NCIF Annual Development Banking Conference

Mission and Profit: Raising the Bar

……………………

November 1, 2, and 3, 2011
Chicago

Summary of Proceedings

"I believe that at times like these—especially at times like these—when we are filled with doubt and hesitation, and can hardly make out the road before us, we cannot just stop and wait for the way to become clear. We will never move forward if we simply stand still."

Director, Donna Gambrell, CDFI Fund

National Community Investment Fund
135 South LaSalle Street, Suite 2040, Chicago, IL 60603
(312) 881 5826/snarain@ncif.org/www.ncif.org

Page intentionally left blank

Table of Contents

Acknowledgments 5

Agenda 7

Welcoming Remarks 9

Day One: Mission and Profit: Raising the Bar 10

Keynote Address 10

Introduction: Current State and Probable Future of the CDFI Banking Sector 11

Panel 1: The Story and the Plan 13

Panel 2: Equity and Deposits Capital Raising 16

Lunch Keynote Address 18

Panel 3: NCIF Social Performance Metrics, Impact of CDFI Banks 19

Panel 4: Governance, Board Composition, and Human Capital 21

Panel 5: Opportunities, New Issues and Challenges for CDFI Banking 23

Day Two: Mission and Profit: Raising the Bar 24

Keynote Address 24

Panel 6: Intersection of Financial Technology and Community Development 26

Panel 7: NCIF New Market Tax Credits Program 28

Appendix 30

Appendix 1: Community Development Banking Institution Designation 30

Appendix 2: Model CDBI Framework 31

Appendix 3: Example of the NCIF Social Performance Metrics^{SM} Dashboard 32

NCIF THANKS OUR SPONSORS & INVESTORS 34

2011 ANNUAL DEVELOPMENT BANKING KEYNOTE SPEAKERS 35

Page intentionally left blank

Acknowledgments

We want to first thank the **Federal Reserve Bank of Chicago** for their continued support of the NCIF Annual Development Banking Conference. Over the years, the Chicago Fed has provided logistical and financial support for the Conference to facilitate convening the Community Development Banking Institutions (CDBI) industry. We are especially grateful to **Alicia Williams, Michael Berry** and their team at the Fed for their encouragement and support.

We were honored this year to have the continuing presence of the **Honorable Donna Gambrell**, **Director of the CDFI Fund** and **Director Sandra Thompson, of the Division of Risk Management Supervision, FDIC,** as keynote speakers. Director Gambrell has been a tireless supporter of the CDFI industry and under her leadership the CDFI Fund has grown rapidly to increase the flow of capital to underserved communities around the country. Director Thompson and the FDIC have a keen interest in CDBIs continuing their high impact work, and see significant new opportunities in the current economic environment that will facilitate their success. NCIF would also like to thank **John Hale, III**, **Deputy Associate Administrator of the Office of Capital Access, Small Business Administration,** for providing the lunch keynote address. In his role at the SBA, he is working to further involve CDBIs with SBA programs to increase small business lending in the communities they serve.

The NCIF Conference is organized primarily to support the **CDBI Industry,** and is able to do so only with the industry's active participation. We are delighted to have hosted over 160 participants including over 50 Chief Executive Officers and senior staff members of CDBIs for these three days. Industry leaders from across the country actively contributed in the conference proceedings and this strength in working together for the ultimate client – the underprivileged in the country - is critical.

NCIF would like to thank its Event Sponsors whose generous support makes this conference possible – **Bancography, Bank of America, JPMorgan Chase, Keefe, Bruyette, & Woods (KBW), Urban Partnership Bank, US Bancorp,** and **Wells Fargo.** In addition, NCIF would like to further thank Bank of America and JPMorgan Chase for their continuing support as NCIF investors.

Finally, we would like to acknowledge support of our Trustees our staff at NCIF: **Joe Schmidt**, **Wes Maher,** and **Joe Ferrari,** without whom the Conference would not have taken place. **Susan Coleman** from LP Group assisted in the event communications and **Carl Kunda, Ivis Garcia,** and **Jen Wichman** took copious notes of the conference proceedings. **Nicole Macon** provided invaluable on-site support to the NCIF Team. Thank you.

In order to increase the visibility and understanding of the sector, it is our objective that the Conference helps stakeholders recognize the need to communicate the impact CDBIs have - to "Tell the Story." As this message becomes clear and spreads, it will help strengthen the industry and increase the ability of CDBIs to continue their work in low- and moderate-income communities.

Saurabh Narain and the NCIF Team

Page intentionally left blank

Agenda

NCIF National Community Investment Fund

2011 Annual Development Banking Conference

November 1, 2 & 3, 2011
230 South LaSalle Street
Chicago

Mission and Profit – Raising the Bar

Wednesday, November 2, 2011

Time	
7:00 AM — 8:00 AM	*Breakfast and Registrations*
8:00 AM — 8:05 AM	**Conference Opening** **Michael V. Berry, Director of Policy Studies, Federal Reserve Bank of Chicago**
8:05 AM — 8:35 AM	**Keynote Speech** **The Honorable Sandra Thompson, Director, Division of Risk Management Supervision, FDIC**
8:35 AM — 9:05 AM	**Current State and Probable Future of the CDFI Banking Sector** **Saurabh Narain, Chief Executive, NCIF**
9:05 AM — 10:20 AM	**The Story and The Plan** What is the story associated with a CDFI Bank? How can we strengthen our IRR – Impact, Risk and Return -- to seek greater support from public and private sector stakeholders? In the ultimate analysis, how does the industry demonstrate that it is safe and sound and has a solid focus on the ultimate beneficiary – the Underserved in rural and urban America. **Professor Raj Gupta, Kellogg School of Management, Moderator** **William Farrow, President and CEO, Urban Partnership Bank** **Deborah C. Wright, Chairman and CEO, Carver FSB** **Preston D. Pinkett III, CEO, City National Bank of New Jersey** **Leigh Anne Russell-Jones, Treasurer, United Bank**
10:20 AM — 10:35 AM	**Break**
10:35 AM — 11:50 AM	**Equity and Deposits Capital Raising** The equity investor is looking for Return to meet its internal hurdles while allocating capital. Let us explore how CDFI banks need to position themselves to raise capital from mainstream and social investors. Additionally, how can we influence changing the nature of the discussion around Total Return being the sum of Financial and Social Return. **Laura Sparks, Director, Development Finance Initiatives, Citi Community Development, Moderator** **Scott J. Budde, Managing Director, Global Social & Community Investing, TIAA CREF** **Dan Letendre, CDFI Lending and Investing Executive, Bank of America** **Ommeed Sathe, Director, Social Investments, Prudential Financial, Inc.** **Frank Blanco, Keefe Bruyette and Woods**
11:50 AM — 1:20 PM	**Lunch and Keynote Address** **John Hale III, Deputy Associate Administrator of the Office of Capital Access, Small Business Administration** **Introduced by B. Doyle Mitchell, President and CEO, Industrial Bank**
1:20 PM — 2:35 PM	**NCIF Social Performance Metrics, Impact of CDFI Banks and Partnerships** The CDFI Certification generates significant value to the banks in the form of grants and equity investment from the CDFI Fund, preferential treatment by the SBA, the Community Development Capital Initiative and support from mission, faith based and mainstream investors. Accordingly, it is critical that the CDFI banks raise the bar associated with their double bottom-line orientation. The session will focus on the NCIF Social Performance Metrics -- the current state and future growth plans. Additionally, there will be presentations by industry and government practitioners on impact generated by the sector and a partnership approach to development finance. **Joe Schmidt, Vice President, NCIF Social Performance Metrics - Current State and Future, Moderator** **James Greer, Senior Research Analyst, CDFI Fund, on evaluation of NMTC, BEA and FA dollars by the CDFI Industry** **Robin Newberger, Senior Business Economist, Federal Reserve Bank of Chicago, on growth of CDFI banking sector**
2:35 PM — 2:50 PM	**Break**
2:50 PM — 4:05 PM	**Governance, Board Composition, and Human Capital** Superior financial and social performance is positively correlated with superior board governance and with high quality and appropriate board members that bring in business acumen and discipline and also sufficient independence. The panel will discuss key governance related best practices for CDFI banks as well as discuss major challenges in attracting talent. **Charles Van Loan, Director, Independent Bancorporation and Trustee, NCIF, Moderator** **M. Anthony Lowe, Regional Director, FDIC** **W. Ronald Dietz, Director and Chairman, Audit and Risk Committee, Capital One Financial Corporation**
4:05 PM — 5:05 PM	**Opportunities, New Issues and Challenges for CDFI Banking** The CDFI Bond Guarantee Program will be announced in the fall of 2011. This program has the potential to provide significant liquidity and capital to the sector. There will be a discussion on the opportunities and challenges associated with the program. **Joe Ferrari, Senior Analyst, NCIF, Moderator** **Jodie Harris, Policy Specialist, CDFI Fund, on the CDFI Bond Guarantee Program** **John Moon, Assistant Director of Capital Formation, Living Cities, on The Integration Initiative**
5:05 PM — 5:10 PM	**Closing Remarks**
5:10 PM — 6:40 PM	**Networking Reception** Conference attendees are invited to participate in a networking cocktail reception to be held at the Federal Reserve Bank.

Thursday, November 3, 2011

Time	
7:00 AM — 8:25 AM	*Hot Breakfast Buffet and Registrations*
8:25 AM — 8:30 AM	**Introduction and Objectives**
8:30 AM — 9:15 AM	**Keynote Speech** **The Honorable Donna Gambrell, Director , CDFI Fund** **Introduced by David J. McGrady, Vice Chairman City First Bank of DC and Chairman, NCIF**
9:15 AM — 11:15 AM	**Intersection of Financial Technology and Community Development** New technology will change the way we do business – book loans, raise deposits, reduce cost of operations and create impact – and achieve scale. CDFI Banks need to adopt these technologies aggressively to survive and grow in these tough economic times. The Technology Showcase will demonstrate some of the new technologies that are providing community banks the ability to increase profitability and impact. The session will demonstrate new technology solutions relating to issuance of prepaid cards, check cashing, remittance, personal remote deposit capture using smart phones, microbranching, and core banking platforms on the web. **Saurabh Narain, Setting the Stage** **David Reiling, CEO of Sunrise Banks and Moderator** **John Davis, Senior Vice President, FiServ on Solutions Universal Money Movement** **Steven Doctor, COO, Chexar on Check Cashing and Mobile Deposit Capture into Prepaid Cards** **Sarah Livnat, Senior Director, Progreso Financiero on technology led financing to Hispanics** **Steven Reider, Founder and CEO, Bancography on small footprint branches**
11:15 AM — 11:30 AM	**Break**
11:30 AM — 12:45 PM	**NCIF New Market Tax Credits Program** The NCIF NMTC Program envisages a 3-way partnership along with major bank investors and CDFI banks. The program enables CDFI banks to do high impact projects in their service areas and also prepare to apply for allocations in the future. **Joe Schmidt, Vice President, NCIF, Moderator** **Stephen C. Kramer, Senior Vice President, NMTC & HTC Investments, U.S. Bancorp** **Alden J. McDonald, President and CEO, Liberty Bank and Trust** **Blondel A. Pinnock, President, Carver Community Development Corporation** **Kevin Goldsmith, Originations Manager and Vice President, New Markets Tax Credit Group, JPMorgan Chase**
12:45 PM — 12:55 PM	**Closing Remarks and Grab and Go Lunch**

Welcoming Remarks

Michael V. Berry
Director of Policy Studies
Community Development and Policy Studies
Federal Reserve Bank of Chicago

Mr. Berry said that the Federal Reserve Bank of Chicago is delighted to have sponsored the NCIF Annual Development Banking conference for a 6th year in a row due to NCIF's mission of helping grow and strengthen the CDFI Banking sector. This mission is very aligned with that of the Chicago Fed.

He outlined the history of the Community Development functions of the Federal Reserve, which were created shortly after the Community Reinvestment Act of 1977, and highlighted activities such as providing CRA assistance, technical assistance, and consumer regulation in addition to creating products and services for low- and -moderate income communities and communities of color.

The Federal Reserve Bank of Chicago has invested in learning about CDFIs and responding to their needs relating to their growth and development. The Community Development and Policy Studies department of the Federal Reserve Bank of Chicago does not have direct regulatory or supervisory capacity, but focuses research on policy and the policy-making process to explore impacts on CDFIs and they are releasing new research in their publication *Profitwise* about community development in the current economic climate. The Community Development and Policy Studies department focuses its research on communities with limited access to financial services and products and work with agencies that develop facilities for those target communities.

Mr. Berry hopes to help grow the number of Community Development Banks and welcomes ideas for achieving that goal.

Day One: Mission and Profit: Raising the Bar
Wednesday, November 2, 2011

Keynote Address

Sandra Thompson, Director, Division of Risk Management Supervision, gave the opening keynote address. She focused on how the FDIC takes particular interest in issues impacting the CDFI banking industry.

Ms. Thompson believes this year may be the year of turnarounds for banks, and despite not recovering as quickly as large institutions, smaller community banks are showing signs of stabilization and strengthening. The number of problem institutions dropped from 888 to 865 in the second quarter of 2011, the first time since September of 2006 that said number has declined. 2010 was probably the peak year for bank failures; in 2011 85 banks with $35 billion in assets failed, while in 2010, 139 banks with assets of over $100 billion failed.

She noted that while the economy is experiencing a fragile recovery, the service areas of Community Development Banks continue to experience higher (easily double or higher) levels of unemployment and poverty. Despite the improving conditions in the banking industry, community banks are still struggling as evidenced by the fact that of the 85 failures in 2011, 6 were minority depository institutions (MDI) and 2 were certified CDFIs.

She mentioned that the new FDIC Chairman intends to hold a conference on Community Development Banks focusing on changes in industry, business models, lessons learned, capital raising, technology, recruitment, regulatory obligations, risk management, and compliance. Through direct outreach and working groups with regional directors, the FDIC will be collecting information from Community Development Banks regarding examination practices.

Ms. Thompson talked about goals for the sector, and how she wants to see the status of the community banking sector regain its former position. As she put it: "CDFIs are catalysts for community development, and this economic climate is an opportunity to expand impact. New products and services represent an opportunity to recapture the business of unhappy customers. No one understands communities better than local banks."

She took several questions from the audience.

Introduction: Current State and Probable Future of the CDFI Banking Sector

Saurabh Narain

Chief Executive, National Community Investment Fund

Mr. Narain gave opening remarks on the current state of the sector and a probable future given the economic and regulatory environment. He mentioned that NCIF was in the midst of its strategic planning process and in that process had engaged the industry to help think about the future. In total, NCIF engaged with 46 CDFI industry stakeholders via surveys, interviews and an in-person planning workshop in New York. He then presented the key aspirational goal and six strategic goals that the industry wants to achieve over the next 5-15 years. They are:

Aspirational Goal

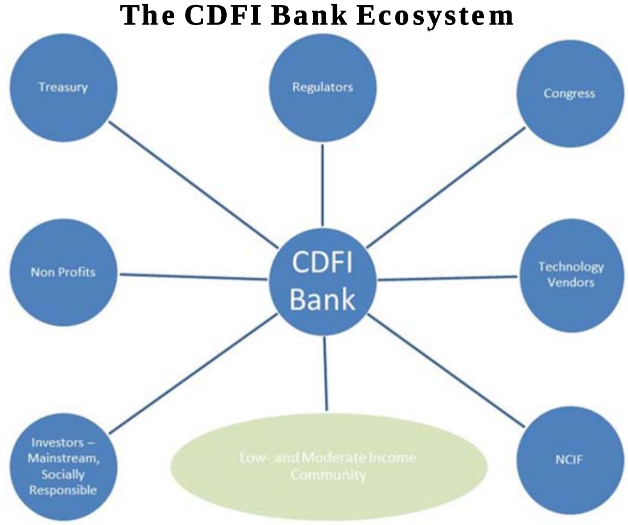
1) Build an industry of substantial scale.

Strategic Goals

1) CDFIs become recognized double bottom-line financial services leaders;
2) Build a CDFI industry focused investment bank to support the sector;
3) Promote social performance impact measurement standards and certification;
4) Create high performance collaboration across functions and issue types;
5) Enhance the CDFI brand; and,
6) Implement leading-edge technology, both customer facing and back office to increase scale and reduce costs.

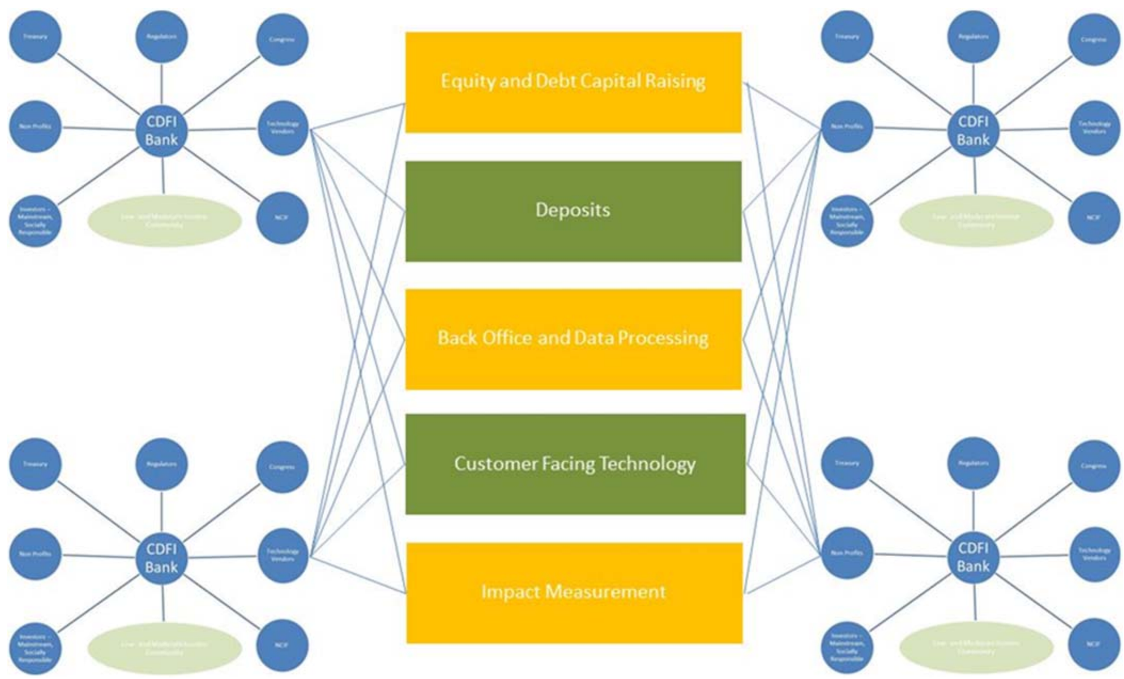
Continuing, Mr. Narain presented a vision of the probable future of the CDFI Banking sector that arose from the above strategic planning process. This "probable future" includes a highly networked industry, working together to form collaborative business models along capital raising, operations and impact measurement and communications. An initial step towards this future will be the upcoming CDFI Bond Guarantee Program. This program has the potential to inject enormous liquidity and capital into the sector. Mr. Narain provided some background on the current CDFI Bank Ecosystem, which is an intricate web of relationships between the bank, regulators, non-profits, etc.

The CDFI Bank Ecosystem



In the current environment, CDFI Banks are working in silos, diligently focused on their own communities, their own mission, and operating profitably. Mr. Narain stressed that through collaboration and effective networking, CDFI Banks can help develop economies of scale and foster innovation, build shared knowledge and effective best practices, while covering areas of common concern including capital raising, risk management, finding liquidity for investors, government funding, impact measurement and brand building, technology, shared services, and research.

Collaborative Business Models in Action



Due to the geographical distribution of CDFI Banks, and their relatively small service areas, they are rarely operating in direct competition with each other. Only by working closely together can the CDFI Banking Sector be strengthened and more unified so that it is both highly visible and a solid financial and social performer. Collaboration provides the strength in numbers that is needed, and Mr. Narain stressed that NCIF welcomes the chance to work with CDFI Banks for the betterment of the industry.

Mr. Narain ended with a call to action for CDFI Banks to collaborate, and outlined the themes for the conference:

1) Safety and Soundness – At a minimum!
2) Collaborate and Compete - Adapt business models, focus on governance, and enhance financial performance – investors will come!
3) Stay focused on mission as core strength – critical to differentiate!
4) Use technology to increase reach and reduce costs.

Panel 1: The Story and the Plan

Raj Gupta, Professor at the Kellogg School of Management moderated the panel. The panelists, **William Farrow**, President and CEO of Urban Partnership Bank, IL; **Debra C. Wright**, Chairman and CEO of Carver Federal Savings Bank, NY; **Preston D. Pinkett, III**, CEO of City National Bank of New Jersey, NJ; and **Leigh Anne Russell-Jones**, Treasurer of United Bank, AL, discussed their experiences as CDFI Banks in the current economic climate, what challenges they face as the sector grows, and how they are taking advantage of new opportunities and organizing behind shared goals and strengths.

Prof. Gupta structured the session around a series of questions to the CDFI representatives. He opened the session saying that growth is essential for business, and that innovation is needed for growth in the current economic climate. How does the CDFI Banking industry respond to these challenges? How does the industry define its mission and balance it with business necessity? How have the banks on the panel adapted or responded to current challenges and do you have any lessons to share?

Mr. Farrow opened, and stated that his bank was born out of the failure of ShoreBank. The investor base recognized the importance of ShoreBank and how it pioneered and shaped the industry. During the first 90 days, they had to evaluate their footprint, make new hires, and develop their departments, all while maintaining a loan portfolio of $900 million. They are also in the process of renegotiating contracts and rewriting policies and employment contracts. The work continues and it is only possible because of the commitment of their employees to achieve mission in LMI areas. UPB is still dealing with issues such as resolution of foreclosed assets and restructuring of loans.

Ms. Wright followed and said that NCIF provides a critical role in organizing a constituency within the community development banking industry. She identified an inability to identify or understand the constituency of the industry outside of the NCIF network, and that it is essential to broaden and develop this network further. Carver FSB is a publicly traded company and the bank must earn a return on investment, but to do so, it must get past the regulators in order to earn that return. But she stressed that beyond the return, the bank would be nothing without the mission or the people and institutions that they support because CDFI Banks like Carver capture a unique and important slice of banking business.

Carver has gone through an ugly economic period as it developed its future, a new business plan and a new set of investors. Ms. Wright stressed that CDFI Banks must examine their business models and identify and seek support from stakeholders that comprehend their work. For example, one strategy would be to carefully evaluate the customer base and community needs that are not being serviced by mainstream financial institutions.

As an example, Carver recently launched a new suite of products called Carver Community Cash that target unbanked and underbanked customers. This is a set of products that serve community needs, and so far, the program has been successful. She also highlighted examples of building linkages with other institutions in the community to the mutual benefit of both organizations. In one case at a hospital in Brooklyn, Carver organized a no-cost check cashing initiative for hospital employees. This program provided value to both the Hospital and to Carver, highlighting the possibility for realizing unexpected opportunities.

Preston D. Pinkett, III, CEO of City National Bank of New Jersey recently left his position on the social investment side of Prudential Insurance to serve as President and CEO of City

National Bank. He echoed Ms. Wright's sentiments in that City National has to raise capital in support of an innovative business model that does not rely on old models. He suggested a refined business that relies on diversified lines of business including putting equity in small projects, working with an affiliate CDC that manages development, and focuses on the core business.

Mr. Pinkett stated that City National is having difficulty raising capital from traditional CRA investors as many of the institutions in that space have already provided capital as part of recent capital raises by Carver and Urban Partnership Bank. He continued, stating that most investors do not see the CDFI Banking sector as a potential for investment**.** To attract more investment from both CRA and mainstream investors, it is imperative that the industry improve financial performance and better communicate community development impact.

Leigh Anne Russell-Jones, Treasurer of United Bank said that her bank is a newcomer, having only become a CDFI 1 year ago. She said they were originally a commercial bank and a quarter of their loans were made in the agricultural sector. United Bank is developing their mission, but their current mission is already in line with that of the CDFI program. She stressed that her bank was a cornerstone of economic development in the communities they serve and that her bank often has generational relationships with clients. Although they are a publicly traded company, many of their investors come from the community they serve.

Prof. Gupta asked the panel how investors evaluate CDFI Banks. Mr. Pinkett stressed that there is a particular challenge for CDFI Banks to profit like other businesses, have a social impact, and change the conversation around both of those objectives. The core of the CDFI Bank industry is about having a positive social impact in communities that other financial services providers have neglected to be or where the actions of those same providers have caused the problems. Mr. Pinkett stressed that what separates CDBIs is the commitment to having a positive social impact, but regretted that there is no discourse in this country to discuss that relationship. The only conversation involves profit, ignorant of the problems that are often left in its wake.

Mr. Farrow continued by using an analogy to the Farm Credit System. He said that traditional banks would not lend to the agricultural sector, so a program was created with government guarantees to serve rural communities. The needs are not dissimilar from the urban context of today, but that in rural areas the problems are easier to articulate. In the urban context there is not the same discourse and it is more difficult to "Tell the Story." Mr. Farrow added that all farm credit banks are mission driven and return profits, and that he believes this model could work for urban banks as well.

Ms. Wright stated the need for the sector, or an organization supporting the sector, to collect data on the community development impact of the sector. This data could then be used to communicate to Foundations and other investors the vital role that CDFI Banks play in LMI areas. She went on to stress that regulators need a broader understanding of the specific needs of CDFI Banks, institutions that operate with small staffs relative to large mainstream banks.

Ms. Russell-Jones said that as newcomers their goal is to "do well by doing good." She sees an opportunity in being a new player operating in a less crowded space. She stressed the need to focus on being an independent bank, and serving the needs they can.

Prof. Gupta then focused on the idea that foundations do not support for-profit financial institutions even though the latter may be generating the impact that they want. He asked if that obstacle can be overcome.

Mr. Farrow answered that CDFI Banks are in the business to make money. To continue doing so, the industry must shift towards non-interest income**.** He highlighted the discrepancy between the concentration of alternative financial institutions like check cashers and the distribution of banks in urban markets.

Ms. Wright continued saying that a virtuous cycle could be created if mission driven banks responded to this discrepancy and offered similar products without the harmful pricing policies. She also suggested that investment capital could be placed with an intermediary like NCIF and then distributed to individual banks.

Mr. Pinkett stressed that CDFI Banks must make profit, and prove that there's a sustainable business model. He said that CDFI Banks are competing against subsidized nonprofits *and* big banks, which makes it difficult to operate. He said that the CRA encourages large banks to operate in urban markets, and it can be difficult for CDFI Banks to compete with these institutions. An appropriate discussion of setting levels of performance that addresses social impact and profit level is necessary.

A question was proposed to the panel on how do CDFI Banks succinctly convey their value propositions, and what data would support that message. Mr. Farrow said he was unsure what that sentence would be. He felt it needed to be something that people would intuitively know and understand, and that it is hard to develop a proposition based on poverty. While capital voluntarily comes in after disasters and farmers have the leverage of food production, in the urban contexts, the proposition is that of declining conditions and disarticulated social contexts – this is more difficult to succinctly articulate.

A second question focused on the fact that financial institutions are over-leveraged relative to risk, causing investors to shy away from them? Mr. Farrow said that to achieve investor support, the goal needs to be implementation of the right credit policy and procedures, and that CDFI Banks should invest in technology to increase reach and scale. He concluded by saying that mergers are going to happen in this space.

Ms. Wright encouraged partnerships that will be a relief to big banks, and a benefit to the CDFI Banking industry. She provided an example from when Washington Mutual was sold and a number of overlapping branches were going to be shuttered. Carver acquired two of those branches. One of the newly acquired branches allowed Carver to close a less profitable location in the same community. She went on to suggest that CDFI Banks, rather than large banks, are perhaps better operators and service providers in LMI communities.

Mr. Pinkett responded by discussing that place based business models will not work in the future – banks need to use technology that will extend reach and create value for customers. He said there was a need to encourage innovators within the bank, stating that from his experience, staffers were unaware of their responsibility and capacity to deliver operational improvements. He also mentioned the current trend of state laws being changed to create hybrid for-profit/non-profit corporations that serve low income communities and work for social good. These Benefit Corporations or Low-Profit Limited Liability Company (depending on the state) are having initial success in attracting support from investors. He said there needs to be a term like that for CDFI Banks, which establishes their intentions, goals and strategies and communicates it to a broader audience of stakeholders and investors.

Panel 2: Equity and Deposits Capital Raising

Laura Sparks, Director of Finance Initiatives at Citi Community Development moderated the panel. She framed the session by picking up on issues raised in the previous panel, specifically focusing on shifting business models and distinguishing the industry from the wider banking and investment community for raising capital.

Scott J. Budde, Managing Director of Global Social and Community Investing at TIAA-CREF, discussed the foundation view of CDFI Banks. He said that TIAA-CREF does a lot of work with foundations, through philanthropy or impact investment. He said that foundations are drawn into this space and are excited about being a part of an innovative environment. Foundations often find that incremental plans are not as attractive as 'big picture' ideas. He suggested a re-conceptualization of incremental strategies and 'big idea' projects that will be more attractive to foundations in the long-term.

Ommeed Sathe, Director of Social Investments at Prudential Financial, Inc., began by saying that for the CDFI Banking industry to achieve its capital raising goals, the sector needs to develop an identity that distinguishes itself from other lenders in the space, including non-profit lenders. This differentiation can occur either by paring down offerings, or by expanding the ways that they serve the community. Information from check cashing indicates that there is an opportunity for CDFI Banks to develop this product into a profitable business line that avoids the onerous rates charged by non-bank providers. He offered a different model by saying that there may be value in developing simple, transparent business models, aka creating a 'clean bank'. Adopting such a simple, transparent model would appeal to investors that were looking for a higher level of transparency; this is particularly relevant for investors active in international markets. He said that this might foster more comfort in investing in the sector.

Dan Letendre, Managing Director of Global Social and Community Investing at Bank of America offered a different perspective. He said that community banks are part of an overall portfolio in which Bank of America invests. They have a team that focuses exclusively on investing in CDFI Banks, and are the only large bank that has a nationwide portfolio of this investment type. However, this investment type remains a small percentage of their total portfolio. In order to increase their interest in the sector, he suggested the industry look at identifying gaps (both geographic and product based) that mainstream banks and non-profit lenders are not serving and in which CDFI Banks could be more active. Looking at the industry broadly, Bank of America is interested in supporting the gap that exists in providing lending to small businesses. Investment could be available if CDFI Banks provide more of this product type. A key challenge he offered was drawing a distinction between community development banks and mainstream bank services. Community banks should articulate their drive and capacity as it will be more salient than selling the idea that they have the same business model and expectations as mainstream banks.

He continued, presenting his concerns regarding the return on investment in CDFI Banks. During a two-decade period, Bank of America has not received did not receive a profit from their portfolio of bank investments. This lack of return obviously discourages further investment.

Ms. Sparks stated that Citi works primarily with loan funds, not depository institutions as they historically had a deposit program but have since moved away from taking a general ownership position in entities. Instead, they are investing in equity funds that are advancing a particular issue. She said that equity is the most expensive and most risk prone investment class, and that they were trying to move away from that.

Frank Blanco of Keefe, Bruyette, and Woods offered a perspective from mainstream investors. He stated that investments into the sector had been slow but trends might be moving back in a more positive direction. He pointed out that banks are struggling with their interest income due to reduced interest rate spread and in response, many banks are shifting to increase fee income models and restructuring their business to decrease operating costs. As a result of regulators requiring higher capital reserves, there are lower returns on equity and a readjustment of the expected returns by the investor community in this new regulatory environment is needed.

Ms. Sparks continued the discussion by asking the panel about a standardized term sheet that the industry could develop that encapsulates their business strategy and communicates it to investors. Mr. Blanco said the principle was great but the execution would be challenging. Furthermore, he addressed the investment environment where dictating terms to investors was not practical.

Ms. Sparks then asked the panel about the difference between social and financial returns. Mr. Sathe said the sophistication to be able to understand this difference is essential because there is a desire to have capital flowing into the communities in products that create a high level of social impact. In his view, there are not a lot of reliable metrics to measure the impact of investments that have a social return. He closed by saying that the measure of social return, and incorporating that into the investment decision, is an area that the sector should focus on.

Mr. Blanco said that for traditional investors, profitability is key, and they are not sophisticated enough to understand the social impact. He said that high single digit returns might be acceptable and that that pooling resources, such as shared back office strategies could increase the profitability of CDFI Banks. He said that if the business plan is easy to understand it is very attractive.

Mr. Letendre reiterated that the interest in CDFI Banks will grow as the gap between mainstream and CDFI Banks grows, as measured in communities served and products and financial services offered.

Lunch Keynote Address

John Hale, III, Deputy Associate Administrator, Office of Capital Access, Small Business Administration, gave the lunch keynote address. He stressed that the central theme of the SBA is job creation and that recent government actions, such as the American Recovery and Reinvestment Act (ARRA) and the American Jobs Act have focused on and are determined to create jobs and to move the economy forward. The American Jobs Act will cut small business taxes and will remove payroll taxes for firms that create jobs. There will also be a $4,000 tax credit to firms that create jobs for the long-term unemployed. The program is projected to create 1.9 million jobs, reduce unemployment, and strengthen consumer demand.

He highlighted that 200 lenders have returned to the SBA program and they have exhausted their $17 billion authority for the first time in history. The SBA relies on community banks to reach this goal, and he reported that of the 86 CDFIs that are SBA micro-lenders, 75 are CDFI banks. According to Mr. Hale, both of those numbers are too low, and he believes there is tremendous opportunity for collaboration between the SBA and the CDFI Banking sector.

The SBA has many innovative programs including the microloan program, which has a maximum loan limit of $50,000. Participating micro-lenders must provide technical assistance to borrowers in addition to providing the loans, and mission-based lenders already have a good business model for this service. Other programs include the Community Advantage Program (CAP) which allows CDFIs to access 7a loan funds. The development of this program was done with investors and small business lenders, and the product development process was a result of roundtable discussions. Attendees identified the need for small CDFI Banks to adapt and change and they took a look at the product design process to adapt with lending partners. The target of the CAP mission based program is for CDFI Bank micro-lenders to access 7a loan funds, but the program was received with mixed results. Ultimately, lenders will guide the development of the SBA, and they have already received feedback from over 200 institutions. Some barriers they have identified are capital, capacity, relationships with banks, the expense, oversight requirements, and complexity of a program with too much risk and too low interest rates.

The response of SBA to these barriers was changes in pricing and creating higher maximum limits. They also rewrote the program guide to make it more like a marketing document. There is a huge gap in small business credit markets, and the SBA needs to reach deeper to encourage partnerships. The lending and guarantee process was reorganized to a guarantee purchase center, so that relevant information is standardized and made easier to evaluate in the underwriting. They encourage the loan team from CDFI Banks to familiarize themselves with these standards. Mr. Hale said there was a high cost to becoming involved in SBA lending, so an economy of scale and utilizing shared resources would be helpful for the industry. In the future he said there would be increased SBA lending and support for the CAP program will grow resources for mission based CDFIs and non-profits.

Panel 3: NCIF Social Performance Metrics, Impact of CDFI Banks

Joe Schmidt, Vice President of NCIF, moderated the panel and presented on NCIF's efforts to "Tell the Story" of CDFI Banking by improving impact measurement and communications efforts. Panelists **Jams Greer,** Senior Research Analyst at the CDFI Fund, discussed research detailing the impact that CDFI Banks have had in the country's most distressed communities. **Robin Newberger,** Senior Business Economist at the Federal Reserve Bank of Chicago, presented on how the CDFI Banking sector has changed/will change with the addition of the newly certified CDFI Banks.

Mr. Schmidt opened the panel by stressing that it is necessary for the CDFI Banking sector to collaborate, both with each other and with other stakeholders, to best "Tell the Story" of the community banking sector. NCIF is in the middle of a strategic planning process, and part of that process has highlighted how the industry needs to better articulate its successes over the past 15 years, conveying the value of its work, and communicating to stakeholders, regulators and investors the necessary and vital role that it plays in providing access to credit and financial services in economically disadvantaged communities.

Mr. Schmidt continued, presenting the Development Impact Dashboard that NCIF has created. A publication containing Dashboards for 16 institutions was provided to all attendees. The Dashboard is a profile of a participating institution that provides a uniform report of data most important for presenting return and impact to investors. Included in the presentation of impact are NCIF's Social Performance Metrics (DDI – Development Deposit Intensity, and DLI-HMDA – Development Lending Intensity based on HMDA data). In addition, NCIF uses private lending information for the institution and creates DLI for all loan categories, which provides a more complete picture of an institution's lending activities. The Dashboard also includes qualitative information on the products and services that each bank offers and how the bank has developed those products to meet the needs of their customer base. NCIF hopes to expand this work to many other institutions, and hopes that other CDFI Banks would look to partner with NCIF to further increase the visibility of the impact CDFI Banks have in their communities.

Mr. Greer presented an analysis that details the high level of activity that CDFI Banks have in highly-distressed geographic areas. His analysis, which utilized data from the New Markets Tax Credit (NMTC), Bank Enterprise Award (BEA) and Financial Assistance award (FA) programs, showed that these programs result in service provision in economically vulnerable communities. The CDFI Fund's function is to provide institutional support to CDFIs that in turn do lending in LICs. He addressed the negative assessment of NMTC that suggests the program creates projects in areas that do not need the assistance, and showed that the opposite is true - NMTC projects are in fact highly concentrated in the most highly distressed communities. HMDA data shows that mainstream lenders and SBA loans are not nearly as concentrated in LMI areas as are NMTC projects, and NMTC often takes place in geographies that are functionally HMDA deserts. It is difficult to isolate and model effects of program investments given the relatively small scale of interventions, but there are rigorous, external program evaluations that are currently underway that will help inform this analysis.

Ms. Newberger shared her research based on interviews with CDFI Banks in different parts of the country, in particular the newly certified CDFI Banks. Her research explored what the increase in CDFI Banks could reveal about the sector. She said that the Federal Reserve wants to support CDFI Banks, and better understand their impact in the communities they serve. There has been strong growth in the number of CDFI Banks since 2009. In part this is a function of the CDCI program, as institutions sought certification to get access to the capital provided by that program. Comparing within the sector she found that recently certified banks have larger asset sizes. There is also a regional distribution of CDBIs, concentrated in the South. The recent expansion of the industry has not reached a proportionate geography across the states.

Based on her interviews with institutions she found that newly certified CDFI banks are internally seeking to do more development finance. These new banks want a broad discussion around effective tactics and strategies including being highly responsive to local needs, and prioritizing investments in technology. She also said that many institutions were concerned about the unfamiliarity with CDFI program and the mixing of CDFI activity with CRA qualifying work. She found that some institutions felt they were straddling two conflicting worlds finding it difficult to represent the uniqueness of their situation to regulators. She said that there could be a potential disinterest in the CDFI certification and mission should the CDFI award size decrease.

She concluded by saying that the expansion of the industry means scale. Newly-certified institutions strengthen the sector, but the geographic concentration means depth not breadth. CDFI Banks face many of the same challenges as other community banks. The incentives for certification need to be clear, and remain at a critical level to encourage continued growth of sector.

Panel 4: Governance, Board Composition, and Human Capital

Charles Van Loan, Director of Independent Bancorporation and a Trustee of NCIF, moderated this panel. Panelists **M. Anthony Lowe,** Regional Director of the FDIC and **W. Ronald Dietz,** Director and Chairman of the Audit and Risk Committee for the Capital One Financial Corporation discussed the importance of management and board composition, especially in light of the current economic environment.

Mr. Van Loan provided guidelines on board composition from his experience with Independent Bank, but noted that Independent Bank has specific board composition and governance rules that may not apply to all CDFI Banks. For board selection, a board member must possess a sound level of financial literacy in order to contribute. He stressed that although age diversity can be important it is also a real challenge to find qualified younger candidates. Turnover can also be an issue, as it typically takes 3-years to gain experience on a board. Diversity, ethnicity, public/private background, and work experience are important factors. In the long run, it is also important for the working relationship within the board to be collegial.

Mr. Van Loan also offered advice regarding removing board members. An evaluative process for board members administered every three years, if not more frequently, can help this process. Directors, however, often become friends, so the evaluation process becomes very subjective. Removing a director is usually left up to the chairman or CEO, but the corporate governance chair also has a role in this process. Age limits can be a useful tool to facilitate this transfer, but term limits can be challenging, as it is difficult enough to get quality board members. Losing them from term limit processes is a disservice to the organization. Business referrals from directors are important, and can have a positive impact to business. Directors can be good for board referrals, but if they get too involved with loan referrals it can create problems for the business.

Mr. Lowe provided an insider perspective on what the FDIC looks for in their evaluation of a new bank. The responsibilities of a director include forming policies, setting objectives, supervising bank affairs, and regulating the manner in which all business of the institution is conducted. There is an affirmative duty to serve their local market and from the regulatory standpoint, they have duty to respond to regulators. Board responsibility can be broken down into two areas, loyalty and care.

- Loyalty: They should be loyal to their bank, not their own well-being. They must administer affairs of the bank with integrity and honesty.
- Care: They must act in a prudent and diligent matter. They must have active participation in committees, seeking information, criticizing operations, and exercising independent judgment. There is an expectation of directors to establish risk tolerance levels. They should direct tone of bank business strategy.

Mr. Lowe also outlined the top 5 factors in evaluating a board member: integrity, skills and experience, time and focus, financial stability, and the ability to also be the voice of dissension when necessary. Certain red flags that the FDIC notices include failure to insure management operates within policy parameters of the board, failure to follow up on material tasks given to operational management, proper due diligence, failure to address reforms, and failure to address challenges to budgets.

Mr. Dietz noted the reticence of boards in small banks to approach risk management decisions. He said the experiences of the last 3-5 years have convinced regulators, investors and other players that risk management needs to be more robust. Those organizations that have installed effective risk management practices have seen the benefits, and these practices can lead to an emphasis on the future, improved strategy, and increases their ability to anticipate and react. They also facilitate faster regulatory approval.

Mr. Dietz also discussed how well-run management has risk management operating at several levels so that there is an appropriate balance between risk and reward. It needs to be an attitude that is shared throughout the organization. He said to get risk management to work at an appropriate level there are two challenges. First, keep your own transaction activity within bounds. Bank failures are not failures of transaction activity, but rather a failure to understand strategic risks the organization was taking. Second, the activity of taking risks needs to be dispersed throughout the organization, a vertical and horizontal view of risk dispersal. There needs to be strategic decisions about risk within your organization. This process requires a defined framework for identifying risks, risk appetite, mitigation strategies, and results monitoring. Furthermore, people need to have defined roles and interactions. They need to have values, open communication and collaboration, honesty, and low ego involvement. He feels that Risk Management is a good operating theater for how the board works with each other and within the operating management. Development of values allows board members to evaluate how the board works together. Board committees need an overseer to make sure the process is working, that decisions are executed, and results are tracked.

In response to some of the questions asked regarding CDFI Banks being deeply involved with their communities, Mr. Van Loan discussed how the board should bring in relationships, not directly source specific loans.. He discourages directors from taking loans with the bank they serve. Mr. Dietz noted that CDFI Banks exist to connect the community, so the board should facilitate that (while not necessarily networking explicit business and banking activities). Board members in communities can directly increase the business of the bank without it being insider dealing. Mr. Lowe mentioned that directors are like ambassadors of the bank, making sure that businesses are aware of services available. However, he does not look at directors as sales people, to which Mr. Van Loan agreed and added that board members should not be out soliciting capital.

Mr. Van Loan said that sometimes the value side (i.e. bringing a certain non-financial expertise such as technology) is over emphasized. Some board directors will act independently to increase their financial literacy, and Mr. Van Loan did note that it is important to build a variety of skills on the Board.

On a related question regarding specialization in the board room, Mr. Van Loan responded that some specialists are required (i.e. technical areas), but there is a danger in having board members that are too specialized to function in any other capacity. Consultants may be able to provide that specialized function. Mr. Dietz noted that the whole direction of banking is moving towards people with financial literacy. You want to avoid specialists that do not engage in issues other than their specialty. Finally, Mr. Lowe offered that it could be beneficial to bring in outside opinions, like business owners in other fields. But they should have a blueprint for the type of individuals that are in line with the institution, and at a minimum they should have some type of business background and be active in the community.

Panel 5: Opportunities, New Issues and Challenges for CDFI Banking

Joe Ferrari, Senior Analyst at NCIF moderated this panel. **John Moon,** Assistant Director of Capital Formation at Living Cities and **Jodie Harris,** Policy Specialist at the CDFI Fund were panelists and they discussed some new opportunities for CDFI Banks including the CDFI Bond Guarantee Program.

Mr. Moon presented findings on the Integration Initiative, a part of Living Cities. The Integration Initiative was launched by Living Cities in 2010 to build an ongoing cross-sector program that tackles problems to improve the lives of low-income people in their cities. They took ground-level observations to develop a collaborative network in 5 cites: Baltimore, Newark, Detroit, Cleveland, and the Twin Cities. Each project looks at different anchor institutions within their city. He highlighted the role that CDFIs and CDFI banks can play both within the Integration Initiative, and more broadly within these communities. He encouraged CDFI Banks in these communities to get in touch to discuss opportunities to partner and participate.

Ms. Harris presented some details about the CDFI Fund Bond Guarantee Program. She emphasized that the CDFI Bond Guarantee regulations will be announced soon. The program is such that annually, the US Treasury will provide a guarantee for $1 billion in bonds issued by CDFIs. The Federal Financing Bank is authorized by the OMB to purchased loans that are guaranteed by the federal government The CDFI Fund has been delayed in deploying the program because of the level of complexity with the program. The program is comparable to the HBCU (Historically Black Colleges and Universities) Bond Guarantee program.

The program is being evaluated to provide the most value to the CDFI community. Bond issuance will be an interactive and iterative process. It is important to determine what CDFIs may be able to absorb the $100 million bonds without throwing off the capital ratios and triggering a regulatory response.

Ms. Harris fielded several questions from attendees, and clarified how the Program will work. First, she discussed that underwriting will consider the credit quality of CDFI banks, and the structures will be very simple wherein an issuer lends directly to the CDFI. Asset class and credit quality will be used during the evaluation process.

Regarding the issue of allowing flexibility when institutions are facing capital issues and want to partake in the program, Ms. Harris noted that the program will have to be flexible. It will be attempt to reduce the level of work that goes into administering the issuance of bonds so that the cost of issuance remains minimal. The focus is on making this work for CDFIs and determining the best structure for CDFIs. Currently they are looking into recommendations on structuring and she mentioned that NCIF is actively working with CDFI banks to develop and implement workable structures.

Saurabh Narain, concluded by pointing out that this will be the single biggest source of liquidity and capital for the CDFI sector. The CDFI Bond Issuance Working Group that NCIF is forming will constitute an important voice in the development of this program. He encouraged CDFI banks and other stakeholders to contact NCIF to get involved in this initiative.

Day Two: Mission and Profit: Raising the Bar
Thursday, November 3, 2010

Keynote Address

David McGrady, Vice Chairman of City First Bank of DC and NCIF Chairman, introduced the Honorable **Donna Gambrell, Director of the CDFI Fund.**

In her keynote speech for the 2010 NCIF Conference, Director Gambrell, offered guidance and support for the industry that was weathering one of its most difficult years and witnessed the failure of several CDFIs. Her address this year built upon the resiliency of the industry by encouraging institutions to embrace their unique position to continue to create considerable impact in the communities that have been most affected by the crisis, and to take advantage of new opportunities for growth that the economic landscape offers.

She suggested that the worst of the crisis was over, but the impact on LMI communities, such as rapid deterioration as a result of widespread foreclosures, remain considerable challenges that the CDFI Banking industry is positioned to address. She accepted that there are fundamental questions around the balance of mission and profit, to looking ahead or to simply hold on, to survival or raising the bar. She implored the industry to realize that it is not the time to put thinking and planning for those dreams on hold, because the way forward has never been to stand still. She said that there must be transformation from something that is merely possible into something that is real, enduring, and sustainable. She stressed that NCIF provides a forum for discussing practical steps to achieve that transformation.

Although the 2012 CDFI Fund Budget has not been released, the current House proposal would be a serious cut for the CDFI Fund. CDFIs must always think about the Plan Bs and Cs to deal with the situation given to them. Despite that, she urged the group to remain hopeful. She then provided three reasons to be optimistic.

1. Power of Innovation. The industry is creating a new road map by developing a capacity for innovation to face new challenges. They are improving capital raising, recruiting, and developing management. Ideas from last year's conference, like shared services and backroom offices are an example. Broadway Federal Savings Bank had a rising portfolio of delinquent church loans on their books that prompted them to create a loan education program to reduce the number of problem loans. At Urban Partnership Bank, the ShoreBank legacy is being carried on, while developing a new business network, micro-branches, and a financial service center for non-profit customers only one year after the acquisition.
2. Power of Collaboration. The difficult work that NCIF is doing with their social metrics focuses the strengths, financial position, and trajectory of our message. When expertise and resources are combined, reach is extended and impact is multiplied. NCIF has been a leader in facilitating this collaboration.
3. Power of Vision. Capital can be an instrument of compassion. It can be an uplifting way for communities to achieve self-sufficiency. People bring this idea into their communities and that vision has spread. Carver Bank had capitalization issues that they worked through. Difficult decisions had to be made by the board, given the history of the bank in the community, involving new investors to support the bank. But they chose a strategy to have long-lasting impact.

She said that the CDFI Fund will support organizations that represent those 3 powers. They will continue to advocate for increased funds for the critical role CDFIs play. Their Capacity Building Initiative provides training and assistance to CDFIs, and the BEA, FA, and NMTC programs are essential for CDFI Banks, and the new CDFI Bond Guarantee program will be a game changer.

She recognized that issues affect CDFI Banks differently than other organizations for financial assistance grants. Only two were awarded last year, but they want to make sure there is geographic and institutional diversity. Each year they are dealing with different dynamics, but she urged the industry to continue to apply for these programs.

She then related a story about the Jewish Council on Urban Affairs (JCUA) that worked in Chicago for 40 years providing affordable housing, social justice for teens, immigration support, and a Jewish-Muslim community building initiative. The latter was started in 2001, and went beyond the scope of a dialogue group to form an interfaith initiative fighting abuses to civil rights and bigotry. Partnerships like these build bridges. In 2010 its funding had declined to a point where programs had to be cut. They were a longtime customer with ShoreBank, and continued with Urban Partnership. Through two loans they were able to keep the programs open. She said that stories like this are throughout this industry. She urged the industry that as they move forward to remember the reasons why they do the work, and the impact is has on the community.

She concluded by saying that the vision of the industry is its life blood, its strength, and what communities and their own employees look to. She said that even in difficult times there is a way out and way up. Ms. Gambrell is proud of the work being done and emphasized that it was a key time for collaboration.

Panel 6: Intersection of Financial Technology and Community Development

Saurabh Narain, of NCIF, opened the panel by stressing the need to implement state of the art technology into CDFI Banks. Incorporating technology allows banks to expand their reach and reduce costs relating both to product delivery and operations. As a result of incorporating technological improvements, financial performance can increase resulting in increased attention from the investor community. He noted that Sunrise Banks, a holding company for three CDFI banks in the Twin Cities of Minnesota, has been a leader in using new technologies, and introduced David Reiling to lead the session.

David Reiling, CEO of Sunrise Bank moderated the panel. He began by illustrating the intersection of community development and financial technology with Sunrise Bank's program, the Underbanked Empowerment Journey. Sunrise uses technology to serve both performance and mission, with a primary goal of serving one million un- or under banked people. The Sunrise program heavily uses prepaid cards. With prepaid cards, customers and deposits can come in from around the country, and as a Prepaid Card Issuing Bank, a CDFI can expand their geographic reach. He said that Sunrise had been a place-based institution, serving the needs of lower income residents in the Twin Cities. Their venture into prepaid cards has allowed them to become a people-based business, serving the needs of underbanked populations around the country.

Another product option is small dollar loans, an alternative to check cashing where a great deal of innovation is occurring. He said that the industry must compete with check cashers and payday lenders in the same communities. Tax preparation services, that could lead to other banking services like refund transfers, offer another opportunity. He also suggested that there is opportunity with the public backlash against mainstream banks, as people are looking for institutions like CDFI Banks to move their money. He concluded by saying that the scale has to match the problem. Sunrise has 50,000 unbanked in the program now and that needs to continue growing to impact the millions of people that are currently unbanked.

John Davis, Senior Vice President of FiServ began the first technology demonstration. He said that FiServ deals with all the large institutions, platforms and capabilities to meet a wide range of customers. He said the unbanked are working primarily in cash because of the need for liquidity. He suggested that serving this customer segment using prepaid technology could leverage that relationship into other programs, products, and services that would transfer the customer from transactions to financial planning activities. Utilizing these products can also extend functionality beyond bricks and mortar, allowing customers to manage products on-line. He said that it was naïve to think that financial activities are not going to adapt to technology changes in a fashion that is similar to other technologically driven lifestyle changes (shopping, social networking, etc.). Building on these ideas, he introduced **John Lovelet** of Fiserv, who demonstrated Popserv, a technology that allows electronic client database construction, payments to vendors, client payment and receipts, invoices, incentives, purchase orders, taxes, and a reduced transaction time (from 45 days to 3-5 days in some cases). The technology could limit back office costs for CDFI Banks.

Steven Doctor, COO of Chexar, shifted the discussion to check cashing. Chexar developed from within the community bank industry and then began to offer services to other institutions. In early 2011, Carver Federal Savings Bank began offering Chexar's check cashing services. Chexar captures the entire transaction to keep institutions accountable and every client receives a proprietary database of their customers. There is a possibility for offering additional services once the check is cashed - that transaction is just a window to these services. He said that banks have an advantage over check cashers because of their location, their financial experience, and their capital.

Sarah Livnat, Senior Director at Progreso Financiero discussed the service offerings of her organization. Progreso Financiero serves their customers by offering small dollar loans (up to

$2,500) while helping them build their credit history. The principles behind their products are empowerment, relevancy, high value, fairness and transparency, and profitability. They have a Small Installment Loan program for amounts of $250-$2,500, that carry 36% APR that have achieved single digit loss rates. The product builds credit and meets short-term credit needs. They also offer FDIC insured prepaid debit card hybrid accounts that allow deposits up to $2,000 into prepaid accounts that will be available immediately, for a monthly fee. They combine programs with literacy and credit-building opportunities and offer standalone locations and also branches within businesses like supermarkets. She said that it costs them $15,000-$20,000 to open retail locations. Their business model is to offer these services to other financial institutions.

Steven Reider, Founder and CEO of Bancography, then delivered a presentation on the branch-related services the firm provides, including a locational analysis for banks and a design-centered solution to operating branches with lower operating costs. His concept stressed that bank branches are an essential part of the urban context. Different delivery methods can overcome barriers in low-income areas where branch profitability is difficult to maintain. As an example, Urban Partnership Bank has a micro-branch that they just opened in the Loop, using many of these small-footprint design concepts. His conclusion was that through smaller formats, instead of in-store branches, more potential sites become viable and new opportunities for profitability appear. It is necessary for banks to accept lower balance potentials and to design a model that allows for profitable operation in that context.

Panel 7: NCIF New Market Tax Credits Program

Joe Schmidt, Vice President of NCIF, moderated the final panel. He gave a short presentation on the NMTC program and the three-way partnership developed by NCIF. The three-way partnership is structured so that it directly benefits CDFI Banks and allows them to gain experience in the program, helping them to develop internal New Markets programs. Benefits of this structure extend to the borrowers who receive below market rates, and if a CDFI Bank participates as a leverage lender, they can provide support for existing customers or develop relationships with new customers while producing projects that have a high impact. CDFI Banks can develop an internal program and build new relationships with customers and with large bank investors for additional support.

Blondel A. Pinnock, President of Carver Community Development Corporation (CCDC) provided an in-depth look into Carver's participation with NMTC as a CDE. CCDC provides NMTC financing and has received allocations in three rounds of the program. Carver FSB has been an active investor in NMTC ($40 million), providing leveraged loans on several projects. They have been successful at providing efficient closing times and below market rates. She described two projects, the Lower East Side Girls Club, with $10 million in QEI (Qualified Equity Investment) that will serve 400 young women from LICs. The facility provides job training, an educational center, a planetarium, a recreation facility, and a bakery. JPMorgan Chase provided investment capital and Bank of America provided the loan. A second project, the Pitkin Theater Center, includes the Pitkin Ascend Charter School and retail space. CCDC worked on this project with 4 other CDEs, with Carver providing the servicing. CCDC plans on using this model in the future. A third project brought NCIF to the table for the 4469 Broadway development. It is located in Washington Heights and is a mixed-use, mixed-income project, with 17 of the 85 apartments reserved for low-income families. The project has the additional impact of helping to establish a commercial corridor and childcare service center for the community.

Alden J. McDonald, President and CEO of Liberty Bank and Trust provided a profile of his bank's NMTC program. Liberty is located in 6 states and has been involved with NMTCs since 2002. They have received 4 rounds of allocations, for a total of $165 million. Income earned from NTMCs allowed them to expand account products to customers, and also allows them to have higher loan-loss reserves and to take more risks. Large projects have high impact but those projects aren't the only ones requiring support, and he suggested that the benefits could be expanded to smaller projects. NMTCs can mitigate some of the risk for cost overruns and make projects affordable for small businesses and nonprofits. It also provides a channel for building partnerships. Furthermore, NMTCs affords them the opportunity to be in various markets, which brings in a lot of new business and has built a number of great relationships and loans. NMTCs are a well-rounded tool and product within his institution and it both helps with rebuilding the community and increasing revenues of the bank.

Steven Kramer, Senior Vice President of NMTC & HTC Investments US Bancorp, provided his experience. He said the CDC is unique in that its sole product is equity investment into entities that generate tax credits. They will invest $2 billion in QEIs. In addition to investing, they also have their own CDE that received 4 allocations. Mr. Kramer talked about how the three-way partnership with NCIF is a good model because it involves a local institution with on the ground knowledge and underwriting capability. He described an NCIF project where a medical school was built in a distressed, rural area near Pikesville, Kentucky. The Medical School project offers a free clinic to increase capacity to 4,000 annual patient visits and the project involved five partnerships.

Aaron Seybert, of Chase Community Equity, then offered his perspective on NMTC and Historic Tax credit investing. They were another multi-round allocatee, and have employed almost all of their allocations. Mr. Seybert said that Chase loves the partnered deals like NCIF's program because the projects are very impactful, provide good income, and serve as a good conduit for relationships. He also acknowledged that it was a very competitive process to receive allocations and a barrier to the field is cost and training. Without the guarantee of receiving the allocation, a CDE would have to support a high cost structure without the necessary payoff. CDFI Banks often have great clients without liquidity, so the banks can coordinate relationships and to facilitate participation in the NMTC program.

Saurabh Narain, concluded the session by putting an emphasis on partnerships for high impact projects. He said CDFI Banks are the eyes and ears on the ground. He reminded participants that the program is up for reallocation and stressed that organizing from the community is necessary to ensure that Congress understands the importance of the program.

Appendix

Appendix 1: Community Development Banking Institution Designation

COMMUNITY DEVELOPMENT BANKING INSTITUTION

DESIGNATED COMMUNITY DEVELOPMENT CDBI BANKING INSTITUTION℠

Community Development Banking Institutions (CDBIs) are certified CDFI banks and those banks that are not yet CDFI certified, but have a mission of community development and "walk, talk and act" like CDFIs. NCIF expects that over a period of time they will become certified CDFIs.

THE DESIGNATION PROCESS

(A) Institution is a certified as a "Community Development Financial Institution" by the **CDFI Fund**

OR

(B) Institutions meets a combination of NCIF Screens:

1. Quantitative Screens:
Institution meets thresholds per the **NCIF Social Performance Metrics℠**

- ***Development Lending Intensity (DLI) Score > Threshold Value***
  - i. DLI – HMDA threshold is proposed to be 40%
  - ii. DLI – Commercial Real Estate threshold is to be determined
  - iii. DLI – Small Business threshold is to be determined
  - iv. DLI – Consumer threshold is to be determined
  - v. DLI – Agriculture threshold is to be determined
- ***Development Deposit Intensity (DDI) Score > Threshold Value***
  - i. DDI threshold is proposed to be 50%

AND

2. Qualitative Screens:
Institution demonstrates mission focus using **NCIF Model CDBI Framework**

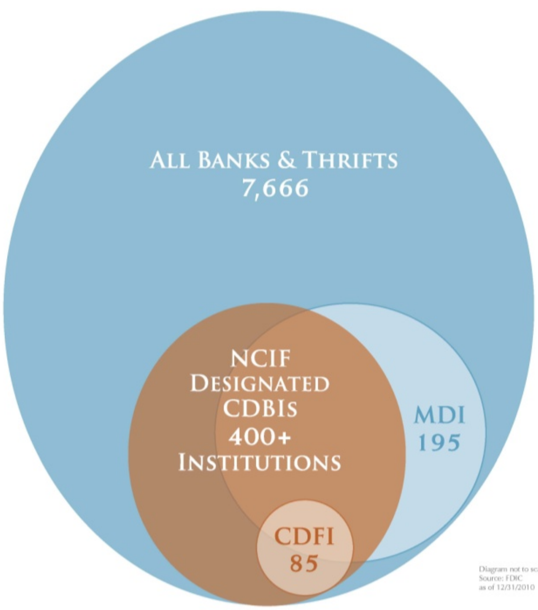


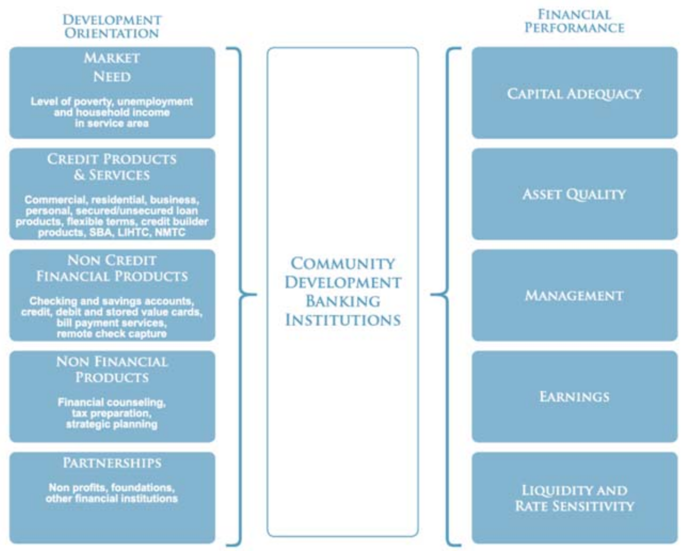
Diagram not to scale.
Source: FDIC
as of 12/31/2010

Appendix 2: Model CDBI Framework

NCIF utilizes the **Model CDBI Framework** to evaluate the economic development orientation of an institution. The framework (provided below) examines the **market need** of the community that the bank serves as well as the **products and services** the bank offers and the **partnerships** in which the bank is engaged. This analysis determines if the bank is simply located in a low income area, or if they are going beyond to create and implement the innovative tools and programs that low-income customers and businesses need to survive and thrive.

By performing this Model CDBI Analysis, NCIF is able to get past the numbers and to truly understand the operation of an institution. By doing so, we can determine if the bank truly has a double "bottom-line mission" orientation.

The Model CDBI Framework



What is the **Market Need** in the institution's service area? Does the area have elevated poverty and unemployment rates?

What are the **Credit Products and Services** that the institution provide its customers? As an example, NCIF Investee *City First Bank of DC* in Washington, DC offers a wide range of Loan structures to enable mission oriented borrowers to engage in development of affordable housing, health clinics and services, charters schools and other education providers.

What **Non Credit Financial Products** are being offered? NCIF investee *Carver Federal Savings Bank* in New York has recently rolled out a suite of products that are alternatives to check cashers and money service businesses. These products are more sustainably priced, and build strong bank relationships for the currently unbanked and underbanked.

What are the **Non-Financial Products** that the institution is providing? *Carver Federal Savings Bank* in New York established a formal Financial Empowerment Workshop Series with the support of a U.S. Treasury CDFI Fund Financial Assistance (FA) grant. Over 10,000 attendees benefited from over 450 Carver-sponsored seminars and events centered on such critical issues as credit and money management, affordable homeownership, predatory lending, the benefits of traditional banking accounts and services versus the relative expense of check cashing services.

Finally, is the institution involved in **Partnerships** with non-profit groups, government and other organizations that serve to bring assistance to the community? NCIF investee *Broadway Federal Savings Bank* in Los Angeles participates in several public-private partnerships as part of its delivery and outreach strategy including the City of Los Angeles' Bank on LA Program and Banking District Development (BDD) Program, and the City of Los Angeles Mayor's Office of Economic and Business Policy Small Business Advisory Council.

Appendix 3: Example of the NCIF Social Performance Metrics℠ Dashboard

NCIF℠ National Community Investment Fund

Development Impact Dashboard

Community Development CDBI Banking Institution

BROADWAY FEDERAL BANK

4800 Wilshire Boulevard
Los Angeles, CA

Established 2/26/1947
www.broadwayfederalbank.com

Exchange/Ticker: NASDAQ/BYFC
Branches: 3

Impact Indicators:

Quadrant:	1
Certified CDFI:	Yes
Certified MDI:	Yes
Explicit CD Mission Statement:	Yes
CRA Rating (2009):	Outstanding

Definitions

DLI-HMDA: Development Lending Intensity – HMDA is the % of HMDA reported loans located in CDFI Investment Areas. *Source: FFIEC, As of 2010.*

DDI: Development Deposit Intensity is the % of branches located in CDFI Investment Areas. *Source: FDIC, As of June 30, 2010.*

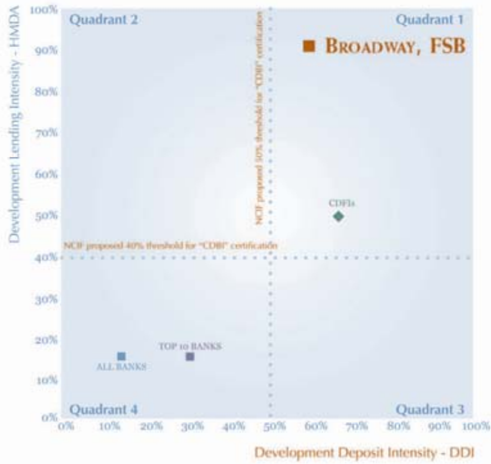
DLI-All Loans: Development Lending Intensity – All Loans is the % of total annual lending located in CDFI Investment Areas. *Source: Self Reported by Banks, As of 2010.*

DLI – Loan Category: Development Lending Intensity – Loan Category is the % of lending in each loan category (CRE, Housing, Small Business, Consumer) located in CDFI Investment Areas. *Source: Self Reported by Banks, As of 2010.*

WWW.NCIF.ORG
© 2011 National Community Investment Fund

2010 Social Performance Metrics - Peer Comparison

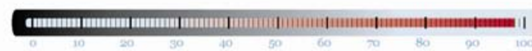
Based On Publicly Reported Data



	Broadway FSB	CDFI Bank Median	All Bank Median	Top 10 Bank Median
DLI-HMDA	90.95%	54.22%	15.88%	14.97%
DDI	60.00%	66.67%	16.67%	31.20%

DLI-HMDA score was 90.95%:

Ranks in the 98th percentile within the "All Banks" peer.



DDI score was 60.00%:

Ranks in the 83rd percentile within the "All Banks" peer.

2010 Development Loan Reporting

Based on Self Reporting

Broadway FSB	DLI
DLI-All Loans	88.46%
DLI-CRE	87.20%
DLI-Housing	88.69%
DLI-Small Business	NA
DLI-Consumer	NA
DLI-Agricultural	NA

- For every $100 of total lending, $88.46 was lent to borrowers in low- and moderate- income communities.
- Since 2006, Broadway originated $235.5 million in 454 loans to low- and moderate- income communities.

NCIF NATIONAL COMMUNITY INVESTMENT FUND

BROADWAY FEDERAL BANK

Broadway Federal Savings and Loan Association was founded in 1946 by a group of civic-minded men and women who had identified the need for conventional loans to minority consumers who were ignored by all of the existing financial institutions. This holds consistent with its current mission, which is to serve the real estate, business and financial needs of customers in underserved urban communities with a commitment to excellent service, profitability and sustained growth.

FINANCIAL HIGHLIGHTS ($000/%)

End of Period	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	CDFI Median
Assets ($000)	$300,999	$356,885	$405,342	$522,128	$484,316	$180,329
Equity ($000)	$23,930	$26,043	$33,468	$38,590	$43,429	$16,298
Total Loans & Leases ($000)	$249,358	$305,598	$361,031	$469,066	$427,655	$114,770
Deposits ($000)	$224,627	$231,526	$294,067	$389,879	$350,053	$155,104
Net Income ($000)	$2,105	$2,040	$2,868	$(3,134)	$(2,046)	$333
Leverage Ratio (%)	7.95	7.30	8.25	7.29	8.82	8.54
NIM (%)	3.56	3.61	3.79	3.98	4.01	3.72
Efficiency Ratio (%)	66.71	73.42	64.10	54.56	60.47	78.81
ROAA (%)	0.73	0.63	0.74	-0.66	-0.39	0.31
ROAE (%)	9.27	8.18	9.76	-8.54	-4.84	2.51
NCLs/Total Loans (%)	0.00	0.01	0.77	6.27	9.20	4.42
NCOs/Average Loans (%)	0.00	0.00	-0.04	0.00	0.00	0.82
Reserves/Loans (%)	0.68	0.66	0.82	2.23	3.65	1.98

Source: SNL.com. Financial Data as of 12/31/2010 unless stated otherwise.

NCIF MODEL CDBI FRAMEWORK: DEVELOPMENT ORIENTATION *Based on Self Reporting*

MARKET NEED

Many customers in the bank's target market of Latino and African-American communities in Los Angeles County rely on high-cost financial alternatives to banks, such as payday lenders and check cashers, to perform basic banking functions. Los Angeles has the nation's largest "unbanked" population, where Latinos account for 75% and African-Americans 21% of this population. In Southeast Los Angeles, where African-American and Latino households make up the majority numbers, the number of check cashers, pawnshops and payday lenders is five times larger than the number of banks and credit unions. The three bank branches are in census tracts with poverty rates of 46%, 20% and 16%. Each branch is located in an Investment Area, as defined by the CDFI Fund.

CREDIT PRODUCTS & SERVICES

The bank offers a host of loans, such as single-family residence, multifamily, and commercial. It also offers loans to churches and non-profit organizations as well as small-business owner-operators.

NON-CREDIT FINANCIAL PRODUCTS

The bank serves a variety of depository holders in its market with products such as Fresh Start Checking Accounts, Passbook Savings Accounts, Checking Accounts for Faith-based organizations, and specialized Senior Citizen Checking Accounts.

NON-FINANCIAL PRODUCTS

Over 60% of bank customers require some form of education or counseling prior to opening a first-time deposit account or obtaining a loan. The majority of the bank's development services are in the form of (1) pre-loan counseling to prospective borrowers to explain the types of products and loan process; (2) post-loan counseling to borrowers to explain positive credit habits, financial management, loan modifications and other loan alternatives; and (3) financial literacy education provided through workshops, seminars and presentations to adults and children in the Los Angeles community.

PARTNERSHIPS

The bank serves specific niches such as churches, charter schools, small minority-owned businesses, and relies on partnerships with affinity groups and organizations that exist for these niches. This outreach includes staff membership in community organizations, religious organizations, civic organizations, local chambers of commerce, and professional organizations. The bank also participates in several public-private partnerships as part of its delivery and outreach strategy. The City of Los Angeles' Bank on LA Program and Banking District Development (BDD) Program, and the City of Los Angeles Mayor's Office of Economic and Business Policy Small Business Advisory Council are examples.

DISCLAIMER: This report sets forth information regarding a number of community development financial institutions, their social missions and various metrics by which to measure their success in satisfying their social missions. Readers of this report are cautioned that this report has not been prepared with any particular reader in mind and each reader should review this report carefully and thereafter make its own decision as to whether an investment in debt or equity securities or deposits of community development financial institutions or any particular community development financial institution is appropriate for it. This report is not intended as an offer to sell, or a solicitation of an offer to buy, a security or deposit in any particular community development financial institution. A reader should not rely on information contained herein in making an investment decision whether to purchase securities or deposits in any particular community development financial institution. Readers should also be aware that the National Community Investment Fund may, from time to time, invest its own funds in one or more community development financial institutions, including those discussed in this report, and therefore may have its own interest in the success of these institutions.

NCIF THANKS OUR SPONSORS & INVESTORS

Lead Sponsor:

FEDERAL RESERVE BANK OF CHICAGO

Sponsors:

bancography · Bank of America · Chase

Keefe, Bruyette & Woods · Wells Fargo · Urban Partnership Bank · US Bancorp

NCIF Investors:

Bank of America · Chase

2011 ANNUAL DEVELOPMENT BANKING KEYNOTE SPEAKERS

Sandra Thompson, Director, Division of Risk Management Supervision
Federal Deposit Insurance Corporation

John Hale III, Deputy Associate Administrator, Office of Capital Access
Small Business Administration

Donna Gambrell, Director
CDFI Fund


NCIF NATIONAL COMMUNITY INVESTMENT FUND
Anthony Lowe
Blondel Pi
Robin Newberger
Alden McDonald, Jr.
Ommeed Sathe
SOCIAL PERFORMANCE METRICS

LEVERAGING CAPITAL FOR CHANGE℠

135 South LaSalle Street, Suite 2040 Chicago, Illinois 60603 **[T]** 312.881.5826 **[F]** 312.662.6100

WWW.NCIF.ORG

© 2011 National Community Investment Fund