STUDY: LOANS TO DISTRESSED COMMUNITIES AND LOW-INCOME PERSONS AS SAFE AS “CONVENTIONAL” LOANS

Community Development Financial Institutions Score Strongly on Safety and Soundness; Findings Debunk “Common Wisdom” that Conventional Loans Are More Likely to be Repaid.

WASHINGTON, D.C.///FEBRUARY 24, 2004///”Community investing” loans providing financial products and services to economically disadvantaged people and communities are as safe or safer than loans made to wealthier individuals and communities, according to a new National Community Capital Association (NCCA) study released today by the Community Investing Program of the Social Investment Forum Foundation and Co-op America. The study analyzes the 2002 performance of well over 100 community development financial institutions (CDFIs) across the United States.

One of the key findings of the new NCCA analysis: The 2002 net charge-off rate of community development financial institutions was 0.7 percent, which actually was better than the net charge-off rate of 0.97 percent for all commercial banks during 2002. (The “net charge-off rate” refers to the annualized value of loans and leases removed from a financial institution’s books.) In addition to the 2002 results, the new study reports on more than $6.6 billion in financing over the last 30 years by 138 CDFIs in communities throughout the country. During that period, CDFI financing helped produce 185,874 jobs, 283,415 housing units and 3,849 community facilities in distressed and underserved communities.

National Community Capital Association CEO Mark Pinsky said: **“This study shows that CDFIs provide investors the opportunity to be socially responsible <u>and</u> financially prudent at the same time. Community investors now have 30 years of experience and evidence that making investments in low-income communities is no riskier than doing business in mainstream markets. And the communities that CDFIs serve are the ones that benefit the most from capital to create new jobs, improve services and create first-time homebuyers. These are the markets that give us the biggest economic bang for the buck.”**

Community Investing Program Chair and ShoreBank Senior Vice President Jean Pogge said: **“Community investing is all about making changes in ways and places that are passed up by traditional financial institutions. The data being released today underscores the fact that the work CDFIs do is integral to the communities they serve. At the same time, this is a rock-solid investment for those who want to direct their funds to make a difference in the world. As an example, for more than thirty years, ShoreBank has produced loan losses at or below our banking industry peers. In 2003, our charge-offs were only 0.57percent.”**

Commenting on the NCCA report data, Jane Henderson, director of community development at Wachovia, said: **“Wachovia’s experience confirms that community investing is good business. It is good for the company, our customers, our shareholders and our communities. Our company is only as strong as the communities where we operate. Investments that strengthen those communities ultimately strengthen our business.”**

KEY STUDY FINDINGS

The National Community Capital Association study, entitled ***"Community Investing 2002: Safety & Soundness Data Findings,"*** reached the following conclusions:

- **CDFIs have not lost a penny of investor capital.** CDFIs excel at managing risk in low-income communities and other markets that are underserved by conventional financial institutions. They do this through a combination of having sufficient equity capital and loan loss reserves, and closely monitoring and providing technical assistance to their clients. CDFIs in the NCCA sample have an average equity capital of 27 percent and average loan loss reserves of 5 percent, which are both more than sufficient to absorb portfolio and operating losses.

- **Portfolio performance remains strong.** Delinquencies and loss rates at CDFIs remained low during the sustained economic downturn through 2002. Overall 90+ day delinquency rates were 3.6 percent. The net charge-off rate of CDFIs in the NCCA sample was 0.7 percent, which rivals the net charge-off rate of commercial banks in FY 2002, which was 0.97 percent for all financial institutions.

- **Growth continues in the CDFI industry.** Total financing capital of CDFIs continued to grow in 2002, despite a period of economic uncertainty. NCCA's membership managed more than $3.1 billion in total capital at year-end 2002. For members on which NCCA had 2001 and 2002 data (101 CDFIs), total capital increased at an average of 22 percent per institution.

- **Deployment of capital is high.** Deployment of capital in community development projects remains high, providing evidence that there is strong demand for CDFI services. In 2002, CDFIs in NCCA's network deployed 81 percent of total capital in loans and investment outstanding and committed.

- **CDFIs continue to have substantial impact in their communities.** Through the end of fiscal year 2002, the CDFIs provided more than $6.6 billion in cumulative financing, helping to create 185,874 jobs, 283,415 housing units, and 3,849 community facilities. CDFIs are targeting their activity to the most economically disadvantaged populations and those that are traditionally underserved by conventional financial institutions. In 2002, an average CDFI's client make-up was roughly 70 percent low-income; 48 percent female; and 49 percent minority.

The complete NCCA study is available online at http://www.communityinvest.org.

ABOUT THE ORGANIZATIONS

National Community Capital Association (http://www.communitycapital.org) is the leading national network of community development financial institutions. The network invests in small businesses, quality affordable housing and vital community services that benefit underserved markets people and communities. NCCA provides financing for CDFIs, training and consulting to CDFIs and CDFI investors, and advocacy on behalf of the CDFI industry.

The Community Investing Program is a joint partnership of the Social Investment Forum Foundation and Co-op America. The Social Investment Forum Foundation is a national nonprofit organization providing research and educational programs on socially responsible investing. Co-op America is a national nonprofit organization founded in 1982 that provides the economic strategies, organizing power and practical tools for businesses and individuals to address today's social and environmental problems. The Program's Web site is http://www.communityinvest.org.

ShoreBank is America's first and leading community development and environmental banking corporation. ShoreBank is committed to building vibrant communities by providing financial services and information to create economic equity and a healthy environment. Headquartered in Chicago, ShoreBank has banks and affiliated nonprofits in Chicago; Cleveland; Detroit, Ilwaco, Washington; and Portland, Oregon; business development services in Michigan's Upper Peninsula and consulting services around the world. For more information, visit www.ShoreBank-online.com.

Wachovia Corporation (NYSE:WB) is one of the largest providers of financial services to retail, brokerage and corporate customers throughout the East Coast and the nation, with assets of $401 billion, market capitalization of $61 billion and stockholders' equity of $32 billion at Dec. 31, 2003. Its four core businesses, the General Bank, Capital Management, Wealth Management, and the Corporate and Investment Bank, serve 9 million households, including 900,000 businesses, primarily in 11 East Coast states and Washington, D.C. Its broker-dealer, Wachovia Securities, LLC, serves clients in 49 states. Global services are provided through 32 international offices. Online banking and brokerage products and services also are available through www.wachovia.com.

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EDITOR'S NOTE: A streaming Web-based recording of the event will be available as of 6 p.m. EST on February 24, 2004 at http://www.communityinvest.org. The Web page will also provide access to the study and related news release.