NCIF NATIONAL COMMUNITY INVESTMENT FUND

LEVERAGING CAPITAL FOR CHANGE

The Impact of Community Development Banks
2007 and Beyond

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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 $68 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 that she could buy and fix up on a busy retail thoroughfare in St. Paul, Minnesota. All she needed was about $70,000. But when she applied for a loan with two area banks, both denied her request.

"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 fairly new and little-known loan program administered by University Bank, a certified CDFI bank located in St. Paul, Figueroa got the money she needed. Today, she sells her bikes and car accessories from her Payne Avenue storefront on St. Paul's East Side.

Throughout the country, credit remains tight as large money-center banks continue to deal with their distressed loan and securities portfolios. However, there are banks that are still lending. These institutions are mission focused and have a clear track record of providing sound financial products and services to low income neighborhoods that are typically underserved by mainstream banking organizations. These banks are Community Development Banking Institutions (CDBIs), and simply put, the financial and social performance of these banks makes them prime candidates for continued investor support.

Financially, CDBIs have never been more attractive. Rather than trafficking in the 'toxic' products that have crippled many banks and that created the current economic downturn, these institutions focus on traditional, tangible banking services, lending to small businesses and individuals and taking deposits from the surrounding community. Socially, these banks continue to be highly involved in improving the economic landscape of the economically disadvantaged communities that they serve.

In some cases, these banks operate branch locations in neighborhoods with poverty rates well above 50%and unemployment rates above 30%. Within these communities that are often underserved by mainstream financial service providers, CDFI banks continue to make sound mortgage loans, they continue to provide financial literacy and counseling services, and the continue to offer safe deposit and loan products that are an alternative to the payday lenders and check cashers that are all to common in disadvantaged areas. Finally, these banks forge partnerships with government agencies, nonprofit groups and other stakeholders to expand the opportunities that are available within the neighborhoods they serve.

Impact Analysis Methodologies

To fully communicate 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***
- ***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

The NCIF Social Performance Metrics are a suite of transparent measures that use publicly available home-mortgage lending and branch location data to create positive screens; 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, 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 activity that is being directed towards low income areas and borrowers. By analyzing the entire lending 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 utilizes the Model CDBI Framework to provide a qualitative measure 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

Going forward, NCIF will work with the industry to expand impact analysis to include not only the credit and financial services of an institution, but the additional benefits that are created through their work with their customers. NCIF expects to receive additional reported data and will collect, analyze and make available information on other indicators of a bank's impact, including the number of jobs that are created and the square footage of community facility space that is generated. We believe that this expanded analysis will result in increased investment in the sector as investors and funders become more aware of the important role played by CDFI banks throughout the country. NCIF expects that this analysis will result in a rating for CDBI banks that differentiates them from the rest of the banking universe. By scoring highly on this rating, a bank will signal to investors and supporters that they are dedicated to serving the needs of low-income communities.

To highlight the methodology, this report includes a detailed examination of Carver Federal Savings Bank, a certified CDFI thrift located in Harlem, NY. NCIF will provide analysis of Carver using each of the three tools listed above, resulting in a complete summary analysis that can be used to communicate Carver's impact to investors and stakeholders. We hope that you find this analysis useful, and please feel free to contact us to perform a similar analysis for your institution.

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Summary Findings - FY 2007 & 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 2007, the average DLI-HMDA score for CDFI banks is 56.2%. This is over 2.5 times greater than the average for all domestic banks (21.30%) and for the top ten banks according to asset size (20.28%).
- For FY 2007, CDFI banks originated and purchased mortgage loans in low to moderate income communities totaling $469.6 million.
- For FY 2007, the average DDI score for CDFI banks is 71.41%. This is over 2 times greater than the average for all domestic banks (27.08%).
- The average DLI-HMDA for the NCIF portfolio banks and thrifts is 53.37%. This represents a 5.0% increase over the average DLI for 2005 (50.83%).
- The average Development Deposit Intensity (DDI) for the NCIF portfolio banks and thrifts is 78.2%. This represents a 2.6% decrease from the average DDI for 2006 (80.8%).

Development Impact of NCIF Investees

- Since NCIF began tracking the activities of its portfolio institutions in 1998, they have generated over $3.7 billion in 83,839 loans that are geo-coded and tracked to low income communities or low income borrowers.
- For FY2007, the development banks and credit unions in NCIF's portfolio originated 9,519 new development loans amounting to $651.71 million.
- For banks in FY 2007, consumer loans constitute the largest percentage of loan volume by number (52.1%), while commercial real estate loans constitute the largest percentage by dollar amount (47.4%).
- For credit unions in FY 2007, consumer loans constitute the largest percentage of loan volume by number (89.1%) as well as by dollar amount (52.0%).
- The average size of a development loan for banks is $153,544. The average size of a development loan for credit unions is $10,299. 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?

CDFI Bank Analysis

Using the two primary NCIF Social Performance Metrics (DLI-HMDA and DDI), NCIF determined that, on average, CDFI banks strongly outperform peer groups composed of all domestic banks and the "Top-Ten" banks according to asset size.

As the data in Table 1 illuminates, the low income community focus of CDFI banks is substantial. It is observed that CDFI banks have an average DLI of 56.21% which is over 2.6 times greater than the average for "Top-Ten" banks and for all domestic banks. Similarly for DDI, it is observed that CDFI banks have an average DDI of 71.41% which is over 2.6 times greater than the average of all domestic banks. As further evidence of a focus on low to moderate income communities, for 2006, CDFI banks exhibited an average DLI-HMDA score of 62.7% while the average for all banks was only 20.8%. Also, the average 2006 DDI for CDFI banks was 74.5%, well above the all bank average of 28.2%.

Table 1: FY2007 NCIF Social Performance Metrics for Bank Subsectors (Average)

Peer Group	#	DLI-HMDA	DDI
CDFI Banks	59	56.21%	71.41%
All Banks	8,510	21.30%	27.08%
"Top-Ten" Banks (Assets)	10	20.28%	38.58%

While it is possible to perform such one-to-one comparisons of peer groups using the NCIF Social Performance Metrics, NCIF created threshold levels for both DLI-HMDA and DDI that separate individual "high" performers from "low" performers. NCIF is proposing a threshold level of 40% for "High DLI-HMDA", a number that is approximately 2 times the average DLI-HMDA for all banks in the country (21.3%). 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 making 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 value 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.

NCIF Social Performance Metrics at a Glance

(Data is available for all years since 1996)

Core Metrics

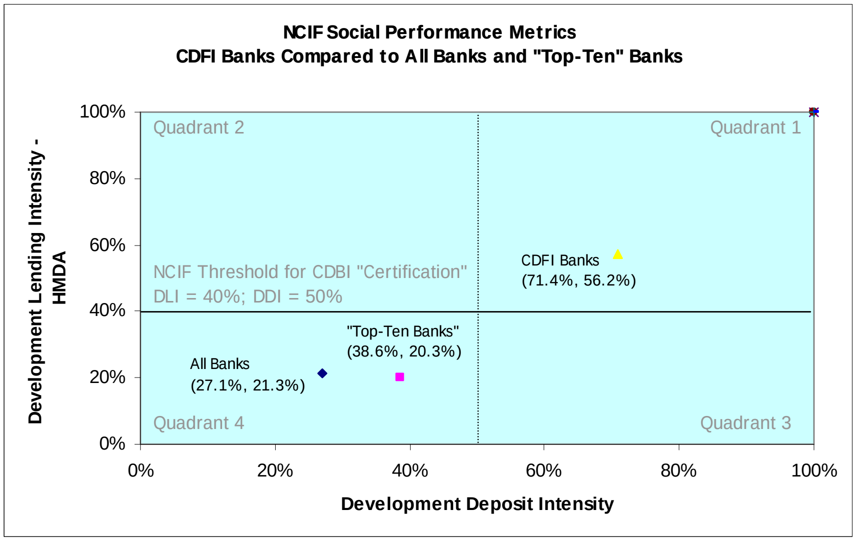
1. **Development Deposit Intensity (DDI)**
   The percentage of an institution's physical branch locations that are located in low- to moderate-income (LMI) census tracts. This can be used as a proxy for the services test for the purposes of CRA examinations.
2. **Development Lending Intensity-HMDA (DLI-HMDA)**
   The percentage of an institution's HMDA reported loan originations and purchases in dollars that are located in LMI census tracts. This can be used as a proxy for the lending test of the CRA examinations.

Additional Metrics

3. **Adjusted DLI-HMDA**
   The percentage of an institution's HMDA-reported loan originations and purchases in dollars that are located in LMI census tracts, excluding loans classified by HMDA as high-rate loans (this data only available since 2004).
4. **DLI-HMDA (Highly Distressed)**
   The percentage of an institution's HMDA-reported loan originations and purchases in dollars that are located in census tracts that have a median household income that is 70%, 60%, 50% or 40% of the relevant geographic area.
5. **DLI-HMDA (Low Income)**
   The percentage of an institution's HMDA-reported loan originations and purchases in dollars that are provided to borrowers that have a household income that is below 80% of the relevant geographic area.
6. **DLI-HMDA (Equity)**
   The ratio of an institution's HMDA-reported loan originations and purchases to the institution's total equity.

From "Social Performance Measurement for CDFI Banks" by David Porteous and Saurabh Narain, 2007, published in *Reengineering Community Development for the 21st Century*, edited by Donna Fabiani and Terry F. Buss (ME Sharpe 2008).

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 both the All Bank peer group and the "Top-Ten" bank peer group are located in the underperforming Quadrant 4. In fact, of the 39 CDFI banks that reported HMDA data for 2007, 27 of them are located in Quadrant 1.

NCIF Portfolio Investee Analysis

Table 2 lists the DLI-HMDA and DDI value for each NCIF portfolio bank and thrift for 2006 and 2007 and lists the Quadrant location for 2007. All of the NCIF portfolio banks and thrifts are certified as CDFIs.

Table 2: NCIF Social Performance Metrics for Portfolio Banks (2006 & 2007)

#	Institution	State	Quadrant	DLI_07	DDI_07	DLI_06	DDI_06
1	Broadway Federal Bank, F. S. B.	CA	1	60.9%	50.0%	48.5%	50.0%
2	Carver Federal Savings Bank	NY	1	73.4%	70.0%	74.3%	71.4%
3	Citizens Savings Bank and Trust Company	TN	1	75.3%*	75.0%	100.0%	100.0%
4	City First Bank of D.C., National	DC	1	73.1%	100.0%	95.7%	100.0%
5	City National Bank of New Jersey	NJ	1	51.6%	90.0%	42.1%	100.0%
6	First American International Bank	NY	1	69.1%	66.7%	63.0%	100.0%
7	Liberty Bank and Trust Company	LA	3	36.9%	69.2%	30.1%	69.2%
8	Mission Community Bank	CA	1	41.0%	75.0%	3.7%	60.0%
9	Nuestro Banco	NC	3	0%*	100.0%	NA	NA
10	South Carolina Community Bank	SC	1	62.2%	100.0%	40.9%	100.0%
11	Southern Bancorp	AR	1	46.4%*	76.9%	NA	83.3%
12	The Community's Bank	CT	1	45.0%*	100.0%	NA	100.0%
	MEDIAN			**60.9%**	**76.9%**	**49.8%**	**100.0%**
	AVERAGE			**54.8%**	**79.4%**	**52.7%**	**82.3%**

* - Indicates an institution that did not report via HMDA during 2007. Figure used is based on NCIF Development Impact analysis of institution's 2007 housing loans.

As the above indicates, 10 of the 12 banks and thrifts in the portfolio are definitively located in the High DLI-HMDA, High DDI Quadrant 1.

Summary Information

- **Development Lending Intensity:**
  Of the 8 NCIF investee banks that reported HMDA information for both 2006 and 2007, 6 of the institutions exhibited an increase in DLI, year-over-year. For all reporting institutions within the portfolio, the average DLI rose 2.1 % from 2006.

- **Development Deposit Intensity:**
  For the 12 banks within the NCIF portfolio with branch locations as of June 30, 2007, the average DDI value decreased slightly, from 82.2% in 2006 to 78.1% in 2007. Four of the 12 institutions exhibit a DDI value of 100%.

Development Impact of NCIF Investees

Overview

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 to moderate income communities.

Since NCIF began collecting this data in 1998, our portfolio institutions have generated over $3.7 billion in 83,839 loans that are geo-coded and tracked to low income communities or low income borrowers. For FY 2007, NCIF portfolio institutions originated 9,519 development loans totaling over $651.7 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 2007 NCIF Development Loans – Summary by Loan and Institutional Type

NCIF FY 2007	Number	% (#)	Dollar	% ($)	Average
Small Business	635	6.67%	$ 60,611,419	9.30%	$ 95,451
Special Purpose	62	0.65%	$ 86,107,390	13.21%	$ 1,388,829
Commercial Real Estate	486	5.11%	$ 281,099,913	43.13%	$ 578,395
Housing Loans	1,058	11.11%	$ 133,087,254	20.42%	$ 125,791
Consumer Loans	7,048	74.04%	$ 45,179,400	6.93%	$ 6,410
Agricultural and Farm Lending	230	2.42%	$ 45,627,467	7.00%	$ 198,380
TOTAL	**9,519**	**100.00%**	**$ 651,712,843**	**100.00%**	**$ 68,464**
Banks Total	3,865	40.60%	$ 593,485,094	91.07%	$ 153,554
Credit Unions Total	5,654	59.40%	$ 58,227,749	8.93%	$ 10,299
Per Institution Averages					
Bank Average	322		$ 49,457,091		$ 153,554
Credit Union Average	808		$ 8,318,250		$ 10,299

- **Number of Development Loans:**
  As Table 3 illustrates, for FY 2007, NCIF portfolio institutions originated 9,519 development loans totaling over $651.7 million. The number of originations represents a 8.11% increase from the previous year (8,805) and the total loan amount represents a 17.4% increase ($555.3 million).

- **Portfolio Breakdown:**
  In terms of number of loans originated by NCIF FY 2007 Portfolio Institutions, 74.0% were consumer loans. However, in dollar terms, most of the loans were directed toward commercial real estate (43.13%). This distribution is similar to FY 2006 when 72.9% of originations were for consumer loans and 45.96% of the total loan amount was directed towards commercial real estate.

- **Average Loan Size:**
  The average loan size for FY 2007 was $68,464. This represents an 8.6% increase over the previous year ($63,062). The average development loan equaled $153,554 for the banks and $10,299 for the credit unions.

- **Comparison between Banks and Credit Unions:**
  Banks originated 40.6% of the development loans in the portfolio while credit unions originated the remaining 59.4%. The banks accounted for the vast majority of the dollar amount by providing 91.1% of the total lending.

- **Average Loans Per Institution:**
  On average, each of the 12 banks originated 322 new development loans, totaling $49.4 million. On average, each of the 7 credit unions originated 808 new development loans, totaling $8.3 million.

Portfolio Bank & Thrift Summary – FY2007

Table 4: FY 2007 Bank & Thrift Lending Activity

BANK TOTAL FY 2007	Number	% (#)	Dollar	% ($)	Average
Consumer Loans	2,012	52.06%	$ 14,894,426	2.51%	$ 7,403
Small Business Loans	447	11.57%	$ 51,189,269	8.63%	$ 114,517
Special Purpose Programs	62	1.60%	$ 86,107,390	14.51%	$ 1,388,829
Commercial Real Estate	486	12.57%	$ 281,099,913	47.36%	$ 578,395
Agricultural and Farm Lending	220	5.69%	$ 45,429,885	7.65%	$ 206,499
Housing Loans	638	16.51%	$ 114,764,211	19.34%	$ 179,881
TOTAL	**3,865**	**100%**	**$ 593,485,094**	**100%**	**$ 153,554**
Average Development Loans per Bank	**322**		**$ 49,457,091**		**$ 153,554**

- **Number of Development Loans:**
  The 12 development banks (average asset size of $235.3 million) in NCIF's portfolio originated 3,865 new development loans amounting to $593.5 million in FY2007, constituting slightly more than 91% in dollar volume of loan transactions in the portfolio (equal to the 91.1% in FY2006*).*

- **Portfolio Breakdown:**
  In terms of number of originations, most bank loans were consumer loans (52.06%). In terms of dollar volume, the majority went to commercial real estate (47.36%) with the next highest percentage directed to housing loans (19.34%) followed by special purpose loans (14.51%). The remaining dollar volume went mostly to small business loans, agricultural loans and consumer loans. This distribution is similar to the distribution in FY 2006 when 57.2% of originations were for consumer loans and only 50.5% of the total loan volume was directed towards commercial real estate loans.

- **Average Loan Statistics:**
  On average, the banks originated 322 development loans amounting to $49.5 million per institution.

- **Performance Ratios:**
  In dollar terms, 55.4% of all the loans originated went to low income communities. In terms of number of transactions, 56.4% went to such communities.

- **Leverage:**
  For FY2007, NCIF investee banks generated new development loans that were 166.3% of total equity capital down from 172.2% in FY2006; and 15.8% of total assets up slightly from 15.4% in FY2006.

Portfolio Credit Union Summary – FY 2007

Table 5: FY 2007 Credit Union Lending Activity

CREDIT UNION TOTAL FY 2007	Number	% (#)	Dollar	% ($)	Average
Consumer Loans	5,036	89.07%	$ 30,284,974	52.01%	$ 6,014
Small Business Loans	188	3.33%	$ 9,422,151	16.18%	$ 50,118
Agricultural and Farm Lending	10	0.18%	$ 197,582	0.34%	$ 19,758
Housing Loans	420	7.43%	$ 18,323,043	31.47%	$ 43,626
TOTAL	**5,654**	**100%**	**$ 58,227,749**	**100%**	**$ 10,299**
Average Development Loans per CU	**808**		**$ 8,318,250**		**$ 10,299**

- **Number of Development Loans:**
  The 7 credit unions (average asset size of $43.8 million) originated 5,654 new development loans amounting to $58.2 million in FY2007, constituting 59.4% of the loan transactions in the portfolio (down from 49.3% in FY2006) and representing 8.9% of the total dollar volume of loans.

- **Portfolio Breakdown:**
  In terms of number of transactions, most of the loans were consumer loans (89.1%). In terms of dollar volume, 52.0% was directed toward consumer lending and 31.5% went to housing loans. This distribution is similar to FY 2006 when 89.1% of originations and 53.9% of the total loan amount was directed toward consumer lending.

- **Average Loan Statistics:**
  The average loan size for credit unions in FY 2007 was $10,299. Per institution, each credit union originated 808 development loans on average, amounting to $8.3 million per institution.

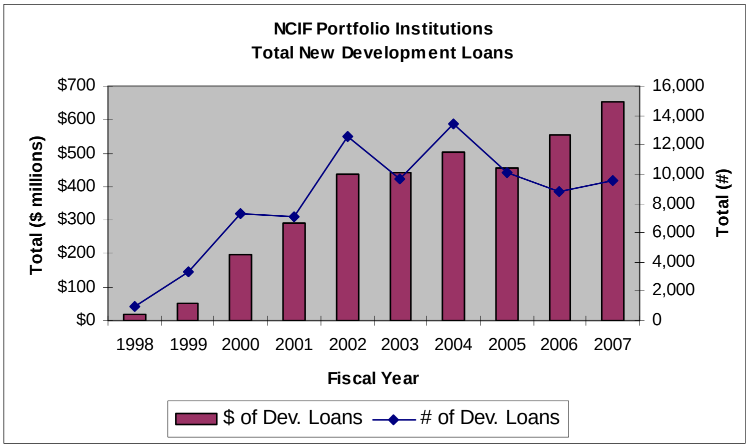
- **Performance Ratios:**
  For FY2007, 59.3% of the dollar volume and 65.3% of their number of all loans originated went to low income communities.

- **Leverage:**
  For FY2007, NCIF investee credit unions generated development loans that were 262.0% of total equity capital up from 259.6% in FY2006; and 19.0% of total assets up from 16.95% in FY2006.

Development Impact of NCIF Investees - History

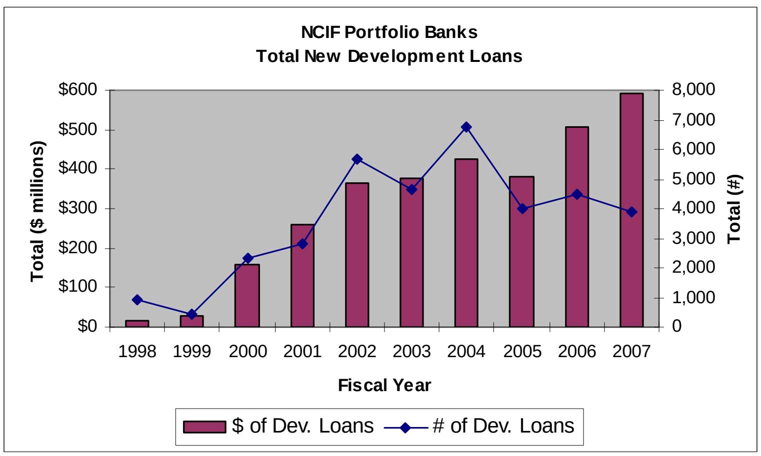
NCIF started collecting new development loan level data from its investees in FY1998, when its portfolio consisted of five institutions. As NCIF's portfolio grew, the effort expanded to include as many as 22 institutions, and became more standardized. The below charts detail the trends in development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

Chart 2: Historical Trend of NCIF Portfolio Development Lending



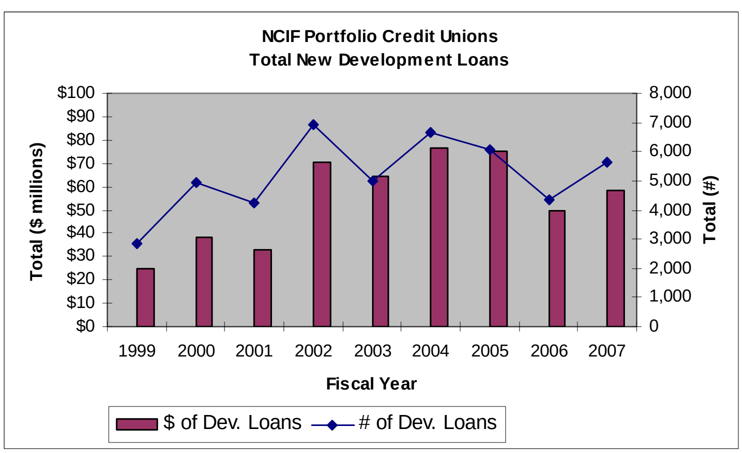
As Chart 2 illustrates, the institutions within the NCIF portfolio continue to originate high impact development loans in the country's most economically vulnerable communities.

Chart 3: Historical Trend of Bank & Thrift Development Loans



Since 1998, the NCIF Portfolio Banks & Thrifts have originated 35,290 development loans totaling $3.2 billion.

Chart 4: Historical Trend of Credit Union Development Loans



Since 1998, the NCIF Portfolio Credit Unions have originated 48.549 development loans totaling $499 million.

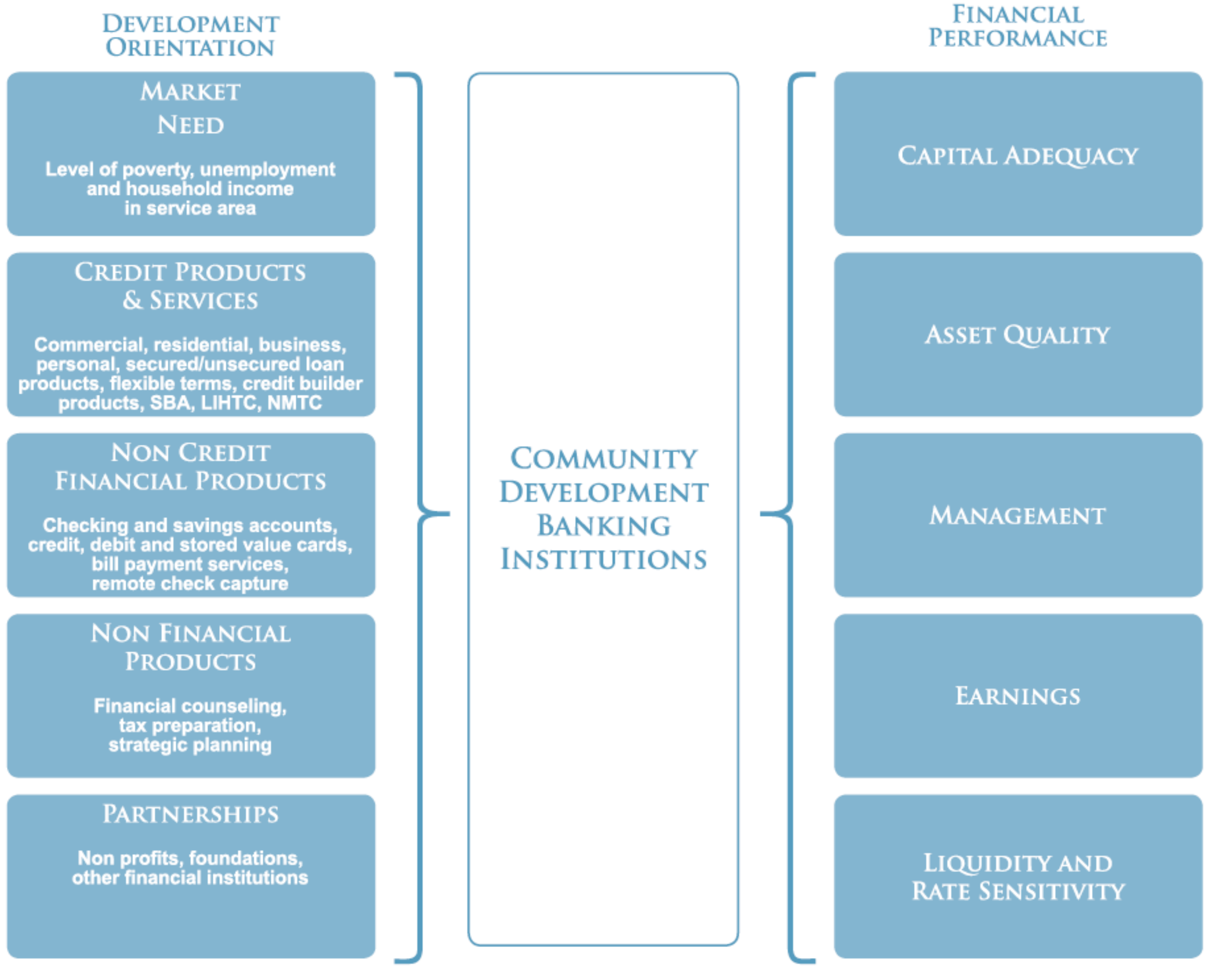
Number of Institutions Reporting for Each Year

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
# of Banks	4	4	9	13	15	13	12	11	13	12
# of Credit Unions	1	3	4	4	7	7	6	6	7	7
# of Institutions	5	7	14	17	22	20	18	17	20	19

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 examines the **market need** of the community that the bank serves. Is the bank located within a community with a high poverty rate or unemployment rate? Is the bank serving an area with a low median family income? What are the various **products and services** that are being offered by the bank? Are they providing innovative products that are tailored to the needs of their community? Are they providing financial literacy and counseling to their customer base? Finally, is the bank active in creating partnerships that will enhance the bank's impact and will improve the delivery of products and services? Are they working with local government, nonprofit organizations and religions groups to maximize impact?



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.

APPENDIX:

Example of Individual Bank Analysis

Carver Federal Savings Bank; New York, NY

APPENDIX

Example of Individual Bank Analysis - Carver Federal Savings Bank

As mentioned earlier, NCIF is providing an analysis of a CDBI bank to highlight the impact methodologies in action. Included below is a detailed examination of Carver Federal Savings Bank, a certified CDFI thrift located in Harlem, NY. NCIF will provide analysis of Carver on financial performance, the NCIF Social Performance Metrics, Development Impact Reporting and the Model CDBI Framework. The resulting summary can be used to communicate Carver's impact to investors and stakeholders. NCIF decided to highlight Carver as it is a high-performing institution from a social impact perspective, with a proven track record of serving the needs of a low to moderate income community.

We hope that you find this analysis useful; please feel free to contact us to perform a similar analysis for your institution.

Financial and Organizational Data

Carver Bancorp

Lenox Avenue	Company Type: Savings Institution
75 West 125th Street	Docket Number: 5273
New York, NY 10027	Number of Branches: 9
Phone Number: (718) 230-2900	Parent Company: Carver Bancorp, Inc.
Web Address: http://www.carverbank.com	Top Level Ticker: CARV
CDARS Participant: Yes	Date Established: 1/1/1948

Officer Name	Role	Title
Deborah C. Wright	CEO	Chairman & CEO
Not Available	COO	NA
Paul D. Hagan	CFO	Chief Financial Officer
Robert Holland, Jr.	Lead Director	Lead Director

SOCIAL PERFORMANCE

Development Lending Intensity - HMDA		73.39%	CDFI Status:	Certified
Development Deposit Intensity		70.00%	MDI Status:	Yes
Quadrant		1	Housing Focus:	28.78%

FINANCIAL PERFORMANCE End of Period Date		FYE Mar-06	FYE Mar-07	FYE Mar-08
Total Assets (000)		661,396	739,952	796,443
Net Loans (000)		493,432	603,777	651,683
Total Deposits (000)		504,638	615,122	654,663
Total Equity (000)		48,697	51,627	54,383
Net Income (000)		3,770	2,583	3,980
Tier 1 Leverage Ratio (%)		12.42	9.51	9.53
Net Loans/Assets (%)		74.60	81.60	81.82
Net Interest Margin (%)		3.18	3.44	3.62
Efficiency Ratio (%)		78.96	84.30	90.31
Return on Equity (%)		7.93	5.23	7.23
Return on Assets (%)		0.60	0.37	0.52
Net Charge offs/Average Loans (%)		0.02	0.01	0.12
Non Performing Loans/Total Loans (%)		0.55	0.74	0.61
Loan Loss Reserves/Gross Loans (%)		0.81	0.89	0.74

Note: Carver Bancorp has a March 31 FYE.

NCIF Social Performance Metrics Analysis

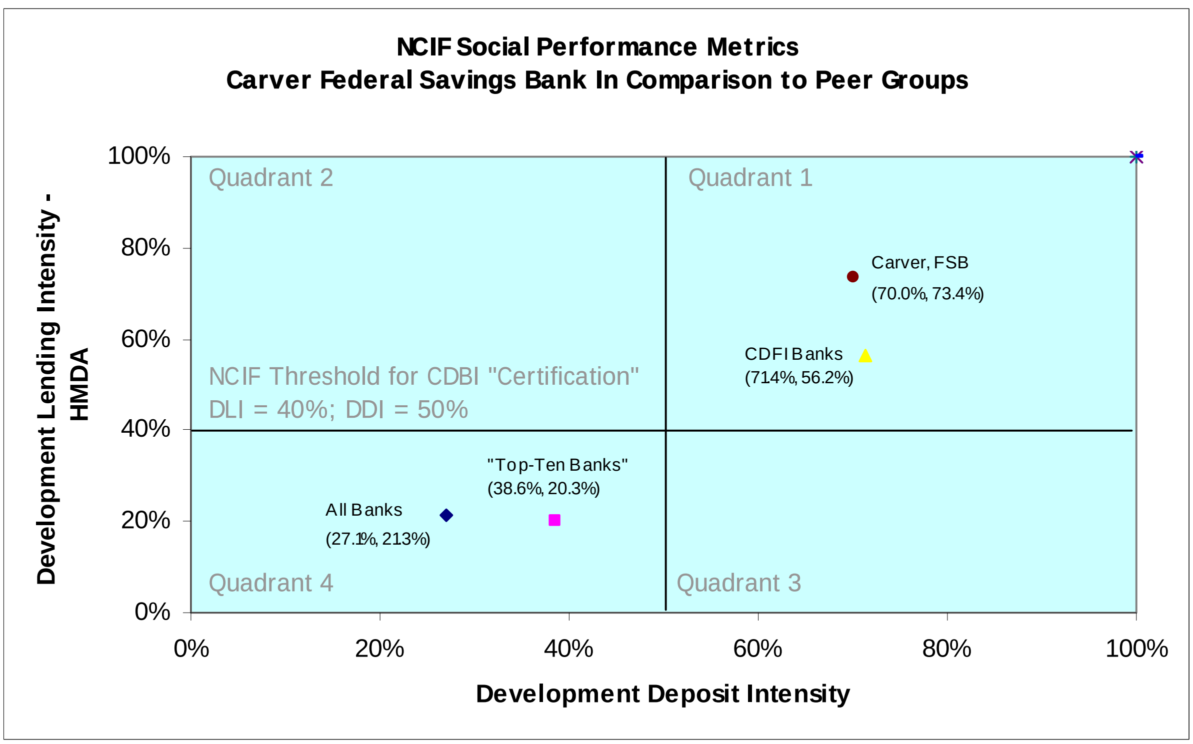
Carver Federal Savings Bank is a certified CDFI thrift located in Harlem, NY. As Table 1 highlights, in 2007, Carver has a DLI-HMDA value of 73.39% and a DDI value of 70.00%. These values are greater than the DLI-HMDA threshold value of 40% and the DDI threshold value of 50% and therefore Carver is located in the high-performing Quadrant 1.

Carver is outperforming the average scores for both all banks and for the "Top-Ten" banks. Carver is also outperforming the average DLI-HMDA score for certified CDFI banks and is just below the average DDI score for certified CDFI banks. According to the NCIF Social Performance Metrics, Carver Federal Savings Bank is a high-performing institution and its home lending and branch location activity indicate a mission of community development.

Table 1: FY2007 NCIF Social Performance Metrics for Carver Federal Savings Bank

Institution	DLI-HMDA	DDI
Carver FSB	73.39%	70.00%
CDFI Banks	56.21%	71.41%
All Banks	21.30%	27.08%
Top Ten Banks (Assets)	20.28%	38.58%

Chart 1: Carver Federal Savings Bank Compared to Peer Group Averages



Annual Development Impact Loan Analysis

For 2007, Carver Federal Savings Bank continued its strong track record of providing loans to borrowers located in low to moderate income communities.

- For FY2007, Carver FSB originated 342 new development loans amounting to $125.5 million dollars. This represents 63.1% of the total dollar amount of lending for the bank during this fiscal year. Within the development portfolio, Housing Loans made up the largest dollar amount and 74.3% of the total amount of Housing lending was development lending.

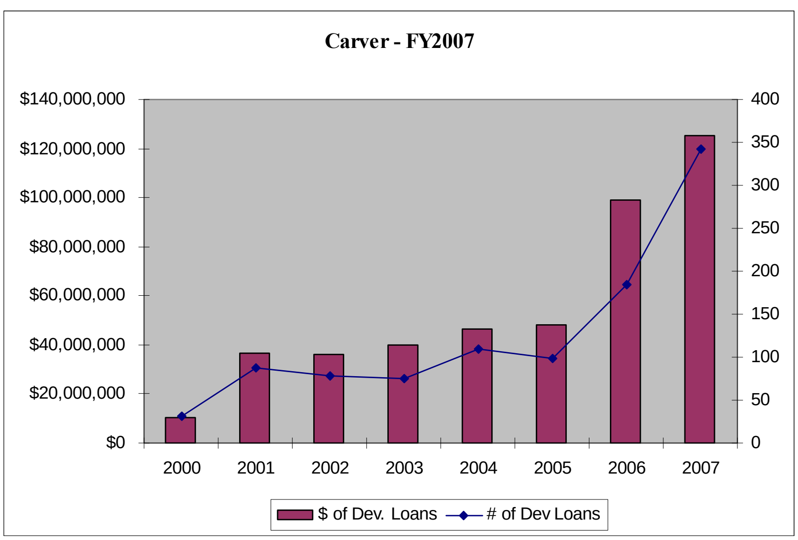
- The FY2007 development loan volume displayed a 26.8% increase from the previous year. The number of development loans during FY 2007 displayed an 85.87% increase from the previous year.

Table 2: 2007 Carver Federal Savings Bank Development Loan Analysis

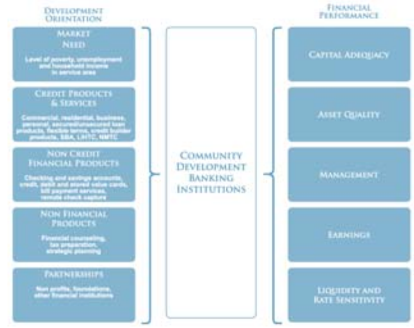
The 2007 lending activity of Carver FSB is detailed in the chart below. The percentages indicate the percentage (in both number of loans and dollar amount of loans) of total lending within each category that qualifies as development lending. For this institution, 74.31% of all Housing lending qualifies as development lending.

CARVER	$	#	% ($)	% (#)
ALL FY 2007 Loans	**$198,839,199**	**478**		
FY2007 Development Loans	**$125,459,060**	**342**	**63.10%**	**71.55%**
Commercial Real Estate Loan	$25,415,900	10	*66.82%*	*58.82%*
Consumer Loan	438142.95	204	28.13%	*82.59%*
Housing Loan	$38,909,848	82	*74.31%*	*66.13%*
Small Business Loan	$7,748,000	22	*54.74%*	*47.83%*
FY2006 Development Loans	**$98,933,716**	**184**	**76.90%**	**68.91%**
%Δ 2006-07 Development Loans			**26.81%**	**85.87%**

Chart 2: Historical Trend of Carver Federal Savings Bank Development Loan Output



NCIF Model CDBI Analysis



Individual Bank Analysis – Carver Federal Savings Bank

Carver Federal Savings Bank was founded in 1948 to serve African-American communities whose residents, businesses and institutions had limited access to mainstream financial services. Today, Carver is the largest African-American operated bank in the United States. Carver received an 'Outstanding' rating following its most recent CRA examination in 2009.

Market Need

Carver Federal Savings Bank operates ten branch locations throughout the Harlem neighborhood of Manhattan, Brooklyn and Queens. The Bank remains headquartered in Harlem, and predominantly all of its 10 branches and stand-alone *24/7* ATM Centers are located in low-to-moderate income neighborhoods. As an example, the bank operates a branch in a census tract with a poverty rate of 55.1%. A third of the population in this census tract is unemployed.

Credit Products & Services

Carver offers mortgage products and specializes in lending to commercial real estate projects. Carver is a New Markets Tax Credit Allocatee and utilizes its allocation to invest in projects throughout its service area.

Non-Credit Products & Services

Apart from traditional deposit and savings options, Carver offers special deposit products for nonprofit organizations and for families. Carver offers a special savings program for first-time home buyers, First Home Club (FHC) as a Federal Home Loan Bank member. The FHC provides down payment and closing cost assistance by granting four dollars in matching funds for each dollar saved in a dedicated account (up to $7,500 in matching funds) to an eligible first-time homebuyer purchasing a home through Carver.

Non-Financial Products and Services

Carver Federal Savings Bank is very active in providing non-financial products to its community. As an example, Carver launched the 'Financial Empowerment Series' providing ongoing seminars for first time homebuyers, homeowners, and seniors to help them understand basic banking and financing terms as well as products and services that will help provide the tool needed to build and sustain wealth.

Carver Federal Savings Bank also initiated an "Anti-Predatory Awareness Campaign" in collaboration with the Harlem Congregations for Community Improvement (HCCI) and the Neighborhood Housing Services of Bedford Stuyvesant (NHS Bed-Stuy). In the year since the seminars were launched, Carver has reached over 5,000 attendees including 1,300 who attended group counseling seminars on foreclosure prevention and anti-predatory lending seminars.

Finally, the Carver Financial Literacy Center (FLC) was established in November 2006 and is located at 300 W. 145th Street in Harlem, NY. FLC provides a place for community residents to learn about financial empowerment through seminars and/or one-on-one counseling. In 2008, Carver FLC provided one-on-one counseling to more than 1,300 residents on homeownership and credit as well as foreclosure prevention.

Partnerships

Carver's many partnerships include an arrangement with the New York City Office of Financial Empowerment (OFE) to provide bank accounts to "un-banked" families in a newly established program called Opportunity NYC ("ONYC"). ONYC is a New York City anti-poverty program that seeks to help move people out of poverty by creating incentives that encourage attainment of education, training and employment opportunities.

Carver is also partnering with the New York City Housing Authority (NYCHA) by participating in a pilot program to encourage "un-banked" residents to pay their rent at a Carver branch. This program has been very successful and Carver is currently working on expanding its services and products to serve this vulnerable market segment. Carver also has a partnership with the New York City School Construction Authority (SCA). As the sole bank partner to the SCA, Carver established a special working capital loan program for local construction managers and contractors who have been awarded contracts by the SCA. The underwriting process is fast-tracked and provides participants speedy access to bridge capital as well as technical assistance on the application process.

APPENDIX:

Development Impact of NCIF Investees - Methodology

The FY 2007 report is based on information from 19 institutions: 12 banks and 7 credit unions, down from 20 institutions in FY 2006 (13 banks and 7 credit unions). Institutions reporting for 2007 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. Nuestro Banco (Raleigh, NC)
10. South Carolina Community Bank (Columbia, SC)
11. Southern Bancorp, Inc. (Arkansas and Mississippi)
12. Urban Financial Group (Bridgeport, CT)

Credit Unions:
1. Alternatives Federal Credit Union (Ithaca, NY)
2. Appalachian Federal Credit Union (Berea, KY)
3. Dakotaland Federal Credit Union (Huron, SD)
4. Latino Community Credit Union (Durham, NC)
5. Lower East Side Peoples Federal Credit Union (New York, NY)
6. Opportunities Credit Union (Burlington, VT)
7. 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.

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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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