

# CDFI Market Conditions Report First Quarter 2009

**Published June 2009**

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The Opportunity Finance Network CDFI Market Conditions Report is a quarterly publication based on quarterly surveys of community development financial institutions (CDFIs). Opportunity Finance Network began conducting these surveys in October 2008 to better understand the impacts of tight credit markets and the economic downturn on the opportunity finance industry. Each report provides a near-real-time view of market conditions and CDFI responses, analysis of regional and financing sector differences, and analysis of important trends. This CDFI Market Conditions Report is possible thanks to the generous support of the Ford Foundation.

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This report presents the results of the third consecutive quarterly CDFI Market Conditions Survey conducted in May 2009 and covering the first quarter (January – March) of 2009.

### **EXECUTIVE SUMMARY**

The first quarter of 2009 was a period of continued economic decline. A few national statistics provide context for the challenging environment that respondents to the first quarter 2009 CDFI Market Conditions Survey operated within. In the first quarter, the national unemployment rate rose from 6.9% in the fourth quarter of 2008 to 8.1% in the first quarter of 2009.<sup>1</sup> The percentage of FDIC-insured institutions' loans and leases 30 or more days past due rose to 5.8%, up from 4.49% in the fourth quarter of 2008, with the 90 day-plus nonaccrual rate at its highest since 1991.<sup>2</sup> In addition, the percentage of mortgages in foreclosure ticked up by 55 basis points to 3.85% and the delinquency rate for loans on one-to-four-unit mortgages rose by 126 basis points to a seasonally adjusted 9.14%, making this the highest of any year since 1972.<sup>3</sup>

In this environment, demand for CDFI financing continued to rise. As in the fourth quarter of 2008, more than half of the 106 CDFIs that participated in the first quarter 2009 CDFI Market Conditions Survey reported an increase in the number of financing applications received. New originations did not keep pace with demand due to liquidity constraints and intensified due diligence, among other reasons. Unlike conventional financing institutions, CDFI portfolio quality improved in the first quarter, with average portfolio at risk falling from 11.1% at year-end 2008 to 9.2% in March 2009. Still, nearly half of CDFIs increased their loan loss reserve ratio in the first quarter to manage higher levels of risk. Similar to the fourth quarter, just over half of CDFIs are capital-constrained; however, one-third report that their access to capital has improved, up from one-fifth in the fourth quarter.

CDFIs expect demand for financing to continue to increase. They expect continued operating and liquidity challenges due to insufficient capital, fewer operating grants, increasing loan loss reserve ratios, and higher cost of capital. At the same time, CDFIs' outlook on portfolio quality has improved considerably since the fourth quarter, with many fewer expecting a decline and many more expecting quality to remain constant.

Nearly all respondents are implementing strategies to respond to the changing market. They are monitoring their loan portfolios more closely, providing more technical assistance to borrowers, and adjusting risk ratings and reserves. They are reducing operating expenses and creating worst-case contingency plan budgets. More than in the fourth quarter, CDFIs are conducting internal portfolio and risk reviews. They are also developing new financing products to meet demand and to capitalize on the availability of funding for neighborhood stabilization and green finance.

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<sup>1</sup> US Department of Labor, Bureau of Labor Statistics.

<sup>2</sup> 2.04% of loans and leases were 30 – 89 days past due and 3.76% were noncurrent, defined as 90 or more days past due or in nonaccrual. Federal Deposit Insurance Corporation (FDIC) Quarterly Banking Profile.

<sup>3</sup> Mortgage Bankers Association's (MBA) National Delinquency Survey.

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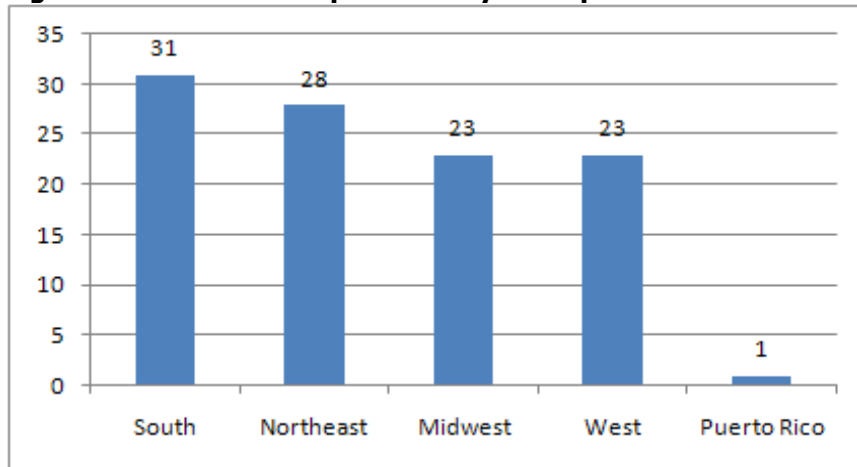
## I. NATIONAL RESULTS

### The Respondents

A total of 106 institutions responded to the survey. A large number (92 institutions or 87%) are loan funds; six are credit unions, five are venture capital funds, and three are banks. Seventy-two percent of respondents are OFN Members. Sixty-eight of the first quarter respondents also responded to the fourth quarter survey and 25 responded to both the third and fourth quarter 2008 surveys. The 68 respondents for the two most recent surveys are representative of the full sample for the first quarter in terms of institution type, region, sector, and asset size. We provide trend analysis using this subset throughout the report. The subset of 25 respondents that responded to the three most recent surveys is not wholly representative of the full sample and therefore, we do not include it in the body of the report; rather, we attach it as Appendix F.

Respondents were distributed fairly uniformly across the four U.S. Census Bureau regions, plus one respondent from Puerto Rico. See Appendix B for a list of states included in each region.

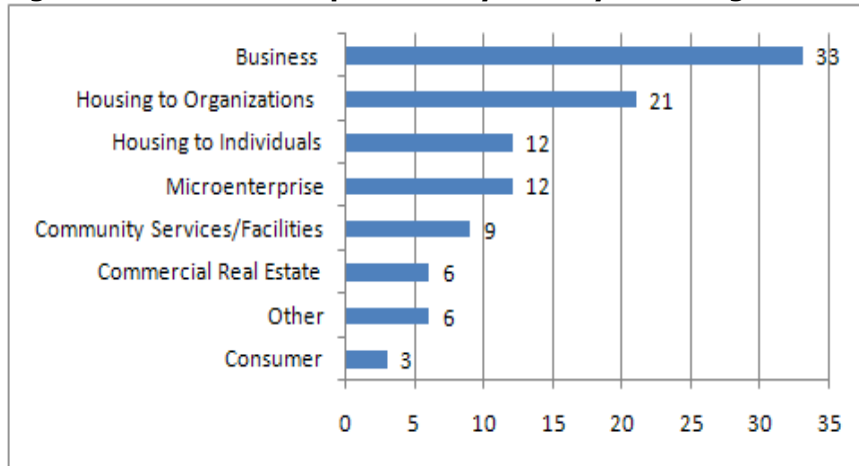
**Figure 1. Number of Respondents by Headquarters Location**



Slightly more than half (53%) of the respondents serve primarily urban markets, 29% serve primarily rural markets, and the remaining 18% serve both equally.

Respondents provide a range of financing. Recognizing that many CDFIs offer more than one type of financing, the survey requested the primary type. The largest primary sectors are business, housing to organizations, housing to individuals, and microenterprise. The remainder provides primarily commercial real estate, community services, consumer, or other types of finance.

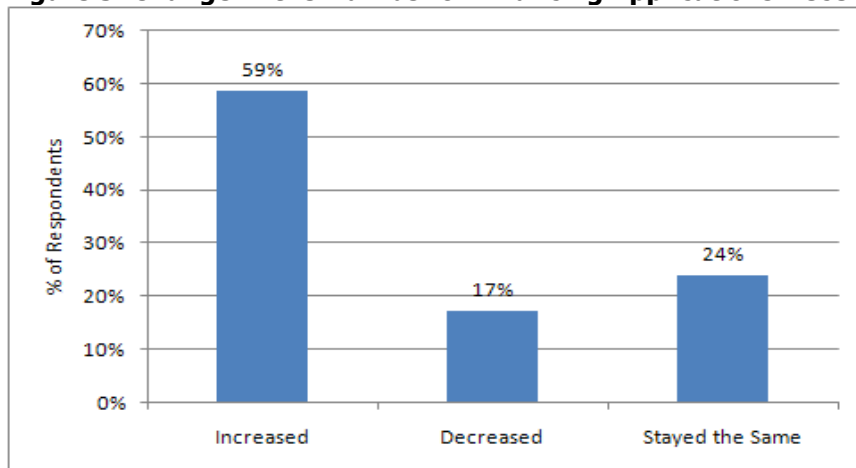
**Figure 2. Number of Respondents by Primary Financing Sector**



### First Quarter 2009 Activity

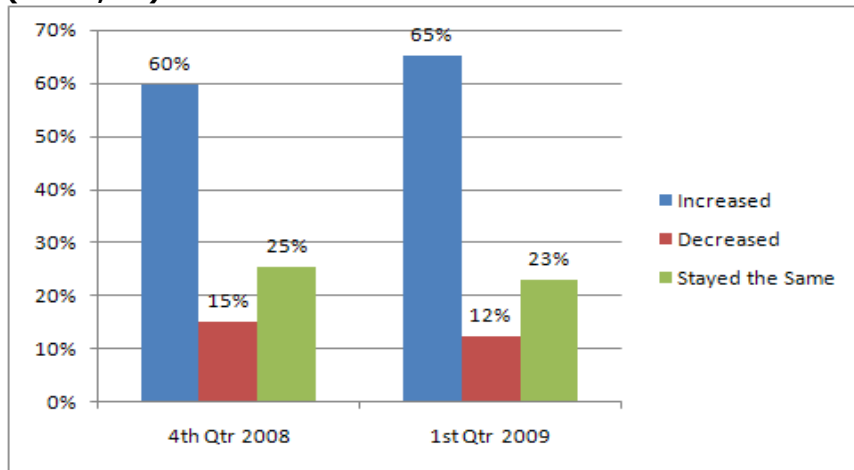
**Demand:** Over half of the respondents (59%) experienced an increase in demand for financing in the first quarter. Within that group, 15% reported an increase of 50% or more. Nearly one quarter (24%) saw no change and 17% saw the number of applications decrease. The magnitude of the decrease was less than 50% for all but four CDFIs.

**Figure 3. Change in the Number of Financing Applications Received, 1<sup>st</sup> Q2009 (n = 104)**



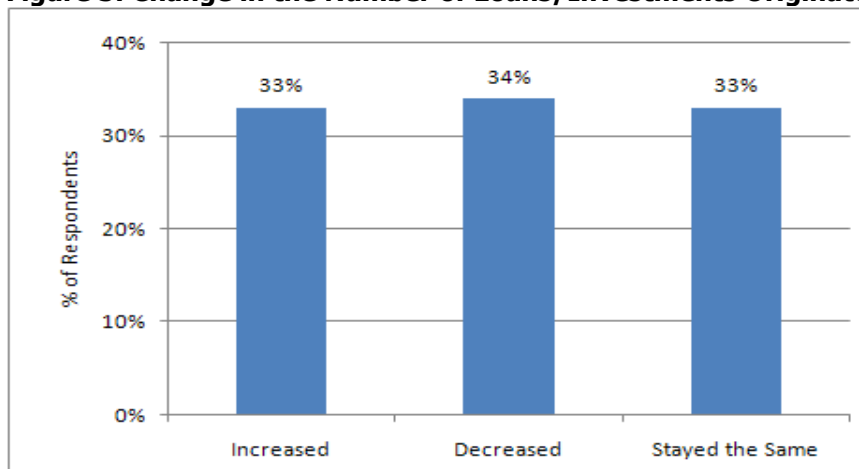
Comparing the responses from the CDFIs that responded to the two most recent quarterly surveys, we see a step up in the percentage of CDFIs experiencing increases in demand, while the percentage reporting diminishing demand declined slightly.

**Figure 4. Change in the Number of Financing Applications Received, 4<sup>th</sup> Q2008 and 1<sup>st</sup> Q2009 (n = 67, 66)**



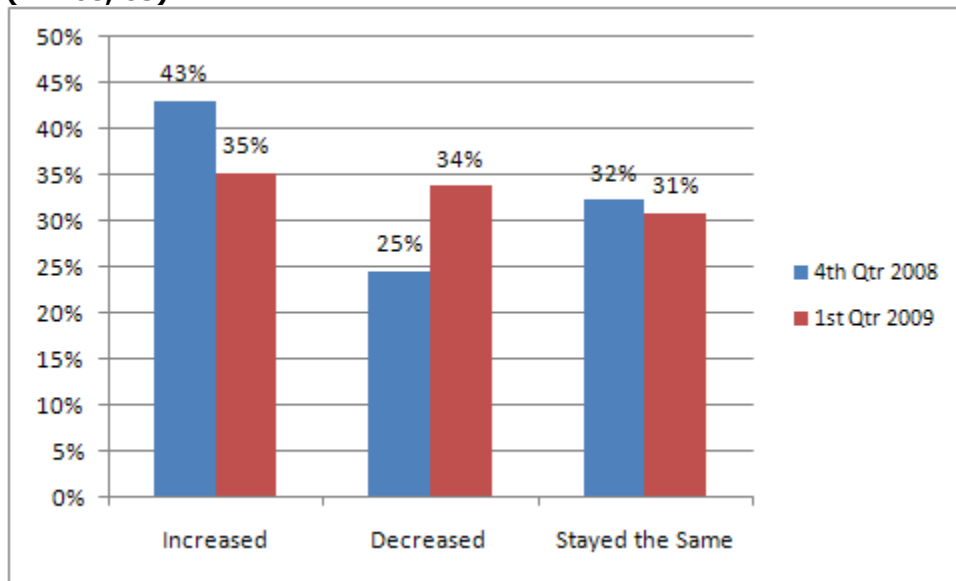
**Originations:** Equal numbers of CDFIs reported increases, decreases and no change in the number of originations in the first quarter. This is a slowdown from the fourth quarter when nearly half (48%) reported an increase in the number of originations. The reasons for originations not keeping pace with demand are evenly distributed among capital constraints, tightened lending criteria, application quality, and slower application processing time due to additional due diligence or staff resources diverted to problem loans.

**Figure 5. Change in the Number of Loans/Investments Originated, 1<sup>st</sup> Q2009 (n = 106)**



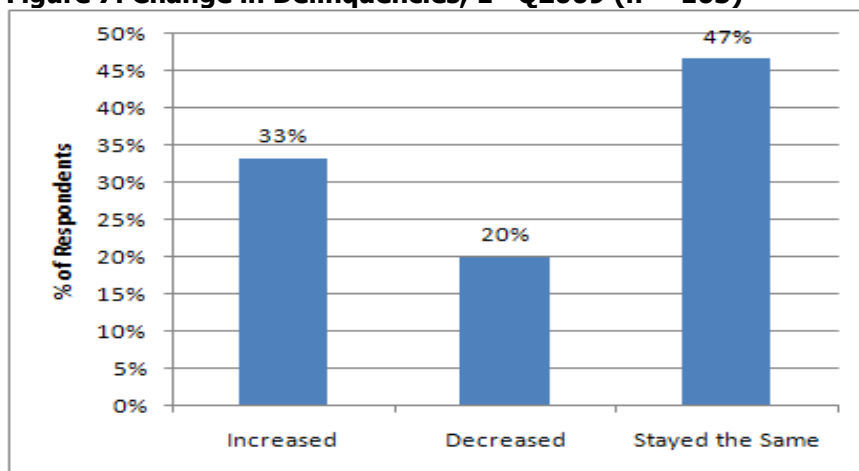
As shown in Figure 6, the flattening trend in originations holds true for the subset of 68 CDFIs that responded to both surveys.

**Figure 6. Change in the Number of Loans/Investments Originated, 4<sup>th</sup> Q2008 and 1<sup>st</sup> Q2009 (n = 68, 65)**



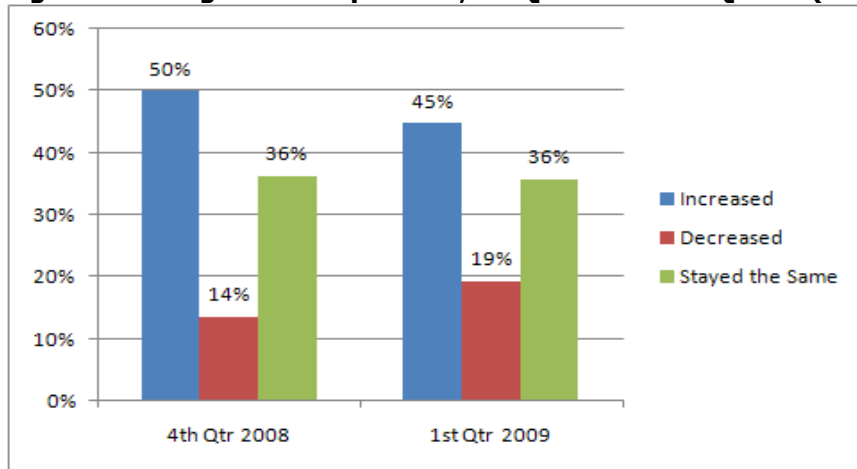
**Portfolio Quality:** Like originations, increases in delinquencies slowed in the first quarter. One-third of respondents saw their loans 30 or more days past due increase in the first quarter of 2009. One-fifth experienced declines. CDFIs attributed improvements in portfolio quality to stronger collection efforts, increased borrower monitoring, and borrowers making payments on delinquent accounts.

**Figure 7. Change in Delinquencies, 1<sup>st</sup> Q2009 (n = 105)**



An analysis of the responses from the CDFIs that participated in the last two surveys reveals the percentage experiencing an increase in delinquency slowing from 50% in the fourth quarter to 45% in the first quarter. Those experiencing an improvement in portfolio quality increased from 14% to 19%.

**Figure 8. Change in Delinquencies, 4<sup>th</sup> Q2008 and 1<sup>st</sup> Q2009 (n = 66, 67)**



Increases in workouts and extensions also slowed in the first quarter. Approximately forty percent (42%) of CDFIs had more loans/investments in workout in the first quarter.

**Figure 9. Change in the Number of Loans/Investments in Workout, 1<sup>st</sup> Q2008 (n = 105)**

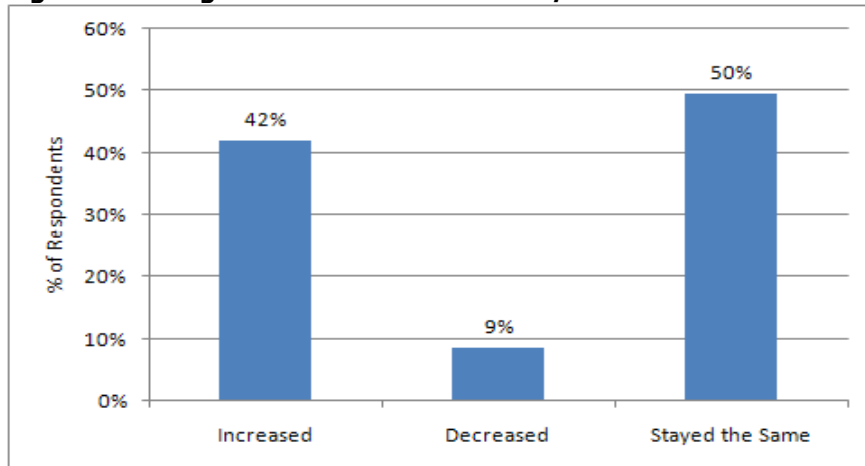
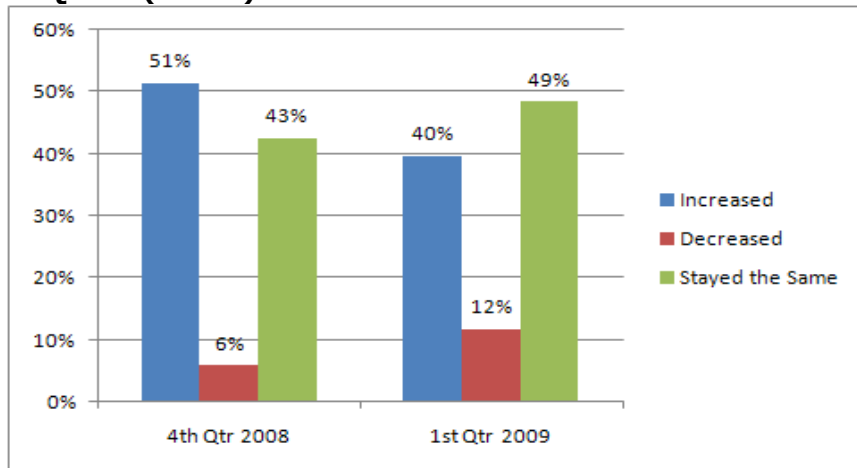


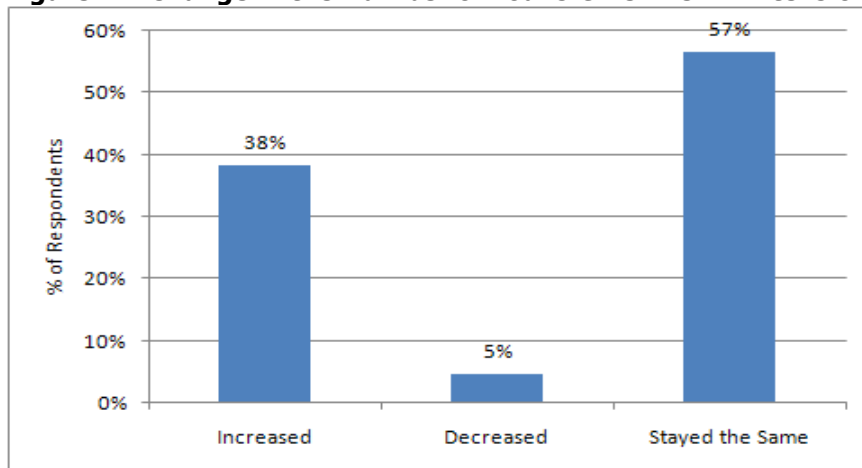
Figure 10 compares changes in workouts in the fourth and first quarters and shows the slowdown.

**Figure 10. Change in the Number of Loans/Investments in Workout, 4<sup>th</sup> Q2008 through 1<sup>st</sup> Q2009 (n = 68)**



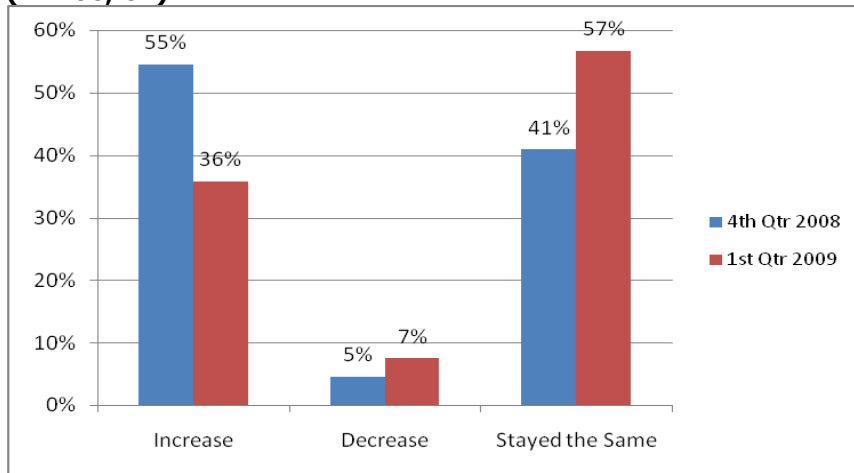
One of the other ways that CDFIs manage troubled loans is by granting term extensions. Thirty eight percent of respondents reported increases in the number of extensions granted during the first quarter, while most (57%) granted the same number of extensions as in the previous quarter.

**Figure 11. Change in the Number of Loans Given Term Extensions, 1<sup>st</sup> Q2009 (n = 104)**



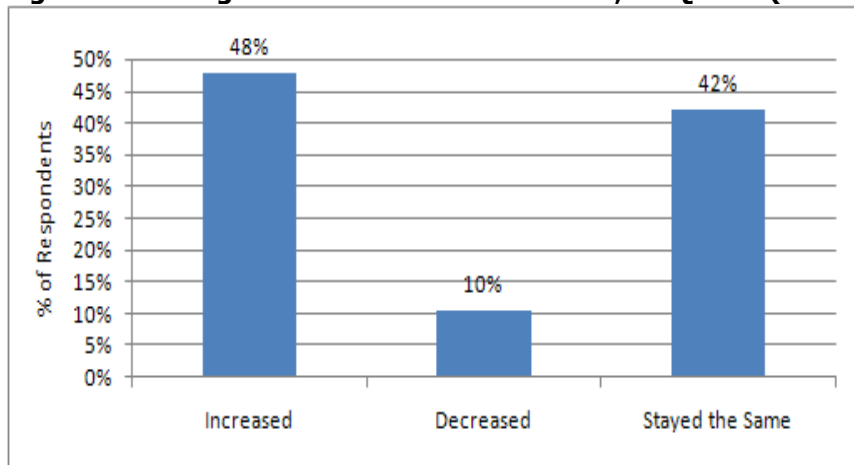
An analysis of the subset of CDFIs that responded to this question in the fourth and first quarter surveys reveals that significantly more (55%) respondents granted extensions during the fourth quarter.

**Figure 12. Change in the Number of Loans Given Term Extensions, 4<sup>th</sup> Q2008 and 1<sup>st</sup> Q2009 (n = 66, 67)**



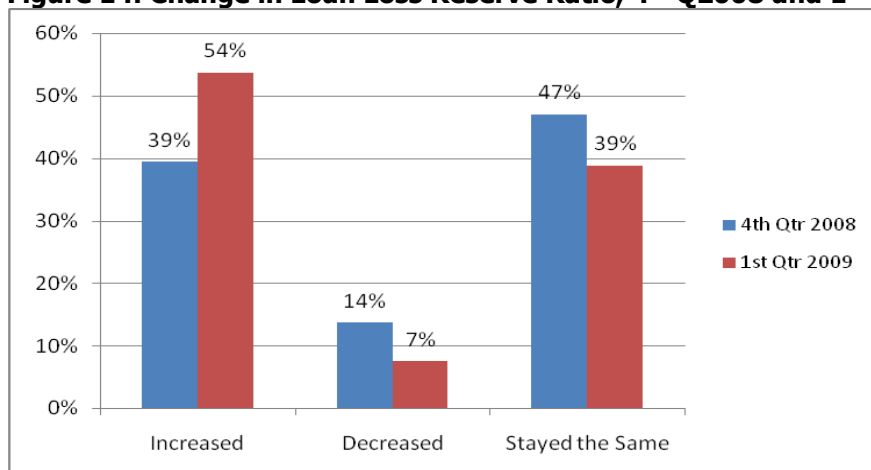
To further mitigate the risk within their portfolios, nearly half (48%) of respondents increased their loan loss reserve ratio ( $\$ \text{ loan loss reserve} / \$ \text{ loans outstanding}$ ).

**Figure 13. Change in Loan Loss Reserve Ratio, 1<sup>st</sup> Q2009 (n = 105)**



Comparing the fourth and first quarters, we see that many more CDFIs increased their loan loss reserve ratio in the first quarter and fewer lowered it.

**Figure 14. Change in Loan Loss Reserve Ratio, 4<sup>th</sup> Q2008 and 1<sup>st</sup> Q2009 (n = 66, 67)**



Unlike the larger financial services industry, where portfolio quality weakened in the first quarter, CDFIs' portfolio quality improved.<sup>4</sup> On average, as of March 31<sup>st</sup>, 9.2% of a CDFI's loan portfolio was at risk (defined as the balance outstanding of loans with payments 30 or more days past due divided by total loans outstanding), down from 11.1% at the end of the fourth quarter. Analysis of the subset of CDFIs that responded to the two most recent surveys shows similar results, with PAR dropping from 10.3% in the fourth quarter to 9.2% in the first quarter. Among all FDIC-insured institutions, the aggregate portfolio at risk (PAR) jumped by 81 basis points during the same period.<sup>5</sup>

Breaking the CDFI data down into aging categories, it is notable that the 90 plus days category continues to be the largest portion at risk. This finding holds true for the subset of CDFIs that responded to the fourth and first quarter surveys. It also holds true for all of the first quarter breakouts provided in the regional and sectoral sections of this report except for two -- Microenterprise and one-to-four family housing -- indicating persistent delinquency and the likelihood of more write-offs among nearly all groups of CDFIs.

Table 1 shows portfolio at risk for all respondents as well as for respondents that reported increasing, decreasing or no change in delinquency in the first quarter. Whereas last quarter the generally stronger CDFIs experienced an increase in portfolio at risk, this quarter the situation has normalized: those whose delinquency is increasing have the highest rate (11.6%) and those whose delinquency is decreasing have the lowest rate (6.9%).

**Table 1. Average Portfolio at Risk, 1<sup>st</sup> Q2009**

	n	30-60 days	60-90 days	90+ days	Total PAR
All Respondents	94	2.7%	1.8%	4.7%	9.2%
Respondents reporting increased delinquency	34	3.3%	2.6%	5.7%	11.6%
Respondents reporting decreased delinquency	19	2.3%	1.0%	3.5%	6.9%
Respondents reporting no change in delinquency	41	2.3%	1.4%	4.5%	8.2%

<sup>4</sup> The response rate on this question was lower than the others, with 94 (87%) respondents providing these data.

<sup>5</sup> Portfolio at risk is defined as the outstanding balance of loans with payments 30 days or more past due / total outstanding balance. The FDIC figure is an aggregate, referring to the sum of all institutions' portfolio at risk dollars divided by the sum of all institutions' dollar amount of loans outstanding. The CDFI figure is an average, referring to the sum of each individual institution's portfolio at risk percentage divided by the number of institutions. While the measurements are not exactly the same, the trend comparison is relevant.

Net charge-offs were 0.4% of portfolio outstanding in the first quarter. Like overall portfolio at risk, net charge-offs were lower for rural CDFIs than urban CDFIs (0.2% versus 0.4%).

**Table 2. Average Net Charge-offs, 1<sup>st</sup> Q2009**

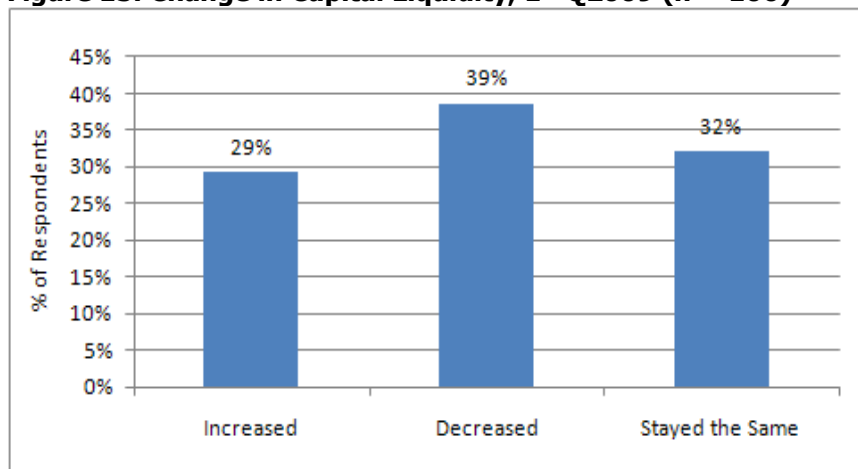
	n	Charge-Offs
All Respondents	98	0.4%
Respondents reporting increased delinquency	24	0.4%
Respondents reporting decreased delinquency	19	0.4%
Respondents reporting no change in delinquency	45	0.5%

**Capital Liquidity:** Just over half (51%) of respondents reported that they were capital-constrained. Sixteen percent were debt-constrained, 9% are equity-constrained, and 25% have both debt and equity constraints.

Of the 82 respondents that tried to access capital in the first quarter through new investments or renewals, one-third (34%) reported that their ability to access capital had improved.

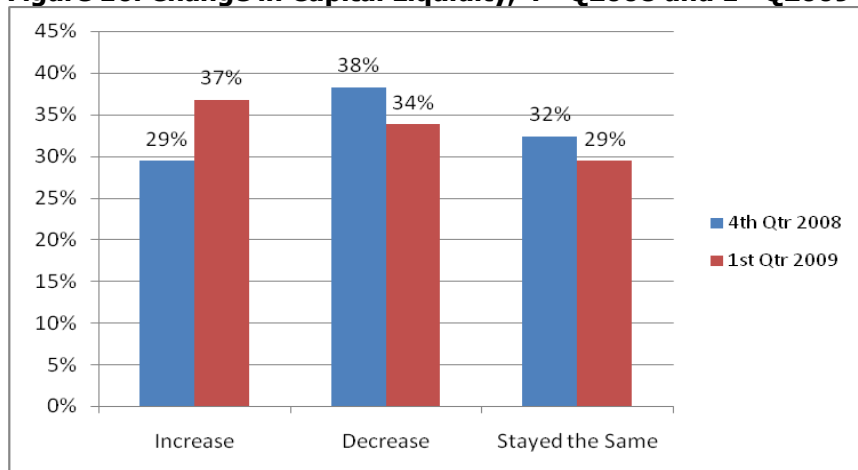
Thirty-nine percent reported a decrease in liquidity. While this is similar to the fourth quarter, reductions were not as severe as in the fourth quarter: only 8% experienced a reduction of 50% or more compared to one-fifth in the fourth quarter.

**Figure 15. Change in Capital Liquidity, 1<sup>st</sup> Q2009 (n = 106)**



Comparing the fourth and first quarters, among the subset of CDFIs who responded to both surveys, more (56%) reported that they were capital-constrained in the first quarter than in the fourth quarter (51%). At the same time, a greater number reported increased liquidity in the first quarter (37%) than in the fourth quarter (29%). Among those that attempted to access capital, 25% reported that their ability to access capital had improved in the first quarter, up from 16% in the fourth quarter

**Figure 16. Change in Capital Liquidity, 4<sup>th</sup> Q2008 and 1<sup>st</sup> Q2009 (n = 68)**



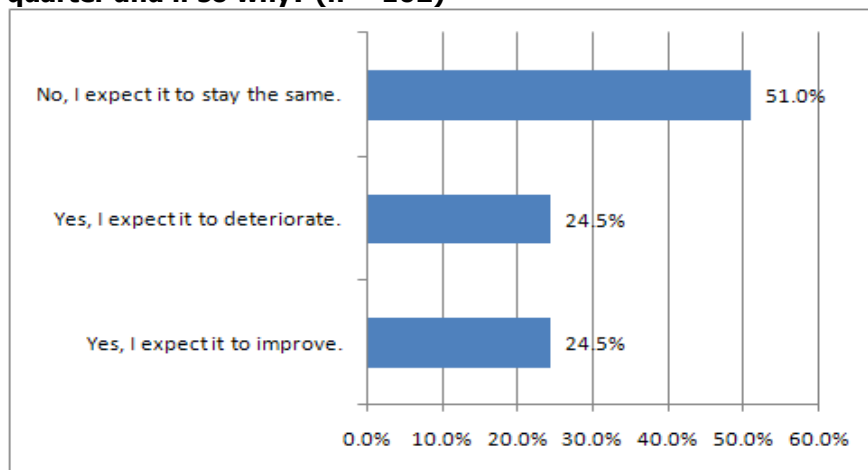
The average cost of borrowed capital remained constant for 70% of the respondents; those that experienced a change were nearly equally divided between an increase in average cost (14%) and a decrease (16%). The decrease in the cost of capital is attributed to lower LIBOR rates, shifts toward "cheaper" loans with floating rates, access to Small Business Administration loans, and shifts away from traditional financing institutions as primary funding sources. Increases were attributed to new types of loans and movements toward market rate pricing, as traditional banks view "CRA departments as cost centers." Lastly, it should be noted that a proportion of CDFIs that reported no change in their current cost of capital expect upticks as their loans come up for renewal during the year.

## Outlook for the Next Quarter

The survey asked CDFIs to comment on their outlook for the next quarter and what steps they are taking to respond. Responses were similar to the fourth quarter with the exception of a more positive outlook on portfolio quality.

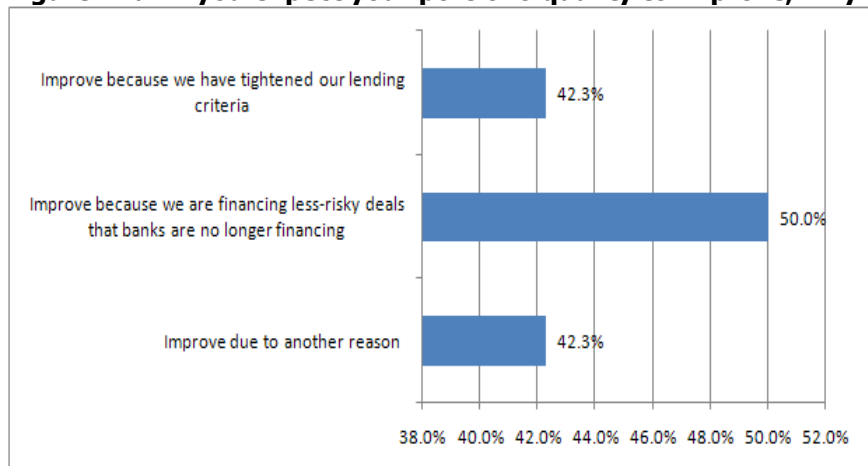
**Portfolio Quality:** In the fourth quarter, more than half (57%) of CDFIs expected portfolio quality to deteriorate in the next quarter. The outlook has brightened considerably in the first quarter, with only half as many (24%) CDFIs expecting portfolio quality to deteriorate. While the percentage of CDFIs that expect portfolio quality to improve remained constant (25% in the first quarter versus 26% in the fourth quarter), most CDFIs (51%) expect their portfolio quality to remain the same

**Figure 17. Do you anticipate that your portfolio quality is likely to change over the next quarter and if so why? (n = 102)**

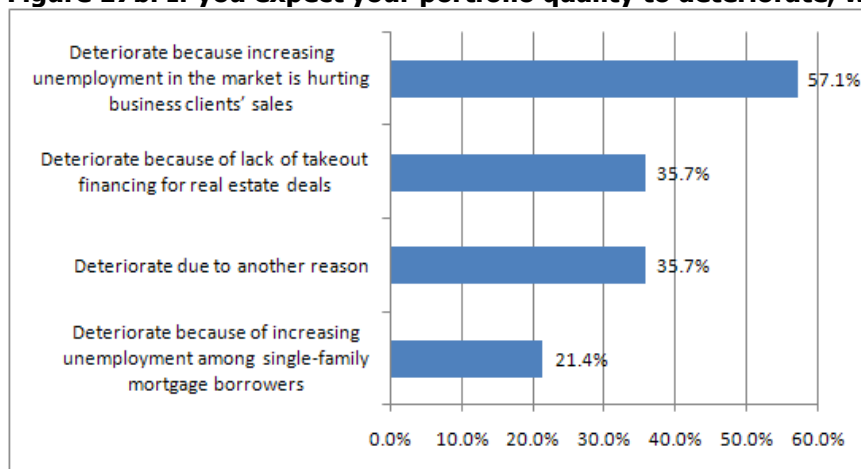


The main reasons for expecting improvements include financing less-risky deals that banks are no longer financing, tighter lending criteria, and successful workouts that are resulting in repayments. The major reasons for expecting deterioration were lack of takeout financing for real estate deals and the adverse effects of unemployment on business clients and single-family mortgage borrowers. The full range of responses is reported in Figure 17a and Figure 17b. Percentages add up to more than 100% because respondents were allowed to provide multiple responses.

**Figure 17a. If you expect your portfolio quality to improve, why? (n = 13)**

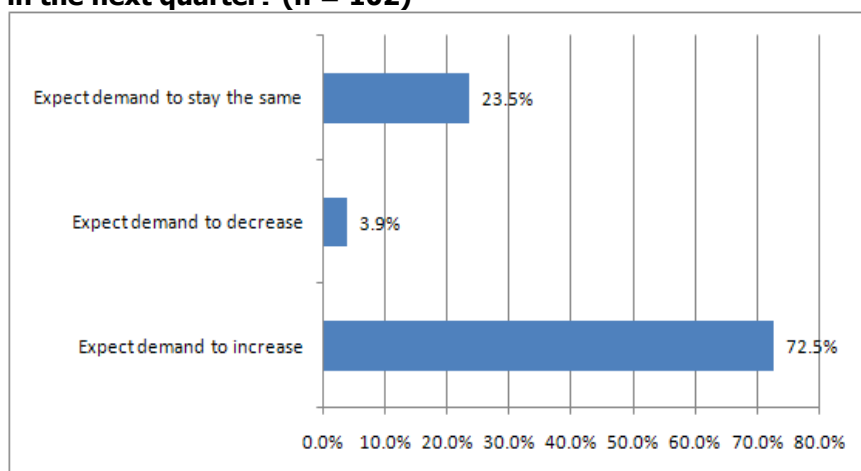


**Figure 17b. If you expect your portfolio quality to deteriorate, why? (n = 28)**



**Demand:** Seventy-three percent of respondents expect demand for financing to increase in the next quarter.

**Figure 18. What is your sense of how demand for your organization's financing will change in the next quarter? (n = 102)**



The primary reason provided was once again the reduction in bank financing. The second most common reason was an expected increase in funds earmarked for community development and neighborhood stabilization activity. Comments include:

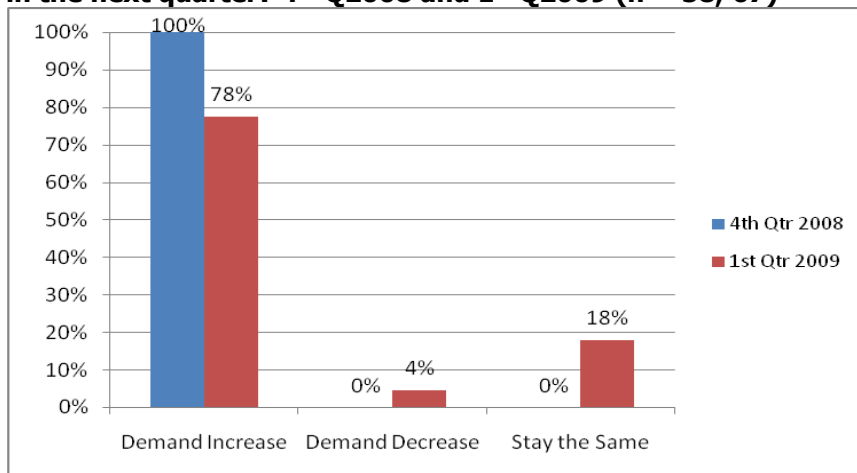
"Traditional commercial bank financing is becoming harder to come by, leaving CDF as a viable alternative."

"Stimulus dollars and increasing grant funds [are becoming] available for multi-family housing; clients need bridge financing."

One CDFI noted that although the number of applications had not changed, the dollar value of requests is increasing.

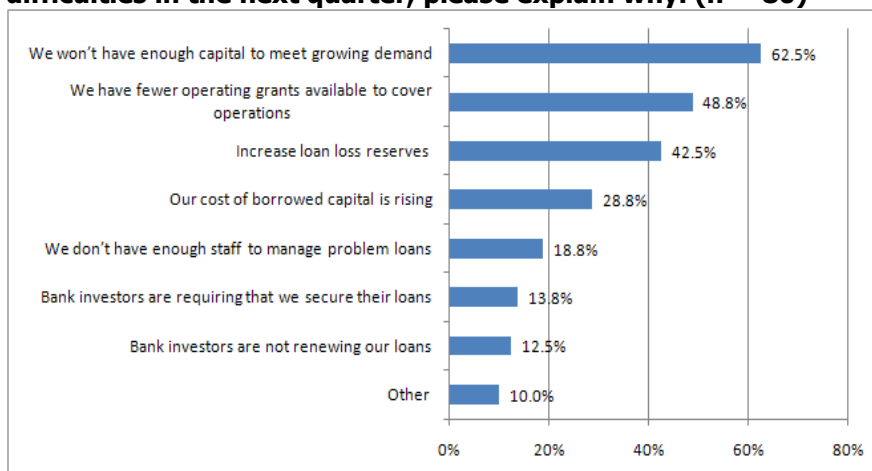
Among the subset of CDFIs that responded to this question in both the fourth and first quarter surveys, the percentage that expect demand to increase fell by more than 20%.

**Figure 19. What is your sense of how demand for your organization's financing will change in the next quarter? 4<sup>th</sup> Q2008 and 1<sup>st</sup> Q2009 (n = 58, 67)**



**Liquidity and Operating Challenges:** Most CDFIs expect to experience new capital liquidity and/or operating difficulties in the next quarter. They are primarily concerned about having insufficient capital to meet growing demand, having fewer operating grants available to cover operations, and increasing loan loss reserves to cover problem loans. CDFIs also attributed the difficulties to rising costs of capital, their capacity to manage problem loans, and bank renewals. Two rural CDFIs specifically mentioned the lack of bank financing in their remote regions. The full range of concerns is presented in Figure 20.

**Figure 20. If you expect your CDFI to experience new capital liquidity or operating difficulties in the next quarter, please explain why. (n = 80)**



Among the CDFIs that are concerned with increasing loan loss reserves, 60% expect the increasing reserves to reduce available capital to lend, 51% expect them to cause an operating deficit, and a much smaller number (9%) expect them to cause their CDFI to trip net asset ratio or net income covenants.

Similar to the fourth quarter, 36% percent of respondents expect to have a decline in unrestricted net assets (an unrestricted loss) in their current fiscal year, primarily due to increases in loan loss reserves and shortfalls in operating income, including contributions and earned interest on loans and idle funds.

Comments include:

"Our current source of earned income is stressed. We are not able to generate unrestricted income as we had in the past years due to restrictions on available loan programs that result in the inability of our 2nd mortgage loans to be used with first mortgages, also, investment income has been reduced significantly and funding sources are drying up."

"We have increased loan loss reserve on 1 loan that is current but the first deed holder has notified the borrower that extensions will not be granted."

"Two investments in real estate-based equity funds are losing money. This will likely generate another year of net asset decrease."

"Loss of earned revenue on Investments, less interest on loans because of lower interest rates & less government and foundation money being awarded because of the economy."

In spite of these difficulties, close to two-thirds (64%) reported that if market-rate debt capital or bond-financing were made available to them, they would have a sufficient level of net assets to support it.

CDFIs are responding to expected liquidity and operating challenges in a number of ways as shown in Table 3. Included in the Other category are: attempting to expand sources of borrowed capital beyond banks to insurance companies, corporations, foundations, and smaller banks and thrifts (two CDFIs mentioned they are anticipating receiving a CDFI Fund Financial Assistance award); more participation loans; and raising underwriting standards. One CDFI mentioned merger activity that should be completed by July 2009. On a positive note, one CDFI expected to lift a hiring freeze in July.

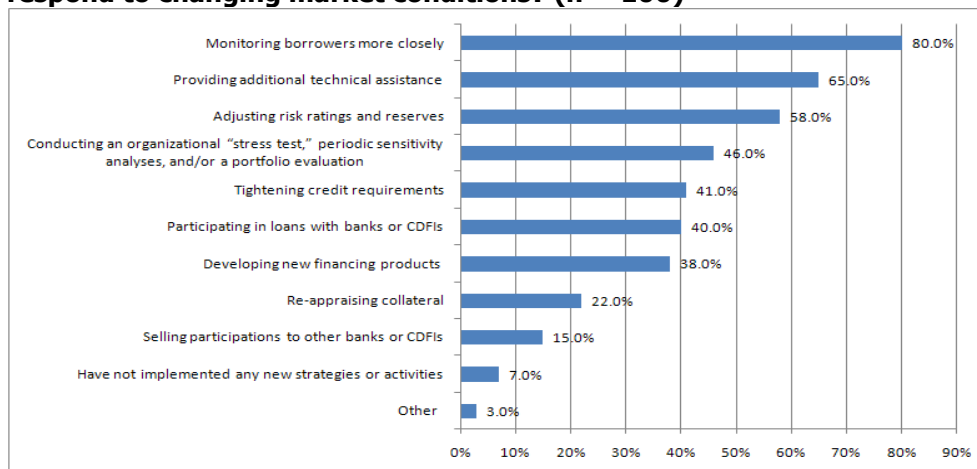
**Table 3. If you expect your CDFI to experience new capital liquidity or operating difficulties in the next quarter, what are you doing about them. (n = 79)**

Seeking new grant funding	78.5%
Reducing staff travel, professional development, or other operating expenses	40.5%
Revising our 2009/10 budget	39.2%
Freezing salaries	30.4%
Creating a worst-case, contingency plan budget to plan for dramatic downsizing if it becomes necessary	27.8%
Reducing loan sizes and/or terms	26.6%
Contracting consultants instead of hiring new staff	22.8%
Requesting loan/investment covenant waivers	19.0%
Implementing a hiring freeze	17.7%
Laying off staff	10.1%
Requesting forbearance from existing lenders/investors	10.1%
We have not implemented any new actions in response to the changes	5.1%
Other	16.5%

Note: Percentages do not add up to 100% because respondents were allowed to provide more than one response.

**CDFI Response to Liquidity and Operating Challenges:** Nearly all respondents are implementing new business strategies to respond to the changing market. The most common response is increased monitoring of the loan portfolio, followed by increased emphasis on technical assistance to borrowers and adjusting risk ratings. A complete list of responses is provided in Figure 21.

**Figure 21. What new business strategies and/or activities is your organization using to respond to changing market conditions? (n = 100)**



Responses in the Other category include increasing marketing to potential clients and attracting more social and community investments, as well as:

"We've raised capital from a foundation for a loan guaranty; participating lenders are funding a loss reserve; we joined in a state-sponsored loan loss protection program"

"Developing fee based products and services to offer other non-profits/CDFIs."

"We are implementing some lending related fees as well as increasing fee-related consulting work."

Thirty-eight percent of respondents have introduced or are planning to introduce new financing products. The most common types of products reported were neighborhood stabilization and foreclosure recovery related products, green finance products, bridge loans, and becoming an SBA 504 and/or 7(a) lender.

"We have developed, along with two other CDFIs a Neighborhood Stabilization Program (NSP) line of credit product that is available to NSP subgrantees."

"Expansion of product lines to incorporate more economic development financing (commercial real estate), community facilities financing, and mobile home park redevelopment/acquisition financing."

"We are developing products for artists and looking to become a SBA 7a lender."

A solar energy program and a NSP program "will offer diversified products both to respond to market demand as well as expand Loan Fund while reducing market concentration of the Loan Fund products."

Only seven CDFIs that responded to this question reported that they did not implement any new strategies or activities in the first quarter to respond to changing market conditions. Of those, six reported that they expect to have operating and liquidity difficulties in the next quarter: The difficulties were attributed to their inability to meet demand, bank renewals, and new requirements to secure bank loans.

Finally, the survey asked the open-ended question "what other important changes, patterns, or trends are influencing how you plan to approach your work in the next two quarters?" We received a much richer range of responses this quarter than last quarter. Concerns about the length of the recession and

availability of capital were prominent. The possible availability of stimulus funds from the CDFI Fund and other sources factors heavily into several CDFIs' plans. Several CDFIs see opportunities for outsourcing, expansion, and internal focus in the current economy.

"Rising layoffs and unemployment will have a delayed effect as some families who weathered a few months with reserves and have stayed current can no longer maintain it without finding a job or more hours. Expect these borrowers to become delinquent starting in 3rd quarter of 2009."

"Continued issues with the economy warrant additional scrutiny of our existing loan portfolio with particular attention to those sectors where we have heavy concentrations."

"We are exploring outsourcing our loan underwriting of loans over a certain dollar amount."

"Acceptance of reduced origination activity while market conditions stabilize. Using the opportunity to strengthen internal systems and product development."

"Given our robust situation, growth through merger or acquisition of portfolios is being considered. Other loan funds are experiencing challenges."

"We are working with local real estate agents for referrals for loan customers as we can provide competitive loan products without MI [mortgage insurance] and we can underwrite manually for alternate forms of credit. Real estate agents were not interested in our program a year ago, but now they are."

The next three sections of this report present the results by primary financing sector, by region, and by asset size.

## II. RESULTS BY ASSET SIZE

This section analyzes CDFIs by size of institution for a limited number of indicators: portfolio quality, operating and liquidity challenges, and CDFIs' responses to these challenges.

We have divided CDFIs into three asset size categories:

- Small: Less than \$10 million in assets (45 CDFIs)
- Medium: \$10 million to \$50 million in assets (38 CDFIs)
- Large: Greater than \$50 million in assets (23 CDFIs)

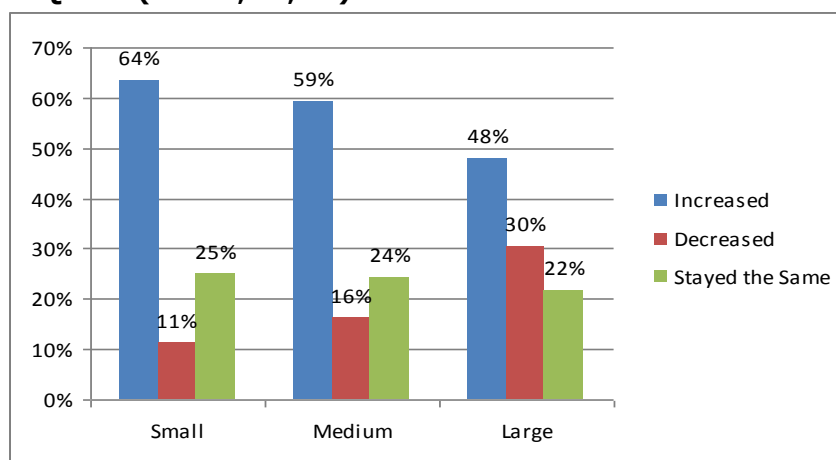
When interpreting the analysis, it is important to recognize the different sectoral compositions of the three asset size categories. Small has a heavy concentration of Business CDFIs. Medium has a concentration of Business and Housing to Organizations CDFIs. Large has a concentration in Housing to Organizations CDFIs. Section A describes the sectors in detail.

**Table 4. Sectoral Composition of Asset Sizes, 1<sup>st</sup> Q2009**

	Business	Commercial Real Estate	Community Services/Facilities	Consumer	Housing to Individuals	Housing to Organizations	Microenterprise	Other
Small	40%	5%	2%	7%	10%	10%	21%	5%
Medium	32%	3%	8%	0%	19%	27%	8%	3%
Large	17%	13%	22%	0%	9%	35%	0%	4%

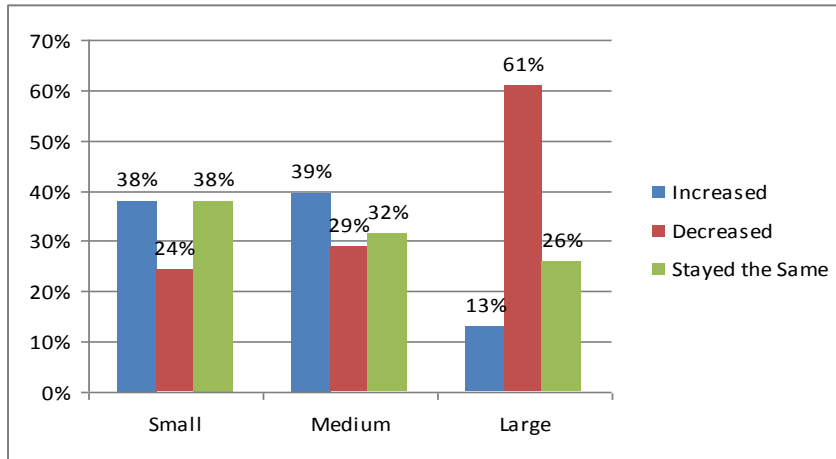
**Demand:** Change in demand varies greatly by asset size, with a substantially larger percentage of Small CDFIs experiencing increases in the number of financing applications received and a greater share of Large CDFIs experiencing a decrease in applications.

**Figure 22. Changes in Number of Financing Applications by Asset Size, 1<sup>st</sup> Q2009 (n = 44, 37, 23)**



**Originations:** Originations were down for 61% of Large CDFIs, compared to less than 30% of Small and Medium CDFIs. Whereas nearly 40% each of Small and Medium CDFIs increased their originations in the first quarter, only 13% of Large CDFIs did so.

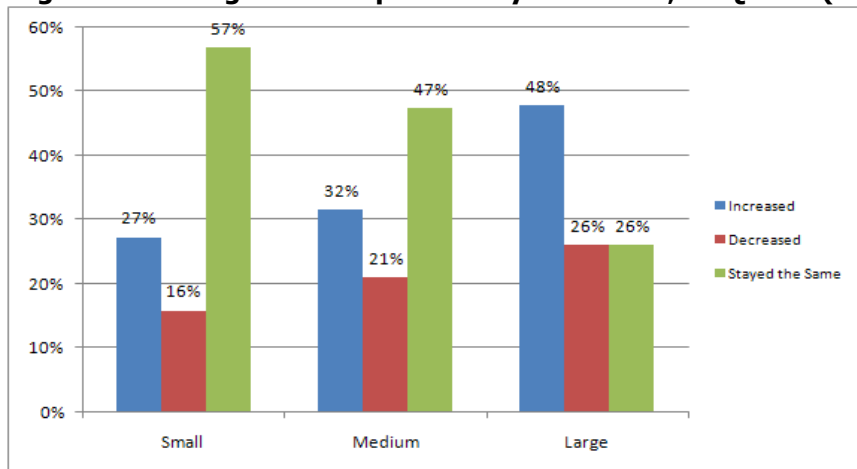
**Figure 23. Changes in Number of Loans/Investments Originated by Asset Size, 1<sup>st</sup> Q2009 (n = 44, 38, 23)**



### Portfolio Quality

In the first quarter, fewer CDFIs in all size categories experienced increases in delinquencies than in the fourth quarter. Like the fourth quarter, the percentage experiencing increases rose with size, from 27% of small CDFIs to nearly half (48%) of large CDFIs. Delinquencies fell for more CDFIs in all asset classes in the first quarter compared to the fourth quarter, with the biggest differences seen among medium (3% versus 21%) and large (11% versus 26%) CDFIs.

**Figure 24. Change in Delinquencies by Asset Size, 1<sup>st</sup> Q2009 (n = 44, 38, 23)**



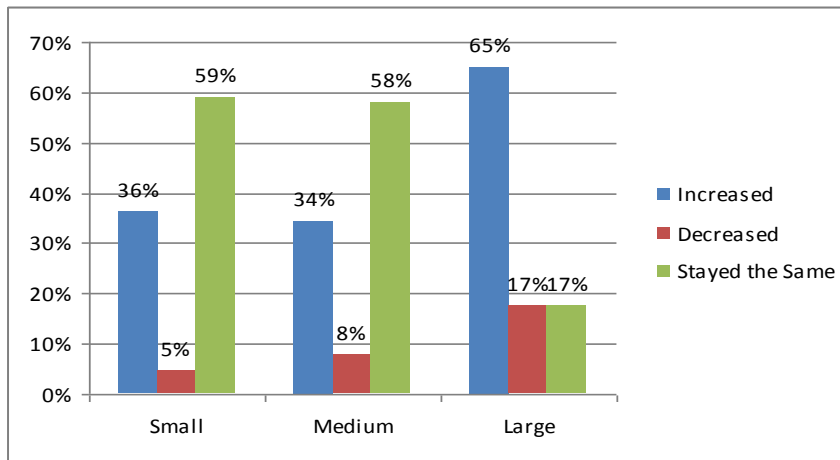
While large CDFIs still have the lowest average PAR, the difference among categories is narrowing: in the fourth quarter large CDFIs' average PAR was 6.1% and small CDFIs' average PAR was 14.6%; in the first quarter, they are 8% and 10.6%, respectively. One reason for the lower rate among small CDFIs is the lower number of Microenterprise CDFIs participating in the survey in the first quarter.

**Table 5. Average Portfolio at Risk by Asset Size, 1<sup>st</sup> Q2009**

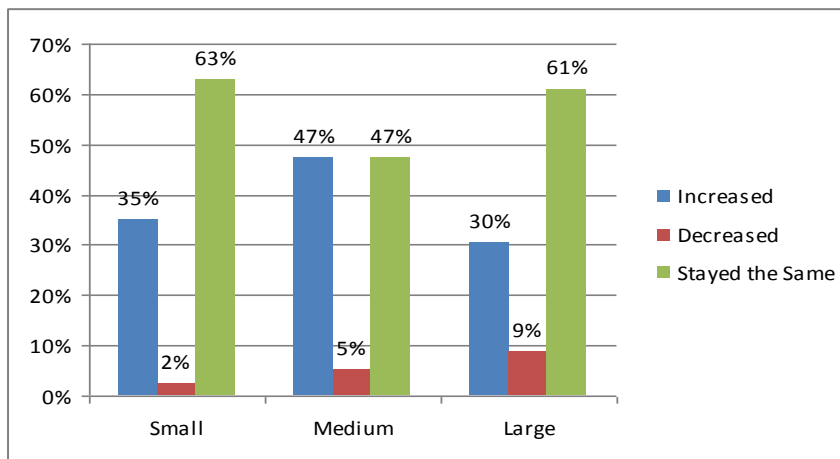
	n	30-60 days	60-90 days	90+ days	Total Portfolio at Risk
Small	37	4.0%	2.4%	4.2%	10.6%
Medium	35	1.8%	1.4%	5.3%	8.4%
Large	22	1.9%	1.3%	4.8%	8.0%

Nearly two-thirds (65%) of Large CDFIs saw an increase in the number of loans in workouts, compared to roughly one-third of Small and Medium CDFIs. More Medium CDFIs (47%) saw an increase in the number of term extensions granted than Small or Large CDFIs.

**Figure 25. Changes in Number of Loans/Investments in Workout by Asset Size, 1<sup>st</sup> Q2009 (n = 44, 38, 23)**

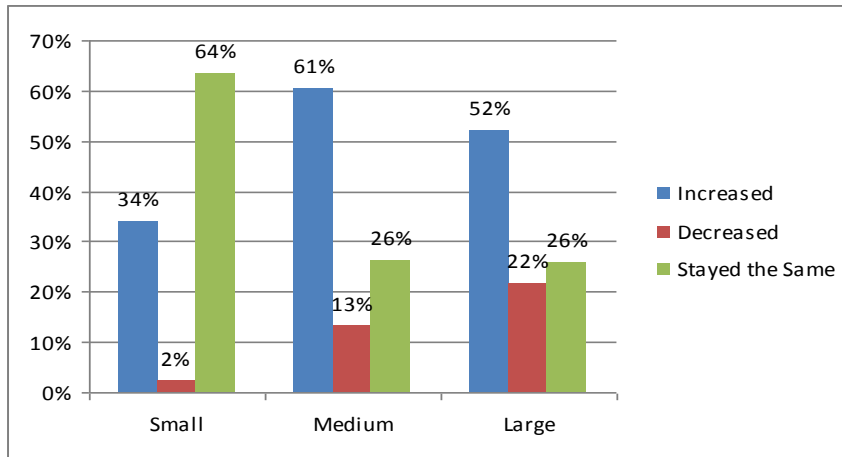


**Figure 26. Changes in Number of Loans Given Term Extensions by Asset Size, 1<sup>st</sup> Q2009 (n = 43, 38, 23)**



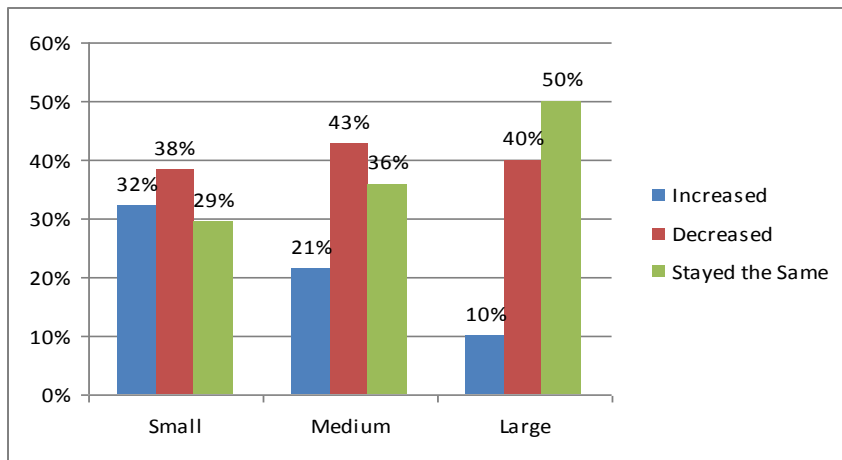
More than half of Medium (61%) and Large (52%) CDFIs increased their loan loss reserve ratio in the first quarter compared to one-third (34%) of Small.

**Figure 27. Changes Loan Loss Reserve Ratio by Asset Size, 1<sup>st</sup> Q2009 (n = 44, 38, 23)**



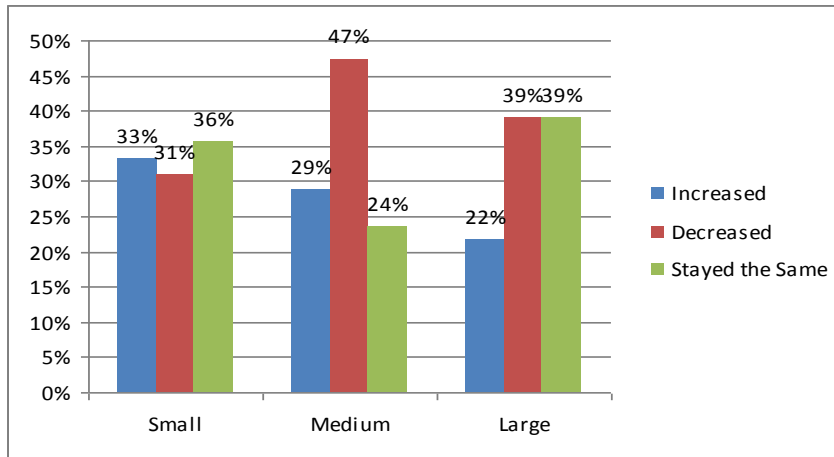
**Liquidity:** Among CDFIs that tried to access new or renewal capital in the first quarter, the portion reporting increased access was inversely related to asset size, with 32% of Small CDFIs reporting increased access versus 10% of Large CDFIs. The portion reporting decreases in access to capital was more consistent across sizes, ranging from 38% to 43%.

**Figure 28. Changes in Access to Capital by Asset Size, 1<sup>st</sup> Q2009 (n = 34, 28, 20)**



More (47%) Medium CDFIs experienced a decline in liquidity than other asset sizes. Improvements in liquidity decreased with size, from 33% of Small CDFIs to 22% of Large CDFIs.

**Figure 29. Changes in Capital Liquidity by Asset Size, 1<sup>st</sup> Q2009 (n = 44, 38, 23)**

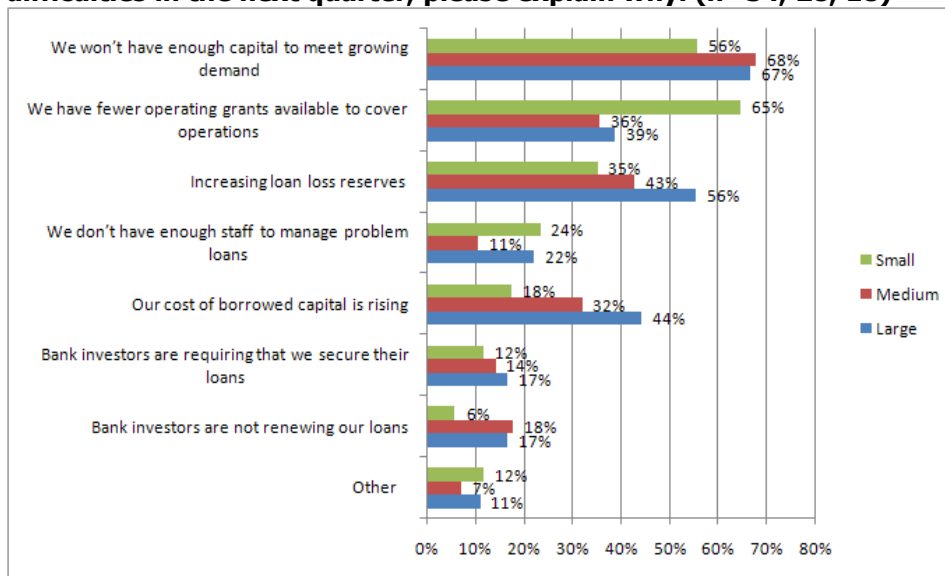


**Outlook for the Next Quarter**

Most CDFIs in all size categories expect capital liquidity and/or operating difficulties in the next quarter. For small and medium CDFIs, the three primary reasons and their order of priority are the same as in the fourth quarter. Among small CDFIs, the primary reasons are fewer operating grants to cover operations (65%), followed by not having enough capital to meet demand (56%) and increasing loan loss reserves (35%). Among medium CDFIs, the most common reason cited is insufficient capital (68%), followed by increasing loan loss reserves (43%) and fewer operating grants (36%).

For large CDFIs, the top concerns changed in the first quarter, with the cost of borrowed capital replacing access to operating grants as the third highest concern, and insufficient capital replacing loan loss reserves as the top concern. Among large CDFIs, the top concern is not enough capital (67%), followed by increasing loan loss reserves (56%), and the rising cost of capital (44%).

**Figure 30. If you expect your CDFI to experience new capital liquidity or operating difficulties in the next quarter, please explain why. (n=34, 28, 18)**



Among the comments provided in Other, location was cited as a main reason for diminished access to capital:

“We have very few private resources in our rural region ...”

“Our remote area does not have access to local banks or other sources. Our main source of capital is the CDFI Fund.”

Seventy-six percent or more of CDFIs in all size categories are seeking new grant funding. One-third or more in each size category are reducing operating expenses, including staff travel, professional development or other expenses. Among small and medium CDFIs, revising 2009/10 budgets and freezing salaries were the next most common responses. Among large CDFIs, revising 2009/10 budgets was second only to seeking grant funding, and creating worst-case contingency budgets was the next most common response.

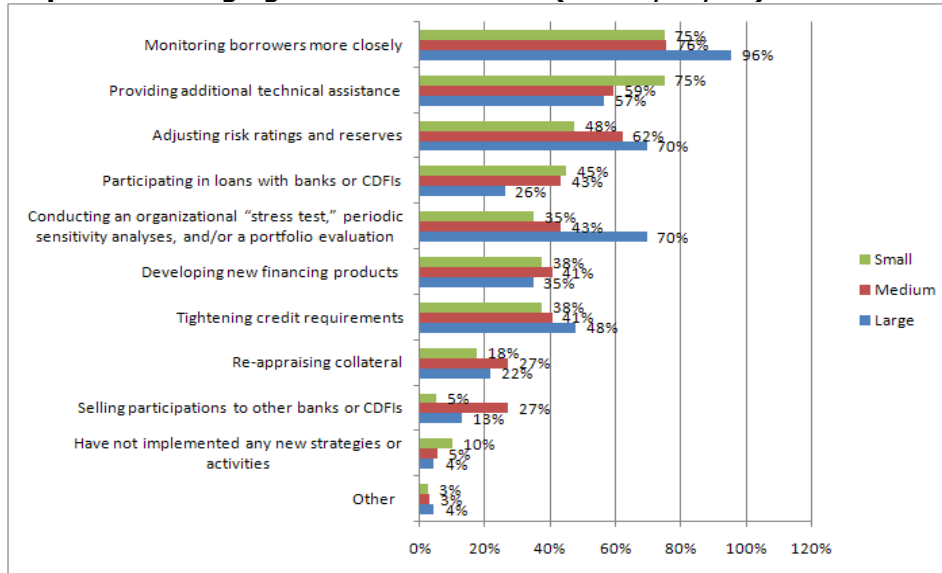
**Table 6. If you expect your CDFI to experience new capital liquidity or operating difficulties in the next quarter, what are you doing about them. (n=40, 37, 17)**

	Small	Medium	Large
Seeking new grant funding	81%	77%	76%
Reducing staff travel, professional development, or other operating expenses (please specify below)	44%	33%	47%
Revising our 2009/10 budget	38%	30%	59%
Freezing salaries	34%	30%	24%
Reducing loan sizes and/or terms	31%	17%	35%
Contracting consultants instead of hiring new staff	28%	17%	24%
Laying off staff	19%	3%	6%
Implementing a hiring freeze	6%	20%	35%
Requesting forbearance from existing lenders/investors	16%	7%	6%
Requesting loan/investment covenant waivers	13%	20%	29%
Creating a worst-case, contingency plan budget	25%	20%	47%
Other (please specify below)	16%	20%	12%
We have not implemented any new actions in response to the changes	3%	7%	6%

Note: Percentages do not add up to 100% because respondents were allowed to provide more than one response.

Nearly all CDFIs in all size groups are implementing new business strategies and/or activities in response to changing market conditions. Monitoring borrowers more closely is the most common response for all sizes of CDFIs (75% to 96%). Large and medium CDFIs are also placing an emphasis on adjusting risk ratings and reserves (70% and 62%, respectively), while small CDFIs are focused on providing additional technical assistance to clients.

**Figure 31. What new business strategies and/or activities is your organization using to respond to changing market conditions? (n = 40, 37, 23)**



### III. RESULTS BY PRIMARY FINANCING SECTOR

There is a sufficient number of respondents to allow for analysis of results for six primary financing sectors: Business, Commercial Real Estate, Community Services/Facilities, Housing to Individuals, Housing to Organizations, and Microenterprise. Moreover, there is a sufficient number of respondents in the Business and Housing to Organizations sectors to further breakout these two sectors by region. Breakouts are not provided for the Consumer sector because only three respondents selected it as their primary financing category. Four respondents selected the Other category, and an equal number did not respond. In total, 95 of the 106 respondents are included in the sectoral analysis.

The survey attempted to collect portfolio aging data for each respondent's entire portfolio and for several specific portfolios: 1-4 family residential mortgages, multi-family housing, and – for CDFIs that do not engage in housing finance – primary financing sector. Ninety-four (89%) respondents provided aging data for their entire portfolio and 87 (82%) provided one or more breakouts. Twenty-two (21%) respondents provided aging data for their 1-4 family residential mortgages, 41 (42%) provided these data for their multi-family housing portfolios, 12 (11%) for microenterprise portfolios, and 28 (26%) for business portfolios. A much smaller number – one to six respondents – provided aging data on other primary financing sectors. We opted to not present the data for the primary financing sectors with six or fewer respondents due to the unreliability of such small sample sizes; instead, we present the aging data each CDFI provided for its entire portfolio and present this by the CDFI's primary financing sector. We treat the business portfolio data in the same manner because these data are substantially the same as the data provided for the greater number of CDFIs that primarily finance business.

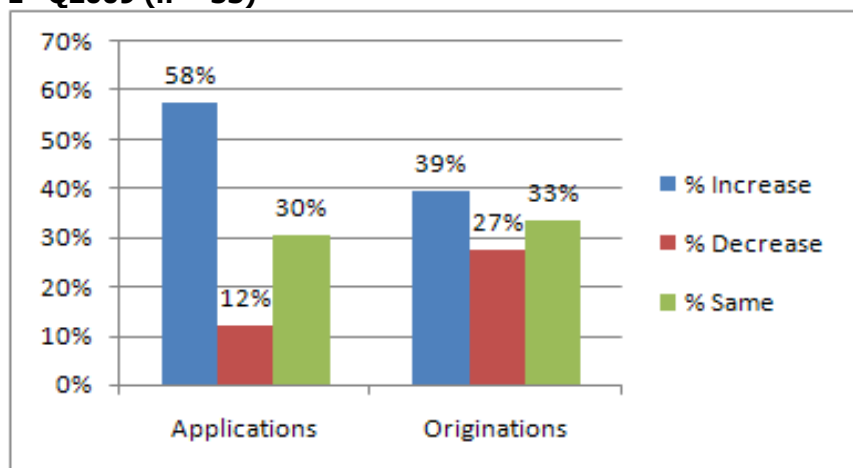
Due to the small sample sizes in the sectoral analysis, when comparing the first quarter results to the fourth quarter 2008 results, we use all CDFIs in the sector rather than limiting it to only those CDFIs that responded to both surveys.

See Appendix D for detailed responses by primary financing sector.

#### Business

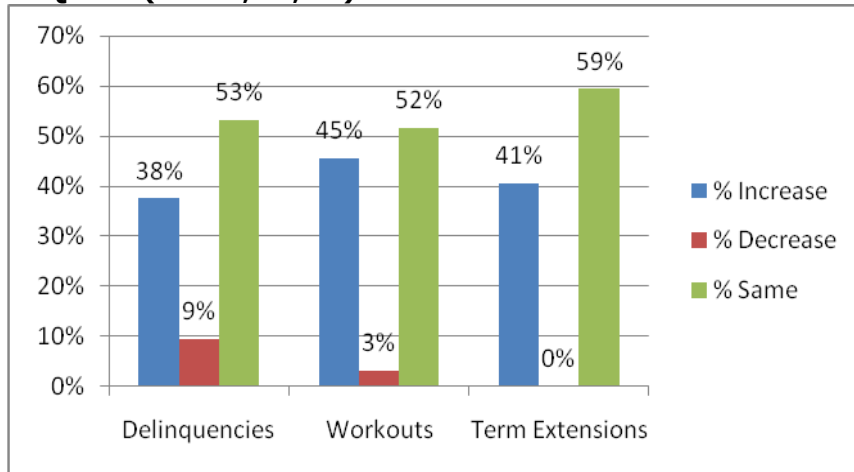
**Demand:** Thirty-three respondents provide primarily Business financing. Compared to the fourth quarter, the percentages of CDFIs experiencing an increase in demand and originations fell while those experiencing declines grew considerably: the percentage of CDFIs experiencing a decline in financing applications tripled and the percentage with a decline in originations doubled. Among the 58% that saw an increase in the number of financing applications, 15% experienced an increase of more than 50%.

**Figure 32. Business CDFIs' Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 33)**



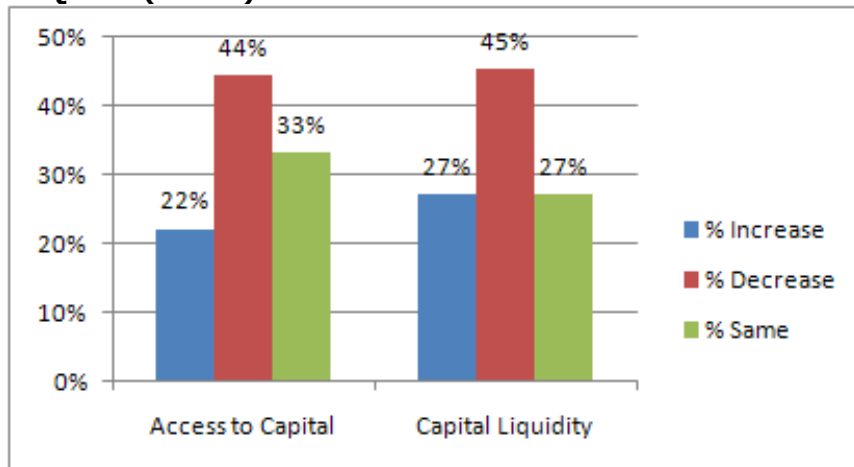
**Portfolio Quality:** Fewer Business CDFIs experienced increases in delinquencies this quarter (38% versus 52% in the fourth quarter of 2008). Workouts and term extensions were comparable to the fourth quarter. At the end of the first quarter, Business CDFIs had on average 10% portfolio at risk: 2.7% at 30-60 days, 1.5% at 60-90 days, and 5.8% at 90 days or more. Average first quarter net charge-offs were 0.5%. While delinquencies were down from fourth quarter levels (12%), more CDFIs (52% versus 40% in the fourth quarter) increased their loan loss reserve ratio in the first quarter, including six percent that increased their ratio by more than 50%.

**Figure 33. Business CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 32, 33, 32)**



**Liquidity:** Less than half (47%) of business CDFIs are capital-constrained, down from 55% in the fourth quarter. The average cost of borrowed capital remained the same for 74% of CDFIs; it increased for 13% and decreased for an equal number. Liquidity fell for 45% of business CDFIs. For the 82% that tried to access new capital, 44% reported a decline in access.

**Figure 34. Business CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 33)**



Thirty-one percent of Business CDFIs expect a loss in unrestricted net assets in their current fiscal year.

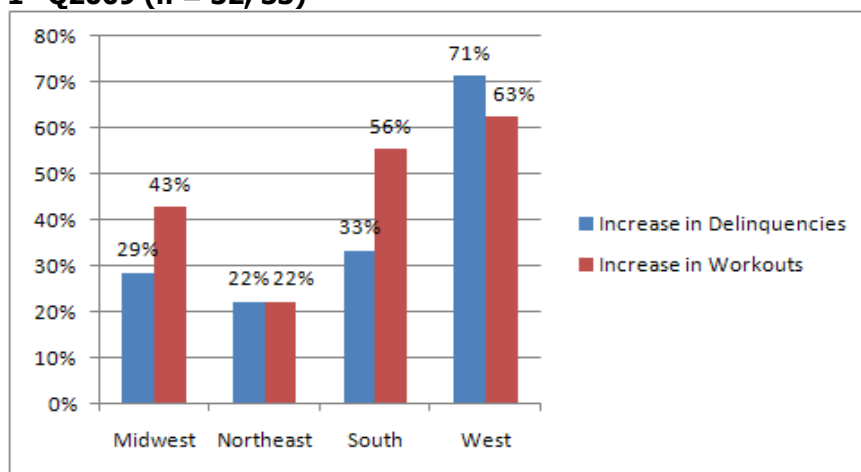
The next section analyzes differences among Business CDFIs headquartered in the four regions of the country.

## Business CDFIs by Region

Business CDFIs are headquartered in all four regions, with nine each in the Northeast and South, eight in the West, and seven in the Midwest.

**Portfolio Quality:** Increases in delinquencies were concentrated in the West. Seventy-one percent of Business CDFIs in this region reported a rise in their delinquency rates during the first quarter; increases were significantly lower in other regions, ranging from 22% in the Northeast to 33% in the South. The West also had the highest percentage of CDFIs reporting increases in loans in workout (63%).

**Figure 35. Business CDFIs' Increases in Delinquencies and Workouts by Region, 1<sup>st</sup> Q2009 (n = 32, 33)**



Average portfolio at risk ranged widely across the regions. It was lowest in the West (7.5%) and highest in the Northeast (11.8%). The regions with the highest delinquency rates, the Northeast and the South, also had the highest net charge-off rates.

It is important to take into account that many Business CDFIs also finance microenterprises and that this may in part explain their overall delinquency rates. In fact, only 29% of Business CDFIs in the Midwest, where charge-offs are the lowest, provide microenterprise loans; in contrast, in the West and Northeast, where delinquency rates are highest, 75% and 78% of Business CDFIs, respectively, provide Microenterprise lending.

**Table 7. Business CDFIs' Average Portfolio Quality by Region, 1<sup>st</sup> Q2009**

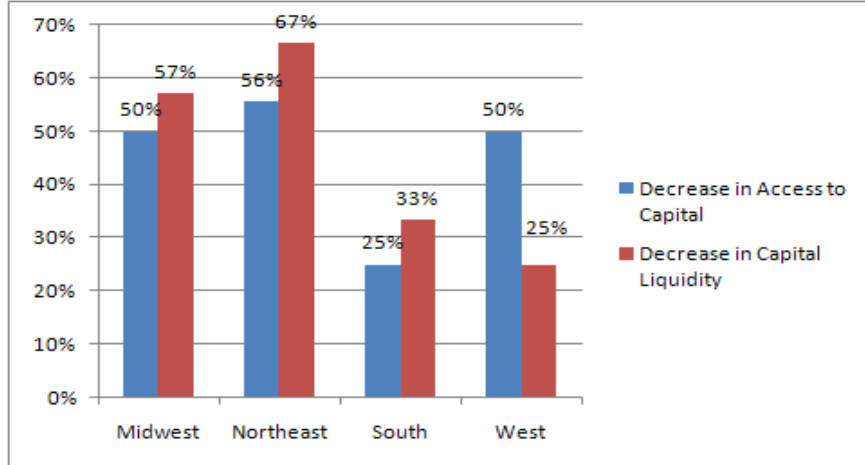
	Midwest	Northeast	South*	West
30-60 days	2.9%	4.0%	2.1%	1.5%
60-90 days	1.9%	1.7%	1.5%	2.1%
90+ days	2.9%	6.1%	5.4%	3.9%
Total Portfolio at Risk	7.7%	11.8%	9.1%	7.5%
Net Charge-offs	0.2%	0.6%	0.4%	0.5%

\*Includes Puerto Rico

**Liquidity:** Capital constraints continue to be more severe in the Northeast than in other regions, with the Midwest being nearly as constrained. Almost two-thirds (67%) of the Northeast Business CDFIs are capital-constrained; an equal number experienced a decrease in liquidity. Among the CDFIs that attempted to access new or renewal capital, over half (56%) reported that their access had declined.

The biggest changes took place in the Midwest, where access to capital and capital liquidity each fell for 50% or more of reporting CDFIs, jumping up from 14% each – the lowest levels of any sector -- in the fourth quarter.

**Figure 36. Business CDFIs’ Decreases in Access to Capital and Capital Liquidity by Region, 1<sup>st</sup> Q2009 (n = 27, 33)**

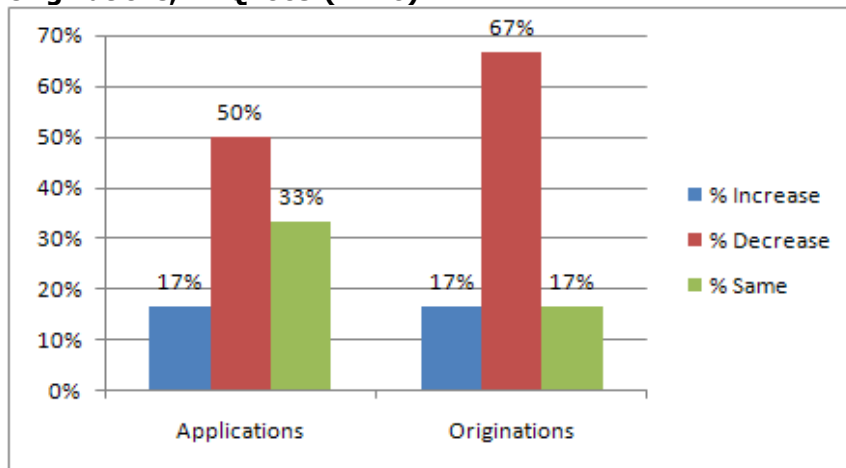


### Commercial Real Estate

Six survey respondents provide primarily Commercial Real Estate financing. With this small sample size, survey results may not be representative of the broader population of Commercial Real Estate CDFIs. The sample size was even smaller in the fourth quarter so we do not provide any comparative statistics. While portfolio quality improved for a greater proportion of CDFIs in this sector than in any other sector, for most other indicators Commercial Real Estate CDFIs’ performance was worse than other sectors.

**Demand:** Commercial Real Estate CDFIs had the lowest increase in financing applications of any financing sector. Fifty percent reported decreases in applications and 67% reported decreases in originations.

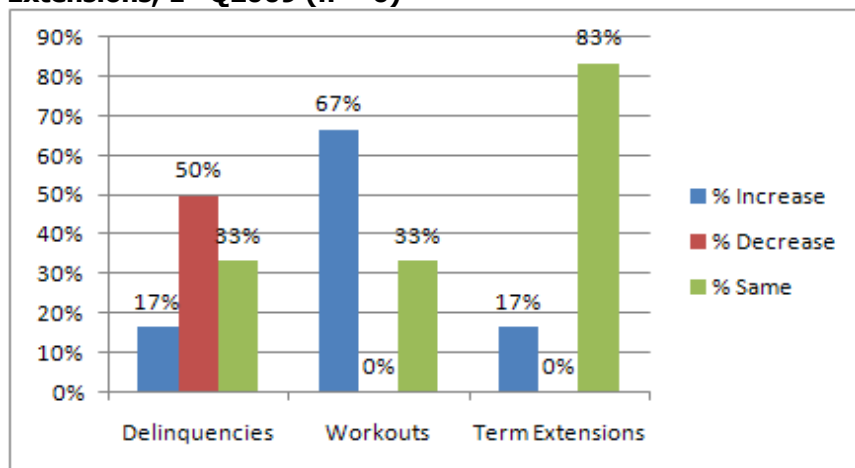
**Figure 37. Commercial Real Estate CDFIs’ Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 6)**



**Portfolio Quality:** Among all sectors, a larger proportion of Commercial Real Estate CDFIs reported decreases in delinquencies (50%). Average PAR was among the lowest at 4.8% (1.6% at 30-60 days, 1.0% at 60-90 days, and 2.2% at 90 days or more).

The percentage of CDFIs reporting an increase in the number of loans in workout (67%) was higher than any other sector, but only 17% reported an increase in the number of loans given term extensions.

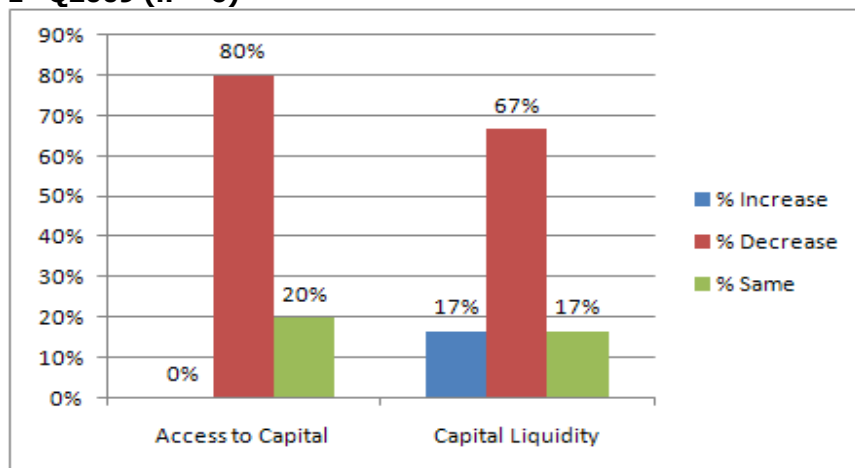
**Figure 38. Commercial Real Estate CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 6)**



**Liquidity:** Of the CDFIs that attempted to access new or renewal capital, a substantial proportion (80%) reported increased difficulties and 67% reported reduced liquidity. One-third experienced improvement in their cost of capital; an equal percentage experienced decreases or no change.

A full two-thirds (67%) of Commercial Real Estate CDFIs expect a decline in unrestricted net assets during the next quarter. No other sector reported more than 38%.

**Figure 39. Commercial Real Estate CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 6)**



### Community Services/Facilities

Nine survey respondents provide primarily Community Services/Facilities financing. With this small sample size, survey results may not be representative of the broader population of Community Services/Facilities

CDFIs. Portfolio quality improved in the first quarter, and as may be expected after very high levels in the fourth quarter, dramatically fewer CDFIs reported rises in delinquencies, workouts and extensions.

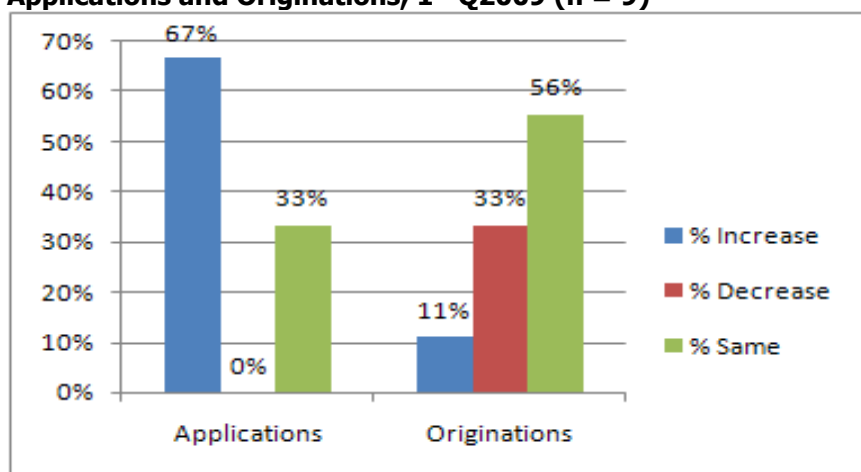
**Demand:** Demand continues to increase for more CDFIs in the Community Services/Facilities sector than in any other sector. Two-thirds reported an increase in the number of financing applications received; one-third (33%) of those experienced increases of 50% or higher. In contrast, only 11% of CDFIs reported increases in originations, the lowest percentage increase among all six financing sectors. Explanations include tightened lending criteria, application quality, and slower application processing time due to additional due diligence or staff resources diverted to problem loans. Other explanations include:

“Our capital constraints are keeping us from processing all financing applications we receive.”

“Looking [at] many larger facility projects, which take longer to underwrite.”

“Although we are devoting more time to monitoring, the lag is due to 1) standard processing time, and 2) doing a series of bridge loans and paperwork on the repayment source(s).”

**Figure 40. Community Services/Facilities CDFIs’ Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 9)**

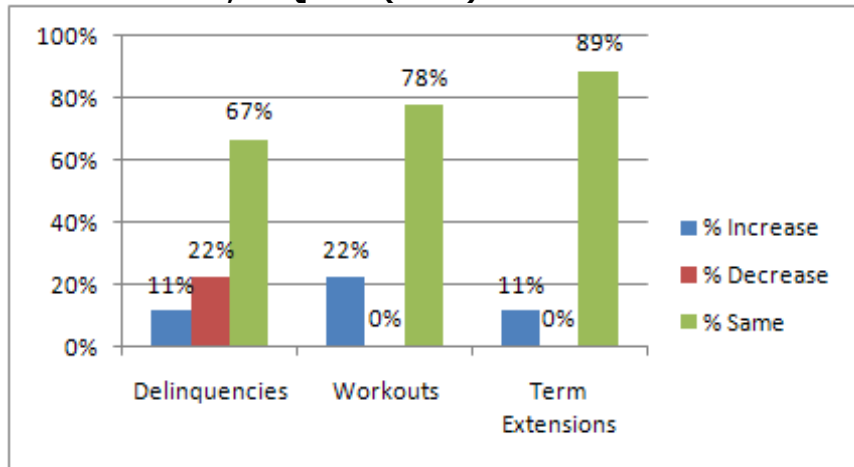


**Portfolio Quality:** The percentage of Community Services/Facilities CDFIs reporting an increase in delinquencies (11%) was lower than any other financing sector. This was the case in the fourth quarter as well, even though a much higher number (43%) reported rising delinquency. Average portfolio at risk fell from 7.6% in the fourth quarter to 5.9% (1.2% at 30-60 days, 0.3% at 60-90 days, and 4.5% at 90 days or more).<sup>6</sup>

The percentage reporting an increase in the number of loans in workout (22%) was lower than any other sector and down from 71% in the fourth quarter. Additionally, only one-tenth (11%) reported an increase in the number of loans given term extensions (versus 57% in the fourth quarter). A majority of the respondents expect portfolio quality to decline in the next quarter due to the economy’s impact on nonprofits.

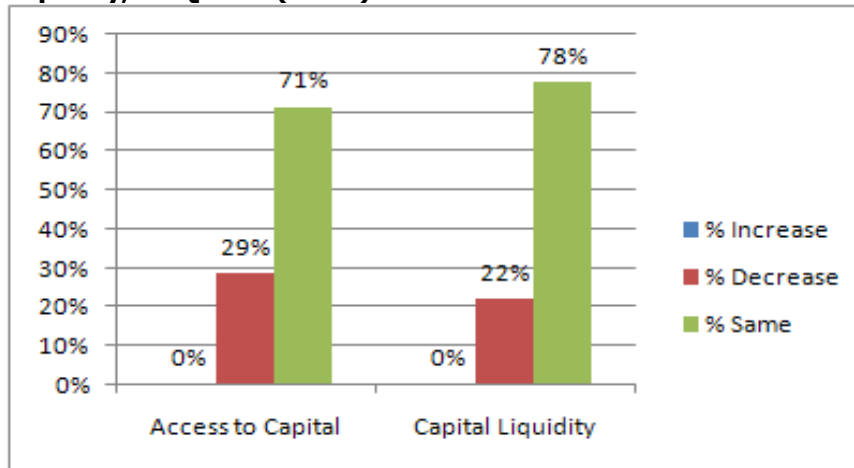
<sup>6</sup> Figures do not add up to 5.9% due to rounding.

**Figure 41. Community Services/Facilities CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1stQ2009 (n = 9)**



**Liquidity:** For the Community Services/Facilities CDFIs that attempted to access new or renewal capital, the first quarter was more positive than the fourth quarter, with fewer CDFIs (29%) reporting decreased access to capital (versus 40% in the fourth quarter). Likewise, liquidity decreased for fewer CDFIs (22% versus 43% in the fourth quarter). The average cost of capital improved for 22%, primarily due to lower variable interest rates.

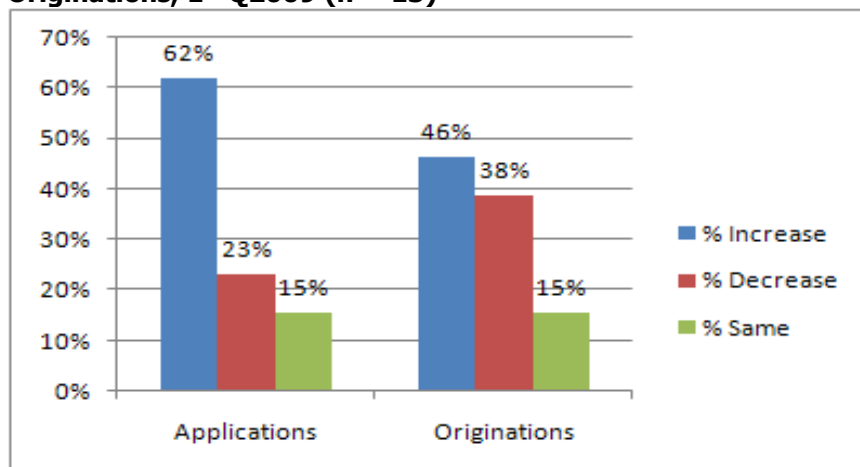
**Figure 42. Community Services/Facilities CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 9)**



### Housing to Individuals

Thirteen respondents provide primarily Housing to Individuals. Nearly two-thirds (62%) had an increase in applications, up from 47% in the fourth quarter. Of these, 15% experienced an increase of more than 50%. Originations were comparable to the fourth quarter, with 46% reporting an increase.

**Figure 43. Housing to Individuals CDFIs' Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 13)**

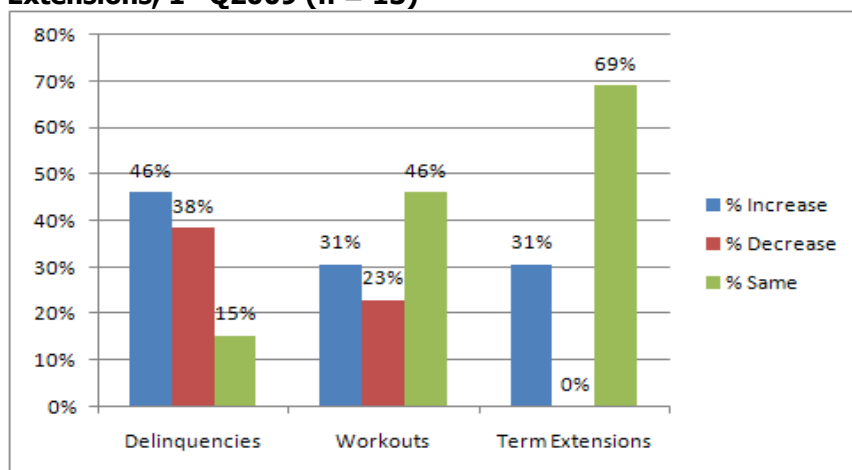


**Portfolio Quality:** A relatively high percentage of Housing to Individuals CDFIs (46%) reported increases in delinquencies compared to other sectors. Yet, average delinquency rates were among the lowest, with total PAR equal to 4.4% (1.5% at 30-60 days, 1.2% at 60-90 days, and 1.7% at 90 days or more). This is significantly lower than what was reported in the fourth quarter (12.7%). One respondent explained that their decrease was in part because “Foreclosures and bankruptcies from 2006 are finally reaching the point where we can liquidate the collateral.”

Twenty-two CDFIs that provide one-to-four family residential mortgages reported aging data for these portfolios. Average PAR rose from 6.6% in the fourth quarter to 9.7% PAR, with the greatest portion being new delinquencies (6.5% at 30-60 days, 1.5% at 60-90 days, and 1.6% at 90 days or more).

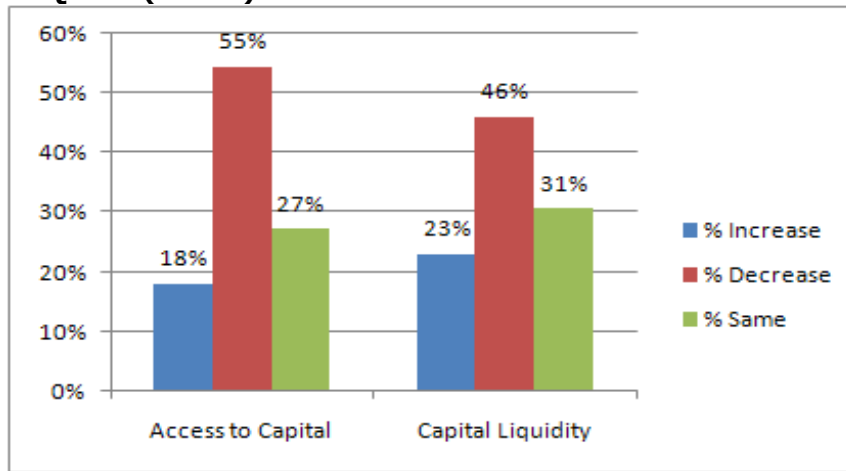
Nearly one-third (31%) of Housing to Individuals CDFIs reported a higher number of both workouts and term extensions in the first quarter.

**Figure 44. Housing to Individuals CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 13)**



**Liquidity:** Housing to Individuals CDFIs are facing liquidity challenges. Forty-six percent reported decreases in liquidity, with 15% reporting a decline of at least 50%. Sixty-two percent reported that they are capital-constrained. Of the CDFIs that tried to access new capital, 55% reported increased difficulties; only Commercial Real Estate CDFIs surpassed this proportion at 80%. Forty-six percent expect liquidity challenges in the coming quarter.

**Figure 45. Housing to Individuals CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 13)**



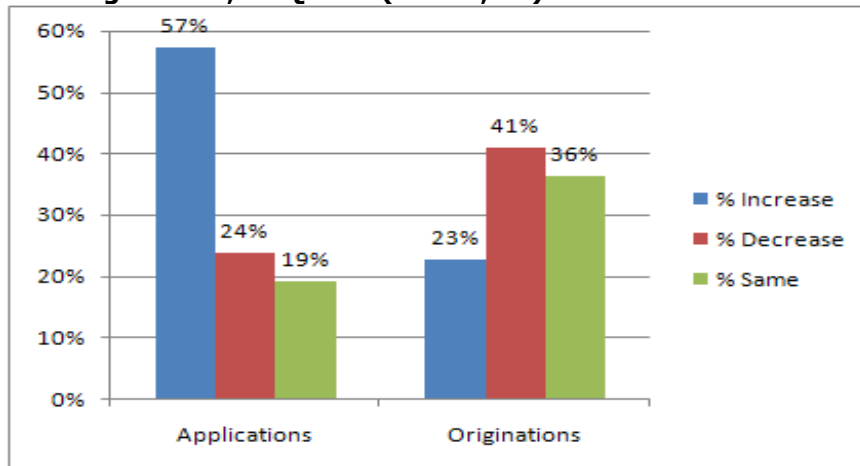
Thirty-eight percent of Housing to Individuals CDFIs expects a loss in unrestricted net assets in their current fiscal year.

### Housing to Organizations

Twenty-two CDFIs provide primarily Housing to Organizations.

**Demand:** More than half of the Housing to Organizations CDFIs saw an increase in financing requests, including 19% that cited increases of more than 50%. Twenty-three percent originated more loans, with 10% of those reporting increases of over 50%. These results are similar to the fourth quarter.

**Figure 46. Housing to Organizations CDFIs' Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 21, 22)**



**Portfolio Quality:** Forty-one percent reported an increase in delinquency rates. Average delinquency rates for Housing to Organizations CDFIs were the third highest among all financing sectors, with average PAR of 9.6% (2.1% at 30-60 days, 1.7% at 60-90 days, and 5.7% at 90 days or more). This was a jump up from 6.9% PAR at the end of the fourth quarter. Average net charge-offs were 0.5%. The deterioration is due to lack of takeout financing, weaker borrower credit quality, and delays in the negotiations of new loan terms with borrowers.

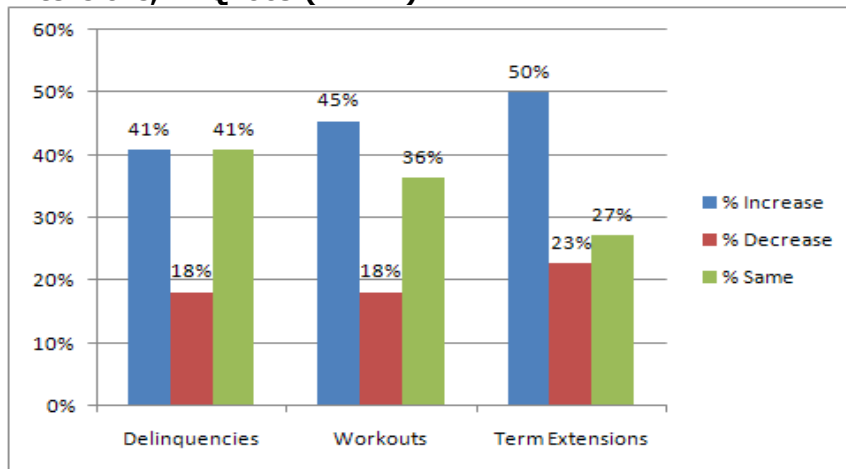
“Two new small loans are having difficulty obtaining financing. One needs construction financing to start building and repay... [a] small predevelopment loan and the other has been unable to sell one unit of the duplex it rehabbed and is trying to get a long-term mortgage to hold it as a rental unit until sales pick up. The L/T mortgage will repay the loan.”

“Another loan became delinquent because the requirements for extension hadn't been fully met. We are in the process of formalizing the terms for the extension on this loan.”

The survey also collected portfolio aging data on the multi-family housing portfolios of 41 CDFIs that finance multi-family housing as their primary or non-primary activity. Average PAR was lower within these portfolios than for the overall portfolios of Housing to Organizations CDFIs: 6.3% PAR (0.7% at 30-60 days, 0.6% at 60-90 days, and 5.1% at 90 days or more), but higher than the fourth quarter PAR of 4.3%.

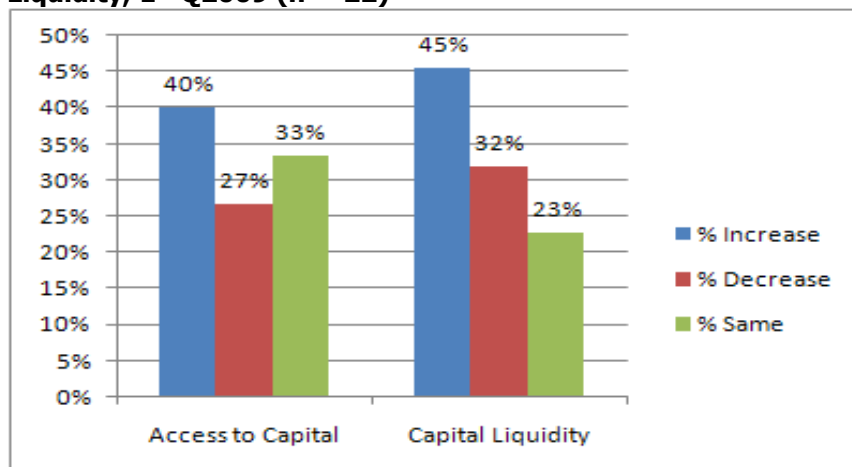
Less than half (45%) of all Housing to Organizations CDFIs reported increases in workouts and a slightly higher percentage (50%) reported increases in the number of term extensions given.

**Figure 47. Housing to Organizations CDFIs’ Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 22)**



**Liquidity:** Like Housing to Individuals CDFIs, a majority of Housing to Organizations CDFIs (68%) report that they are capital-constrained, up from 61% in the fourth quarter. At the same time, access to capital and capital liquidity have improved for 40% and 45% of CDFIs, respectively. These are higher than the fourth quarter when they were 21% and 33%, respectively. Twenty-three percent reported an increase in the average cost of capital and 14% reported a decrease.

**Figure 48. Housing to Organizations CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 22)**



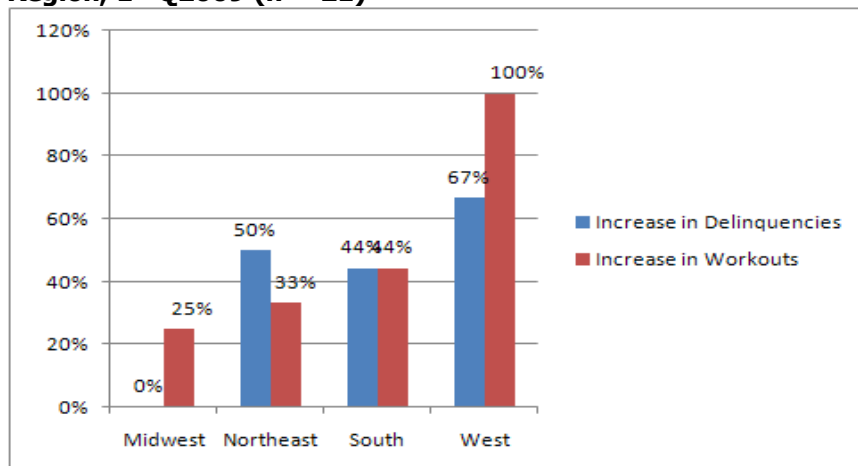
The next section analyzes differences among Housing to Organizations CDFIs headquartered in the four regions of the country.

### Housing to Organizations by Region

The 22 Housing to Organizations CDFIs are headquartered in all four regions, with six in the Northeast, four in the Midwest, three in the West, and nine in the South.

**Portfolio Quality:** Delinquency deteriorated for more Housing to Organizations CDFIs in the West than in any other region. Two of the three reporting CDFIs saw portfolio quality decline and all three had an increase in the number of loans in workout.

**Figure 49. Housing to Organizations CDFIs' Increases in Delinquencies and Workouts by Region, 1<sup>st</sup> Q2009 (n = 21)**



As in the fourth quarter, portfolio at risk is lowest in the West at 4.8%; however, because it is climbing in the West while falling in two other regions, the difference between the West and the next lowest region has narrowed from 3.8% to 0.1%. Portfolio quality is weakest and has worsened considerably in the South, where on average 15.2% of portfolio is at risk and 9.5% is 90 days or more past due (versus 10.3% and 7.4%, respectively, in the fourth quarter). One of the nine CDFIs in the South anticipates that portfolio quality will worsen in the next quarter and 5 expect no change; they all attribute the change in

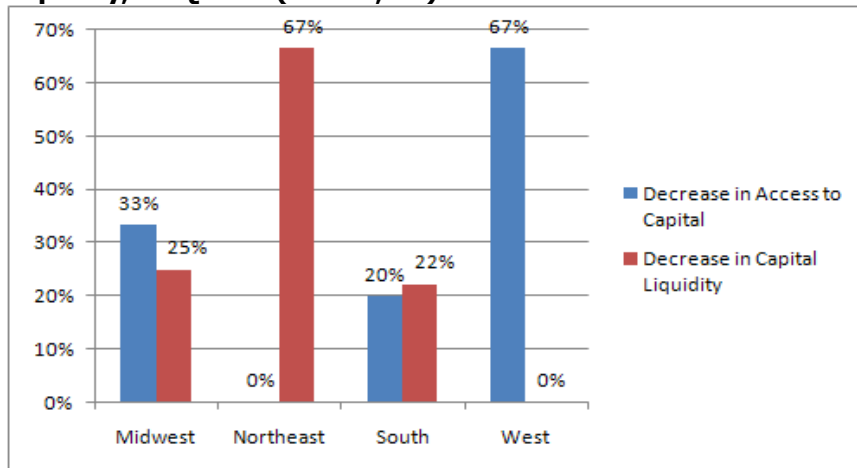
the condition of their portfolios to changes in the Low Income Housing Tax Credit market and lack of takeout financing for various projects.

**Table 8. Housing to Organizations CDFIs' Average Portfolio Quality by Region, 1<sup>st</sup> Q2009**

	Midwest	Northeast	South	West
30-60 days	1.2%	2.1%	2.8%	1.3%
60-90 days	0.1%	1.2%	2.9%	1.0%
90+ days	3.6%	3.2%	9.5%	2.5%
Total Portfolio at Risk	4.9%	6.6%	15.2%	4.8%
Net Charge-offs	0.2%	0.4%	0.9%	0.0%

**Liquidity:** More CDFIs in the West reported increasing difficulties in accessing new or renewal capital than in other regions. CDFIs in the Northeast reported no decrease in access to capital, while CDFIs in the Midwest and South fell in between. All CDFIs attributed the difficulties to lenders' unwillingness to renew or grant new loans or lines of credit and tightened underwriting criteria.

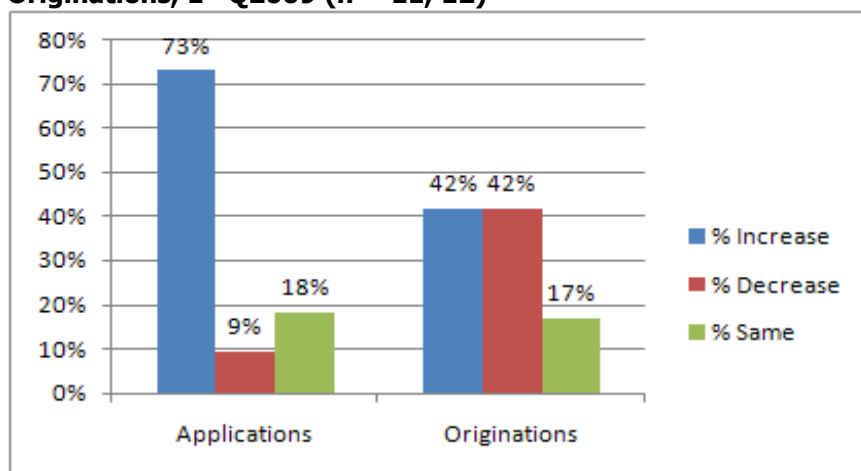
**Figure 50. Housing to Organizations CDFIs' Decreases in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 15, 22)**



## Microenterprise

**Demand:** More Microenterprise CDFIs experienced increased demand than CDFIs in any other sector, with 73% reporting increases in financing applications including nearly one-fifth (18%) reporting increases of at least 50%. Forty-two percent originated more loans, with 17% of those originating at least 50% more loans.

**Figure 51. Microenterprise CDFIs' Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 11, 12)**



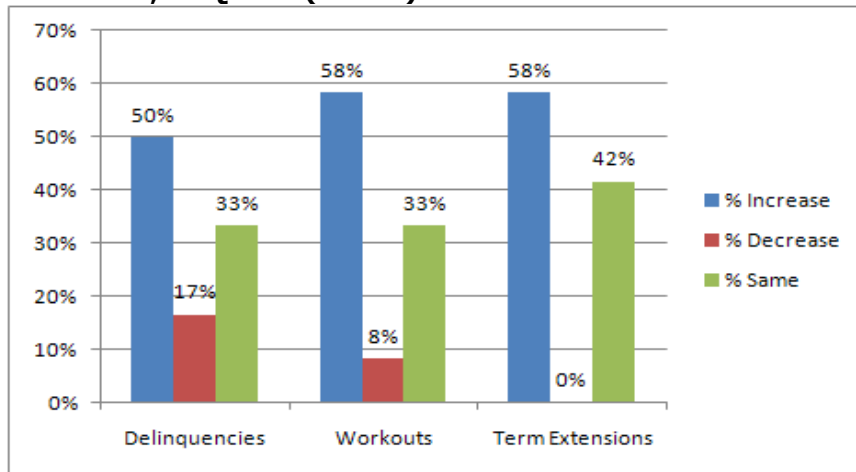
**Portfolio Quality:** Delinquency rates increased for half of the Microenterprise CDFIs and decreased for 17%. As is historically the case for CDFIs that primarily finance microenterprises, average delinquency rates were the highest of any financing sector. Average PAR was 18.7% (7.3% at 30-60 days, 4.4% at 60-90 days, and 7.0% at 90 days or more), with moderate improvement in the 90 plus day category (10.1% for the fourth quarter) and upticks in the others (3.8% and 2.1% for 30-60 and 60-90 days categories, respectively), leading to an overall increase in the 15.9% fourth quarter PAR.

Twelve CDFIs provided portfolio at risk data for their microenterprise portfolios. Portfolio at risk was slightly higher in these portfolios at 18.9% on average (7.3% at 30-60 days, 4.2% at 60-90 days, and 7.4% at 90 days or more). In the fourth quarter, it was 17.5%.

Despite these developments, only 25% of the respondents anticipate that portfolio quality will decline in the coming quarter. Over half (58%) expect improvement in the quality, as they finance less-risky deals, use tighter lending criteria, and bring on consultants to focus entirely on portfolio management and collections.

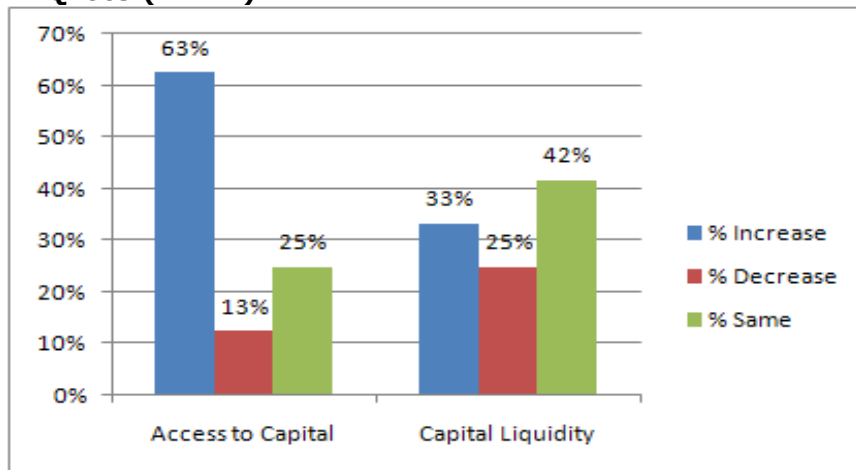
Loans in workouts and term extensions increased for more than half of CDFIs (58% for both categories).

**Figure 52. Microenterprise CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 12)**



**Liquidity:** Fifty percent of Microenterprise CDFIs are capital-constrained, but only 13% reported a decrease in their access to new or renewal capital. Twenty-five percent experienced a decrease in liquidity.

**Figure 53. Microenterprise CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 12)**



Similar to last quarter, 25% of Microenterprise CDFIs expects a loss in unrestricted net assets in the current fiscal year. This is lower than all other financing sectors except Community Services/Facilities CDFIs, which is also 25%.

#### IV. RESULTS BY REGION

All 106 respondents are included in the regional analysis. For purposes of regional analysis, the respondent from Puerto Rico is included in the South region.

**Table 9. Respondents by Region, 1<sup>st</sup> Q2009**

	# of CDFIs	% of CDFIs in Region
Midwest	23	22%
Northeast	28	26%
South*	32	30%
West	23	22%
Total	106	100%

\*Includes one respondent located in Puerto Rico.

Regional results may be influenced by the distribution of CDFIs in each primary financing sector: regions with a heavy concentration of microenterprise CDFIs may have higher delinquency rates in part because microenterprise portfolios tend to have higher delinquency rates than other portfolios due to their higher risk profile. For each region, we provide the percentage of CDFIs in each primary financing sector.

See Appendix E for more detailed information on responses by region, including breakdowns of Census Bureau divisions within each region.

#### Midwest

The 23 Midwest CDFIs that responded to the survey are distributed among all sectors but concentrated in Business.

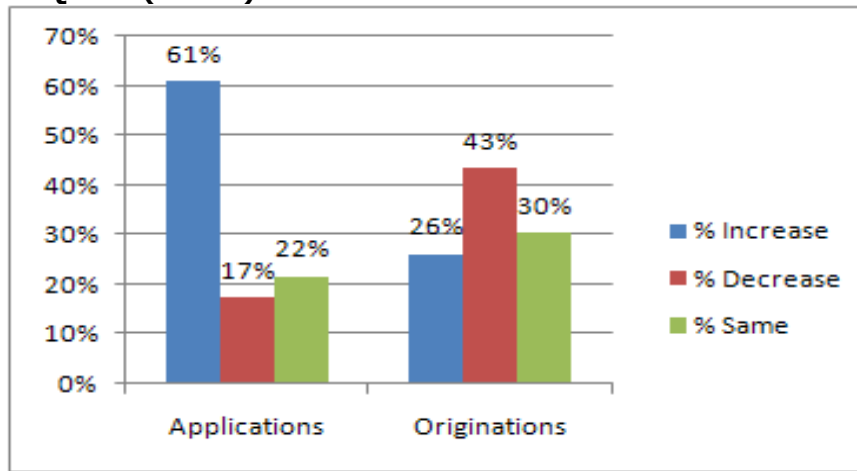
**Table 10. Sectoral Composition of Midwest CDFIs, 1<sup>st</sup> Q2009**

	Business	Commercial Real Estate	Community Services / Facilities	Consumer	Housing to Individuals	Housing to Organizations	Microenterprise	Other	Total
# of CDFIs	7	3	1	1	1	4	3	3	23
% of Region	30%	13%	4%	4%	4%	17%	13%	13%	100%

Thirty-five percent of Midwest CDFIs expect a decline in unrestricted net assets in their current fiscal year, as compared to 38% in the fourth quarter.

**Demand:** Nearly two-thirds (61%) of Midwest CDFIs received more financing applications in the first quarter than in the fourth quarter (68%). As in the fourth quarter, only in the West did more CDFIs (82%) experience an increase. Twenty-six percent originated more loans, including 13% that originated more than 50% more loans; this is down from 52% of respondents who reported increases in originations in the fourth quarter.

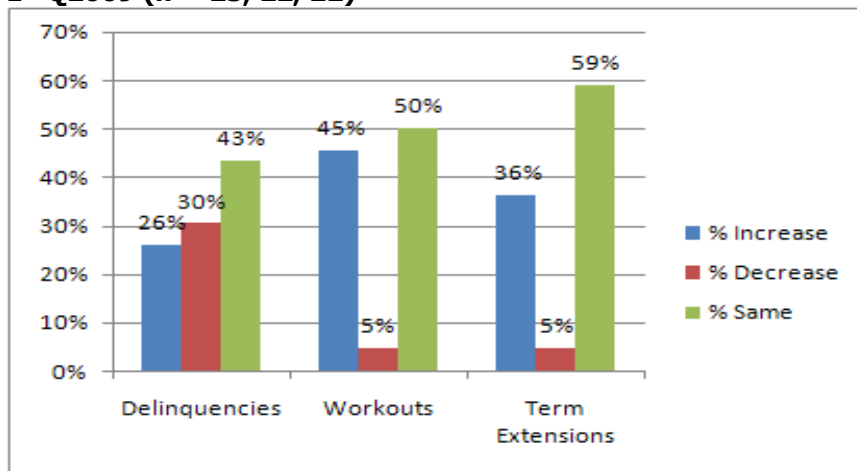
**Figure 54. Midwest CDFIs' Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 23)**



**Portfolio Quality:** Delinquencies increased for one-quarter (26%) of Midwest CDFIs, down from 41% in the fourth quarter. Thirty percent experienced a decline in delinquencies and at the end of the quarter, the average PAR had fallen to 7.7% (2.9% at 30-60 days, 1.9% at 60-90 days, and 2.9% at 90 days or more), down from 9.7% at the end of the fourth quarter. First quarter net charge-offs were 0.2%. Forty-five percent of Midwest CDFIs had more loans/investments in workout and 36% granted more term extensions, including 9% that increased the number of term extensions by more than 50%.

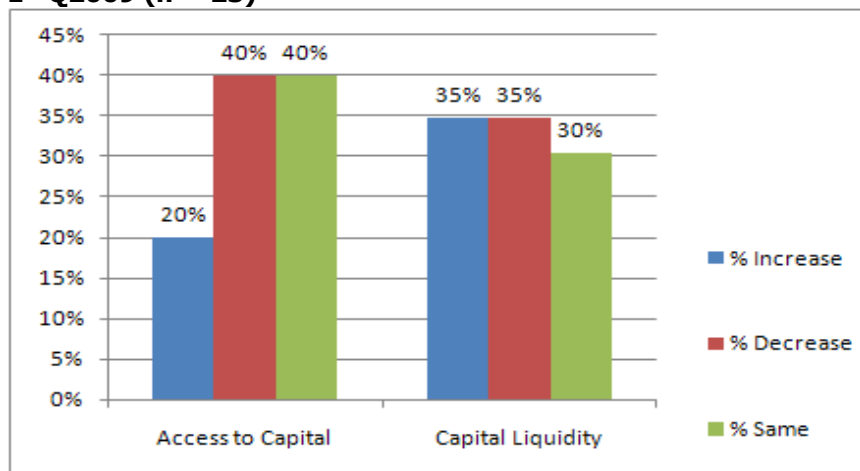
Thirty-nine percent increased their loan loss reserve ratio in the first quarter, a lower percentage than any other region but more than double the fourth quarter Midwest level.

**Figure 55. Midwest CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 23, 22, 22)**



**Liquidity:** The percentage of Midwest CDFIs reporting that they are capital-constrained is comparable to other regions: 39% in the Midwest versus 43% to 64% in other regions. Twenty percent of Midwest CDFIs reported an increase in their ability to access new or renewal capital compared to 19% to 35% in other regions; 40% reported a decrease in their access to capital, which is also in line with what was reported by CDFIs in the other regions but substantially higher than in the fourth quarter when only 15% reported a decrease in access.

**Figure 56. Midwest CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 23)**



### Northeast

The 28 Northeast CDFIs are concentrated in Business and Housing to Organizations.

**Table 11. Sectoral Composition of Northeast CDFIs, 1<sup>st</sup> Q2009**

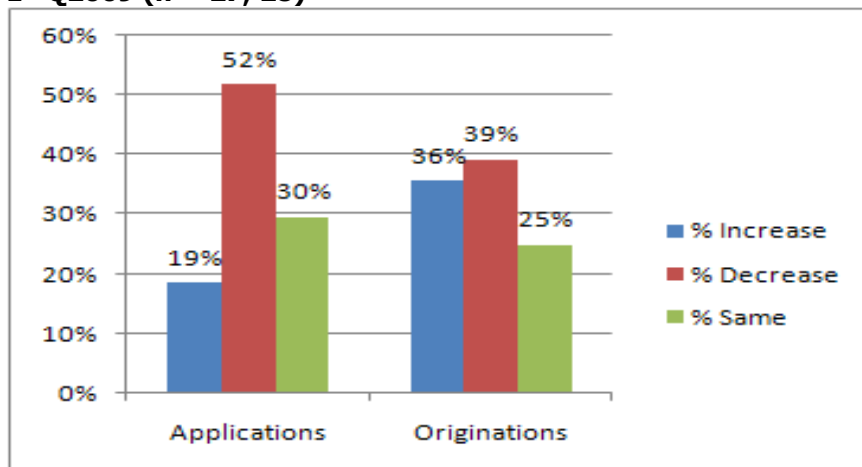
	Business	Commercial Real Estate	Community Services / Facilities	Consumer	Housing to Individuals	Housing to Organizations	Microenterprise	Other	Total
# of CDFIs	9	1	5	0	2	6	4	1*	28
% of Region	33%	4%	19%	0%	7%	22%	15%	0.03%	100%

\* This CDFI did not provide a primary financing category.

Twenty-four percent of Northeast CDFIs expect a decline in unrestricted net assets in their current fiscal year, the lowest percentage of any other region. This is in sharp contrast to the fourth quarter, when more (43%) Northeast CDFIs anticipated a decline than in any other sector.

**Demand:** Compared to the fourth quarter, when 57% of Northeast CDFIs experienced an increase in the number of financing applications, demand is down, with more than half (52%) of CDFIs reporting a decline. Of the 19% that saw an increase in demand, however, all experienced increases of over 50%. In spite of decreasing demand, originations were up for more than one-third (36%) of CDFIs, which was similar to what was reported for the fourth quarter (41% originated more).

**Figure 57. Northeast CDFIs' Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 27, 28)**

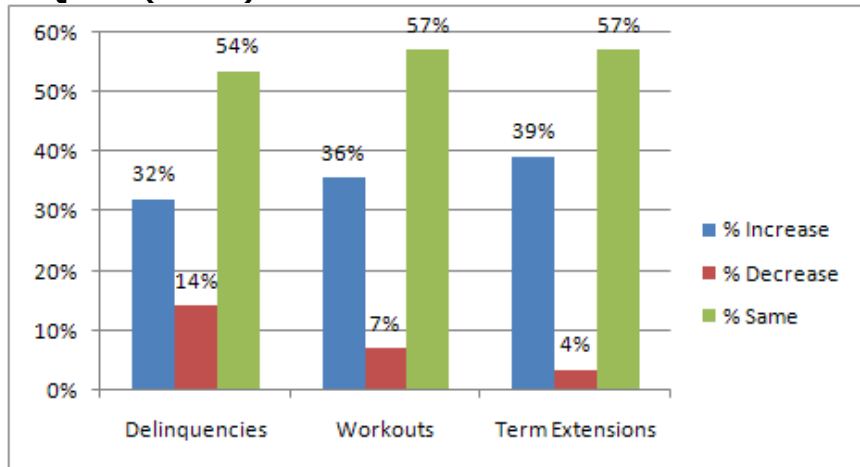


**Portfolio Quality:** Nearly one-third (32%) of CDFIs in the Northeast experienced an increase in delinquency in the first quarter compared to 50% who reported an increase in delinquencies during the fourth quarter. Workouts and extensions were up for 36% and 39% of CDFIs, respectively, compared to 63% and 49% for the previous quarter.

Portfolio quality was comparable to the fourth quarter. On average, PAR was 11.8% (4.0% at 30-60 days, 1.7% at 60-90 days, and 6.1% at 90 days or more), down from 12% in the fourth quarter. Because delinquency in the South fell in the first quarter, the Northeast now has the highest delinquency of any region. This is in part due to concentrations in Business and Housing to Organizations CDFIs, two of the financing sectors with the highest delinquency rates. Fourth quarter net charge-offs were 1.0%, also the highest of any region.

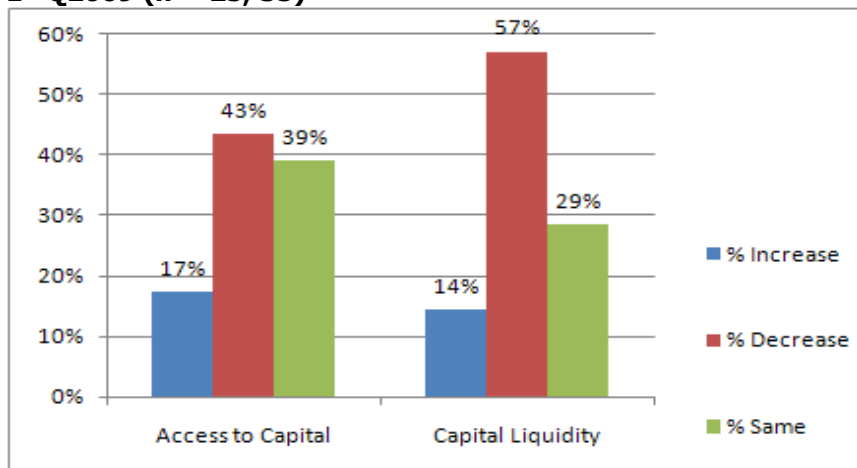
Forty-six percent of CDFIs increased their loan loss reserve ratio in the first quarter, including seven percent that increased their ratio by more than 50%.

**Figure 58. Northeast CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 28)**



**Liquidity:** Though a similar proportion of Northeast CDFIs reported capital constraints (65% for the first quarter versus 63% for the fourth quarter), a larger proportion reported a lower cost of borrowed capital. The average cost of borrowed capital decreased for 25% of CDFIs, compared to 9% in the previous quarter. Liquidity fell for 57% of CDFIs, comparable to the fourth quarter (60%). Fewer CDFIs reported a decline in access to new capital: among the 82% that tried to access new capital, 43% reported a decline in access, compared to 56% in the fourth quarter.

**Figure 59. Northeast CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 25, 35)**



## South

The 32 CDFIs headquartered in the South (including one CDFI in Puerto Rico) cover all eight primary financing sectors, including Other. They have concentrations in Housing to Organizations, Business and Microenterprise.

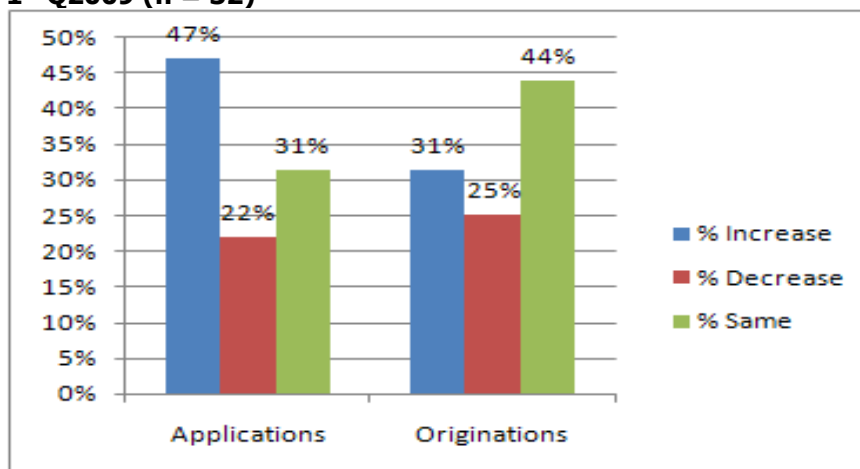
**Table 12. Sectoral Composition of South CDFIs, 1<sup>st</sup> Q2009**

	Business	Commercial Real Estate	Community Services / Facilities	Consumer	Housing to Individuals	Housing to Organizations	Microenterprise	Other	Total
# of CDFIs	9	1	2	1	4	9	3	3*	32
% of Region	19%	3%	3%	6%	16%	29%	19%	3%	100%

\* Two CDFIs did not provide a primary financing category.

**Demand:** Though demand increased for fewer (47%) southern CDFIs during the first quarter versus 60% in the fourth quarter, similar proportions reported dramatic increases of 50% or more in financing applications during both quarters: 16% for the first quarter and 20% for the fourth quarter. Fewer (31%) CDFIs originated more loans in the first quarter than in the fourth quarter (57%).

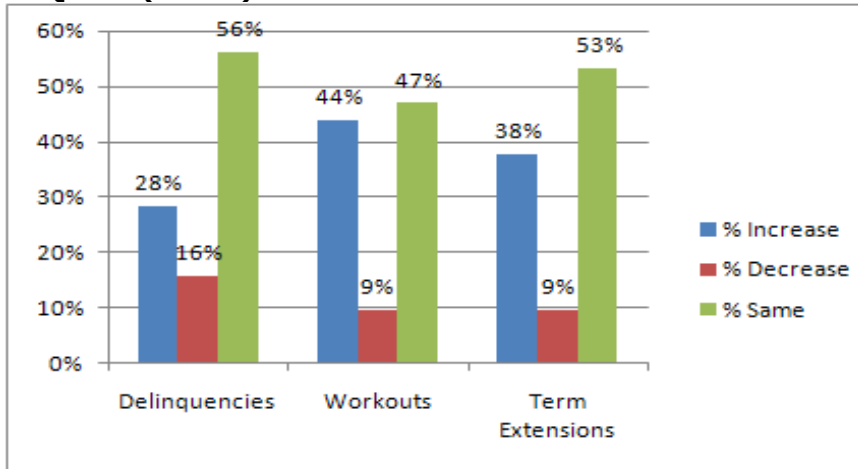
**Figure 60. South CDFIs' Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 32)**



**Portfolio Quality:** Portfolio quality improved dramatically in the first quarter. Sixteen percent of CDFIs experienced a decline in delinquency rates, with several declining by more than half, including the two CDFIs with the highest fourth quarter rates. In the fourth quarter, not a single CDFI in the South lowered its delinquency rate. At the end of the first quarter, average PAR was 9.1% (2.1% at 30-60 days, 1.5% at 60-90 days, and 5.4% at 90 days or more). This compares to fourth quarter PAR of 15% (2.8% at 30-60 days, 2.2% at 60-90 days, and 9.9% at 90 days or more). First quarter charge-offs were 0.4%.

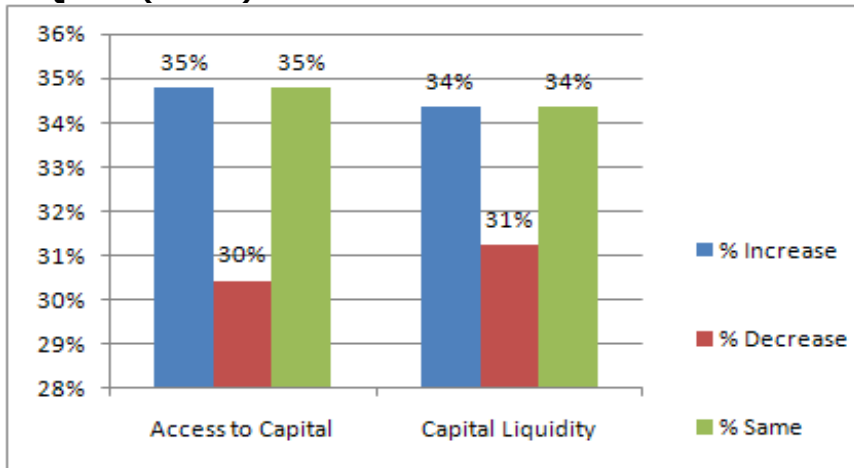
The number of loans/investments in workout increased for 44% of CDFIs, which was down from the previous quarter (63%), but in line with the other regions.

**Figure 61. South CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 32)**



**Liquidity:** Slightly more (53%) CDFIs in the South report being capital-constrained in the first quarter than in the previous quarter (48%). At the same time, access to capital improved for more than one-third of CDFIs, up from 8% in the fourth quarter. Capital liquidity also improved for more CDFIs in the first quarter (34%) than in the fourth quarter (26%).

**Figure 62. South CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 32)**



In the fourth and first quarters, roughly the same proportion of CDFIs in the South expect a loss in unrestricted net assets in their current fiscal year, 40% and 37%, respectively.

## West

The 23 respondents based in the West are concentrated in Business and Housing to Individuals financing.

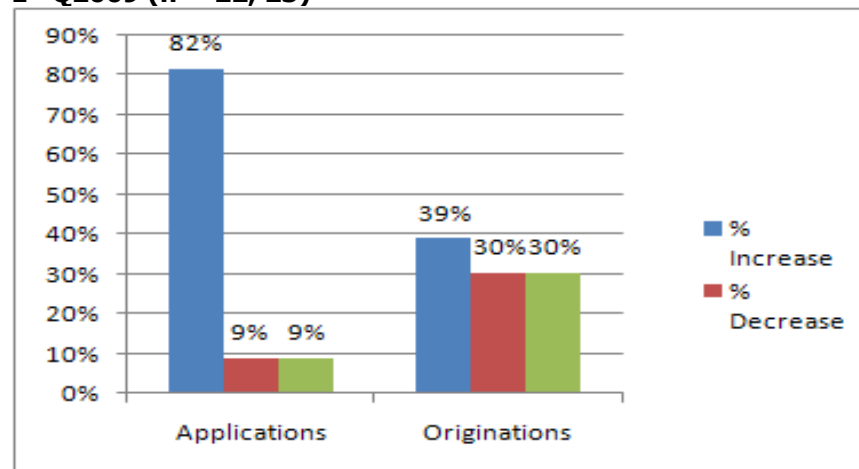
**Table 13. Sectoral Composition of CDFIs in the West, 1<sup>st</sup> Q2009**

	Business	Commercial Real Estate	Community Services / Facilities	Consumer	Housing to Individuals	Housing to Organizations	Microenterprise	Other	Total
# of CDFIs	8	1	1	1	6	3	2	1*	23
% of Region	35%	4%	4%	4%	26%	13%	9%	4%	100%

\* This CDFI did not provide a primary financing category.

**Demand:** CDFIs in the West continued to experienced a substantially higher increase in applications than in any other region. Eighty-two percent (compared to 69% for the previous quarter) saw increased demand. Of those, 14% reported increases of over 50%. The percentage reporting increases in loan originations (39%) is lower than in the fourth quarter (43%), but higher than all other regions.

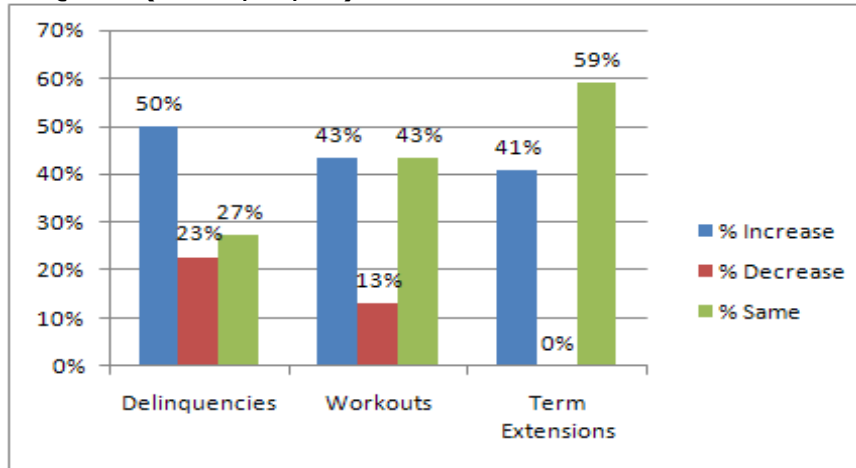
**Figure 63. West CDFIs' Changes in Number of Financing Applications and Originations, 1<sup>st</sup> Q2009 (n = 22, 23)**



**Portfolio Quality:** Delinquency rates increased for fewer Western CDFIs in the first quarter (50%) than in the fourth quarter (66%) but this proportion is still significantly higher than those reported by the other regions. In spite of these increases, average PAR was the lowest of any region at 7.5% ( 1.5% at 30-60 days, 2.1% at 60-90 days, and 3.9% at 90 days or more). First quarter charge-offs were 0.5%.

Loans/investments in workout and term extensions increased for 43% and 41% of CDFIs, respectively. For each category, 13% and 18%, respectively, experienced increases of more than 50%.

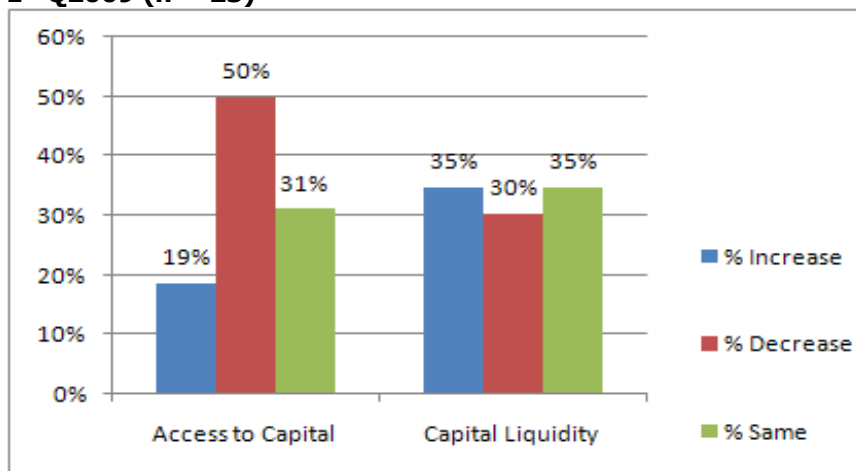
**Figure 64. West CDFIs' Changes in Delinquencies, Workouts, and Term Extensions, 1<sup>st</sup> Q2009 (n = 22, 23, 22)**



**Liquidity:** Forty-three percent of CDFIs in the West report that they are capital-constrained in the first quarter, down from 50% in the previous quarter. Fifty percent reported that they are less able to access capital and 30% report that their liquidity has decreased. The average cost of borrowed capital increased for 9% of CDFIs, which is down from the 17% who reported increases in the fourth quarter.

Forty-five percent of CDFIs in the West expect a decline in unrestricted net assets in the current fiscal year. This is a jump from 30% in the fourth quarter and it is the highest rate of any sector.

**Figure 65. West CDFIs' Changes in Access to Capital and Capital Liquidity, 1<sup>st</sup> Q2009 (n = 23)**



## **V. METHODOLOGY**

Opportunity Finance Network emailed the voluntary web-based survey to approximately 585 CDFIs and opportunity finance institutions across the country. These institutions included certified and non-certified CDFIs, Opportunity Finance Network members and non-members, loan funds, credit unions, banks and venture funds. Institutions were given two weeks to respond. Opportunity Finance Network staff reviewed the responses and contacted respondents for clarification when necessary.

For regional and sectoral analysis, Opportunity Finance Network staff re-categorized one regional response (moved Puerto Rico to the South region) and two primary financing sector responses (moved two Other responses to Housing to Organizations).

## **APPENDIX A. DEFINITION OF SECTORS**

**Microenterprise:** Microenterprise financing includes financing to for-profit and non-profit businesses that have five or fewer employees (including proprietor), and with a maximum loan/investment of \$35,000. This financing may be for the purpose of start up, expansion, working capital, equipment purchase/rental or commercial real estate development or improvement. To the extent possible, financing for housing and community facilities/services (including childcare, home, health care and elder care, home-based or otherwise) should not be included here but with the Housing or Community Services sector.

**Business:** Business financing includes financing to for-profit and non-profit businesses that have more than 5 employees OR of financing in an amount greater than \$25,000 for the purpose of expansion, working capital, equipment purchase/rental. Financing for housing and community facilities/services (including childcare, health care and elder care, home-based or otherwise) should not be included here but with the Housing or Community Services sector.

**Commercial Real Estate:** Business financing includes financing for construction, rehabilitation, acquisition or expansion of non-residential property used for office, retail, or industrial purposes.

**Housing - Organizations:** Housing financing to organizations includes all housing financing to organizations such as predevelopment, acquisition, construction, renovation, lines of credit, working capital, and mortgage loans to support the development of rental housing, service-enriched housing, transitional housing, and/or residential housing.

**Housing - Individuals:** Housing financing to individuals includes loans to individuals to support homeownership and home improvement. Home equity loans should not be included here unless the purpose of the home equity loan is to finance housing-related activities (e.g. home repair, purchase of another home.) All other home equity loans should be classified based upon the purpose of the loan (e.g. a home equity loan that helps the borrower start or expand a business would be classified under Business, a home equity loan that is used to pay for a child's college tuition would be classified under Consumer.)

**Community Services:** Community Services financing includes financing to community service organizations such as human and social service agencies, advocacy organizations, cultural/religious organizations, health care providers, and child care/education providers, regardless of tax status. Uses include acquisition, construction, renovation, leasehold improvement, and expansion loans as well as working capital loans and lines of credit. Financing for any type of residential space should not be included in this category, but with Housing.

**Consumer:** Consumer includes all personal (secured and unsecured) loans to individuals for health, education, emergency, debt consolidation, transportation and consumer purposes. To the extent possible, personal loans for business should be identified as microenterprise or business and personal loans for home improvement or repair should be classified as housing -individuals.

**Other:** Other includes any activities not covered in the sectors defined here (includes financing to other CDFIs).

## **APPENDIX B. DEFINITION OF REGIONS AND DIVISIONS**

Regions and divisions in the report are defined by the Census Bureau.

### **Midwest Region (12 states)**

East North Central Division: Illinois, Indiana, Michigan, Ohio, Wisconsin

West North Central Division: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

### **Northeast Region (9 states)**

New England Division: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Middle Atlantic Division: New Jersey, New York, Pennsylvania

### **South Region (17 states)**

South Atlantic Division: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

East South Central Division: Alabama, Kentucky, Mississippi, Tennessee

West South Central Division: Arkansas, Louisiana, Oklahoma, Texas

### **West Region (13 states)**

Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

Pacific Division: Alaska, California, Hawaii, Oregon, Washington

**Note:** In regional breakouts within this report, Puerto Rico is included in the South.

## APPENDIX C. RESPONSES BY ASSET SIZE

The table below shows the percentage of CDFIs that reported an increase, a decrease, or no change in the indicator.

Size	# Responses
<b>Small</b>	45
<b>Medium</b>	38
<b>Large</b>	23

Delinquency Rate	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	27%	16%	57%
<b>Medium</b>	32%	21%	47%
<b>Large</b>	48%	26%	26%

Portfolio at Risk	n	30-60 days	60-90 days	90+ days	Total Portfolio at Risk
<b>Small</b>	37	4.0%	2.4%	4.2%	10.6%
<b>Medium</b>	35	1.8%	1.4%	5.3%	8.4%
<b>Large</b>	22	1.9%	1.3%	4.8%	8.0%

	n	Charge-offs
<b>Small</b>	40	0.5%
<b>Medium</b>	35	0.5%
<b>Large</b>	23	0.3%

# of Financing Applications Received	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	64%	11%	25%
<b>Medium</b>	59%	16%	24%
<b>Large</b>	48%	30%	22%

# of Loans/Investments Originated	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	38%	24%	38%
<b>Medium</b>	39%	29%	32%
<b>Large</b>	13%	61%	26%

# of Loans/investments in Workout	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	36%	5%	59%
<b>Medium</b>	34%	8%	58%
<b>Large</b>	65%	17%	17%

# of Loans Given Term Extensions	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	35%	2%	63%
<b>Medium</b>	47%	5%	47%
<b>Large</b>	30%	9%	61%

Average Cost of Borrowed Capital	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	11%	11%	77%
<b>Medium</b>	13%	18%	68%
<b>Large</b>	22%	22%	56%

Ability to Access Capital	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	32%	38%	29%
<b>Medium</b>	21%	43%	36%
<b>Large</b>	29%	36%	50%

Capital Liquidity	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	11%	11%	77%
<b>Medium</b>	13%	18%	68%
<b>Large</b>	22%	22%	56%

Capital Constrained*	Debt	Equity	Both
<b>Small</b>	9%	4%	27%
<b>Medium</b>	21%	18%	24%
<b>Large</b>	22%	4%	26%

Loan Loss Reserve Ratio	% Increased	% Decreased	% Stayed the Same
<b>Small</b>	34%	2%	64%
<b>Medium</b>	61%	13%	26%
<b>Large</b>	52%	22%	26%

Anticipate a Decline in Unrestricted Net Assets in Current FY	Yes	No
<b>Small</b>	41%	59%
<b>Medium</b>	35%	65%
<b>Large</b>	27%	73%

\*Percentages do not sum to 100% because not all CDFIs are capital-constrained

## APPENDIX D. RESPONSES BY PRIMARY FINANCING SECTOR

The table below shows the percentage of CDFIs that reported an increase, a decrease, or no change in the indicator.

Financing Sector	# Responses
Business	33
Commercial Real Estate	6
Community Services/Facilities	9
Housing to Individuals	13
Housing to Organizations	22
Microenterprise	12

Delinquency Rate	% Increased	% Decreased	% Stayed the Same
Business	38%	9%	53%
Commercial Real Estate	17%	50%	33%
Community Services/Facilities	11%	22%	67%
Housing to Individuals	46%	38%	15%
Housing to Organizations	41%	18%	41%
Microenterprise	50%	17%	33%

Portfolio at Risk	n	30-60 days	60-90 days	90+ days	Total Portfolio at Risk
<b>Business</b>	28	2.7%	1.5%	5.8%	10.0%
<b>Community Facilities</b>	8	1.2%	0.3%	4.5%	5.9%
<b>Commercial Real Estate</b>	5	1.6%	1.0%	2.2%	4.8%
<b>Housing to Individuals</b>	12	1.5%	1.2%	1.7%	4.4%
<b>Housing to Organizations</b>	22	2.1%	1.7%	5.7%	9.6%
<b>Microenterprise</b>	12	7.3%	4.4%	7.0%	18.7%

Charge-offs	n	Charge-offs
<b>Business</b>	31	0.5%
<b>Community Services/Facilities</b>	8	0.0%
<b>Commercial Real Estate</b>	6	0.2%
<b>Housing to Individuals</b>	12	0.2%
<b>Housing to Organizations</b>	22	0.5%
<b>Microenterprise</b>	12	1.1%

<b># of Financing Applications Received</b>	% Increased	% Decreased	% Stayed the Same
Business	58%	12%	30%
Commercial Real Estate	17%	50%	33%
Community Services/Facilities	67%	0%	33%
Housing to Individuals	62%	23%	15%
Housing to Organizations	57%	24%	19%
Microenterprise	73%	9%	18%

<b># of Loans/Investments Originated</b>	% Increased	% Decreased	% Stayed the Same
Business	39%	27%	33%
Commercial Real Estate	17%	67%	17%
Community Services/Facilities	11%	33%	56%
Housing to Individuals	46%	28%	15%
Housing to Organizations	23%	41%	36%
Microenterprise	42%	42%	17%

<b># of Loans/investments in Workout</b>	% Increased	% Decreased	% Stayed the Same
Business	45%	3%	52%
Commercial Real Estate	67%	0%	33%
Community Services/Facilities	22%	0%	78%
Housing to Individuals	31%	23%	46%
Housing to Organizations	45%	18%	36%
Microenterprise	58%	8%	33%

<b># of Loans Given Term Extensions</b>	% Increased	% Decreased	% Stayed the Same
Business	41%	0%	59%
Commercial Real Estate	17%	10%	83%
Community Services/Facilities	11%	0%	89%
Housing to Individuals	31%	0%	69%
Housing to Organizations	50%	23%	27%
Microenterprise	58%	0%	42%

<b>Average Cost of Borrowed Capital</b>	% Increased	% Decreased	% Stayed the Same
Business	13%	13%	75%
Commercial Real Estate	33%	33%	33%
Community Services/Facilities	22%	22%	56%
Housing to Individuals	8%	31%	62%
Housing to Organizations	23%	14%	64%
Microenterprise	8%	17%	75%

<b>Ability to Access Capital</b>	% Increased	% Decreased	% Stayed the Same
Business	22%	44%	33%
Commercial Real Estate	0%	80%	20%
Community Services/Facilities	0%	29%	71%
Housing to Individuals	18%	55%	27%
Housing to Organizations	40%	27%	33%
Microenterprise	63%	13%	25%

<b>Capital Liquidity</b>	% Increased	% Decreased	% Stayed the Same
Business	27%	45%	27%
Commercial Real Estate	17%	67%	17%
Community Services/Facilities	0%	22%	78%
Housing to Individuals	23%	46%	31%
Housing to Organizations	45%	32%	23%
Microenterprise	33%	25%	42%

<b>Capital-constrained*</b>	Debt-constrained	Equity-constrained	Debt and Equity-constrained
Business	9%	9%	27%
Commercial Real Estate	0%	0%	12%
Community Services/Facilities	22%	0%	0%
Housing to Individuals	23%	15%	23%
Housing to Organizations	18%	9%	41%
Microenterprise	25%	17%	8%

<b>Loan Loss Reserve Ratio</b>	<b>% Increased</b>	<b>% Decreased</b>	<b>% Stayed the Same</b>
Business	53%	9%	38%
Commercial Real Estate	17%	33%	50%
Community Services/Facilities	56%	11%	33%
Housing to Individuals	46%	8%	46%
Housing to Organizations	50%	14%	36%
Microenterprise	67%	0%	33%

<b>Anticipate a Decline in Unrestricted Net Assets in Current FY</b>	<b>Yes</b>	<b>No</b>
Business	30%	70%
Commercial Real Estate	67%	33%
Community Services/Facilities	25%	75%
Housing to Individuals	38%	62%
Housing to Organizations	29%	71%
Microenterprise	25%	75%

\*Percentages do not sum to 100% because not all CDFIs are capital-constrained.

## APPENDIX E. RESPONSES BY REGION

The table below shows the percentage of CDFIs that reported an increase, a decrease, or no change in the indicator.

Region	# Responses
<b>Northeast</b>	<b>28</b>
New England	10
Middle Atlantic	18
<b>Midwest</b>	<b>23</b>
East North Central	12
West North Central	11
<b>South</b>	<b>32</b>
South Atlantic	19
South Central	13
<b>West</b>	<b>23</b>
Mountain	9
Pacific	14

Delinquency Rate	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>32%</b>	<b>14%</b>	<b>54%</b>
New England	40%	10%	50%
Middle Atlantic	28%	17%	56%
<b>Midwest</b>	<b>26%</b>	<b>30%</b>	<b>43%</b>
East North Central	25%	50%	25%
West North Central	27%	9%	64%
<b>South</b>	<b>28%</b>	<b>16%</b>	<b>56%</b>
South Atlantic	32%	11%	58%
South Central	23%	23%	54%
<b>West</b>	<b>50%</b>	<b>23%</b>	<b>27%</b>
Mountain	63%	0%	38%
Pacific	43%	36%	21%

	n	30-60 days	60-90 days	90+ days	Total Portfolio at Risk
<b>Northeast</b>	25	4.0%	1.7%	6.1%	11.8%
<b>Midwest</b>	21	2.9%	1.9%	2.9%	7.7%
<b>South</b>	28	2.1%	1.5%	5.4%	9.1%
<b>West</b>	20	1.5%	2.1%	3.9%	7.5%

	n	Charge-offs
<b>Northeast</b>	25	0.2%
<b>Midwest</b>	23	0.6%
<b>South</b>	29	0.4%
<b>West</b>	21	0.5%

<b># of Financing Applications Received</b>	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>19%</b>	<b>52%</b>	<b>30%</b>
New England	30%	50%	20%
Middle Atlantic	12%	53%	35%
<b>Midwest</b>	<b>61%</b>	<b>17%</b>	<b>22%</b>
East North Central	67%	17%	17%
West North Central	55%	18%	27%
<b>South</b>	<b>47%</b>	<b>22%</b>	<b>31%</b>
South Atlantic	53%	21%	26%
South Central	38%	23%	38%
<b>West</b>	<b>82%</b>	<b>29%</b>	<b>9%</b>
Mountain	89%	11%	0%
Pacific	77%	8%	15%

<b># of Loans/Investments Originated</b>	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>36%</b>	<b>39%</b>	<b>25%</b>
New England	50%	30%	20%
Middle Atlantic	28%	44%	28%
<b>Midwest</b>	<b>26%</b>	<b>43%</b>	<b>30%</b>
East North Central	25%	50%	25%
West North Central	27%	36%	36%
<b>South</b>	<b>31%</b>	<b>25%</b>	<b>44%</b>
South Atlantic	32%	21%	47%
South Central	31%	31%	38%
<b>West</b>	<b>39%</b>	<b>30%</b>	<b>30%</b>
Mountain	44%	33%	22%
Pacific	36%	29%	36%

<b># of Loans/investments in Workout</b>	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>36%</b>	<b>7%</b>	<b>57%</b>
New England	40%	10%	50%
Middle Atlantic	33%	6%	61%
<b>Midwest</b>	<b>45%</b>	<b>5%</b>	<b>50%</b>
East North Central	58%	8%	33%
West North Central	30%	0%	70%
<b>South</b>	<b>44%</b>	<b>9%</b>	<b>47%</b>
South Atlantic	53%	11%	37%
South Central	31%	8%	62%
<b>West</b>	<b>43%</b>	<b>13%</b>	<b>43%</b>
Mountain	33%	22%	44%
Pacific	50%	7%	43%

<b># of Loans Given Term Extensions</b>	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>39%</b>	<b>4%</b>	<b>57%</b>
New England	40%	10%	50%
Middle Atlantic	39%	0%	61%
<b>Midwest</b>	<b>36%</b>	<b>5%</b>	<b>59%</b>
East North Central	42%	8%	50%
West North Central	30%	0%	70%
<b>South</b>	<b>38%</b>	<b>9%</b>	<b>53%</b>
South Atlantic	42%	16%	42%
South Central	31%	0%	69%
<b>West</b>	<b>41%</b>	<b>0%</b>	<b>59%</b>
Mountain	38%	0%	63%
Pacific	43%	0%	57%

<b>Average Cost of Borrowed Capital</b>	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>18%</b>	<b>25%</b>	<b>57%</b>
New England	30%	20%	50%
Middle Atlantic	11%	28%	61%
<b>Midwest</b>	<b>22%</b>	<b>9%</b>	<b>70%</b>
East North Central	25%	8%	67%
West North Central	18%	9%	73%
<b>South</b>	<b>9%</b>	<b>16%</b>	<b>75%</b>
South Atlantic	16%	16%	68%
South Central	0%	15%	85%
<b>West</b>	<b>9%</b>	<b>14%</b>	<b>77%</b>
Mountain	0%	25%	75%
Pacific	14%	7%	79%

<b>Ability to Access Capital</b>	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>17%</b>	<b>43%</b>	<b>39%</b>
New England	22%	44%	33%
Middle Atlantic	14%	43%	43%
<b>Midwest</b>	<b>20%</b>	<b>40%</b>	<b>40%</b>
East North Central	40%	20%	40%
West North Central	0%	60%	40%
<b>South</b>	<b>35%</b>	<b>30%</b>	<b>40%</b>
South Atlantic	29%	29%	43%
South Central	44%	33%	22%
<b>West</b>	<b>19%</b>	<b>50%</b>	<b>31%</b>
Mountain	14%	29%	57%
Pacific	22%	67%	11%

<b>Capital Liquidity</b>	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>14%</b>	<b>57%</b>	<b>29%</b>
New England	30%	50%	20%
Middle Atlantic	6%	61%	33%
<b>Midwest</b>	<b>35%</b>	<b>35%</b>	<b>30%</b>
East North Central	50%	17%	33%
West North Central	18%	55%	27%
<b>South</b>	<b>34%</b>	<b>31%</b>	<b>34%</b>
South Atlantic	47%	26%	26%
South Central	15%	38%	46%
<b>West</b>	<b>35%</b>	<b>30%</b>	<b>35%</b>
Mountain	33%	33%	33%
Pacific	36%	29%	36%

<b>Capital Constrained*</b>	Debt	Equity	Both
<b>Northeast</b>	<b>25%</b>	<b>11%</b>	<b>29%</b>
New England	0%	10%	50%
Middle Atlantic	39%	11%	17%
<b>Midwest</b>	<b>9%</b>	<b>4%</b>	<b>26%</b>
East North Central	17%	8%	8%
West North Central	0%	0%	45%
<b>South</b>	<b>13%</b>	<b>9%</b>	<b>31%</b>
South Atlantic	16%	5%	26%
South Central	8%	15%	38%
<b>West</b>	<b>17%</b>	<b>13%</b>	<b>13%</b>
Mountain	22%	33%	0%
Pacific	14%	0%	21%

<b>Loan Loss Reserve Ratio</b>	% Increased	% Decreased	% Stayed the Same
<b>Northeast</b>	<b>46%</b>	<b>7%</b>	<b>46%</b>
New England	40%	20%	40%
Middle Atlantic	50%	0%	50%
<b>Midwest</b>	<b>39%</b>	<b>17%</b>	<b>43%</b>
East North Central	50%	17%	33%
West North Central	27%	18%	55%
<b>South</b>	<b>53%</b>	<b>13%</b>	<b>34%</b>
South Atlantic	63%	11%	26%
South Central	38%	15%	46%
<b>West</b>	<b>50%</b>	<b>5%</b>	<b>45%</b>
Mountain	75%	0%	25%
Pacific	36%	7%	57%

<b>Anticipate a Decline in Unrestricted Net Assets in Current FY</b>	Yes	No
<b>NORTHEAST</b>	<b>24%</b>	<b>76%</b>
New England	44%	56%
Middle Atlantic	13%	88%
<b>MIDWEST</b>	<b>35%</b>	<b>65%</b>
East North Central	25%	75%
West North Central	45%	55%
<b>SOUTH</b>	<b>40%</b>	<b>60%</b>
South Atlantic	47%	53%
South Central	31%	69%
<b>WEST</b>	<b>45%</b>	<b>55%</b>
Mountain	44%	56%
Pacific	46%	54%

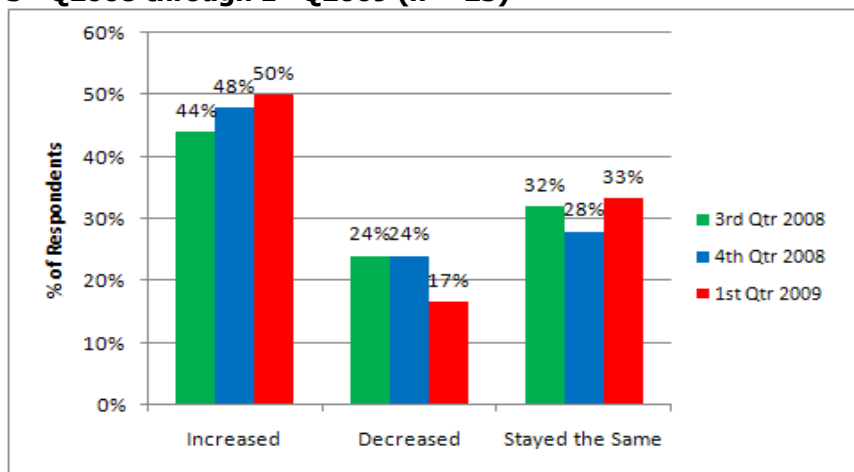
\*Percentages do not sum to 100% because not all CDFIs are capital-constrained

## APPENDIX F. TREND ANALYSIS, THIRD QUARTER 2008 – FIRST QUARTER 2009

This section provides trend analysis for the 25 CDFIs that responded to the three most recent quarterly surveys. This subset of CDFIs is not representative of the full set of respondents. It is more heavily concentrated in loan funds (100%), Housing to Organizations CDFIs (40%), Midwest CDFIs (32%), and medium CDFIs (48%). The analysis in this section covers only those questions that were asked in all three surveys and that pertain to the current quarter; it does not cover questions that asked CDFIs about their expectations for the future.

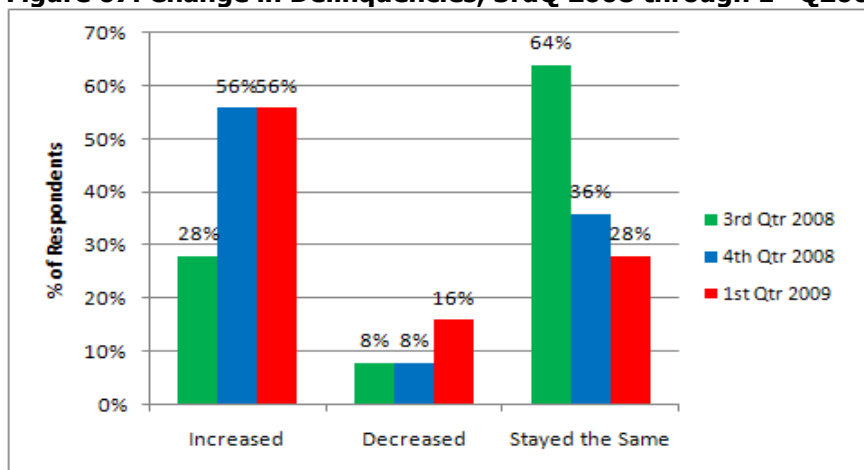
**Demand:** Over the three quarters, we see a step up in the percentage of CDFIs experiencing increases in demand, while the percentage reporting diminishing demand declined from 24% in the third and fourth quarters of 2008 to 17% in first quarter 2009.

**Figure 66. Change in the Number of Financing Applications Received, 3<sup>rd</sup> Q2008 through 1<sup>st</sup> Q2009 (n = 25)**



**Portfolio Quality:** While one-third of all first quarter respondents saw delinquencies increase, among the subset of 25 CDFIs, 56% experienced an increase, the same rate as the fourth quarter.

**Figure 67. Change in Delinquencies, 3rdQ 2008 through 1<sup>st</sup> Q2009 (n = 25)**



Similar to results of all first quarter 2009 survey respondents, the subset of 25 CDFIs saw a slowdown in the number of loans/investments in workout. The trend over the last three quarters shows that after

workouts spiked in the fourth quarter of 2008, they returned to levels experienced in the third quarter of 2008.

**Figure 68. Change in the Number of Loans/Investments in Workout, 3<sup>rd</sup> Q2008 through 1<sup>st</sup> Q2009 (n = 25)**

