant 4 is composed of those institutions that fall below both thresholds.

Chart 1: CDFI Bank Average Compared to All Bank and "Top-Ten" Bank Average



As Chart 1 illustrates, the CDFI peer group is squarely in high-performing Quadrant 1, while the All Bank, "Top-Ten", and $100 million to $3 billion bank peer groups are located in the underperforming Quadrant 4. In fact, of the 45 CDFI banks that have both a DLI-HMDA and DDI score, 30 (67%) are located in the high-performing Quadrant 1. Also, the median DLI-HMDA score of 58.98% for CDFI banks ranks in the 94th percentile of all banks. Simply put, CDFI banks are much more focused on meeting the needs of the consumers and businesses located in low- and moderate- income communities.

NCIF Portfolio Investee Analysis

Table 2 lists the DLI-HMDA and DDI values for each NCIF portfolio bank and thrift for 2007 and 2008 as well as the Quadrant location for 2008. All of the NCIF portfolio banks and thrifts are certified as CDFIs.

Table 2: NCIF Social Performance Metrics for Portfolio Banks (2007 & 2008)

NCIF Social Performance Metrics for Portfolio Banks

Source: YE 2008 HMDA Reports & June 30, 2008 Summary of Deposits Database

#	Institution	State	Quadrant	DLI_08	DDI_08	DLI_07	DDI_07
1	Broadway Federal Bank, F. S. B.	CA	1	62.72%	60.00%	60.92%	50.00%
2	Carver Federal Savings Bank	NY	1	74.42%	60.00%	73.39%	70.00%
3	Citizens Savings Bank and Trust Company	TN	1	100.00%	75.00%	75.3%*	75.00%
4	City First Bank of D.C., National Association	DC	1	95.61%	100.00%	73.11%	100.00%
5	City National Bank of New Jersey	NJ	1	60.33%	100.00%	51.57%	90.00%
6	First American International Bank	NY	1	54.34%	55.56%	69.06%	66.67%
7	Liberty Bank and Trust Company	LA	3	39.88%	80.00%	36.91%	69.23%
8	Mission Community Bank	CA	3	19.00%	75.00%	40.97%	75.00%
9	South Carolina Community Bank	SC	1	60.92%	100.00%	62.16%	100.00%
10	Southern Bancorp	AR	3	27.38%	70.37%	46.4%*	76.92%
11	The Community's Bank	CT	1 or 3	50.71%*	100.00%	45.0%*	100.00%
	CDFI Median		**1**	**58.98%**	**76.79%**	**56.21%**	**71.41%**
	NCIF Median		**1**	**60.62%**	**80.00%**	**60.92%**	**79.17%**

* - Indicates an institution that did not report via HMDA. Figure used is based on NCIF Development Impact analysis of institution's housing loans for the given year.

As the above indicates, 7 of the 11 banks and thrifts in the portfolio are definitively located in the High DLI-HMDA, High DDI Quadrant 1 and none are located in Quadrant 4.

Summary Information

- **Development Lending Intensity:**
  Of the 8 NCIF investee banks that reported HMDA information for both 2007 and 2008, 5 of the institutions exhibited an increase in DLI-HMDA, year-over-year. For all reporting institutions within the portfolio, the median DLI-HMDA decreased slightly (30 bps) from 2007.

- **Development Deposit Intensity:**
  For the 11 NCIF investee banks with branch locations as of June 30, 2008, the median DDI value increased slightly, from 79.2% in 2007 to 80.0% in 2008. Four of the 11 institutions exhibit a DDI value of 100%.

Development Impact of NCIF Investees

Investing in Small Business and Creating New Jobs

As the country's economically distressed communities continue to grow out of the recession, certified CDFI banks, thrifts and credit unions will be there to provide essential lending to small businesses and entrepreneurs. Many larger banks have constricted their activity throughout these areas, but CDFI depositories remain and are working to help business owners expand their operations and increase their workforce.

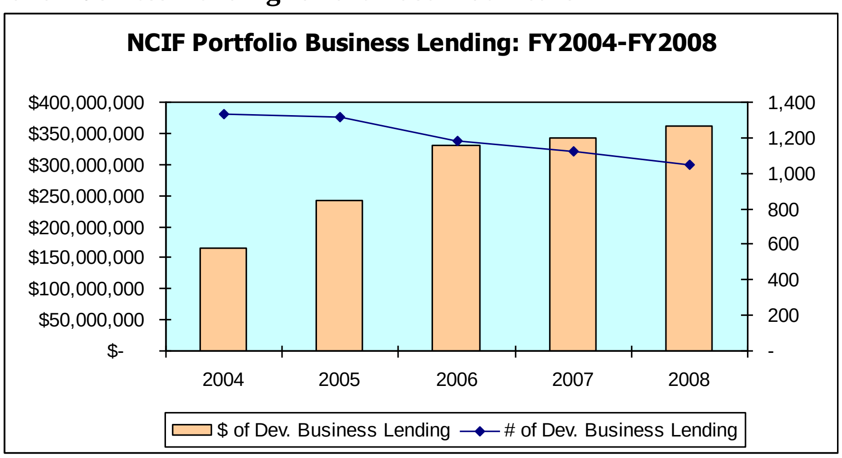
As an example, Joel and Alicia Mehr and Tom Marr recently came to City First Bank of DC, a certified CDFI bank within the NCIF portfolio, with a dream of opening a casual pizza restaurant, Pete's Apizza, to introduce DC to real "New Haven style" pizza. Each of them had over a decade of experience in restaurant management as executive chefs and caterers. But until they came to City First, they were unable to obtain financing for a start-up with no track record. City First has been aggressively working with small businesses given the urgency of job creation, and working with Pete's Apizza was a perfect fit for the bank.

Located up the street from the bank's 14th Street location, Pete's Apizza is part of the economic revitalization of the Columbia Heights community, a renaissance sparked by the rehabilitation and adaptive re-use of the Tivoli Theatre - another project financed by City First. For Pete's Apizza, the bank provided a SBA-guaranteed loan to build out the restaurant space, purchase equipment and get the business launched.

Today, Pete's Apizza has enjoyed remarkable success. It is one of the hot spots in the community and a destination restaurant, and employs about 25 people. Recently, Pete's won coveted recognition as *The Washingtonian*'s *Magazine* 100 Best restaurants in Washington, less than a year after opening. The best news is that the restaurant has been so successful that it is now expanding to a second location, also financed by City First. CDFI banks are serving as the engines for community and economic development in neighborhoods throughout the country.

To bring attention to this lending, each year NCIF collects data on the loan originations made by the institutions within our portfolio. We are then able to analyze this data to determine the dollar amount and the percentage of overall lending that is being directed to low- and moderate- income communities. In 2008, NCIF's institutions originated over $360 million in small business and commercial real estate lending in low- and moderate income communities. Since 2004, NCIF portfolio institutions have originated 6,003 business loans totaling over $1.4 billion that were focused on low- and moderate- income neighborhoods. .Moreover, five of our portfolio banks collect data on the number of jobs that were created or maintained as a result of their lending activity. These five banks created or maintained 5,532 jobs during 2008.

Table 3: NCIF Portfolio Business Lending for the Last Five Years



As the unemployment rate continues to rise within urban centers and other distressed communities, this small business lending is critical for creating jobs and for contributing to the growth of the economy. By highlighting this work, we believe that investors and funders will continue to support these important institutions.

Overview

Since NCIF began collecting loan level data in 1998, our portfolio institutions have generated approximately $4.3 billion in 90,063 loans that are geo-coded and tracked to LMI communities or low-income borrowers. In FY 2008, NCIF portfolio institutions originated 7,995 development loans totaling over $647.4 million. This analysis of the total lending that is reaching low income borrowers and communities is powerful, and by extending this analysis to a larger group of community development banks, NCIF hopes to further communicate the tremendous impact that is generated by these banks.

Table 3: FY 2008 NCIF Development Loans – Summary by Loan and Institutional Type

NCIF FY 2008	Number	% (#)	Dollar	% ($)	Average
Small Business	698	8.74%	$ 91,268,923	14.10%	$ 130,683
Special Purpose	50	0.63%	$ 26,825,500	4.14%	$ 536,510
Commercial Real Estate	352	4.40%	$ 269,461,332	41.62%	$ 765,515
Housing Loans	1,140	14.26%	$ 165,256,694	25.52%	$ 144,962
Consumer Loans	5,496	68.73%	$ 38,673,698	5.97%	$ 7,037
Agricultural and Farm Lending	259	3.24%	$ 55,974,154	8.65%	$ 215,783
TOTAL	**7,995**	**100.00%**	**$ 647,460,301**	**100.00%**	**$ 80,983**
Banks Total	3,669	45.89%	$ 597,089,501	92.22%	$ 162,739
Credit Unions Total	4,326	54.11%	$ 50,370,800	7.78%	$ 11,643
Per Institution Averages					
Bank Average	306		$ 49,757,458		$ 162,739
Credit Union Average	618		$ 7,195,829		$ 11,643

- **Number of Development Loans:**
  As Table 3 illustrates, for FY 2008, NCIF portfolio institutions originated 7,995 development loans totaling over $647.4 million. The number of originations represents a 16.0% decrease from the previous year (9,519) and the total loan amount represents a 0.6% decrease ($651.7 million).

- **Portfolio Breakdown:**
  In terms of number of loans originated by NCIF FY 2008 Portfolio Institutions, 68.7% were consumer loans. However, in dollar terms, most of the loans were directed toward commercial real estate (41.6%). This distribution is similar to FY 2007 when 74.0% of originations were for consumer loans and 43.1% of the total loan amount was directed towards commercial real estate.

- **Average Loan Size:**
  The average loan size for FY 2008 was $80,979. This represents an 18.3% increase over the previous year ($68,464). The average development loan equaled $162,739 for the banks and $11,643 for the credit unions.

- **Comparison between Banks and Credit Unions:**
  Banks originated 45.9% of the development loans in the portfolio while credit unions originated the remaining 54.1%. The banks accounted for the vast majority of the dollar amount by providing 92.2% of the total lending.

- **Average Loans Per Institution:**
  On average, each of the 10 banks originated 306 new development loans, totaling $49.4 million. On average, each of the 5 credit unions originated 618 new development loans, totaling $7.2 million.

Portfolio Bank & Thrift Summary – FY 2008

Table 4: FY 2008 Bank & Thrift Lending Activity

BANK TOTAL FY 2008	Number	% (#)	Dollar	% ($)	Average
Consumer Loans	1,786	48.68%	$ 14,811,463	2.48%	$ 8,293
Small Business Loans	519	14.15%	$ 83,609,444	14.00%	$ 161,097
Special Purpose Programs	50	1.36%	$ 26,825,500	4.49%	$ 536,510
Commercial Real Estate	352	9.59%	$ 269,461,332	45.13%	$ 765,515
Agricultural and Farm Lending	249	6.79%	$ 55,776,572	9.34%	$ 224,002
Housing Loans	713	19.43%	$ 146,605,189	24.55%	$ 205,617
TOTAL	**3,669**	**100%**	**$ 597,089,501**	**100%**	**$ 162,739**
Average Development Loans per Bank	**306**		**$ 49,757,458**		**$ 162,739**

- **Number of Development Loans:**
  The 10 development banks (average asset size of $372.6 million) in NCIF's portfolio originated 3,669 new development loans amounting to $597.1 million in FY2008, constituting slightly more than 92.2% in dollar volume of loan transactions in the portfolio (above the 91.1% in FY2007*).*

- **Portfolio Breakdown:**
  In terms of number of originations, most bank loans were consumer loans (48.7%). In terms of dollar volume, the majority went to commercial real estate (45.1%) with the next highest percentage directed to housing loans (24.5%) followed by small business loans (14.0%). The remaining dollar volume went mostly to agricultural loans and consumer loans. This distribution is similar to the distribution in FY 2007 when 52.06% of originations were for consumer loans and only 47.36% of the total loan volume was directed towards commercial real estate loans.

- **Average Loan Statistics:**
  On average, the banks originated 306 development loans amounting to $49.8 million per institution.

- **Performance Ratios:**
  In dollar terms, 55.14% of all the loans originated went to low income communities. In terms of number of transactions, 60.65% went to such communities.

- **Leverage:**
  For FY2008, NCIF investee banks generated new development loans that were 187.5% of total equity capital up from 166.3% in FY2007; and 16.0% of total assets up slightly from 15.8% in FY2007.

Portfolio Credit Union Summary – FY 2008

Table 5: FY 2008 Credit Union Lending Activity

CREDIT UNION TOTAL FY 2008	Number	% (#)	Dollar	% ($)	Average
Consumer Loans	3,710	85.74%	$ 23,862,235	47.37%	$ 6,433
Small Business Loans	179	4.15%	$ 7,659,479	15.21%	$ 42,695
Agricultural and Farm Lending	10	0.24%	$ 197,582	0.39%	$ 18,998
Housing Loans	427	9.87%	$ 18,651,505	37.03%	$ 43,680
TOTAL	**4,326**	**100%**	**$ 50,370,800**	**100%**	**$ 11,643**
Average Development Loans per CU	**618**		**$ 7,195,829**		**$ 11,643**

- **Number of Development Loans:**
  The 5 credit unions (average asset size of $53.4 million) originated 4,326 new development loans amounting to $50.4 million in FY2008, constituting 54.1% of the loan transactions in the portfolio (down from 59.4% in FY2007) and representing 7.8% of the total dollar volume of loans.

- **Portfolio Breakdown:**
  In terms of number of transactions, most of the loans were consumer loans (85.7%). In terms of dollar volume, 47.4% was directed toward consumer lending and 37.0% went to housing loans. This distribution is similar to FY 2007 when 89.1% of originations and 52.0% of the total loan amount was directed toward consumer lending.

- **Average Loan Statistics:**
  The average loan size for credit unions in FY 2008 was $11,643. Per institution, each credit union originated 618 development loans on average, amounting to $7.2 million per institution.

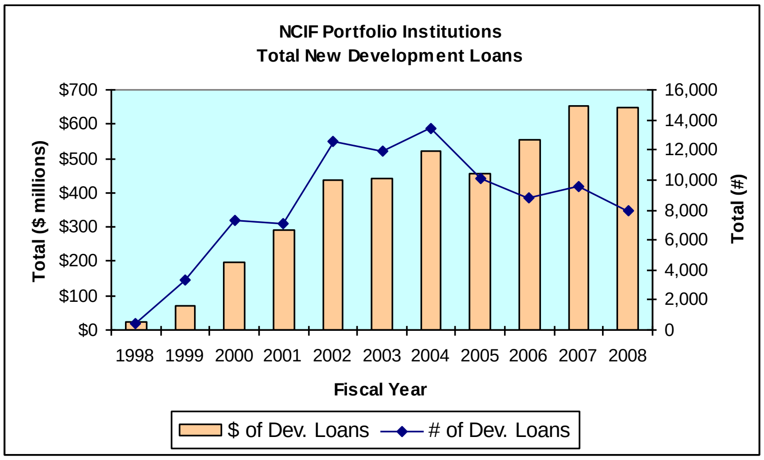
- **Performance Ratios:**
  For FY2008, 58.43% of the dollar volume and 64.95% of their number of all loans originated went to low income communities.

- **Leverage:**
  For FY2008, NCIF investee credit unions generated development loans that were 240.3% of total equity capital down from 262.0% in FY2007; and 18.9% of total assets down from 19.0% in FY2007.

Development Impact of NCIF Investees - History

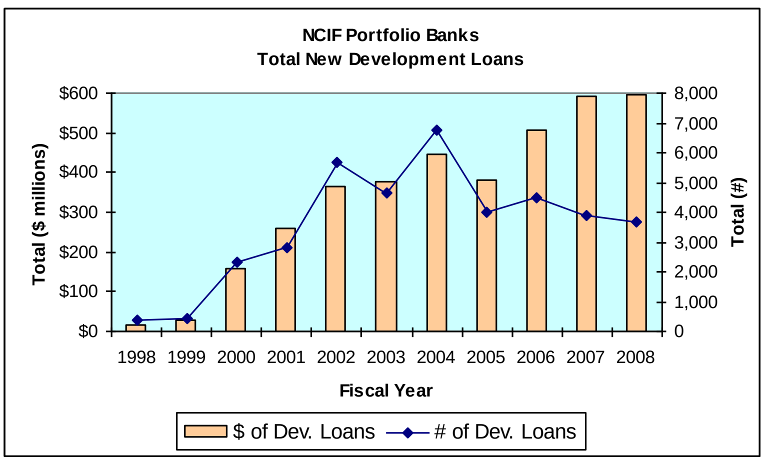
NCIF started collecting new development loan level data from its investees in FY1998, when its portfolio consisted of five institutions. As NCIF's portfolio grew, the effort expanded to include as many as 22 institutions, and became more standardized. The below charts detail the trends in development lending over time.

Chart 2: Historical Trend of NCIF Portfolio Development Lending



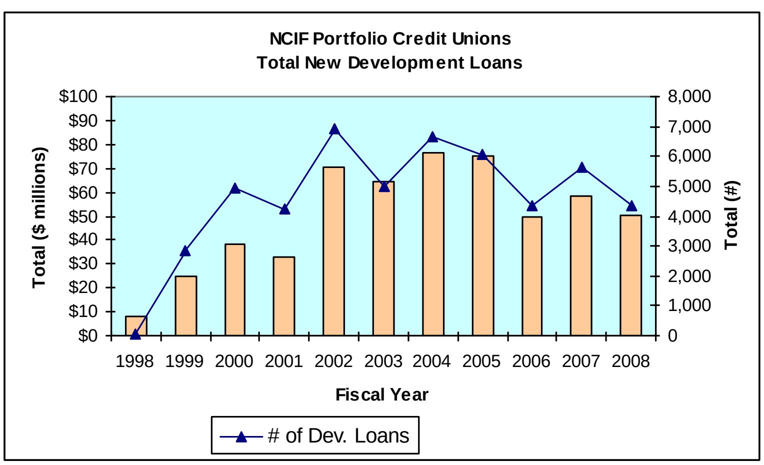
As Chart 2 illustrates, the institutions within the NCIF portfolio continue to originate high impact development loans in the country's most economically vulnerable communities.

Chart 3: Historical Trend of Bank & Thrift Development Loans



Since 1998, the NCIF Portfolio Banks & Thrifts have originated 38,959 development loans totaling $3.7 billion.

Chart 4: Historical Trend of Credit Union Development Loans



Since 1998, the NCIF Portfolio Credit Unions have originated 51,104 development loans totaling $549.4 million.

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
# of Banks	4	4	9	13	15	13	12	11	13	12	10
# of Credit Unions	1	3	4	4	7	7	6	6	7	7	5
# of Institutions	5	7	13	17	22	20	18	17	20	19	15

Model CDBI Framework

While the NCIF Social Performance Metrics and Development Impact of NCIF Investees Report are powerful quantitative tools for measuring the community development impact of a bank's lending, NCIF believes it necessary to deploy a qualitative tool that examines additional aspects of an institution's operation to fully ascertain whether or not an institution has a community development orientation. It is, of course, possible for a bank to be located in and lend to economically disadvantaged communities, but to do so in an irresponsible manner.

To determine if a bank is truly mission focused, it is necessary to use the **NCIF Model CDBI Framework** to evaluate the economic development orientation of an institution. The framework (provided below) examines the **market need** of the community that the bank serves as well as the products and services the bank offers and the partnerships in which the bank is engaged. This analysis determines if the bank is simply located in a low income area, or if they are going beyond to create and implement the innovative tools and programs that low-income customers and businesses need to survive and thrive.

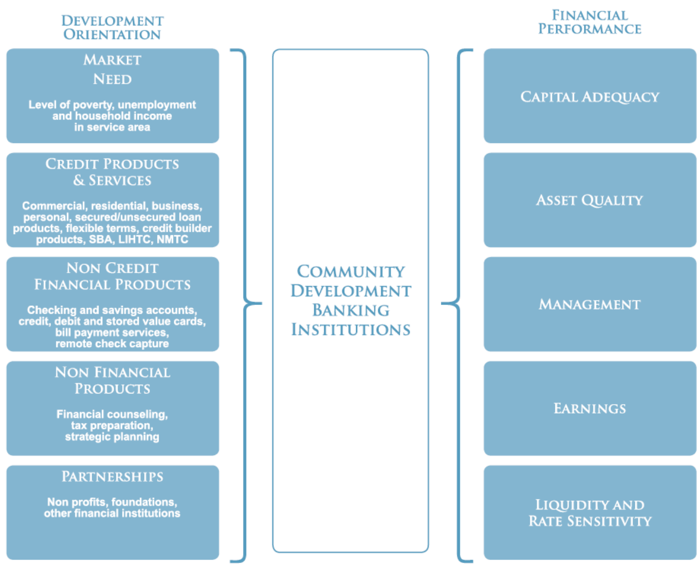
By performing this Model CDBI Analysis, NCIF is able to get past the numbers and to truly understand the operation of an institution. By doing so, we can determine if the bank truly has a double "bottom-line mission" orientation.

Chart #5 – The Model CDBI Framework

What is the **Market Need** in the institution's service area? Does the area have elevated poverty and unemployment rates?

What are the **Credit Products and Services** does the institution provide its customers? As an example, NCIF investee *Liberty Bank and Trust of New Orleans* offers a small dollar loan that customers can use as an alternative to a payday loan.

What **Non Credit Financial Products** are being offered? AS part of an NCIF funded initiative, *University National Bank of St. Paul, MN* created and implemented a prepaid card that was designed to meet the ne consumers.



What are the **Non Financial Products** that the institution is providing? NCIF investee *Carver Federal Savings Bank in Harlem, NY* is very active in providing financial education and literacy training. The thrift recently launched the "Financial Empowerment Series" which includes ongoing seminars for first time homebuyers, existing homeowners and seniors. The series teaches these groups about basic banking and financing terms and offers instruction on products and services that help provide the tools needed to build and sustain wealth.

Finally, is the institution involved in **Partnerships** with non-profit groups, government and other organizations that serve to bring assistance to the community? NCIF investee *Southern Bancorp in Arkadelphia, AR* spearheaded the Delta Bridge Project, a public-private partnership that was successful in improving the Helena-West Helena community in Phillips County Arkansas. The wide-ranging endeavor is working to improve every facet of life in Phillips County, and strategic plans are being implemented that deal with education, healthcare and economic development.

Appendix:

Development Impact of NCIF Investees - Methodology

The FY 2008 report is based on information from 15 institutions: 10 banks and 5 credit unions, down from 19 institutions in FY 2007 (12 banks and 7 credit unions). Institutions reporting for 2008 include:

Banks:
1. Broadway Federal Bank (Los Angeles, CA)
2. Carver Federal Savings Bank (New York, NY)
3. Citizens Savings Bank (Nashville, TN)
4. City First Bank (Washington, DC)
5. City National Bank of New Jersey (Newark, NJ)
6. First American International Bank (New York, NY)
7. Liberty Bank & Trust (New Orleans, LA)
8. Mission Community Bank (San Luis Obispo, CA)
9. Southern Bancorp, Inc. (Arkansas and Mississippi)
10. Urban Financial Group (Bridgeport, CT)

Credit Unions:
1. Dakotaland Federal Credit Union (Huron, SD)
2. Latino Community Credit Union (Durham, NC)
3. Lower East Side Peoples Federal Credit Union (New York, NY)
4. Opportunities Credit Union (Burlington, VT)
5. Saguache County Federal Credit Union (Moffat, CO)

The information is gathered through the completion of a survey by each of the reporting institutions. The survey that NCIF uses to collect this information breaks down each institution's loan data into six major categories with several subcategories within each:

- Consumer Loans (includes auto and personal loans)
- Housing Loans
- Small Business Loans
- Special Purpose Programs (includes loans to community organizations and to programs that promote child-care, business development, employment and housing development).
- Commercial Real Estate Programs
- Agricultural and Farm Lending.

For this analysis, a development loan is defined as a loan that is made in a low-income community or to a low income borrower. A low income community is any census tract with a poverty rate of at least 20%, an unemployment rate that is 1.5 times the national average, or where the median family income does not exceed 80% of the median family income of the relevant state or metropolitan statistical area. The CDFI Fund maintains a list of all census tracts in the U.S. that qualify under these conditions and identifies the tracts as Investment Areas.

Loans originated within the fiscal year are matched to a specific census tract and compared with the list of Investment Area census tracts per the CDFI Fund. Some loans may not be located in low income census tracts, but are nevertheless made to low income borrowers. We add all such loans to total new loans, provided that the bank or credit union can verify low household incomes of its borrowers.

NCIF National Community Investment Fund

Leveraging Capital for Change

Contact Information

For more information about Development Impact at NCIF and the **NCIF Social Performance Metrics**, please visit us at our website, www.ncif.org, or feel free to contact us directly.

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NCIF Mission Statement

The **National Community Investment Fund** (NCIF) invests private capital in, and facilitates knowledge transfer to, depository institutions that increase access to financial services in underserved communities.

Board of Trustees

NCIF Lines of Business

"Equities with Exits" Investments

NCIF purchases common stock in individual community development banks and thrifts as a patient investor. These institutions need to demonstrate sustainable, sound financial performance, a strong development impact in the communities they serve, and they must provide shareholder liquidity within a reasonable time frame. Additionally, NCIF makes seed fund loans, extends debt to banks and provides secondary capital to low-income credit unions. NCIF has a $68 million allocation of New Markets Tax Credits.

CDBI Exchange Network

This informal peer-to-peer network of CEOs, CFOs and other participants in the CDBI industry provides best practices in risk management, valuation, corporate governance and development impact analysis. NCIF's Annual Development Banking Conference is the centerpiece of its knowledge transfer initiatives.

Fund Advisor

NCIF is advised by ShoreBank Corporation (www.shorebankcorp.com), the nation's first and leading community development financial institution.

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