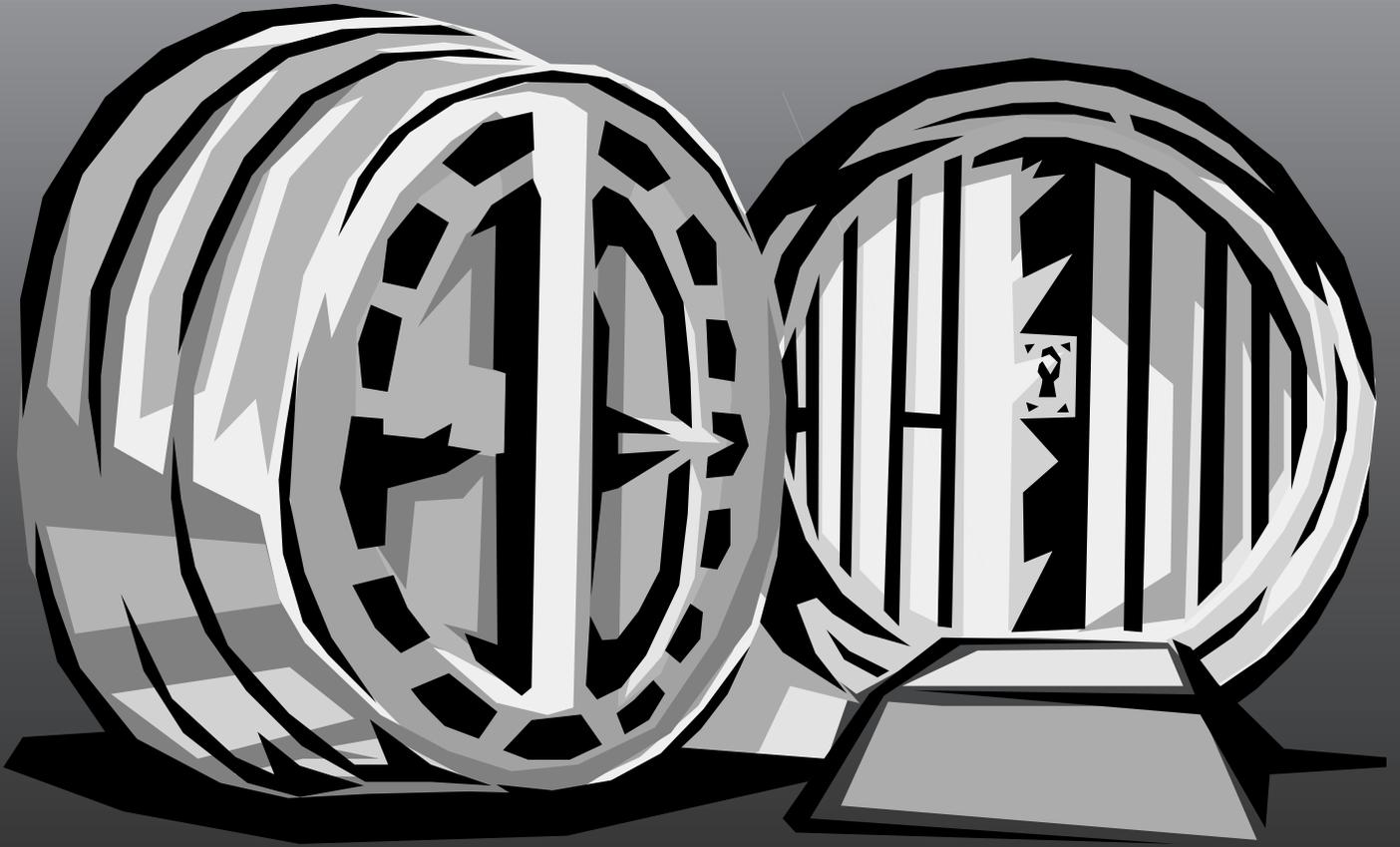


# COMMUNITY INVESTING 2002



## Safety & Soundness Data Findings



A publication from

NATIONAL  
COMMUNITY CAPITAL  
ASSOCIATION

*In 2002 CDFIs around the nation were confronted with difficult economic times and an uncertain economic and political future. Despite these challenges, CDFIs in NCCA's membership continue to grow in size and strength, while focusing on improving financial sustainability, deploying capital, and sustaining and improving portfolio performance. The strong performance of these CDFIs demonstrates that CDFIs excel at lending and investing in low-income communities, managing risks, and providing safe investment vehicles for investors.*

## Highlights From 2002 CDFI Data

### **CDFIs have not lost a penny of investment capital.**

CDFIs excel at managing risk in low-income communities and other markets that are underserved by conventional financial institutions. They do this through a combination of having sufficient equity capital and loan loss reserves, and closely monitoring and providing technical assistance to their clients. CDFIs in our sample have an average equity capital of 27% and average loan loss reserves of 5%, which are both more than sufficient to absorb portfolio and operating losses.

### **Portfolio performance remains strong.**

Delinquencies and loss rates remain low despite the depressed economy. Overall 90+ day delinquency rates were 3.6%. The net charge-off rates of CDFIs in our sample was 0.7%, which rivals the net charge off rate of commercial banks in FY 2002, which was 0.97% for all financial institutions.

### **Growth continues in the CDFI industry.**

Total financing capital of CDFIs continues to grow, even during these time of economic uncertainty. NCCA's membership managed more than \$3.1 billion in total capital. For members on which we have FY 2001 and 2002 data (101 CDFIs), total capital increased at an average of 22%.

### **Deployment of capital is high.**

Deployment of capital in community development projects remains high, evidence that there is strong demand for CDFI financing products. In FY 2002, CDFIs in NCCA's network deployed 81% of total capital in loans and investment outstanding and committed.

### **CDFI continue to have substantial impact in their communities.**

Through the end of FY 2002, CDFIs in our sample provided more than \$6.6 billion in cumulative financing, assisted 185,874 jobs, 283,415 housing units, and 3,849 community facilities. CDFIs are targeting their activity to the most economically disadvantaged populations and those that are traditionally underserved by conventional financial institutions. In FY 2002, an average of nearly 70% of the sample's clients were low-income, 48% were female and 49% were minority.

| <b>Key 2002 Statistics</b>               |                                    |
|--|------------------------------------|
|  | <b>Total (or Weighted Average)</b> |
| <b>Capitalization</b>                    |                                    |
| Total Capital                            | \$3,149,346,302                    |
| Equity-to-Total Capital%                 | 27%                                |
| <b>Financing</b>                         |                                    |
| Cumulative Financing <sup>1</sup>        | \$6,629,716,459                    |
| Total 2002 Financing <sup>1</sup>        | \$1,321,317,166                    |
| Total Financing Outstanding <sup>1</sup> | \$2,351,507,590                    |
| Deployment <sup>2</sup>                  | 81.3%                              |
| Delinquency Rate > 90 days               | 3.6%                               |
| Net Charge-Off Ratio                     | 0.7%                               |
| Loan Loss Reserves                       | 5.1%                               |
| Cumulative loss rate <sup>3</sup>        | 1.9%                               |
| Weighted Average Rate of Loans           | 7.1%                               |
| <b>Operations</b>                        |                                    |
| Staff (Full Time Equivalent Employees)   | 2,209                              |
| Average Year began Financing             | 1989                               |

Notes: Data and ratios are reported for those CDFIs for which we have data. (1) Includes loans, equity investments, loans purchased, guarantees and linked deposits (2) Deployment is defined as (loans + investments outstanding or committed) / Total Capital. (3) Includes direct financing only (loans and equity investments),



## ***Community Development Financial Institutions***

Community Development Financial Institutions (CDFIs) are financial intermediaries with a primary purpose of providing financial products and services to economically disadvantaged people and communities. Individuals and institutions invest in CDFIs because they want their investments to provide a social as well as financial return. CDFIs, even through challenging economic times, have proven to be a very safe investment that continues to have a tremendous impact on the communities they serve.

## ***National Community Capital's Membership***

National Community Capital is a Network of private-sector community development financial institutions (CDFIs). The Network invests in individuals, small businesses, quality affordable housing, and vital community services that benefit economically disadvantaged people and communities across the United States.

The National Community Capital Network is active in all 50 states, investing and providing technical assistance, in places as diverse as New York City, Central Appalachia, the Pine Ridge Reservation in South Dakota, and Hawaii.

National Community Capital Members must:

- ❖ Have a primary mission of community development and strive to have a positive impact on economically disadvantaged people and communities.
- ❖ Demonstrate a commitment to performance by acting as a disciplined lender and/or investor in community development and a responsible steward of other people's resources.
- ❖ Be private-sector financial intermediaries that use financing as an integral part of their community development strategy.
- ❖ Affirm support of National Community Capital's mission and be committed to building, growing, and improving the CDFI field.

## ***Overview of Dataset***

The data presented in this document includes information for 138 CDFIs which are Members of National Community Capital of which 88.4% are community development loan funds, 6.5% are community development venture capital funds, and 5.1% are community development credit unions. The 138 CDFIs represent data from 129 Members, as several Members operate multiple CDFIs.

It is important to note that the data represented here is based on a sub-set of the industry of approximately 800-1000 CDFIs. As such, the trends and statistics presented here cannot be generalized.

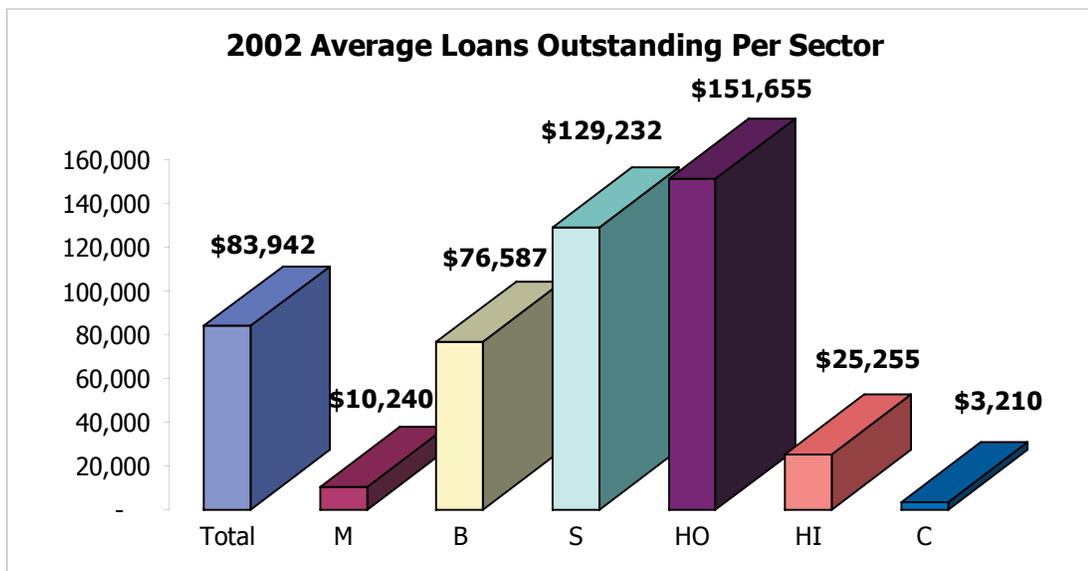
## Financing Activity And Performance

Total Financing Outstanding-----\$2,351,507,590  
 Total Financing Closed-----\$1,321,317,166

CDFIs invest in institutions, businesses, and people who do not have access to mainstream financial sources. CDFIs provide financing, technical assistance and other services to: affordable housing developers, microenterprise and small businesses, community facilities, and consumers.

### Type of Financing Outstanding

|  |                 |
|--|-----------------|
| Total \$ Amount Outstanding                          | \$2,351,507,590 |
| % in Loans   | 94%             |
| % in Equity Investments or Debt with Equity Features | 3%              |
| % in Guarantees or Linked Deposits                   | 3%              |



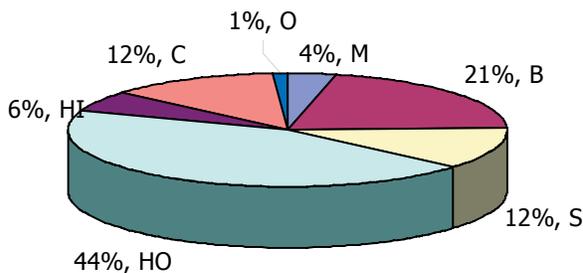
B=Business, M=Microenterprise, C=Consumer, S=Community Services, HO=Housing to Organizations, HI-Housing to Individuals

### Interest Rate Charged per Sector

|                          |      |
|--------------------------|------|
| Total                    | 7.1% |
| Microenterprise          | 9.2% |
| Business                 | 7.9% |
| Community Service        | 7.3% |
| Housing to Organizations | 5.8% |
| Housing to Individuals   | 5.6% |
| Consumer                 | 7.2% |

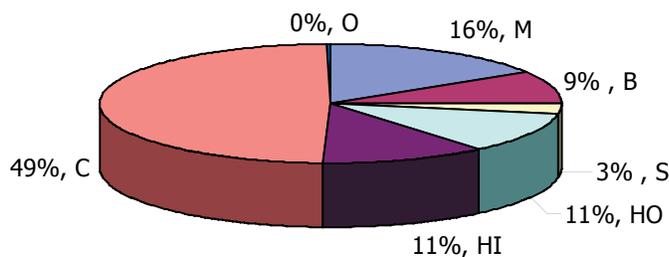


### Direct Financing Closed (\$) by Sector



B=Business, M=Microenterprise, C=Consumer, S=Community Services, HO=Housing to Organizations, HI-Housing to Individuals

### Direct Financing Closed (#) by Sector



B=Business, M=Microenterprise, C=Consumer, S=Community Services, HO=Housing to Organizations, HI-Housing to Individuals

## Portfolio Quality

Overall portfolio quality remains high, based on both net charge-offs and delinquency rates. CDFIs have been able to continually experience solid portfolio performance because they know their clients and markets well, and provide significantly training to increase the capacity of their clients. Net charge-offs for CDFIs in our sample was 0.7% in FY 2002. This rivals the charge off ratio of commercial banks, which was 0.97% for all commercial banks<sup>2</sup>. The 90+ day delinquency rate for CDFIs in our sample was 3.6%.

Portfolio performance has been strong over the years, and 2002 data is consistent with our sample's performance in 2001<sup>3</sup>. The 0.7% net charge-off ratio in 2002 compares with 0.5% in 2001, and the 3.6% delinquency rate compares with 3.3% in 2001.

<sup>2</sup> Source: Federal Deposit Insurance Corporation (FDIC), December 31, 2002 data.

<sup>3</sup> 2001 data is based on a sample of 107 CDFIs.

## Capitalization

Total Capital Under Management ----- \$3,149,346,302

The total capital of the membership continued to increase and grew at a rate of 61% in FY 2002, which includes both a growth in the number of NCCA members as well as growth in individual CDFIs. Growth at individual CDFIs (whom we had data on last year) increased an average of 22% per CDFI. Between 1990 and 2002, NCCA membership's capital increased at a compound annual growth rate of 37%, increasing from \$73 million in 1990 to more than \$3 billion in 2002.

### Capital Structure

CDFIs in our membership have varying capital structures based upon institution type, type of financing, and other factors. For example, credit unions require substantially lower equity capital bases because they are regulated by the National Credit Union Administration and they are capitalized with shares and deposits that are insured. Venture capital funds, on the other hand, require higher equity ratios because they are unregulated, provide higher-risk business financing, and have equity returns tied to the performance of their portfolio companies.

***Overall, NCCA Members all have sufficient equity capital and additional reserves to support their financing activity, evidenced by the fact that no investors or depositors in CDFIs in our network have ever lost a penny of investment capital.***

|                    | Total | Loan Fund | Credit Union | Venture Fund |
|--------------------|-------|-----------|--------------|--------------|
| Borrowed Funds     | 60.6% | 71.4%     | 3.0%         | 10.1%        |
| Equity Equivalent  | 2.1%  | 2.5%      | NA           | 0.0%         |
| Shares             | 9.3%  | NA        | 80.4%        | NA           |
| Nonmember Deposits | 0.6%  | NA        | 4.9%         | NA           |
| Secondary Capital  | 0.2%  | NA        | 1.7%         | NA           |
| Equity Capital     | 27.3% | 26.1%     | 10.0%        | 89.9%        |

\*Represents weighted average for the group.

### Sources of Borrowed Capital, Shares and Deposits

|                         | Investor Capital <sup>1</sup><br>(loan funds) | Shares / Deposits<br>(credit unions) |
|-------------------------|---|--------------------------------------|
| Financial Institutions  | 42.0%   | 2.6%                                 |
| Foundations             | 18.0%   | 1.8%                                 |
| Government              | 16.8%   | 0.4%                                 |
| Corporations            | 8.1%  | 3.2%                                 |
| Religious Institutions  | 6.5%  | 4.1%                                 |
| Individuals             | 3.8%  | 79.2%                                |
| National Intermediaries | 2.7%  | 0.2%                                 |
| Other                   | 2.1%  | 8.5%                                 |

<sup>1</sup>Investor Capital includes Borrowed Funds and Equity Equivalent Investments; Data excludes Self-Help Ventures Fund because they operate a very large secondary mortgage program, which is unique in the industry.

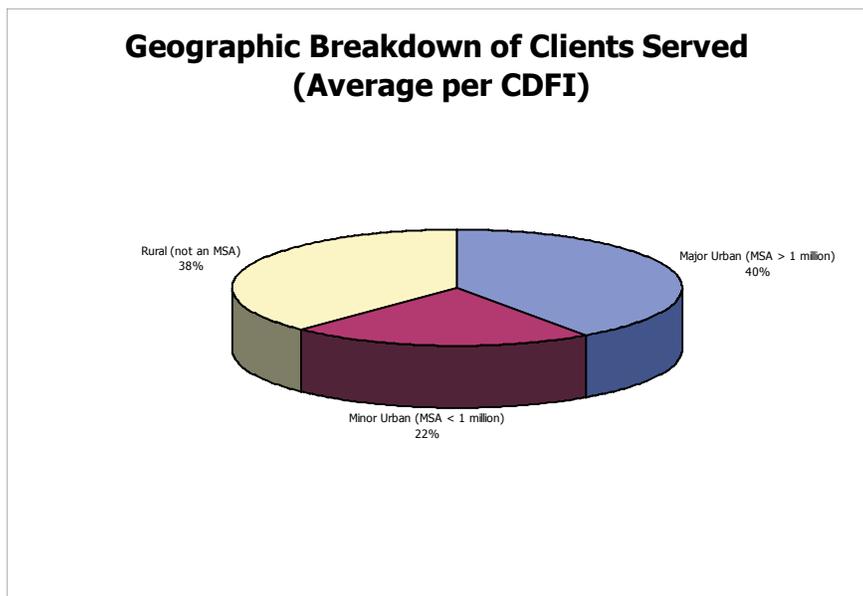


## Community Outcomes

The social outcomes of CDFIs' financing activities are substantial. Through the end of FY 2002, CDFIs in our sample provided more than \$6.6 billion in cumulative financing for community development activities benefiting economically disadvantaged people and communities. This financing helped create or maintain more than 185,000 jobs and support the development and expansion of approximately 283,000 housing units, and 3,850 community facility projects.

|   | Cumulative through fiscal year 2002 <sup>1</sup> |
|---|--|
| Total Cumulative Financing                          | 6,629,716,459                                    |
| Housing Units Financed                              | 283,415  |
| Number of Businesses and Microenterprise Financed   | 24,669   |
| Number of Jobs Assisted (created or maintained)     | 185,874  |
| Percentage Jobs for Low-Income Persons              | 62%  |
| Percentage Jobs for Women                           | 44%  |
| Percentage Jobs for Minorities                      | 37%  |
| Number of Community Services Organizations Financed | 3,849  |

<sup>1</sup>Based only on those CDFIs that tracked these statistics.



CDFIs are targeting their activities to reach the most economically disadvantaged customers. In FY 2002, an average of 69% of our sample's clients were low-income, 48% were female, and 47% were ethnic minority.

### Average % of Clients Served:

|            |     |
|------------|-----|
| Minority   | 47% |
| Female     | 48% |
| Low-Income | 69% |

# About NCCA

Active in all 50 states, National Community Capital is a network of more than 150 private-sector community development financial institutions (CDFIs). The National Community Capital network invests in small businesses, quality affordable housing, and vital community services that benefit economically disadvantaged people and communities.

National Community Capital's strategy is to work just outside the margins of conventional finance to bridge the gap between the economic mainstream and economically disadvantaged people and communities. In this way, we are building an inclusive prosperity where all people have the resources and opportunities to act in the best interests of their communities, themselves, and future generations.

With more than 15,000 investors, the network has invested nearly \$6.6 billion that has assisted in the creation of approximately 186,000 jobs, 283,000 housing units, and supported more than 3,800 service providers.

## Products and Services

Uniquely positioned in the community development industry, we offer CDFIs the most complete range of products and services of any organization in the field. They include:

**Financing:** For small, emerging, and mature CDFIs.

**Training:** Classroom and online learning.

**Consulting:** Comprehensive and customized to meet our clients' specific needs.

**Technical Assistance:** For start-up, small, emerging, and mature CDFIs.

**Information Products & Services:** Free and for-fee publications and other resources.

**Policy Analysis:** Analysis on pending policy proposals.

**Advocacy:** A voice for shaping policy on the federal and state levels.



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