NCIF Annual Development Banking Conference
"The Time Is Now"

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November 6 & 7, 2008
Chicago

Summary of Proceedings

National Community Investment Fund
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Acknowledgements

We, at National Community Investment Fund (NCIF), would like to thank the **Federal Reserve Bank of Chicago** as Lead Sponsor for this event. Over the years, the Fed has provided mind-share and logistical support for the Conference and in convening the Community Development Banking Institutions (CDBI) industry. In particular, we want to thank **Alicia Williams, Michael Berry** and their team at the Chicago Fed for their encouragement and support.

We were honored this year to have the presence of the **Honorable Donna Gambrell**, Director of the CDFI Fund, as a keynote speaker. Since taking her position in November 2007, Director Gambrell has worked tirelessly to increase the number, strength and visibility of the CDFI Sector. NCIF and the CDFI Fund have had a close relationship and our shared mission of supporting community development financial institutions throughout the country.

NCIF is also honored to have **Daniel Sullivan, Senior Vice President for Economic Research** at the Federal Reserve Bank of Chicago; and **Mr. Michael Calhoun, President of the Center for Responsible Lending** as keynote speakers for this year's conference. From their unique vantage points, each was able to share with the attendees the meaning of the current economic landscape and the opportunities available for community focused banks.

The NCIF Conference is organized primarily to support the **CDBI Industry** and its usefulness grows exponentially with the industry's active participation. We are delighted and honored to have hosted about 135 participants including about 32 Chief Executive Officers and other senior staff members of CDBIs for these two days. Industry leaders flew in from all over the country – Arkadelphia, Oakland, Los Angeles, New Orleans, St. Paul, Nashville, Milwaukee, New York, San Luis Obispo – and actively contributed in the conference proceedings. We believe that this strength in working together for the ultimate client – the underprivileged in the country - is critical.

We benefit from guidance, support and participation from NCIF Trustees – **David McGrady (Chair), Carlton Jenkins, Mary Tingerthal**, and **Charles Val Loan**. They have been very deliberate in taking forward the NCIF mission over the last several years. We are privileged to have the leadership of **Ron Grzywinski** and **Mary Houghton** at ShoreBank, who are key mentors in taking the industry forward through action, more than words.

Finally, NCIF would like to thank its Event Sponsors whose generous support makes this conference possible – **Wells Fargo** as the Gold Sponsor and **Bancography; Bank of America; Capmark Finance; JPMorgan Chase; Keefe, Bruyette & Woods; Merrill Lynch; PNC Bank** and **Washington Mutual** as Silver Sponsors.

Finally, we would like to acknowledge support of a few key individuals at NCIF – **George Surgeon**, **Joe Schmidt**, and **Marc Victorianne** – without whom the Conference would not have taken place. We also want to acknowledge **Abigail Menke**, **Sonya Bearden** and **Meredith Sparks** who took copious notes of the conference proceedings.

Saurabh Narain
and the NCIF Fund Advisor Team
January 22, 2009

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NCIF [NATIONAL COMMUNITY INVESTMENT FUND]

2008 ANNUAL DEVELOPMENT BANKING CONFERENCE

November 6 & 7 2008
230 South LaSalle Street
Chicago

The Time is Now: *Opportunities for the Community Development and Minority Banking Industry*

Thursday, November 06, 2008

Time	
7:45 AM — 8:30 AM	*Breakfast and Registrations*
8:30 AM — 8:45 AM	**Introduction to the Themes and Objectives of the Conference** **Saurabh Narain, Chief Fund Advisor, National Community Investment Fund**
8:45 AM — 9:15 AM	**Keynote Speech - Honorable Donna Gambrell** **Director of the CDFI Fund, U.S. Treasury Department**
9:15 AM -10:45 AM	**Social Investors Supporting Community Development Banking Institutions** This session will include presenters representing various Socially Responsible Investors; pension funds, mission related investors, foundation investors and commercial banks. **Luther Ragin, Vice President, Investments, The F.B. Heron Foundation** **Scott Budde, Managing Director, Global Social and Community Investing, TIAA-CREF** **Lee Winslett, Vice President, Wells Fargo Community Development Corporation** **Laura Berry, Executive Director, Interfaith Center for Corporate Responsibility**
10:45 AM — 11:00 AM	**Break**
11:00 AM — 12:15 PM	**Housing Finance – Opportunities for CDFI Banks** This session will focus on ways in which CDFI banks can take advantage of new and existing Housing Finance regulations especially for affordable 1-4 and multifamily housing. An overview on new regulations for foreclosure prevention will also be provided and discussed. **Mary Tingerthal, President, Capital Markets Companies, Housing Partnership Network** **David Reiling, Chief Executive Officer, Sunrise Community Banks, MN** **Debbie Wright, Chairman & Chief Executive Officer, Carver Federal Savings Bank, NY**
12:15 PM — 1:45 PM	**Lunch - Keynote Speech** **Mr. Daniel Sullivan; Senior Vice President–Economic Research, Federal Reserve Bank of Chicago** **Mr. Michael Calhoun; President, Center for Responsible Lending** With Introduction by **Todd Brown, Vice Chair, ShoreBank Corporation**
1:45 PM — 3:00 PM	**Double Bottomline Banking - Development Impact** Session presenters will speak on methods of quantifying and communicating community development impact. Included in this session will be a presentation on the NCIF Social Performance Metrics, a suite of measures analyzing the community development activity of depository institutions. Other presentations may include information on banks working to create sustainable community development and new approaches in thinking about community development finance. **Michael Berry, CCA Division, Federal Reserve Bank of Chicago** **Christopher Stever, Certification and Training Manager, CDFI Fund** **James Maloney, Chairman, Mitchell Bank, WI** **Phil Baldwin, President & Chief Executive Officer, Southern Bancorp, AR** **Joe Schmidt, Fund Advisor, National Community Investment Fund**
3:00 PM — 3:30 PM	**NCIF New Markets Tax Credit Strategy** NCIF will use its recently announced NMTC Allocation of $30 million to invest in transactions that promote a 3-way partnership between mainstream investors, CDBI banks (and NCIF). This will promote quick delivery of capital to distressed neighborhoods and also help in strengthening the CDFI sector. This session will further explain this strategy. **Al Lau, President & Chief Executive Officer, First American International Bank, NY** **Tracy Ericson, Vice President, Wells Fargo Community Development Corporation** **Kevin Goldsmith, Assistant Vice President, NMTC Group, JPMorgan Chase Bank**
3:30 PM — 3:45 PM	**Break**
3:45 PM — 4:15 PM	**Ms. Sandra Thompson, Director, Division of Supervision and Consumer Protection, FDIC**
4:15 PM — 5:30 PM	**Regulator Panel – The Changing Landscape and Opportunities for the CDBI Industry** Did someone say that the financial markets are in turmoil? The financial landscape will be unrecognizable in the future. What are the opportunities for CDFIs to work with the larger banks and regulators? **Chuck Van Loan, Director, Independent Bank Corporation, MI** **Bob Mooney, Deputy Director, Consumer Protection and Consumer Affairs, FDIC** **Barry Wides, Deputy Comptroller, Community Affairs, OCC** **Gregory K. Watson, Regional Manager, Division of Resolutions and Receiverships, FDIC** **Cassandra McConnell, Director, Consumer and Community Affairs, Office of Thrift Supervision**
5:30 PM — 7:00 PM	**Networking Reception** All conference attendees are invited to participate in a networking cocktail reception to be held at the venue.

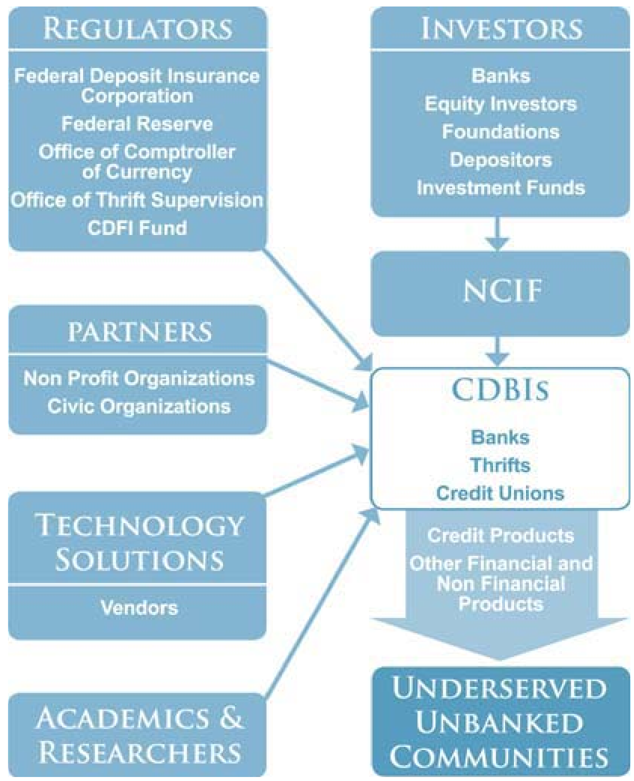
Friday, November 07, 2008

Time	
7:45 AM — 8:25 AM	*Continental Breakfast and Registrations*
8:25 AM — 8:30 AM	**Introduction and Day 2 Objectives**
8:30 AM — 10:00 AM	**Mergers, Acquisitions, Valuation** Session panelists will discuss experiences and options regarding the the current market for capital raising, mergers and acquisitions and bank valuation. **George Surgeon, Chief Financial Officer, ShoreBank Corporation, IL** **Anita Robinson, President & Chief Executive Officer, Mission Community Bank, CA** **Dan Floyd, Principal, Investment Banking, Keefe Bruyette & Woods, Inc.** **William Willhelm, Executive, Crowe Horwath LLP**
10:00 AM — 11:00 AM	**Recent Experiences in Credit, Interest Rate and Liquidity Risk Management** Recent examples of troubled loans to churches, multi-family loans, 1-4 loans or to commercial real estate transactions will be discussed with the perspective of how the loans went bad -- including, if they went into foreclosure -- and how the exposure was managed. **William Dana, President & Chief Executive Officer, Central Bank of Kansas City, MO** **Wilbur McKesson, Chief Lending Officer, Broadway Federal Bank, CA** **David Oser, Chief Economist & Investment Officer, ShoreBank Corporation, IL**
11:00 AM — 11:15 AM	**Break**
11:15 AM — 12:30 PM	**Customers, Customers and Customers – Strategies and Technological Innovations to Build Your Customer Base** This panel will share various perspectives about techniques, products and services intended to reach customers. Whether it is innovative branching strategies, mobile banking, or stored value cards, this panel will provide insight into growing your customer base. **Luz Urrutia, President, El Banco de Nuestra Comunidad, GA** **Steve Reider, President, Bancography** **Sarah Gordon, Relationship Manager, Center for Financial Services Innovation** **Mike Anderson, Vice President of Mobile Banking, Affinity Global Solutions**
12:30 PM — 12:35 PM	**Closing Remarks**

Overall Summary

NCIF organized its 2008 Annual Development Banking Conference with the following 3 objectives.

Share business strategies for enhancing profitability and effectiveness and creating new product lines by replicating successful experiences from one geography and business environment into another. This year, NCIF brought in industry experts to discuss branching, retail financial services strategies and mobile banking to assist Community Development Banking Institutions (CDBI[1]) expand their business. Finally, experts from the Wall Street spoke to the availability of public equity markets for CDBIs.



Measure the development impact that is created by the CDBI sector, including institutions that are not currently certified CDFIs. Unique strategies adopted by institutions to serve the unbanked and ethnic populations are shared. Commemorating this impact in a measureable manner is key in garnering support from the major stakeholders. NCIF also discussed its Social Performance Metrics.

Foster peer-to-peer networking which is key for ongoing business and growth. We are delighted that total registrations this year exceeded 135, including about 35 CDBI CEOs and Executives.

To achieve these objectives, NCIF brings together key stakeholders – as per the diagram above -- that all need to work together to grow this industry.

We also bring in key regulators responsible for the industry so that prudent norms of safety and soundness can be pursued even as we move forward to provide financial services to distressed communities.

Following are session summaries of the individual panels and the presentations are available on the NCIF website (www.ncif.org).

We walked away with optimism that we can grow the asset class of CDBIs and attract exponentially larger investments and support from key stakeholders.

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[1] Community Development *Banking* Institution or CDBI is a term coined by National Community Investment Fund to identify banks, thrifts and credit unions that have a mission of community development whether or not they are certified as Community Development *Financial* Institutions or CDFIs. NCIF believes that there are between 348 and 1072 banks and thrifts that pass initial screening of the NCIF Social Performance Metrics and can get certified, if they so wanted.

Keynote Addresses

The Honorable Donna Gambrell
Director, CDFI Fund
US Department of the Treasury

Director Donna Gambrell was introduced by **Saurabh Narain, Chief Fund Advisor, National Community Investment Fund**. In his introductory remarks, he greeted Director Gambrell as a long-time friend and supporter of the industry – who has worked to support community development banking institutions (CDBIs) from her days at the RTC and the FDIC to her current position as Director of the CDFI Fund. Recently, Director Gambrell was appointed by Secretary Paulson to serve as interim Chief of Homeownership Preservation within the Treasury Department's Office of Financial Stability.

Director Gambrell of the CDFI Fund spoke of the extraordinary time we are in – reflecting on the unexpected events of just the last 60 days – which include several bank failures, the collapse of Freddie Mac and Fannie Mae, the proposed recovery plan and the forthcoming new administration.

Director Gambrell acknowledged the synergy between the CDFI Fund & NCIF in their shared mission of supporting institutions that provide essential financial products and services to underserved communities. Data shows that CDFIs have been deliberate in their lending and responsibly avoided originating risky loans. As a result, CDFIs have home mortgage delinquency rates that are below the national rate, and CDFIs are also more likely to serve minority borrowers than non-CDFIs. As a commitment to the work of CDFIs, the CDFI Fund was able to recently announce awards in excess of $80 million and $3.5 billion in tax credit allocations to support the continued impact that these institutions have in their communities. These programs and others that are developed as a solution to the current crisis should make CDFIs an integral part of the solution.

Director Gambrell continued, commending NCIF for its efforts to develop a methodology for identifying depository institutions with a community development mission. The resulting **Social Performance Metrics** offer a thoughtful and analytical method for examining products and services provided in low-income communities by community-based financial institutions that may be eligible to become certified CDFIs. Director Gambrell stated that she is confident that the CDFI Fund can work with NCIF to identify high-performing banks and thrifts through these metrics and to encourage these institutions to apply to be certified as CDFIs.

Finally, Director Gambrell turned her attention to the current economic climate. She noted that the resulting contraction of the credit markets will mean that CDFIs will be sought after more than ever before to provide loans and financial services to individuals and businesses located in LMI communities. CDFIs must fill the void left by the troubled larger financial institutions and must continue to deliver responsible loan products to the borrowers that are not reached by most institutions. Many of the organizations receiving CDFI Fund support are on the front lines of creating real solutions for those facing foreclosure in our nation's rural and urban low-income communities. CDFIs have developed many innovative solutions in the area of foreclosure prevention, intervention, and recovery.

Director Gambrell applauded NCIF for taking the initiative to develop a working paper titled *Foreclosure Prevention Financing Models*. This paper is intended to identify successful models that can be replicated to provide lasting community stabilization in a time of great need including banks and apex organizations like Neighborworks.

Daniel Sullivan
Senior Vice President – Economic Research
Federal Reserve Bank of Chicago

Mr. Sullivan was introduced by Todd Brown, Vice Chairman of ShoreBank Corporation who began by echoing the conference theme that "The Time **IS** Now", as community development bankers are being confronted with a tremendous opportunity in the midst of unprecedented circumstances to shape the outcomes of the economy.

Mr. Sullivan provided a brief overview of the history that has led up to the current financial crisis, but notes that any predictions for the future are purely guesswork. The prediction by the Blue Chip Consensus is that when the dust settles this will be a small recession, with growth returning at the end of 2009; however, those predictions are growing more pessimistic by the day. Mr. Sullivan thinks the reality might be somewhere in the middle, between today's most pessimistic predictions and the optimistic predictions of a return to normalcy by the end of 2009.

The crisis is the combination of several factors from the housing boom and bust to sub-prime lending and foreclosures to the financial downturn of financial institutions and the increasing cost of petroleum and basic commodities. It will be imperative for the Emergency Economic Stability Act of 2008 (EESA) to stabilize the sector, and the $700 billion fund aims to do that by putting $250 billion towards recapitalizing banks, in an effort to loosen credit markets, and temporarily increasing the FDIC insurance limit to $250,000 in an effort to restore consumer confidence in the sector.

Michael Calhoun
President
Center for Responsible Lending

Mr. Calhoun looked at the housing crisis and the implications for CDFIs. He identified two separate problems: the current credit freeze and sub-prime lending early in 2002. The sub-prime lending crisis was the result of a march to weakened standards resulting in 20-25% of people losing their homes. Moreover, the crisis was not accidental, as higher compensation was awarded in the case of a sub-prime loan to the loan originators. The risk was further compounded as loans were bought and sold through mortgage-backed securities, packaged and repackaged using CDOs and leveraged further through hedge funds – this is all still a large tangled knot. Furthermore, the risk of foreclosure was not protected since the Supreme Court does not allow home loan modifications by bankruptcy courts.

The current policy debates recognize that there needs to be a new modification program. Additionally, within EESA there are proposals for the government to back modified loans if they later go into foreclosure . The government is also considering subsidizing loan payments. The resulting foreclosures will continue to affect the neighborhoods of CDFIs, and there is a need to recycle commercial and residential REOs to restore communities. All in all, the need for CDFIs will be greater as credit markets are squeezed and people seek financing.

Day One: Thursday, November 6, 2008

Opening Remarks

Saurabh Narain, Chief Fund Advisor, National Community Investment Fund, thanked participants for coming to share ideas and emphasized that participating in this process makes the industry of development banking stronger as a whole. He underscored that the goal for CDBIs is to serve the ultimate client – the poor, the underserved – and to level the economic playing field. Mr. Narain noted that while the conference will reflect on the progress and successes of CDBIs in the last ten years, the title and focus of the conference is "The Time is Now." This emphasizes the fact that CDBIs must continue to focus on serving their mission by creating valuable partnerships with stakeholders and by "stepping up" and providing the innovative products and services that are needed now, more than ever. This conference is an effort to do just that – bring together various stakeholders in our industry – to address the needs and the direction of the community development banking industry.

Panel 1: Social Investors Supporting Community Development Banks

Saurabh Narain of NCIF served as moderator for this session and led the panel in a discussion of how to create holistic development through partnerships with financial institutions and non-profits.

Luther Ragin, Vice President for Investments, The F.B. Heron Foundation, stated that, as the foundation's Chief Investment Officer, he is interested in both the below-market rate investments (program-related investments) but more importantly on the entire "Mission-Related Investing Continuum." By this he means that the F.B. Heron Foundation works to support the mission of the foundation through grants and below-market rate support, but also through market rate investments placed in institutions in recognition of mission impact.

He defined the private philanthropy market at about $600 billion at the end of 2006, of which there is $30 billion in cash (5% of the total) which should be of immediate interest to community development banks. This could be in the form of fixed deposits or operating accounts. Mr. Ragin mentioned three key reasons that this investment source has been unavailable to community development banks - (1) access being denied by fund 'gatekeepers', (2) perception of the industry by major investors that this is too difficult, and (3) the perception of cash as an asset class that is not really appealing for investment purposes. Given that the other asset classes have performed so miserably, cash has suddenly become very attractive. He stressed that there was a window of opportunity open if Community Development Banks were able to act strategically. Now is the time for community development banks to communicate their impact in the community, and to actively seek support from these institutions. Banks should use tools like the NCIF Social Performance Metrics and work with the Community Foundations to raise resources.

Scott Budde, Managing Director of Global Social and Community Investing, TIAA-CREF, spoke of the history of social investment at TIAA CREF which is based on the desires of the employees whose retirement they are representing. In dealing with institutional investors, he gave four main pieces of advice. *First*, he recommended that CDBIs target locally for fund raising and not just national foundations since local financial planning firms are often able to place large amounts of money on behalf of pools of investors. He also suggested looking for geographic areas close to a large concentration of employees or clients of a company. *Second*, CDBIs should approach institutions with a very straightforward analysis of market returns, and present your highest rates compared to other financial institutions in the relevant area. This is important to show how CDBI's are better able to weather the current crisis than many other institutions. *Third*, it is key to understand the mechanics of CDARS in order to understand how to use this program strategically. *Finally*, try to understand the difference in operations between institutions. Ask them how they work, what their process is and who you should be contacting. In addition, actively communicate the impact of your organization and provide a strong introduction to how your organization operates. This will make your partnerships smoother and better informed.

Lee Winslett, Vice President Wells Fargo Community Development Corporation, spoke of the ways that Wells Fargo is involved in Community Development both through their New Markets Tax Credit (NMTC) allocation as well as through direct investment in Minority Depository Institutions and other community banks around the country. He continued, stating his belief that the merger with Wachovia would increase the bank's access to new markets that were previously inaccessible.

Mr. Winslett mentioned that Wells Fargo is interested in developing sustainable, long-term partnerships with community development banks. Their goal is to build a mutually beneficial relationship that could grow and develop with time, not simply a one-time investment opportunity. Wells Fargo would prefer to enter into a partnership where both parties are actively engaged, working together in the targeted community. Lastly, he mentioned the challenges that will have to be faced with banks consolidating and growing bigger, namely that it will be harder than ever to stay true to a mission of being active in the community at such a large size.

Laura Berry, Executive Director, Interfaith Center for Corporate Responsibility, described the history of the Interfaith Center, which came together in 1971 when faith based institutions were concerned about owning portfolios that were earning revenue from investments within apartheid South Africa. Within the field of social responsible investing, there will always be a balance between financial returns and programmatic or social returns. She suggested to the community banks that when meeting with mission investors, it is imperative to tell a compelling story of how your institution is impacting social justice within the community that you serve. As a tool to tell this compelling story, Ms. Berry stated that the NCIF Social Performance Metrics are very valuable as they provide bankers the ability to give investors specific data to communicate impact and to support the investors' decision-making process. She urged financial institutions to give comparables in order to show where they are positioned relative to members of a peer group. Such analysis will cause investors to take notice. Key areas that the Center's investors look at are: Transparency, Responsibility (to the community), Accountability (what are the programs that you are participating in and how are they measured), Regulation, and Enforcement.

Panel 2: Housing Finance – Opportunities for CDFI Banks

Mary Tingerthal, President, Capital Markets Companies, Housing Partnership Network, began the panel setting forth opportunities for CDBIs that are unfolding in the face of the large challenges in the current marketplace. Given the pervasive nature of the foreclosure crisis, the focus on restoring neighborhoods and helping homeowners is the future for housing finance. However, vast regional differences in the current foreclosure crisis add to the complexity of neighborhood stabilization.

The first of the newly available opportunities for CDBIs is the "Neighborhood Stabilization Program" in the Housing and Economic Recovery Act (HERA) of 2008, the bill passed in July that includes many affordable housing issues. The HERA funds are a flexible tool; CDBIs have an opportunity to collaborate with cities, counties and states to make sure funds are targeted to make the most difference. Also available is the FHA Secure/Hope for Homeowners program, which requires lenders to write down a portion of the original loan amount. Currently evolving in the Treasury is a proposal for the Homeownership Preservation Program.

David Reiling, Chief Executive Officer, Sunrise Community Banks, illustrated the importance of partnering with local nonprofits to tackle difficult housing problems by sharing Sunrise's own "housing innovation story." Earlier in 2008, Sunrise found themselves with what was a $130,000 house in 2005, but now marketable for only $20,000-30,000. Sunrise approached nonprofit partners from the wide variety of stakeholders who have an interest in reducing vacancies as well crucial reputations within the community: municipalities, taxpayers, local businesses, schools and the social sector to try to create a gap financing tool.

This led to the creation of Sunrise's Home Ownership Preservation Program that seeks to stop houses from going vacant. It lends directly to nonprofit housing agencies that are able to identify troubled borrowers within the community. The nonprofit housing partner establishes a "contract for deed" with an at-risk borrower wherein the borrower makes payments through a three to five year life of the contract. At the end of the contract, the borrower would have built equity and improved their credit score and can hopefully refinance into a sustainable mortgage at a time when the housing crisis has ended. This model is an opportunity for CDFIs to lead - by searching for innovative products and partners that serve the immediate needs of the residents within the community. With the completion of the first "contract for deed" last week, Sunrise is working towards moving the market to the tipping point where capital markets can return to some sense of normalcy.

Deborah Wright, Chief Executive Officer, Carver Bancorp, underscored the importance of partnerships and described the important relationship that Carver has with a local nonprofit. This partner is the Community Preservation Corp, a bank consortium that has a long history of co-underwriting loans within economically distressed New York City neighborhoods. Although there are new regulatory challenges with this type of partnership, working with the CPC has been a great way to build relationships with customers, build products, and leverage CPC's team and capacity to enable Carver to grow by utilizing the new network to reach a range of borrowers. Carver talked highly of the NCIF Social Performance Metrics and how she has been able to graphically depict the social performance of the bank relative to the CDFI and the Minority Banking Industry. She urged the CDFI banking community to quantitatively provide information using the metrics to investors.

Panel 3: Double Bottom Line Banking – Development Impact

Michael Berry, CCA Division, Federal Reserve Bank of Chicago, moderated this session and referenced a paper written by the Federal Reserve Bank of Chicago and the Aspen institute that examined nine CDFIs and their experiences as they tried to scale. This paper was incorporated into a book entitled "Reengineering Community Development Investment". The work done by ShoreBank, Southern Bancorp and NCIF was discussed in the book.

Christopher Stever, Certification and Training Manager, CFDI Fund, informed the attendees of the certification process for the CDFI Fund. He stressed the value of CDFI Fund certification. Certified CDFIs become eligible to apply for and receive investment through the Fund's Financial Assistance and Technical Assistance program as well as through the Bank Enterprise Award Program and the NMTC Program. In addition, status as a certified CDFI offers a strong branding signal that is respected and understood by many socially responsible and mainstream investors. Although there are a number of selection criteria involved, the main issue that is involved is the effective communication of community impact that is being made by the institution. He encouraged everyone who was not certified to become certified and emphasized the benefit especially to institutions that are classified as either banks or thrifts.

James Maloney, Chairman, Mitchell Bank, spoke regarding immigrant and migrant banking issues and opportunities. For the past 9 years, Mitchell Bank has been actively involved in serving the local immigrant population. Like many urban neighborhoods, the demographics of the community that Mitchell Bank shifted from a predominantly white community to a majority Hispanic community. Mr. Mitchell and his staff understood that Mitchell Bank was a part of the community and the success of the community was also the success of the bank. They are trying to bring down the high cost of transmitting small amounts funds in remittances and due to this fact, the bank is one of the largest remitters to Mexico in the country. They have experimented with products that non-financial institutions, such as check cashers, offer to the immigrant and migrant community that the bank could provide at lower rates in order to reduce the fees paid by clients. Another innovative project they implemented is a bank branch (branded Cardinal Bank) at a high school located in a very distressed part of the city. This school serves the student and faculty population and is staffed each year by eight to ten seniors. Not only were the students exposed to strong financial training, their families were also impacted by this innovative project. The bank takes their community development duties seriously and feels that serving this target market can be done responsibly and profitably.

Phil Baldwin, President and Chief Executive Officer, Southern Bancorp, told a story of how their bank has been deeply involved in the health of their community and the key steps that they have taken to turn around the poverty and standard of living. Initially, they saw the harm caused by pay day loan shops and Southern was able to organize and support a law that would ban pay day loan shops from operating in Arkansas. The 400 pay day lending offices and now are down to 80, and in six months, there will be no more left in the state. Mr. Baldwin gave several examples of how the bank is supporting programs and funding projects that are making significant impacts and holistically helping the community. Mr. Baldwin summarized his remarks by displaying how contributions to education, local non-profits, and businesses are connected and how ultimately they can change a community.

Joseph Schmidt, Fund Advisor, National Community Investment Fund, spoke about the importance of measuring and communicating community development impact and the ways that NCIF measures community development impact; through the NCIF Social Performance

Metrics and through the annual development impact reporting. It is necessary for banks to measure their impact in order to attract capital from investors and to mark to market ourselves according to our mission. As an investor that is focused on community development banks, it is necessary for NCIF to identify institutions that fit these mission criteria. Unfortunately, there are only 58 certified CDFI banks in the country, out of over 8,400 total banks. NCIF knows that there are non-certified banks that "walk, talk and act" like CDFI banks, but needed to develop a methodology to find them. Out of this need arose the NCIF Social Performance Metrics, a suite of transparent measures that analyzes an institution's lending and branch activity within low to moderate income communities. Using these metrics, investors can locate high performing CDBIs from around the country. Also, using the Social Performance Metrics high-performing CDBIs, especially CDFI banks, are able to compare their high level of social performance to the lower social performance of other banks that are located in their market. Using this data is highly persuasive to investors, and Mr. Schmidt stated that NCIF is looking forward to working with banks to highlight the impact of the great work that they do in their community.

Finally, Mr. Schmidt stated that NCIF is working to include additional lending reporting in their Social Performance Metrics. Currently, every NCIF investee reports all loan origination activity to NCIF on an annual basis. By analyzing this data, NCIF knows that since 1998, NCIF investee institutions have generated over $3.7 billion in 83,000 loans that went to low income borrowers and low income communities. This lending data includes all loans made by a bank, and if banks agree to report this information to NCIF, we can add to the NCIF Social Performance Metrics to include the total lending made by an institution, not just the publicly reported lending. By doing so, we will improve the story we are able to share with investors and we will grow the asset class of community development banks.

Panel 4: NCIF – New Markets Tax Credit Strategy

Saurabh Narain, NCIF, discussed its New Markets Tax Credit structure that involved a 3-2ay partnership between large bank investors, CDFI banks and NCIF to maximize the flow of capital to distressed communities.

Al Lau, President and Chief Executive Officer, First American International Bank, structured their New Markets Tax Credit project before the major "troubles" happened in the market but now his bank is finding that there is much more difficulty in securing funding. However, he mentioned among financial institutions, CDFIs are best positioned to determine New Market Tax Credit transactions that provide the greatest amount of community development impact.

Tracy Ericson, Vice President, Wells Fargo Community Development Corporation, expressed Wells Fargo's support for the NCIF model for New Markets Tax Credit implementation. She also offered to help out with letters of support or speak with CDFI banks that were interested in partnering with Wells Fargo on the NMTC Program.

Kevin Goldsmith, Assistant Vice President, JP Morgan Chase Bank discussed a leveraging model as opposed to a subsidized rate model for New Markets Tax Credits. He and his fellow colleagues from JP Morgan Chase are working with NCIF's existing NMTC allocation through the NCIF three-way partnership model. JP Morgan Chase has also received three different NMTC allocations. They would be open to partnering with a CDFI bank to disperse the funds.

Featured Speaker: Sandra Thompson, Director, Division of Supervision and Consumer Protrection, Federal Deposit Insurance Corporation (FDIC)

Ms. Thompson currently serves as the Director of **FDIC's Division of Supervision and Consumer Protection (DSC)**. FDIC supervises, insures and serves as a receiver when an institution fails. Having witnessed the close of the 17th bank of 2008 during the previous week, the FDIC has been extremely busy over the last 60 days. They have learned that the new norm is that the unexpected can happen, which requires flexibility and agility. Her division oversees TARP – the new Troubled Asset Relief Program – underneath which the homeownership, asset purchase, capital purchase and other programs are housed. In response to the financial crisis, the FDIC has developed a temporary liquidity guarantee program, which has two parts – 1) a debt guarantee program and 2) full coverage insurance on all non-interest-bearing accounts. Financial institutions are given the option of participating in these programs, which are free for the first thirty days. Ms. Thompson emphasized that the stipulations of the program are not yet fixed and that financial institutions are encouraged to give feedback during this pilot period.

Panel 5: Regulator Panel – The Changing Landscape and Opportunities for the CDBI Industry.

Chuck Van Loan, Director, Independent Bank Corp. served as moderator and gave an introduction on each panelist. The panelists spoke of partnering opportunities that CDFIs can seek with large institutions and nonprofits. In addition, they highlighted the numerous ways that CDFIs can become involved in new programs designed to alleviate the crisis.

Robert Mooney, Deputy Director, FDIC spoke about the role that CDFIs can play in increasing public confidence and unlocking credit markets. CDFIs haven proven that especially in times of crisis, they are an essential part of the puzzle as they still have very good financial performance and they continue to work with the needs of those within LMI communities; including troubled homeowners and small business owners. What can CDFIs do? Publicly traded CDFIs can be involved in the Capital Purchase Program and can work with larger banks to help them leverage these funds for more mortgage lending. CDFIs also have the opportunity to make offers on these branches that are affected by mergers and consolidations. Finally, CDFIs must look for partnering opportunities, particularly with nonprofits who can work to keep homeowners in their homes.

Barry Wides, Deputy Comptroller, Community Affairs, Office of the Comptroller of the Currency, continued one of the major themes of the conference – the tremendous opportunities for partnership between CDFIs and mainstream institutions regarding foreclosed properties. OCC, LISC, NeighborWorks, Housing Partnership Network among others are leading an effort to streamline these properties to CDFIs, before the properties deteriorate. A few different CDFIs have thus far created models to utilize Neighborhood Stabilization Plan funding, which can also be used in conjunction with NMTC allocations, Low-Income Tax Credits and CRA credits to design comprehensive strategies for their neighborhoods.

Gregory K Watson, Regional Manager, Division of Resolutions and Receiverships, FDIC, explained how to participate in the FDIC's resolutions process. Although the best bank failure is no bank failure, there is an easy-to-use secure website available for bidders to negotiate the process. The site allows potential bidders to connect with information regarding failed banks so that the bank can start again fresh, quickly and the process is least disruptive for customers who can then retain constant access to their funds. To illustrate the process, **Alden McDonald, President and Chief Executive Officer, Liberty and Trust,** spoke of the bank's experiences in multiple successful acquisitions of failed FDIC banks. Even given the strong support provided by the FDIC, McDonald explained three areas of necessary preparation when buying a bank. (1) You must have the ability to go in and analyze the numbers from the call report and come to an understanding quickly. (2) A great due diligence team must already be in place - you will only have a maximum of two days to review all of the loans in the bank and you may want to visit the properties to know the value. (3) Finally, there must be a team ready to go in at a minutes notice to go in and seal the deal and then be able to reopen the bank on Monday morning. Overall, you must be ready to tackle the entire project and have a comprehensive understanding of the bank you plan to take over.

Cassandra McConnell, Director, Consumer and Community Affairs, Office of Thrift Supervision, spoke regarding efforts of the OTS to provide support for MDIs that arose as a response to survey feedback. These initiatives include web-based trainings that provide technical assistance on the CDFI Fund and Treasury's Minority Deposit Program. Going forward, there will be an MDI advisory committee to continue to receive feedback from MDI's on programs and services from OTS that enable MDIs to meet their goals.

Day Two: Friday, November 7, 2008

Panel 1: Mergers and Acquisitions, Valuation

George Surgeon, Chief Executive Officer, Shorebank Corporation moderated this panel. George thanked the Chicago Fed for hosting the conference and for all the support that they gave us. He also applauded the work done by the NCIF team in putting the event together.

Anita Robinson, President and Chief Executive Officer, Mission Community Bank, told the unique story of how past pressures to raise capital have now paved the way for new opportunities as a publicly-owned and nationally chartered bank. The absence of large institutional investors led her bank to complete two public offerings, the first with share prices at $1,000 to encourage local investors in the community to take ownership.

Though faced with the demands of public reporting and a need to create a holding company over the last decade, Mission Community Bank now considers itself lucky. In addition to the benefits of increased transparency from public reporting and getting out into the market to work with investors, the bank is now positioned to apply for and accept TARP (Temporary Asset Relief Program) funds from the federal government without any additional activity or cost.

Dan Floyd, Principal, Investment Banking, KBW, gave an overview of the current banking environment, highlighting the unprecedented level of volatility over last year in addition to billions in credit losses and large bank failures. He noted that across all levels of market capitalization, smaller banks are facing more pressure than larger banks with small-mid cap institutions tending to be much more exposed to losses in their real estate portfolios and therefore much more vulnerable to the current foreclosure crisis, with residential real estate recession of the past two years foreshadowing the greater financial crisis now. Additionally, projections for future earnings are not optimistic because the industry has underprovided for loan losses during the past 10-15 years.

From a regional perspective, most of credit strain is seen in Western states, then Midwest and last in the Southeast. The areas hardest hit in the early 1990s were the Southwest, Texas and the Northeast – these areas are performing well now.

The market for mergers and acquisitions is quite low now with more and more distressed transactions, if not outright FDIC sales, where sellers are left with little choice. However, the TARP equity infusions will begin to incentivize M&A action, with a predicted surge of activity once these funds become available. Those with TARP funds will be in a power position, and those without will be encouraged to seek a stronger merger partner in order to survive.

TARP funds present a unique opportunity to raise cheap capital to fund organic growth. CDBI banks must pursue these funds, as the amounts are larger than would normally be available at this price.

Panel 2: Recent Experiences in Credit, Interest Rate, & Liquidity Risk Management

Joseph Schmidt, Fund Advisor, National Community Investment Fund served as moderator and gave a short introduction on each panelist. The panelists are all senior staff members at well regarded community development banks and they spoke about their recent experiences managing the increasing risks associated with the current economic condition.

William Dana, President and Chief Executive Officer, Central Bank of Kansas City, spoke of a troubled commercial real estate within the Central Bank portfolio. He highlighted the different aspects that when looking back could have been noticed and described why this did not happen. He also stressed that you need to act decisively and act as early as possible to deal with problem loans. If this is not the case, make sure that the loan recipient has some sort of personal obligation (as in a loan on another property they own or a personal residence) in order to make sure they are cooperative. Ultimately, the situation concerning this specific loan is improving, but the bank had to expend a lot of resources and creative energy trying to save the initial investment.

Wilbur McKesson, Chief Lending Officer, Broadway Federal Bank detailed a strict 5-step process followed by the bank's loan officers when dealing with delinquent loans. These steps are: Communication, Cooperation, Documentation, Validation and Analysis. He cited two examples of the use of these steps both for a residential mortgage and a commercial line of credit. The bank's policy is to contact a client if they are more than 15 days delinquent - this proactive effort ensures that the bank does not wait for the loan to get to a month behind before taking action. In both situations, suitable solutions were found, but it took the time and effort of a loan officer as well as the cooperation of each loan recipient to come to an outcome that benefited both parties.

David Oser, Chief Economist and Investment Officer, Shorebank Corporation, discussed the difference between the bell curve and the black swan, an idea taken from a book with the same name (Black Swan by Nassim Taleb). This theory asserts that looking to the past cannot predict the future. This can be applied to the current volatility of financial markets. He stressed that risk knows no boundaries and thus must be approached holistically. Additionally, the recent government action has caused confusion stemming from uncertainty around future government action by investors. Mr. Oser concluded by stating that we are currently in a crisis of liquidity so financial institutions want to have as much capital as possible. Even though this is the case, it is still left to the CDBI industry to be part of the solution and to keep the supply of credit flowing to the borrowers that are in need.

Panel 3: Customers, Customers & Customers

Liz Urrutia, President, El Banco de Nuestra Comunidad, which is part of the People's Bank. By meeting the needs of their local Latino immigrant community, 80% of which they believe are unbanked, the bank has posted over 20% same store growth rates, year after year. Ms. Urrutia describes this community as hard working, loyal and net savers, whose financial situations are dependent on their journeys and immigrant experience rather than their assets. There is a tradition of distrust and a lack of understanding of the banking system within the community. Most lack social security numbers, credit scores, and transactional histories in general, cashing most checks rather than depositing them. Nevertheless, El Banco de Nuestra Comunidad has successfully serviced this market with a series of non-traditional products. Similar to credit unions, customers are given membership to the bank, complete with a membership card, and with this, they are able to conduct all transactions at the bank. Through the membership the bank also delivers a dedicated financial literacy program, emphasizing the importance of credit in financial growth. Regular check cashing inadvertently provides income and employment verification, and with this, the bank establishes an internal credit rating, which is used to extend credit to still "undocumented" clients. The bank's method compassionately serves this group while complying with regulatory guidelines.

Steve Reider, President, Bancography, addressed the importance of a successful branch strategy in this time of financial crisis, where there is less excess cash being deposited into banks. The constriction of available capital necessitates that banks act smarter about capital expenditures dedicated to branches. Branches must be designed to minimize non-branching expenses by not only utilizing technologies such as remote item capture, modular safes and currency recycler machines, but wisely managing human capital expenses through the use of universal agents, centralized call centers and shared sales management. Nevertheless, if your bank's balance sheet can handle it, Mr. Reider urges banks to buy real estate now, while the rates are low, as a bank's investment in branches still sends a powerful message of confidence in that neighborhood's future.

Sarah Gordon, Non-profit Relationship Manager, Center for Financial Services Innovations (CFSI), which is a non-profit affiliate of ShoreBank. Ms. Gordon spoke about the use of prepaid debit cards as a tool to reach the underbanked. Prepaid cards represent a dynamic product with various options that align the needs of both the financial institution and the consumer. From the consumer's standpoint, the prepaid cards offer the convenience of increased access to funds and transparent fee structures. For the financial institution, the card provides a way to offer a suite of services to any customer and creates an entry point to this market, which is generally excluded from mainstream banking and predominately uses non-bank retailers for their financial transactions.

Mike Anderson, Vice President of Mobile Banking, Affinity Global Solutions, spoke of the strong growth of mobile phone world, with more than 3 billion mobile subscribers. Households are increasingly becoming mobile-only, and people are increasingly using their phones for more than just sending text messages and making phone calls. Although only a few members of the audience are currently enrolled in mobile banking, mobile banking has taken off around the world, and gradually in the US, with large to medium-sized banks with large IT budgets being the main players. Mobile banking represents a unique opportunity to develop a 1:1 relationship with the customer, especially the unbanked, who mostly use cash and pay high transaction costs for financial services. This group is already highly dependent on mobile phones and therefore the convenience of conducting financial transactions with the mobile represents significant value-added for the customer. For the financial institution, it represents an interface to quickly reach the unbanked and capture a piece of the fee revenue from global remittances, check cashing and other financial services.

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Daniel Sullivan, Senior Vice President, Federal Reserve Bank of Chicago

Keynote Speaker

Michael Calhoun, President, Center for Responsible Lending

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