

NCIF NATIONAL COMMUNITY INVESTMENT FUND
LEVERAGING CAPITAL FOR CHANGE

CDFI Banks and Social Performance Metrics

Community Investing Conference
Madison, WI

November 19, 2009 Saurabh Narain
snarain@ncif.org | 312-881-5826

Outline

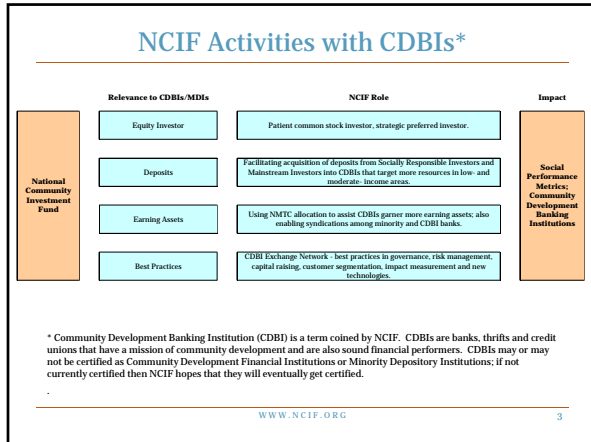
- National Community Investment Fund
- Community Development Banking Institutions
 - Vehicles for Leveraged Economic Development
- NCIF Social Performance Metrics
- Investment products
- Two Examples
- The Virtuous Cycle of High Impact Community Investing
- Conclusions and Next Steps
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National Community Investment Fund

- Only mission oriented non-profit private equity fund focused on CDBIs, set up in 1996
 - NCIF mission: NCIF invests private capital in, and facilitates knowledge transfer to, depository institutions that increase access to financial services in underserved communities.
- Significant investment track record
 - Total assets under management \$150 million including new markets tax credits
 - Cumulatively invested in debt and equities of 37 institutions
 - 73% of institutions are minority-focused, 68% of dollars are in minority-owned institutions.
 - 81.1% of institutions in urban markets
 - \$4.3 billion in more than 90,000 development loans; CDFIs leverage capital 12-15 times.
- Thought leadership
 - NCIF Social Performance Metrics that are being adopted by investors and CDBIs
- Advised by ShoreBank Corporation – leading CDFI with over \$2.8 billion in assets

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Community Development Banking Institutions: Vehicles for Leveraged Economic Development

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Community Development *Banking* Institutions

- Banks, thrifts and credit unions that have a double bottom-line mission i.e.
 - *insured financial institutions* that are
 - *sound financial performers* and have
 - *a mission of economic or social development, ex ante or ex post.*
- Some of these institutions are certified as "Community Development Financial Institutions" or CDFIs by the Department of Treasury (www.cdfifund.gov), while others are not; but continue their double bottom-line mission. NCIF collectively calls these institutions – Community Development **Banking** Institutions" or CDBIs
- CDBIs have a proven track record of creating long term impact in low to moderate income communities.

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The Context – CDBI Banks

• 7,826 banks < \$2 billion in assets.

• 63 CDFIs < \$2 billion in assets.

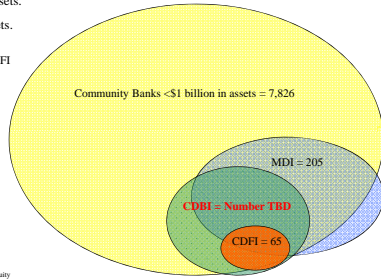
• Banks are 11% of all CDFIs in numbers but control 54% of CDFI assets – CDFI Data Project

• Equity leverage: 12- 15 x

• 205 Domestic Minority Depository Institutions (MDI)

• 199 < \$2 billion

• 75 < \$100 million



• **Need to identify and commemorate their impact**

* Equity leverage = amount of lending per dollar of equity

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NCIF Social Performance Metrics

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NCIF Social Performance Metrics

- A practical methodology that differentiates Community Development Banking Institutions (CDBIs) from other banks
- Create a correlation between performance as measured by NCIF Social Performance Metrics and more funding – deposits, debt and equity
 - Flexible search engine available on website
- Increases the Asset Class of CDBIs
 - Only 65 certified CDFI banks in the country; over 8,100 total banks
 - Over 37% of the census tracts are considered LMI communities
 - Approximately 40 million people are considered underserved

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Investment Products

The F. B. Heron Foundation Framework

MISSION-RELATED INVESTMENT OPPORTUNITY CONTINUUM



- Equity, quasi-equity and debt
 - Publicly traded vs private equity
 - Convertible or non-convertible preferred stock
 - Trust preferred securities
 - Senior debt
- Insured and uninsured deposits
 - Market rate vs below-market rate

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Example

Depositor

Wants to place \$10 million in deposits into certified CDFIs, located anywhere in the country, that are highly active in low income communities. The depositor is only interested in institutions with total assets over \$100 million, DLI-HMDA above 70% and DDI greater than 50%.

Screens applied

- CDBI must be a certified CDFI
- Total assets greater than \$100 million
- Development Lending Intensity (DLI-HMDA) > 70%
- Development Deposit Intensity (DDI) > 50%

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Example – Results

#	Institution	State	Assets (000)	Return on	Housing	DLI-	DDI
				Assets	Focus	HMDA	
1	Highland Community Bank	IL	\$ 119,558	0.25%	16.65%	100.00%	100.00%
2	Illinois Service Federal Savings and Loan Association	IL	\$ 146,300	-0.24%	78.18%	85.88%	100.00%
3	ShoreBank	IL	\$ 2,658,707	-0.69%	44.16%	81.20%	78.57%
4	Legacy Bank	WI	\$ 235,846	0.16%	36.46%	79.93%	100.00%
5	OneUnited Bank	MA	\$ 392,856	0.57%	84.48%	78.66%	80.00%
6	Franklin National Bank of Minneapolis	MN	\$ 116,519	0.11%	9.76%	78.09%	100.00%
7	Guaranty Bank and Trust Company	MS	\$ 501,877	1.00%	20.27%	74.33%	58.33%
8	Carver Federal Savings Bank	NY	\$ 810,571	0.16%	30.55%	73.39%	60.00%
9	City First Bank of D.C., National Association	DC	\$ 128,096	-0.33%	31.75%	73.11%	100.00%
10	Pacific Global Bank	IL	\$ 171,848	0.71%	68.92%	72.67%	66.67%

Results are sorted by DLI-HMDA

All Financial Data as of 6/30/2009; DLI-HMDA based on 2007 HMDA Reporting; DDI based on 2008 SOD Reporting

- 10 out of 65 CDFI Banks receive investment.
- Each institution receives \$1,000,000.
- 7 banks have a Housing Focus greater than 30%.

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Example

Socially Responsible Investor

Wants to identify and analyze financial institutions that are highly active in Illinois, Indiana, Michigan, Minnesota and Wisconsin. The investor is only interested in profitable institutions with DLI-HMDA above 70% and DDI greater than 50%. CDFI certification is not required for investment.

Screens applied

- Institution must be located in IL, IN, MI, MN, WI
- Development Lending Intensity (DLI-HMDA) > 70%
- Development Deposit Intensity (DDI) > 50%
- Return on Assets > 0.0%

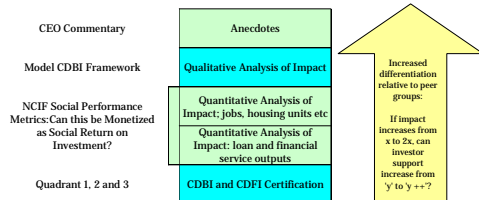
Example – Results

#	Institution	State	Assets (000)	Return on Assets	Housing Focus	DLI-HMDA	DDI
1	Bronanza Valley State Bank	MN	\$ 44,472	0.80%	14.33%	100.00%	100.00%
2	Capital Bank	MN	\$ 39,086	0.71%	14.41%	100.00%	100.00%
3	Highland Community Bank	IL	\$ 119,558	0.25%	16.65%	100.00%	100.00%
4	First Illinois Bank	IL	\$ 42,846	1.86%	35.91%	90.58%	100.00%
5	Legacy Bank	WI	\$ 235,846	0.16%	36.46%	79.93%	100.00%
6	Franklin National Bank of Minneapolis	MN	\$ 116,519	0.11%	9.76%	78.99%	100.00%
7	Austin Bank of Chicago	IL	\$ 322,752	0.37%	28.23%	74.15%	60.00%
8	Pacific Global Bank	IL	\$ 171,848	0.71%	68.92%	72.67%	66.67%
9	The First National Bank of Bagley	MN	\$ 67,525	0.23%	28.31%	72.40%	66.67%
10	Washington Federal Bank For Savings	IL	\$ 83,392	0.59%	87.44%	72.04%	100.00%

Results are sorted by DLI-HMDA. All Financial Data as of 6/30/2009; DLI-HMDA based on 2007 HMDA Reporting; DDI based on 2008 SOD Reporting

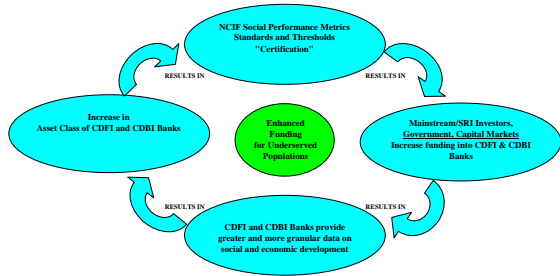
- 10 out of 1,658 geographically eligible banks identified using quantitative Social Performance Metrics.
- A qualitative analysis needs to be completed before making final investment decisions.
- 4 banks have housing focus > 30%

Social Performance MetricsSM – the Future



NCIF Social Performance Working Group is creating Standards

The Virtuous Cycle of High Impact Community Investing



Conclusions and Next Steps

- Investors to provide feedback on social and economic development metrics that they need to increase High Impact Community Investing.
- Increase the amount of funding – deposits, debt and equity – in community development banks and credit unions, identified by such metrics to promote the Virtuous Cycle.

Contacts

Saurabh Narain
Chief Fund Advisor
National Community Investment Fund
2230 South Michigan Avenue # 200
Chicago, IL 60616
(312) 881 5826
snarain@ncif.org
