STUDY: LOANS TO LOW-INCOME INDIVIDUALS, GROUPS PERFORM AS WELL AS "TRADITIONAL" BANK LOANS

Findings Based on Over 100 Institutions Flies in Face of Common Wisdom; Increasing Role Played by Large Players, Such as Wachovia, is Welcome Trend.

WASHINGTON, D.C.///October 9, 2002/// "Community investing" loans for housing, child care and small businesses in economically disadvantaged markets such as North Camden, N.J., South Central Los Angeles and the Pine Ridge Indian Reservation in South Dakota are as safe as loans in higher-income "conventional" markets, 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 new NCCA study reports on almost $4 billion of financing by 107 community development financial institutions (CDFIs) in distressed urban and rural markets across the United States. The findings indicate that loan portfolios with high-perceived risk had net charge-offs of 0.5%, which compares favorably to 0.9% for all commercial banks, and 0.5% for commercial banks with less than $100 million in assets.

National Community Capital Association CEO Mark Pinsky said: **"These data up-end the conventional wisdom that community investing loans to low-income people and the businesses that serve them carry high risks. The facts speak for themselves. Community development financial institutions make financing prudent and profitable in thousands of underserved markets across the nation. CDFIs are successful working in these communities because they know the local markets, they provide substantial technical assistance to their borrowers and they develop flexible loan and investment products."**

Social Investment Forum Community Investing Chair and Self-Help Credit Union Vice President Deborah Momsen-Hudson said: **"We now have persuasive and powerful evidence that there is no justifiable reason for banks and other institutional players to keep sitting on the sidelines when it comes to community investing. The CDFIs are out there that know how to make this kind of loan activity work. A case in point is Self-Help Credit Union. Our mission is to create ownership and economic opportunities for minorities, women, rural residents and low-wealth families. Since Self-Help's start in 1980, we have provided over $1.78 billion in financing to almost 25,800 small businesses, nonprofits, and homebuyers."**

Joining NCCA and the Social Investment Forum to announce the new study findings is Jane Henderson, director of community development of Wachovia Corporation. Henderson said: **"In our view, community development investing is good business. It is the right thing to do for our communities, but beyond that, it is also the right thing to do for our shareholders. Since a significant portion of the U.S. population is located in low- to moderate-income communities, not pursuing such business would be a missed opportunity for us. At Wachovia, we approach community development investing as a viable market segment – and our experience has borne this out. By partnering with community organizations,**

leveraging government dollars, and applying industry expertise, we are able to profitably support community development."

In 2001, Wachovia Corporation invested $19 billion in the low- and moderate-income communities in their markets. This capital took the form of small business loans, mortgage loans, real estate loans to construct affordable housing, retail centers and office buildings, working capital loans to purveyors of community services, and equity funding of community development venture capital firms. The majority of this activity occurs within Wachovia's mainstream business lines. It is originated using standard risk and pricing parameters and also tracks to the bank's aggregate performance measures.

KEY STUDY FINDINGS

The National Community Capital Association study, entitled ***"CDFIs: Bridges Between Capital and Communities,"*** reached the following major conclusions:

***** ***Investors in CDFIs have never lost a penny of investment capital.*** The 107 surveyed CDFIs had sufficient equity capital bases and loan loss reserves to absorb any losses in their portfolios.

***** ***CDFI loan activity is as safe as lending at traditional banks.*** Overall portfolio quality was found to be high, based on both net charge-offs and delinquency rates. Net charge-offs for CDFIs in the sample was 0.5%, which compares favorably to 0.9% for all commercial banks, and 0.5% percent for commercial banks with less than $100 million in assets. The 90+ day delinquency rates for the institutions in the NCCA sample was 3.3%.

***** ***The total capital of CDFIs is growing steadily and the CDFIs continue to deploy that capital in low-income communities.*** As of the end of the fiscal year 2001, total capital was nearly $2 billion and a strong 81 percent of CDFI capital was deployed in community development projects in economically disadvantaged communities.

***** ***The vast majority of beneficiaries of CDFI activities are low-income individuals.*** NCCA's survey found that 72 percent of clients were low-income persons. Of that group, 49 percent were women and 47 percent were minorities.

***** ***CDFIs are a major source of help in disadvantaged communities across America.*** The total cumulative financing made available by CDFIs by the end of 2001 was $4 billion. This financing helped to create or maintain 180,000 jobs and support the development and expansion of 147,000 housing units, and 2,500 community facility projects, such as child care centers, senior centers and health care sites.

The complete NCCA study is available online at www.communitycapital.org.

ABOUT THE ORGANIZATIONS

The Community Investing Program (http://www.communityinvest.org) began in 2000 as a joint venture between the Social Investment Forum Foundation and Co-op America. The five-year goal of the Community Investing Program is to encourage investors to direct at least 1 percent of their assets to community investing, tripling the assets available to create new jobs, homes and vital social services in communities that need it most.

National Community Capital Association is a national network of 127 community development financial institutions. The network invests in small businesses, quality affordable housing and vital community services that benefit economically disadvantaged people and communities. National Community Capital provides financing for CDFIs, training and consulting to CDFIs and CDFI investors, and advocacy on behalf of the CDFI industry.

Wachovia Corporation (NYSE:WB), created through the September 1, 2001 merger of First Union and Wachovia, had assets of $325 billion and stockholder's equity of $30 billion as of June 30, 2002. Wachovia is a leading provider of financial services to 20 million retail, brokerage and corporate customers throughout the East Coast and the nation. The company operates full-service banking offices under the First Union and Wachovia names in 11 East Coast states and Washington, D.C., and offers full-service brokerage with offices in 49 states and global services through more than 30 international offices. Online banking and brokerage products and services are available through wachovia.com and firstunion.com.

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EDITOR'S NOTE: A streaming, Web-based recording of the event will be available as of 6 p.m. EDT on October 9, 2002 at http://www.communityinvest.org. The Web page will also provide access to the NCCA analysis and a related Forum/NCCA news release.