


**Nonprofit Finance Fund
Low Income Investment Fund**




Portfolio Management in the New Normal

Opportunity Finance Network Conference
Wednesday, October 28, 2009

Presented by:
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Topics Covered



Introductions


Risk tolerance

Policies and tools critical to portfolio management

Questions and discussion

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**Presenter Overview:
Nonprofit Finance Fund**



30 year history

\$195 million of loans underwritten

\$50 million portfolio


Borrowers are nonprofit organizations across the sector:
human services (26%); arts and culture (27%); education (22%); health (11%) and community development and other (15%)

Community facility (acquisition, renovation, leasehold, new construction) and working capital loans (bridges, lines and term)

Predevelopment, short term and permanent financing

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**Presenter Overview:
Low Income Investment Fund**



25 year+ history

\$750 million lent to projects benefiting low income communities in 26 states

\$273 million portfolio including loans serviced for others

Lends to nonprofit organizations and for-profit entities


Employs a comprehensive strategy to poverty alleviation that focuses on affordable housing, education, child care, and green, healthy communities

Provides real estate-secured and unsecured financing

Products include predevelopment, acquisition, construction, and term loans

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What is your risk tolerance?




Important to identify, monitor and manage to key indicators of portfolio risk

Indicators

- Risk rating distribution
- Delinquency levels
- Charge off levels
- Concentrations (geographic, product, sector)
- Others

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**Portfolio Management:
Policies**



Common policies used to manage portfolios and portfolio risk


- Credit and underwriting
- Risk rating
- Loan loss reserve
- Non accrual and charge-off
- Portfolio management

Effective policies are:

- Documented
- Approved
- Current
- Followed

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Policies: Credit



Regularly review and revise underwriting criteria

- Management experience
- Organization track record
 - Acceptable collateral
 - Loan-to-Value
 - Debt service coverage
 - Borrowing base requirements
 - Covenants
 - Maximum exposure
 - Exception limits


Communicate to all stakeholders (underwriters, loan committees, board, clients)

Ensure that loans are underwritten to standards

- Underwriting oversight
- Credit sign-off
- Third party review of credit files

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Policy: Risk Rating




Assigns a measurement of the risk of nonpayment for each borrower/transaction. Encompasses a balance of quantitative and qualitative criteria

- Assessment of borrower
 - Track record or history
 - Financial performance and health
 - Management
 - Payment history
 - Industry stability
- Assessment of project/transaction
 - Financial projections/prospects/plan
 - Project team
 - Loan structure
 - Collateral

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Policy: Risk Rating (continued)



Typically a multiple tiered system with 4 to 16 levels

Levels range from strong credits with minimal risk to watch list loans to nonperforming loans

Rating can be one comprehensive score or a score for various components


Consistency provides integrity

- Clear written definition of each rating level that distinguishes it from the level above and below
- Review process to ensure that the ratings are consistently assigned

The rating can drive the frequency of monitoring, re-rating, loan loss allocation

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Policy: Loan Loss



Method and frequency of determining the level of loan loss appropriate for each portfolio

Methodologies include bottom up and/or top down


- Bottom up
 - Assessment of each individual loan typically based on risk rating. Factors to consider include payment history, financial health and prospects, general stability of industry, net realizable or net present value of collectible amount, among others
- Top down
 - Historical loss rate of portfolio
 - Donor or investor covenants
 - Percentage of portfolio
 - Pools of many small transaction assigned a rating
- Combination of the two

Frequency of review typically monthly or quarterly

Responsibility assigned to someone other than the lender

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Policy: Non-accrual and Charge off



Policy that outlines when to put a loan on non-accrual basis and when to charge off a loan.

Non-accrual


- No longer book interest receivable on the loan (stop accrual)
- Reverse previously accrued and unpaid interest
- Apply all interest payments received to principal on general ledger OR recognize interest income as interest received (cash basis)
- Borrower billing remains unchanged, continue at note terms
- Typically done at 60 or 90 days past due

Charge-off (full or partial)

- Various methods
 - Set based on amount of time past due
 - Determined on case-by-case based on assessment of collectability
- Accounting treatment is transparent to borrower. Information should be restricted to internal staff, auditors, board.

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Policy: Portfolio Management



Policies that address how to manage individual loans and the portfolio in the aggregate to minimize loss.

Active management of loans once booked is important since two leading causes of losses are:

- Limited relationship services
- No performance monitoring


(Others include failure to implement approved terms, permitting over advances and poor documentation)

Policies covering individual loan monitoring component will address:

- What is the scope of the monitoring?
- How frequently to monitor?
- Responsibilities?
- What to do with the results?

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Portfolio Management: Scope and Frequency



Scope

- Outlines the key aspects of the loan review
 - Financial condition
 - Management and governance changes and updates
 - Project status
 - Repayment prospects
 - Industry update
- Addresses handling of delinquencies, maturing loans

Frequency


- Will vary depending on the borrower/project
- Determined by strength of credit, risk rating, stage of project, payment history, watch list status, existing or potential weakness
- Annually, quarterly, monthly, weekly

Results get reported to various internal stakeholders

- Underwriters
- Credit oversight
- Other management
- Loan Committees
- Board

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Portfolio Monitoring: Tools



<p>From client</p> <ul style="list-style-type: none"> ■ Financial Statements ■ Borrowing Base Reports ■ Flash reports ■ Rent Rolls ■ Compliance Certificates ■ Escrows ■ Control Agreements ■ Industry newsletters, websites ■ Aging reports: A/R and A/P 	<p>Internal Reports</p> <ul style="list-style-type: none"> ■ Payment history/ delinquency report ■ Maturity ■ Risk Rating ■ Call reports ■ Appraisals ■ Lien and judgment searches
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Portfolio Monitoring: Watch List



One of the outcomes of regular portfolio monitoring is the creation and maintenance of a watch list. This allows you to:


- Inform key people
- Share information and expertise
- Develop action plans

Loans typically on the watch list are:

- Past due
- Downgraded
- Risk rated below average, substandard
- Policy exceptions
- Other real estate owned
- Internally designated

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**Portfolio Monitoring:
Watch List**




Key components of a watch list report:

- Who is borrower and where is borrower located
- Project address if different than above
- Summary of credit and risk issues
- Loan(s) status
- Collateral including guarantees
- Financial information
- Status or outcome of documentation review
- Agreed upon action plan
- Status of action plan
- Recommendations for amended/updated action plan
- Responsible party

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**Portfolio Management:
Portfolio Review**



In addition to managing ongoing portfolio issues periodic portfolio scrubbing can provide valuable information

- Provides overview of entire portfolio
- Identifies concentrations of risk
- Provides foundation for taking proactive measures
- Enables targeting of resources to most vulnerable or potentially negatively impactful areas of portfolio

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Portfolio Review



Scope

- Entire portfolio
- Viewed or sliced from different perspectives
- Credit file review by third party


Frequency will depend on

- Composition
- Condition
- Turnover in the portfolio

Next steps

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Portfolio Review




Criteria for the scrubbing will differ for each type of lending. Some options include:

- Loan size
- Industry/business/sector
- Risk rating
- Geography or location
- Payment history/delinquency
- Collateral
- LTV
- DSC
- Loan loss allocation

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Portfolio Review: Responses and Next Steps



Develop a plan of action


- Document next steps
- Set timeline
- Assign responsibilities

Next steps likely include:

- Reporting to others (management, committees, board)
- Additional meetings, communications with staff
- Assessment of risk tolerance: revisions
- Gathering more information
 - Industry update
 - Client communication
 - Peers, other lenders
 - Funders
- Mitigating actions
 - None
 - Provide TA or connect borrowers to TA
 - Funder outreach
 - Seek to reduce exposure: sell participations, not renew credit

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Establishing a Portfolio Management Staff




Who Does What:

- Chief Credit Officer: ensures compliance with approved lending policies and practices and management of lending-related risk; manages loan approval process; responsible for the independent review of the loan portfolio on an ongoing basis.
- Asset Manager: responsible for the ongoing management of the loans (assets) within the lending portfolio, including loan workouts; supervises the loan monitoring performed by portfolio managers and other lending staff.
- Portfolio Manager: performs regular reviews of individual loans, including current analysis of project, borrower, and guarantor performance, compliance with loan covenants, and changes in conditions affecting repayment; conducts site visits.

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Establishing a Portfolio Management Staff




Who Does What:

- **Loan Administrator:** performs a wide range of tasks related to loan closings and ongoing loan servicing; provides administrative support for collection of information and monitoring of compliance with loan requirements.
- **Loan Officer:** charged with business development and loan origination; structures and underwrites loans for credit approval; negotiates agreement(s) with borrower; provides portfolio management in absence of specialized portfolio manager.
- **Loan Committee:** approves and oversees the process and procedures for loan approvals, originations, and portfolio management; reviews and approves the origination of individual loans of a certain size or complexity.

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Establishing a Portfolio Management Staff



Considerations before staffing:

- Written procedures that delineate portfolio management tasks
- Grid that identifies roles and responsibilities for those tasks (who does what)
- Portfolio management as a lending/underwriting function, not an administrative function
- Clearly detailed portfolio management responsibilities for senior staff, loan committee(s), board

Specialized Roles for Portfolio Management?

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Specialized Roles for Portfolio Management?



Have the Loan Officer Do it

<p>Pro:</p> <ul style="list-style-type: none"> ■ Has established relationship with borrower ■ Knows the parties in a transaction (other lenders, grant providers, etc.) ■ Provides context for deal structure, environment ■ Understands intent of loan structure 	<p>Con:</p> <ul style="list-style-type: none"> ■ New business takes precedence over portfolio management activities/responsibilities ■ Judgment informed by relationship and past experience with borrower ■ Defensive about original involvement in or structure of deal
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Specialized Roles for Portfolio Management?



We Need a Portfolio Manager

Pro:

- Reviews deal as documented, not as intended
- Portfolio management as primary responsibility
- Perspective based on current environment, not original
- Readiness to identify problems, issues

Con:

- Borrower's responsiveness declines without potential of additional business
- Considered junior or less important than loan origination
- Less concern about long-term relationship with borrower

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Specialized Roles for Portfolio Management?



Let's have an Asset Manager who oversees the day-to-day portfolio management

Pro:


- Manages the portfolio managers
- Responsibility for all non-performing loans

Con:

- Restructures/modifications may require underwriting done by loan officers
- Relationship, relationship, relationship

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Related Hand Outs



- Early Warning Signs
- Risk Rating Samples
- Portfolio Review Templates and Examples
- Survey Results

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**Nonprofit Finance Fund &
Low Income Investment Fund**



Thank you.

To learn more about NFF, visit us at
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Risk Rating Classification	Description	Reserve	Review Frequency
1 – Pass/Strong	<p><u>Upon Initial Approval:</u> The loan adheres to all key underwriting standards without exception, and the loan and/or borrower demonstrate strength in one or more area (e.g., low LTV, high DSCR, notable borrower or guarantor financial strength, all take-out sources committed, etc.)</p> <p><u>Following Initial Approval:</u> Borrower and loan are both performing fully to projections, or better, with no sign of deterioration in any of the major performance criteria (borrower financial condition, project financial condition, collateral, organization, development timeline). The borrower is in compliance with all loan requirements, including payments, financial or other covenants, and reporting requirements. Actual LTV and/or DSCR (or, for unsecured loans, current borrower or guarantor financial ratios) are within underwriting standards.</p>	3%	Annual; Semi-Annual for construction loans.
2 – Pass/Acceptable	<p><u>Upon Initial Approval:</u> The loan requires an exception to one or more key underwriting parameters, or the borrower has moderate or lesser financial or organizational capacity; alternatively, the loan adheres to all key underwriting standards but at the limit of each measure (i.e., 90% LTV, 1.10 DSCR).</p> <p><u>Following Initial Approval:</u> Borrower and loan are both performing to projections, with no sign of deterioration in any of the major performance criteria (borrower financial condition, project financial condition, collateral, organization, development timeline). Alternatively, there may be some modest decline in the performance criteria of a previously rated Pass-1 loan. The borrower is current on all loan payments and in compliance with all loan covenants. Minor reporting infractions may exist; however, continued infractions that are indicative of underlying financial and/or management weakness would warrant a downgrade.</p> <p>A loan experiencing a short-term delay (i.e., less than three months) of the take-out event, with no decrease in the likelihood of that take-out, may still be considered Pass/Acceptable. Multiple or longer term extensions, and/or extensions or modifications requiring a full re-underwriting of the loan, would generally require a downgrade to Below Expectation absent mitigating factors. An acceptable mitigating factor for a loan to return to Pass/Acceptable following a downgrade would be the borrower’s demonstrated ability to perform to the re-underwritten timeline and/or other performance criteria.</p>	5%	Annual and Semi-Annual for construction loans; or more frequently as determined by the CCO.

Risk Rating Classification	Description	Reserve	Review Frequency
3 – Below Expectation	<p>There may be some sign of deterioration in one or more major performance criteria, but the overall quality of the loan is still acceptable in that there is strong expectation of full repayment. The timing of repayment may be delayed requiring extension of the loan beyond several months. Any deterioration is still within acceptable norms of performance. For example, borrower net operating income or project performance may be lower or slower than expected at underwriting, but values are still considered sufficient to service and repay the debt. A Below Expectation loan has potential weaknesses that merit management's close attention. The loan is currently protected but is exhibiting deteriorating trends which, if not corrected, could jeopardize repayment of the loan and result in a Substandard rating. Alternatively, the loan may have an intractable weakness, such as chronic operating shortfalls, but is backed by a strong guarantor or strong real estate collateral such that full repayment of the loan is not threatened.</p>	7%	Semi-Annual; or more frequently as determined by the CCO.
4 – Substandard	<p>Borrower and/or loan performance are substantially below expectations, and merit Special Attention designation and remedial actions. Deterioration in one or more major performance criteria are seen as a trend requiring more intense scrutiny and LIIF staff intervention with borrower. Deterioration may include one or more of: overall borrower financial condition; project-related performance factors; covenant breach; collateral value or marketability; concerns about borrower management or development team; negative change in external factors such as public agency support, takeout, or market; and/or loan performance or availability of financial data. Loan may require restructure to return to acceptable risk status. The loan is inadequately protected given deterioration in collateral value and/or financial condition of borrower. There are well-defined weaknesses that could jeopardize repayment of the debt if not mitigated, but no loss is currently anticipated. Loans classified Substandard or worse are considered Special Attention Loans and communicated to the Loan Committee.</p>	Based on a discounted cash flow analysis; expected range of 11% to 20%	Monthly or Quarterly progress tracking, as determined by the CCO. Full annual financial reporting still required.

Risk Rating Classification	Description	Reserve	Review Frequency
5 – Doubtful	Borrower/loan shows significant deterioration, requiring restructure, and concerted LIIF intervention. Negative trends cannot be easily reversed, and repayment on the original terms is extremely doubtful. Any combination of borrower financial condition, project financial condition, collateral value, borrower management team, or loan history indicates that principal and/or interest repayment is at risk. Weaknesses can be well defined, but losses may as yet be difficult to precisely quantify. Foreclosure proceedings against real property security may become advisable. Restructure may provide borrower an opportunity to return to improved trends. Loans in this category are at risk of principal loss without material improvement in the performance of the borrower and/or the loan.	Based on a discounted cash flow analysis; expected range of 21% to 75%	Monthly or Quarterly progress tracking, as determined by the CCO. Full annual financial reporting still required.
6 – Loss	LIIF expects to write off some amount of loan principal. Amount written off may be less than the outstanding principal, in which case the loan may be restructured to isolate repayable principal in one note; the amount LIIF expects to write off is classified 6. The Loan Committee is notified of potential write off amount as it is identified. Loans classified 6 should be written off, regardless of potential for recovery, within a short timeframe.	Based on a discounted cash flow analysis; expected range of 76% to 100%	Monthly or Quarterly progress tracking, as determined by the CCO. Full annual financial reporting still required.

BORROWER:**RATING:****DATE:**

RISK FACTORS/ RATING CRITERIA

TYPE OF LOAN

STRONG

GOOD

ACCEPTABLE

MARGINAL

DOUBTFUL

ALL LOANS

MANAGEMENT/ GOVERNANCE

The rating of management and governance is inherently very subjective. Other than one's personal and professional impression and judgment, factors to consider may include: the length of time the ED has served in this or a similar organization or an organization in the same stage of development; the relationship between the Board and the ED and the perceived commitment and degree of independent oversight provide by the Board.

- Excellent management depth and experience
- Superior talented, involved Board representing diverse disciplines
- Management is very well organized with clear direction and vision and proactively runs organization
- Management has integrated program and fiscal priorities.

- Strong management depth and experience
- Strong talented and involved Board
- Management is organized and proactive in anticipating changing circumstances

- New Executive Director with experience managing similar sized and type organization
- Some Board oversight
- Management is organized and in control of the direction of organization but may be reactive to changing conditions.

- Executive Director or CFO vacancy
- New Executive Director with limited management experience
- Minimal Board oversight
- Management turnover
- Volunteer dependent
- Management lacks a clear control of the direction of the organization
- Board and management responsibilities are not segregated.

- Uncooperative management
- No Board oversight or involvement

RISK FACTORS/ RATING CRITERIA	TYPE OF LOAN	STRONG	GOOD	ACCEPTABLE	MARGINAL	DOUBTFUL
REPAYMENT SOURCE & COLLATERAL	WORKING CAPITAL REVOLVING LOANS Contract/Grant Bridge	<ul style="list-style-type: none"> • Contract/grant executed • Payments made directly to NFF • Contract/grant < 25% of revenues • Repetitive contract/grant experience • Multiple other repayment sources 	<ul style="list-style-type: none"> • Written evidence of contract/grant • Payment notice readily available • Contract/grant < 50% of revenues • Similar contract/grant experience • Other repayment sources 	<ul style="list-style-type: none"> • Written evidence of contract/grant • No ability for payment notice • Contract/grant > 50% of revenues • Limited like contract/grant experience • Limited other repayment sources 	<ul style="list-style-type: none"> • No written evidence or ability to verify contract/grant • Contract/grant source unfamiliar to NFF • No like contract/grant experience • Only source of repayment 	<ul style="list-style-type: none"> • Repayment source not received or diverted to other uses • Payments >90 days past due
	Program Expansion	<ul style="list-style-type: none"> • Extremely well thought out and plausible business plan tested under various scenarios • Venture aligned with operation of organization • Organization not dependent on success of venture • Staff overseeing venture has superior, demonstrated, experience and qualifications • Secured by assets of the venture 	<ul style="list-style-type: none"> • Very well thought out and plausible business plan • Venture aligned with operation of organization • Organization not overly dependent on success of venture • Staff overseeing venture has good experience and adequate qualifications, supplemented by experienced consultants • Secured by assets of venture 	<ul style="list-style-type: none"> • Acceptable incomplete business plan but addresses key issues in credible manner • Venture not fully aligned with operations of organization • Organization somewhat dependent on success of venture, but alternate plan developed for worst case • Staff overseeing venture has some experience and adequate qualifications • No collateral available or undesirable 	<ul style="list-style-type: none"> • Sketchy or weak business plan • Venture not aligned with operation of organization • Organization betting the house on the success of the venture • Staff overseeing venture does not have appropriate experience or qualifications • No collateral available or undesirable 	<ul style="list-style-type: none"> • Venture unsuccessful • No business plan • Necessary staff support has not been addressed • Payments >90 days past due

RISK FACTORS/ RATING CRITERIA	TYPE OF LOAN	STRONG	GOOD	ACCEPTABLE	MARGINAL	DOUBTFUL
	Line of Credit	<ul style="list-style-type: none"> Limited reliance on line of credit. Zero balance more often than not-demonstrated past or projected ability to clean-up Multiple repayment sources Borrowing base on high quality A/R with advance rate \leq 75% 	<ul style="list-style-type: none"> Able to clean up one to two times per year for 30 days or more Several sources of repayment Borrowing base with advance rate \leq 85% 	<ul style="list-style-type: none"> Able to clean up one time per year for 30 days or on a program by program basis Limited repayment sources Borrowing base with advance rate \leq 90% 	<ul style="list-style-type: none"> Unable to clean up loan Past or projected difficulty in cleaning up loan Loan needs to be termed out in order to repay No borrowing base 	<ul style="list-style-type: none"> Inability to repay under any structure Payments >90 days past due

RISK FACTORS/ RATING CRITERIA	TYPE OF LOAN	STRONG	GOOD	ACCEPTABLE	MARGINAL	DOUBTFUL
	EQUIPMENT LOANS	<ul style="list-style-type: none"> Term < 3 years LTV <80% Payments < 25% of average surplus Equipment integral to operation of organization and first rate quality Perfected UCC filing on equipment 	<ul style="list-style-type: none"> Term < 3 years LTV < 90% Payments < 50% of average surplus Equipment integral to operation of organization Perfected UCC filing on equipment 	<ul style="list-style-type: none"> Term > 3 years LTV > 90% Payments > 50% of average surplus Equipment incidental to operation of organization No security interest filed 	<ul style="list-style-type: none"> Term in excess of useful life of equipment LTV > 100% Payments in excess of average surplus Equipment not integral to operation of organization No security interest filed 	<ul style="list-style-type: none"> Payments >90 days past due

RISK FACTORS/ RATING
CRITERIA

TYPE OF LOAN

STRONG

GOOD

ACCEPTABLE

MARGINAL

DOUBTFUL

FACILITY LOANS
Repayment from
Cash Flow

- | | | | | |
|---|--|---|---|--|
| <ul style="list-style-type: none"> • Amortizing term < 7 years • Adjusted debt service coverage > 1.3x • Multi-use building in desirable location • Secured by first lien on owned property with LTV < 90% | <ul style="list-style-type: none"> • Leasehold improvement with term less than lease • Term < 7 years with balloon < 50% • Adjusted debt service coverage > 1.2x • Secured by first lien on owned property with LTV < 100% or second lien on owned property with combined LTV <100% | <ul style="list-style-type: none"> • Leasehold improvement with term equal to lease • Term >7 years or balloon >50% • Adjusted debt service coverage > 1.0x • Single purpose building • Unsecured but owned property unencumbered • Secured by subordinate lien where NFF exposure represents less than 25% of total exposure. and LTV ≤ 90% | <ul style="list-style-type: none"> • Term > 10 years with balloon >50% • Adjusted debt service coverage <1.0x • Total LTV > 100% • Unsecured and owned property pledged • Single purpose building in a questionable market | <ul style="list-style-type: none"> • Other loans in default or lenders pursuing remedies • Payments >90 days past due |
|---|--|---|---|--|

RISK FACTORS/ RATING CRITERIA

TYPE OF LOAN

STRONG

GOOD

ACCEPTABLE

MARGINAL

DOUBTFUL

Repayment from Capital Campaign Bridge

- Organization has successfully completed a past campaign of similar size
- Term < 3 years
- Campaign 100% complete
- <25% still to be collected from pledges
- Written pledges from known sources
- Substantial reliance on foundation or other large quality pledges
- Advance rate < 75%
- Pledges are deposited into blocked account
- Perfected UCC filing and Account Control Agreement on blocked account
- Proven ability of organization to follow up on pledges

- Some board or staff experience in capital campaigns
- Term < 3 years
- Campaign 100% complete
- > 50% still to be collected from pledges
- Written pledges from primarily known sources
- >50% of pledges are small relative to the campaign total
- Advance rate < 80%
- Good ability of organization to follow-up on pledges
- Perfected UCC filing on A/R

- Limited board or staff experience in capital campaigns
- Term > 3 years
- Campaign < 50% complete
- < 25% still to be raised and plausible plan for completion
- Pledge sources not well known
- >70% of pledges are small relative to the campaign total
- Advance rate < 90%
- Some experience in following up on pledges

- No board or staff experience in capital campaigns
- Term > 3 years
- Campaign in early stages, but feasibility study completed and initial plan well thought out and plausible
- >50% still to be raised and sketchy plan for completion
- Pledge sources not known
- No experience in pledge follow up
- Advance rate > 90%

- Pledge proceeds diverted to other uses
- Little money raised and no plan for completion
- Payments >90 days past due

RISK FACTORS/ RATING CRITERIA	TYPE OF LOAN	STRONG	GOOD	ACCEPTABLE	MARGINAL	DOUBTFUL
PROJECT ANALYSIS	FACILITY LOANS	<ul style="list-style-type: none"> • Organization has past successful experience with similar size and type of project • Strong facility development experience on staff • External project team engaged and strong • Project does not entail significant change or growth of program • Project budgets are complete, well thought out with ample contingencies • Single lender • <6 months project • Technically simple, i.e. not historical building, no environmental issues, not program specific 	<ul style="list-style-type: none"> • Past experience with a project • Some facility development experience on staff • Good external project team engaged • Project entails some change or growth of program with impact well planned and projected • Project budgets are complete with adequate contingencies • Single or well known second lender • <12 months project • Limited technical issues 	<ul style="list-style-type: none"> • No previous experience with facility project • No facility development experience on staff, supplemented with experienced board member or consultants • Project manager hired • Projects entails significant growth or change to program but impact is well planned and projected • Project budgets are complete and with adequate contingencies • Multiple lenders • >12 months project • Technically complex 	<ul style="list-style-type: none"> • No project experience • Weak project management team with no project manager • Project entails significant change or growth to program and cost impact has not been well developed • Minimal cost overruns or member of project team replaced during project • Project budgets are not complete with inadequate contingencies • Involves change of location • Multiple unknown lenders • Multi-year project • Many technical issues 	<ul style="list-style-type: none"> • Project fails • Significant cost overruns or delays. • Payments >90 days past due

Maturity Report ~ All Offices

Loans Maturing between 7/1/09 - 6/30/10 *

as of October 2, 2009

Maturity Date	Loan #	Borrower Name	Project Name	Loan Status	Region	Officer	Associate	Original Amount Borrower	Original Amount LIIF	Principal Balance Borrower	Principal Balance LIIF	Principal Balance Other	Risk Rating	Sector	Loan Product	Secured	# Extend
July																	
July Active Loans																	
August																	
August Active Loans																	
September																	
September Active Loans																	
October																	
October Active Loans																	
November																	
November Active Loans																	
December																	
December Active Loans																	
Totals																	

**LIIF Loan Portfolio
Lien & LTV Comparisons**

		Prior Year	Prior Quarter	Prior Month	Current Month	Prior Month	Year to Year
	LTV Rate	Outstanding Receivables - LIIF 9.30.08	Outstanding Receivables - LIIF 6.30.09	Outstanding Receivables - LIIF 8.31.09	Current Commitment - LIIF 9.30.09	8.31.09 - 9.30.09 Variance	9.30.08 - 9.30.09 Variance
Total Secured Portfolio	75% and lower						
	76 - 90%						
	91 - 100%						
	> 100%						
	Total						
Total Unsecured Portfolio							
Total Portfolio							

As of September 30, 2009, the exposure amount and percentages above are based on commitment amounts instead of outstanding receivables. While this change makes direct comparison with prior periods inexact, percentages are roughly equivalent using this new methodology. Net changes among LTV categories during September were immaterial, as one loan (BHDC's \$1.3MM Windsor Redwoods loan) increased above 100% LTV as a result of a reappraisal, while two other high LTV loans shifted down in LTV categories through continued principal paydowns.

	LTV Rate	Current Commitment - LIIF	Percentage of LIIF's Total Commitment			
			9.30.09	6.30.09	3.31.09	12.31.08
Total Secured Portfolio	75% and lower					
	76 - 90%					
	91 - 100%					
	> 100%					
	Total					
Unsecured Portfolio						
Total Portfolio						

Benchmarks set by LIIF's Loan Committees state that LIIF's portfolio of loans >90% LTV shall be no more than 20% of LIIF's current commitment (13.7% as of 9.30.09); the unsecured portfolio shall be no more than 10% of LIIF's current commitment (7.2% as of 9.30.09).

Special Attention Loans
As of September 30, 2009

Borrower	Loan Number	Risk Rating	Non-Accrual	Past Due 30+ Days	Principal Balance	LIIF Principal Balance	Total Reserve	Maturity Date	Loan Type	Review Freq.	Restructure Status		
											Approved	Executed	In Compliance
Total Special Attention Loans:													
Total Receivables													
Percentage of Receivables													

Special Attention Loans Comparison	Current	6.30.09	3.31.09	12.31.08	9.30.08
# of On Balance Loans					
Outstanding On Balance					
% of On Balance Receivables					

REO	Status

Non Performing Loan Activity
September 30, 2009

Attachment B

Non Performing Loan Category	# of Loans	Principal Balance	% of Loans Receivable Balance					
			Current	8/31/09	6/30/09	Prior Quarters		
				3/31/09	12/31/08	9/30/08		

On Balance Sheet

30 to 59 Days Past Due

60 to 89 Days Past Due

90 + Days Past Due

- Non-Accrual
- Loans in Foreclosure

Total On Balance Delinquent

Current On Balance Receivables

Other On Balance Non-Accrual

Total On Balance Non-Performing

Total On Balance Non-Accrual

Off Balance Sheet

30 to 59 Days Past Due

60 to 89 Days Past Due

90 + Days Past Due

- Non-Accrual
- Loans in Foreclosure

Total Off Balance Delinquent

Current Off Balance Receivables

Other Off Balance Non-Accrual

Total Off Balance Non-Performing

On and Off Balance Sheet Combined

30 to 59 Days Past Due

60 to 89 Days Past Due

90 + Days Past Due

- Non-Accrual
- Loans in Foreclosure

Total Delinquent

Total Current Receivables

Total Other Non-Accrual

Total Non-Performing

Past Due Loans

30+ Days Past Due as of September 30, 2009

Loan #	Borrower	Days Out	Risk Rating	Current Principal Balance	LIIF Principal Balance	Others Principal Balance	Maturity Date	Past Due Interest	Past Due Principal Balance	Past Due Total
Total Principal Number of Past Due Loans Total Receivables Percentage of Receivables										

A. Financial:

- Deteriorating liquidity
- Cash flow problems
- Deteriorating trend in accounts payable (stretched payables)
- Deteriorating trend in accounts receivable
- Accelerated growth or decline in revenues
- Non-payment of taxes (eg. payroll, real estate)
- Filing of tax liens, judgments
- Changes in fiscal year end
- Changes in accounting policies
- Increasing bad debt accounts
- Waivers, extensions, restructures by creditors
- Increasing leverage, reliance on debt
- Overdrafts and uncollected fees
- Trends contrary to peers
- Increasing concentrations with customers, funders
- Delayed completion of audit
- Aged payables to auditor, accountant
- Deferred salaries to management

B. Industry:

- Changes in funder priorities
- Changes in competition
- Technology shifts
- Economic slowdown



C. Management:

- Change in key management
- Lack of good, regular financial reports
- Lack of transparency
- Barriers to access auditors, funders, creditors
- Change in business plan
- Missing important information
- Delayed reporting
- No management succession plan
- Slow to react to market changes
- Lack of balance between program and fiscal focus
- Deteriorating relationship with funders, community

D. Credit:

- Increasing payment delinquency (frequency and/or days)
- Delayed financial reports
- Overadvances, out of compliance with borrowing base
- Unplanned, offseason, or excessive borrowings
- Loan covenant defaults
- Lease defaults
- Request for deferral of payments, restructure of terms
- Request for waivers

To learn more about NFF, visit us at nonprofitfinancefund.org.