

CARSTM

...*the* rating system for CDFIs.

CARSTM, *the* CDFI Assessment and Rating System, is a comprehensive, third-party analysis of community development financial institutions that aids investors and donors in their investment decision-making. CARSTM subscribers can use these high-quality, efficient, and rigorous analyses of Impact Performance and Financial Strength and Performance to guide investment decisions.

Methodology and Rating Score

CARS™ uses a comprehensive methodology for rating Community Development Financial Institutions (CDFIs) in the areas of Impact Performance and Financial Strength and Performance. The Impact Performance rating is an assessment of the CDFI's effective use of its financial resources to achieve its stated mission. It includes the CDFI's own evidence and data of how its activities contribute to its mission. The Financial Strength and Performance Rating uses a CAMEL (Capital, Assets, Management, Earnings, Liquidity) analysis of the CDFI to assess the CDFI's overall creditworthiness based on an analysis of past financial performance, current financial strength, and apparent risk factors. A site visit, including management interviews and a review of documents and files, is part of the ratings process.

CARS™ subscribers receive the Impact Performance rating (on a scale of AAA, AA, A, B), the Financial Strength and Performance rating (on a scale of 1 to 5) and a 10–15 page analysis of all areas examined, including financial statements and relevant ratios.

Who Should Subscribe?

Current and prospective investors and donors in CDFIs, including foundations, religious institutions, banks, insurance companies, pension funds, other non-bank financial institutions, as well as investment advisors for individuals and institutions.

Subscription Benefits

Many potential CDFI investors want to invest in CDFIs but do not have the necessary industry knowledge, underwriting expertise, or staff capacity to underwrite or monitor CDFI loans. CARS™ will provide you with the most comprehensive CDFI analysis available at a reasonable price. CARS™ will make your due diligence process easier, more thorough, and more efficient.

Terms of Purchase

A full subscription to CARS™ provides you with 12 analyses and is available for \$15,000. You can pick any analyses already completed and will receive all of the subsequent completed analyses until you have received a total of 12. A 3-pack subscription provides the investor with the flexibility to choose any three CARS™ analyses over a 24-month period for \$5,000. Single CARS™ analyses can be purchased for \$2,500 each.

Founding Sponsors

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MacArthur Foundation
Merrill Lynch CDC
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US Trust
Wachovia
Washington Mutual

Our Expertise

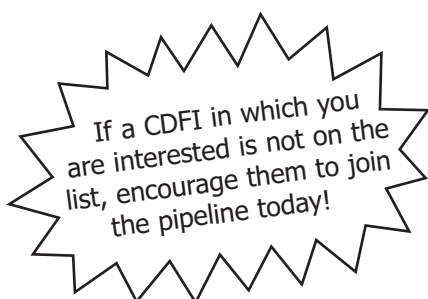
Opportunity Finance Network has more than ten years experience evaluating and underwriting CDFIs, providing consulting services to CDFIs and investors, and gathering and analyzing data about the CDFI industry. CARS™ was developed over a five-year period with the extensive involvement of experienced consultants, bankers, and CDFI practitioners. The CARS™ Advisory Board has extensive analytical, ratings, financial, and CDFI experience. CARS™ analysts are seasoned consultants with many years of CDFI and financial institution experience.

For More Information

To receive a complementary ratings analysis, or any additional information, contact Kathy Stearns by phone at: 215.320.4307; or by e-mail at: kstearns@opportunityfinance.net.

Rated CDFIs (analyses currently available)

Boston Community Capital
Coastal Enterprises, Inc.
Community First Fund
Federation of Appalachian Housing Enterprises
Florida Community Loan Fund
The Housing Fund (formerly Nashville Housing Fund)
Housing Partnership Network
Lenders for Community Development
Low Income Investment Fund
Mercy Loan Fund
Montana CDC
NCB Capital Impact (formerly NCB Development Corporation)
New Hampshire Community Loan Fund
Nonprofit Finance Fund
Northern Economic Initiatives Corporation
Northland Foundation
PeopleFund (formely Austin CDC)
Primary Care Development Corporation
The Reinvestment Fund
Rural Community Assistance Corporation
Unitarian Universalist Affordable Housing Corp.



Note: At this time, CARS™ is not rating depository institutions or venture capital funds.

CDFIs in the Pipeline (as of Nov. 2006)

ACCION New York
ACCION Texas
 Arcata Economic Development Corporation
 BiGAUSTIN
Chicago Community Loan Fund
Clearinghouse CDFI
 Colorado Enterprise Fund
 Community Development Capital
 Cooperative Fund of New England
 Enterprise Community Loan Fund
 Enterprise Corporation of the Delta
 Enterprise Development Group
 First State Community Loan Fund
 Greater Berks Development Fund
 Greater New Haven Community Loan Fund
 Hartford Community Loan Fund
 Housing Assistance Council
Housing Development Fund, Inc.
Illinois Facilities Fund
Initiative Foundation
Kentucky Highlands Investment Corporation
 LISC
 Michigan Interfaith Trust Fund
 Mile High Housing Fund, Inc.
 NESDCAP/NESDEC
 Nonprofit Assistance Fund
 Northcountry Cooperative Development Fund
 Northern California Community Loan Fund
 Partners for the Common Good
 Richmond Economic Development Corporation
 Seedco
 Self-Help
 ShoreBank Enterprise Pacific
 Spokane Neighborhood Economic Development Alliance
 Vermont Community Loan Fund
 Western Massachusetts Enterprise Fund

Red text indicates the CDFIs in the process of being rated, or scheduled to be rated.

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Ben Bernanke says:

"CARSTM gathers data to evaluate a CDFI's overall creditworthiness and effectiveness in using its financial resources to achieve its development objectives. A CDFI is rated for its financial strength and performance in the areas of capital, assets, management, earnings, and liquidity, in a manner **broadly analogous to the way a supervisory agency would rate a commercial bank**. The financial analysis is supplemented by an evaluation of how well the CDFI is fulfilling its mission, including an assessment of its procedures for tracking the outcomes of its work...Although still in its early stages, **this initiative, if successful, will have the double benefit of attracting more funds into community development and helping to ensure that those funds are effectively used.**"

Ben Bernanke, Chairman
The Federal Reserve Board

And here's what investors are saying about CARSTM:

Improves Investment Decisions

"CARSTM is fantastic. We love it. Because of the **high quality of the analyses**, we are working with our credit department to **incorporate CARSTM into our review process.**"

Anonymous CARSTM Subscriber

"The CARSTM analyses are very **helpful for our due diligence process**. They give us more information and transparency than we normally have and will help us **make better investment decisions**. The impact piece in the CARSTM analyses is especially valuable to WAMU. It takes us much farther down the road of effectively understanding and assessing the impact of CDFIs. The methodology really works because we, as investors, get to evaluate how the CDFI's mission and accomplishments fit with our specific priorities, and the analyses give us the tools to do that."

Margaret Yung



Saves Time

"The CARSTM analyses will **help us expand our CDFI investing**. They provide a high quality financial analysis along with an informative and thoughtful discussion of impact performance. The summaries, tables, charts, and financial spreads present critical information in a format that **provides a very clear picture of the CDFI's strengths and challenges.**"

Daniel Letendre



"Because they include such a **thorough financial analysis**, the CARSTM analyses will help to **streamline the financial systems analysis** that we do as part of our program related investment due diligence process. With CARSTM, we hope to be able to focus our due diligence efforts on programmatic and social impact considerations, **spending less time** doing financial analysis and interviewing staff and management."

John Colborn
FORD FOUNDATION

Excellent Quality

"The CARS™ analyses are of **excellent quality**. They provide a good overview of key CDFI elements and include **strong analyses** of both risk and key impact factors. The Financial Strength and Performance sections are **very thorough** and will clearly **help us underwrite these CDFIs**. CARS™ analyses will measurably decrease the amount of information we have to gather from CDFIs. The peer analyses are important to Wachovia as a lender to CDFIs."

Eileen Stenerson



"The CARS™ analyses are **very professional** and remind me of **standard corporate ratings**. We like the way the financial analysis is done and the peer comparison adds a valuable perspective. They provide the **right amount of analysis and details**, with summaries that make them very user-friendly. The CARS™ **approach to impact is right on the mark**. It provides us with a great assessment of how well the CDFIs strategies are aligned with its mission, how well it's using its resources, and what kinds of impact it is having. It also lets us make the judgment about whether the CDFI's impact is in line with our programmatic priorities."

Anonymous CARS™ Subscriber

About CARS™

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Impact Performance

The Impact Performance rating is an assessment of how well the CDFI does what it says it is trying to do. This rating is based on an assessment of the CDFI's effective use of its financial resources to achieve its stated mission and the CDFI's own evidence of how its activities contribute to its mission and benefit disadvantaged people and communities. The assessment is based on four key criteria:

- Alignment of strategy and operations: how well the CDFI's mission, strategies, products and services, output data and impact data are tied together.
- Effective use of financing resources: how well the CDFI uses its financing resources in support of its mission and target population.
- Tracking of outputs that show effectiveness: how well the CDFI tracks its own relevant outputs (activities such as loans disbursed, participants trained, etc.), whether those data indicate that the CDFI is accomplishing its goals, and how the CDFI uses those data to improve its effectiveness.
- Tracking of outcomes or impacts that show effectiveness: how well the CDFI tracks the actual outcomes of its work for disadvantaged people and communities (such as jobs actually created, housing units occupied by low-income families, improved community conditions), whether those data indicate that the CDFI is benefiting disadvantaged people and communities, and how the CDFI uses those data to improve its effectiveness.

The analysts score each of these areas on a scale of 1 to 3, with 1 being best. Using those scores and the full analysis as a guide, the ratings committee assigns the Impact Performance rating based on which of the following descriptions best fits the CDFI.

Rating

AAA. A CDFI in this group has clear alignment of mission, strategies, activities, and data that guides its programs and planning. The CDFI presents data that clearly indicate that it is using its resources effectively to benefit disadvantaged people and communities and achieve positive impacts related to its mission. It has processes and systems that track output and outcome data on an ongoing basis, and it can provide data showing positive changes in the communities or populations being served. This CDFI uses its data on an ongoing basis to adjust strategies and activities in line with its desired impact.

AA. A CDFI in this group has clear alignment of mission, strategies, activities and data that guides its programs and planning. It accurately tracks appropriate output data that indicate that it is using its resources effectively to benefit its target populations or communities in line with its mission. The CDFI uses its data on an ongoing basis to adjust strategies and activities in accordance with its desired impact. It may track a limited number of impact indicators as well, but impact data tracking may not be rigorous or consistent.

A. A CDFI in this group has reasonable strategies and activities given its mission. It tracks basic output data that indicate fairly effective use of its resources to benefit its target populations or communities in line with its mission.

B. A CDFI in this group may lack alignment of its mission, strategies, activities and data. Either the CDFI lacks data to form an opinion of its outputs and impact, or the data show that the outputs and impact are unsatisfactory. This CDFI may also have a history of not using its financial resources fully to serve its target populations or communities.

Policy Plus

Policy change is an integral part of this CDFI's strategies. The CDFI leads initiatives to change government policy to benefit the community development finance industry or disadvantaged people and communities. The CDFI can provide evidence of its leadership role in recent policy changes that produced benefits beyond additional resources for the CDFI itself, and management can clearly articulate the CDFI's leadership role in current policy activities.

Financial Strength and Performance

The rating for Financial Strength and Performance (FSP) is an assessment of the CDFI's overall creditworthiness. This rating is based on an analysis of past financial performance, current financial strength, and apparent risk factors. The methodology is based on the CAMEL analysis used by regulators to rate banks. CAMEL stands for Capital (or capitalization), Asset quality, Management (including strategy, governance, management and staff, and infrastructure and management information systems), Earnings, and Liquidity.

The analysts score the CDFI in each one of these areas on a scale of 1 to 5, with 1 being best. Using those scores and the full analysis as a guide, the ratings committee then assigns the CDFI its Financial Strength and Performance rating based on which of the following descriptions best fits the CDFI.

Rating

- 1.** A CDFI in this group is sound in every respect. It exhibits exceptional financial strength, performance and risk management practices. Any weaknesses are minor and can be handled in a routine manner by the board of directors and management. This CDFI is resilient to significant changes in its operating environment. It generally has a score of 1 or 2 in all five of the FSP areas.
- 2.** A CDFI in this group is fundamentally sound. It exhibits solid financial strength, performance, and risk management practices relative to its size, complexity, and risk profile. Challenges are well within the board of directors' and management's capabilities and willingness to strengthen. The CDFI is stable and is capable of withstanding fluctuations in its operating environment. Generally, most FSP scores for this CDFI are 2 or better, although it may have received a 3.
- 3.** The current financial strength and recent performance of this CDFI is satisfactory. It exhibits satisfactory financial strength, performance, and risk management practices relative to its current situation. It is stable but less capable of withstanding fluctuations in its operating environment than a CDFI rated 1 or 2. Generally, most FSP scores for this CDFI are 3 or above, although the CDFI may have received a 4.
- 4.** A CDFI in this group is facing challenges that compromise its financial strength and performance. It exhibits weaknesses in one or more areas that could compromise its financial situation in the short term, even in a stable operating environment. The CDFI exhibits somewhat weak financial strength, performance, or risk management practices relative to its current situation. Generally, most FSP scores for this CDFI are 4 or better, although it may have received a 5.
- 5.** A CDFI in this group faces significant weaknesses in several areas that must be addressed immediately to ensure its viability.



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