



Community Investment Corporation

And its affiliate, Community Initiatives Inc., (CII)

Annual Performance and Credit Review



REPORT TO INVESTORS *FY 2011*

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The Annual Performance and Credit Review Committee was established by investors and board members to prepare an annual report on the state of CIC's principal business for current and new investors.

Table of Contents:

<u>Sections</u>	<u>Page</u>
Board and Committee Members	3
Overview and Organization	4-5
Principal Findings	6-7
Perspective	9-16
Financial Condition and Performance	18-19
Loan Portfolio Performance and Credit Process	21-24
Return to Investors	26

Exhibits

1. List of Note Purchasers	27
2. RAL Program Loans	28
3. CIC Operating Revenue and Expenses	29
4. CIC Net Assets	30
5. Notes Outstanding and Delinquency	31
6. Delinquency by year of Approval	32
7. Loan Underwriting and Loss Reserve Policy	33
8. Loan Losses on Loans Originated	34
9. Loss Reserve Balances	35
10. Flex Fund History	36
11. Management Structure	37
12. CIC RAL Program Objectives	38
13. Investor Net Return	39

COMMITTEE MEMBERS

Timothy Hadro, LM Solutions
John Timmer, SVP, First National Bank of Brookfield
Michael Bielawa, VP, CIC

R. Patricia Kelly, Principal, GRG Group
John Markowski, President, CIC
Thomas Hinterberger, CFO, CIC

CIC BOARD MEMBERS

Patrick Nash, Managing Director, JPMorgan Capital **(Board Chair)***
Susanne Cannon, Chairman Real Estate Dpt., DePaul University
Mitchell Feiger, Pres. CEO, MB Financial, Inc.*
Darryl Hendricks, Illinois President, Citibank
R. Patricia Kelly, Principal, GRG Group
John Markowski, President, Community Investment Corp.*
Reinhard Schneider, Managing Director, Bank of America
John Timmer, SVP, First National Bank of Brookfield*
Robert Webster, President, Sycamore Associates*

Karen Case, President, Com. Real Estate, The PrivateBank
Timothy Hadro, LM Solutions
Mark Hoppe, Pres. CEO, Dir., Cole Taylor Bank
Saul Klibanow, President, Klibanow Strategic Consulting LLC
Javier Nunez, SVP, The Northern Trust Bank*
Thurman Smith, Market Mgr. PNC Community Dev. Bank
Mark Trembacki, SVP, Risk Management, BMO Harris Bank
* Executive committee

CIC LOAN COMMITTEE

Jack Crane, Managing Director, The Northern Trust Bank
Andrew DeCoux, Director, Citi Community Capital
Charles Goetze, SVP, BMO Harris Bank
Ken Kreisel, First Bank of Highland Park
Tracy Sanchez, Chicago Dept., Housing and Ec. Dev.

Vincent Daley, Jr., Vice President, Fifth Third Bank
Stephen Gladden, Trust Fund Dir., Ill. Housing Dev. Authority
Kristine Jurmu, Client Manager, Bank of America **(Chair)**
Gregory Rice, Portfolio Manager, JPMorgan Chase

CII BOARD MEMBERS (Affiliate Company)

Saul Klibanow, President, Klibanow Strategic Consulting LLC
Patrick Nash, Managing Director, JPMorgan Capital
Thurman Smith, Market Mgr. PNC Community Dev. Bank

John Markowski, President, CIC
Reinhard Schneider, Managing Director, Bank of America
Robert Webster, President, Sycamore Associates

CURRENT CIC INVESTORS

Allstate Bank
Banco Popular
Bridgeview Bank
Delaware Place Bank
First Eagle Bank
FirstMerit Bank N.A.
Inland Bank and Trust
MB Financial Bank NA
Northbrook Bank and Trust Company
RBS Citizens NA (Charter One)
Standard Bank and Trust Company
Town Center Bank

Amalgamated Bank of Chicago
Bank of America
Citibank
Fifth Third Bank
First Midwest Bank
Forest Park National Bank & Trust
JPMorgan Chase Bank, N.A.
Metropolitan Capital Bank
Oxford Bank
Republic Bank of Chicago
The Northern Trust Company
U.S. Bank N. A.

Associated Bank of Chicago
BMO Harris Bank
Cole Taylor Bank
First Bank of Highland Park
First Savings Bank of Hegewisch
Hoyne Savings Bank
Lake Forest Bank and Trust Company
North Shore Community Bank
PNC Community Development Co. LLC
Seaway Bank and Trust Company
The PrivateBank and Trust Co.

Overview and Organization

- The Committee's nineteenth annual review confirms that **CIC knows its core business** well and remains centrally focused on its mission of stabilizing the Chicago area's lower income neighborhoods by rebuilding the **affordable housing** stock safely and soundly while generating **a fair return** for investors.
- CIC's successful programs are the direct result of the **long-term program support of the investing institutions for CIC's Resource Apartment Lending Program (RAL)**. In 2010 CIC **renewed its Note Purchase Agreement** (NPA) with its investors for another five years with commitments of \$408 million. This commitment extended CIC's low and moderate income multifamily RAL lending program for another five years. CIC will be able to continue to **approve loans under the program through March 31, 2015**, and the **participants are committed to purchase the mortgages through September 30, 2015**. This year, three new investing institutions were added, bringing the **total participants to 35 and \$414,250,000** in note purchasing commitments. (See Exhibit 1.)
- CIC operates as a **Social Enterprise generating income through its operations to cover its costs and generating an operating surplus**. This gives CIC the means to initiate new and expand existing programs for affordable housing. **CIC has been certified by the U.S Department of the Treasury as a Community Development Financial Institution (CDFI) since 1996**. In FY 2011, CIC received a \$750 thousand grant from the CDFI fund which aided CIC in its mission.
- CIC is a **leader for Chicago's affordable housing agenda** through innovative financing programs. CIC is a **pooled risk lender** that specializes in rehab-neighborhood revitalization lending.
- Community Investment Corporation (CIC) is a not-for-profit 501(c)(3) corporation, incorporated in 1973. **CIC's mission is to be the leading force in neighborhood revitalization through innovative financial programs**. In pursuit of this mission, CIC has become the leading lender for the acquisition, rehabilitation, and preservation of affordable rental housing throughout the Chicago metropolitan area.
- CIC's affiliate company, Community Initiatives Inc. (CII), is also a not-for-profit 501(c)(3) corporation, incorporated in 2002. The corporation was created to engage in activities in furtherance of the purposes of CIC. CII's governing board is elected by CIC. Specifically, the mission of CII is to preserve troubled and deteriorating low and moderate income residential buildings through:
 1. A receivership program with court directed rehab and maintenance.
 2. The purchase of delinquent mortgages and distressed properties and then eventual sale of property to competent ownership.

Overview and Organization

- CIC is **well equipped to manage planned growth**. CIC's three top executives each have over 35 years of experience in real estate lending and community development. Throughout the company, most senior and mid-level managers have been with CIC for many years. ([Exhibit 11](#))
- **CIC's Board is primarily composed of leading banking professionals in the Chicago area. The Board provides oversight** for key functions through two standing committees and for other significant matters through the use of ad hoc committees.

Executive Committee - Reviews policy issues between board meetings, reviews company goals, sets officer compensation levels and incentive awards, functions as nominating committee, and counsels staff on an ongoing basis as needed. Reviews annual budget with CIC staff, recommends action to full board, reviews annual audit report with company's auditors (RSM McGladrey) and presents the report to full board.

Performance and Credit Review Committee - Prepares annual report to board and investors on company's performance, policies, loan portfolio/credit process and controls.

- CIC continues to **expand its mission based projects**, including combating condo fraud, the Troubled Buildings Initiative, the Acquisition and Disposition of Distressed Properties, and providing Property Management Training Programs.
- In FY 2011, in recognition of CIC's expertise in multifamily rental housing, CIC became the **coordinator for The Preservation Compact**, an effort that has convened diverse stakeholders to preserve affordable rental housing in Cook County.

Principal Findings

In FY 2011, in the midst of a very challenging economy, CIC/CII continued to pursue its mission with vigor, expertise, and effectiveness. Providing one of the very few sources of desperately needed capital for the redevelopment of affordable housing located in low and moderate income communities, CIC/CII continued to exercise sound management and fiscal prudence in its operations.

1. In FY 2011 under the RAL lending program CIC approved:

- Loans for the rehab of buildings with **1,598 residential units**. Of these units 100% of the units in the buildings were affordable at 80% of area median income; **85% of the units were affordable at 50% of area median income**.
- **71 loans with \$42.5 million in RAL investor funds. (See Exhibit 2.)**

2. CIC initiated its affordable apartment lending programs in 1984. Since then CIC has approved 1,832 loans for \$1.1 billion. CIC projects have resulted in the rehab of over 46 thousand units.

3. The RAL loan portfolio of loans sold in notes to the Investors:

- **Delinquencies on RAL loans in the portfolio were \$12.3 million (5.7%). (See Pages 21-22 and Exhibits 5 and 6.)** Of this total, non-performing Loans (90 days past due plus foreclosures and workouts) were \$7.1 million (3.3%).
- **The net weighted yield of the notes sold under the NPA to investors for the twelve months of Fiscal Year 2011 was 4.1%. For the past 23 years, the investors' net weighted return has averaged 6.5%. (See Exhibit 13.)**
- There were \$650 thousand in loan losses (0.30% of the portfolio) in FY 2011. **(See Exhibit 8.)** Investors participating in the current NPA and/or its loss reserve program were reimbursed 100% for any principal loss from the Investor Restricted Loss Reserve. The reserve increased from \$0.9 to \$1.3 million.

Principal Findings

4. The **Operating Surplus this year was \$430 thousand for CIC plus \$540 thousand for CII** (Community Initiatives Inc., CIC's affiliate) from its Acquisition and Disposition program. For the last two years, the CII Acquisition and Disposition program has generated an operating surplus which has enabled CII to largely recoup all of its start up costs. CIC/CII, on a consolidated basis, has generated an operating surplus each year for the past 26 years. **In FY 2011, the Consolidated Unrestricted Net Assets grew this year by \$1.1 million to \$20 million.** (See Pages 18-19.)
5. In FY 2011, the **Energy Savers Program approved 11 loans for \$518,298 and 9 Energy Grants for \$486,000. Since inception of CIC's energy initiatives, 52 loans for \$3.8 million and 20 grants for \$929,746 have been approved.**
6. **Since its inception in 2003, the Troubled Buildings Initiative (TBI), has taken action on 571 buildings with 10,954 housing units, 260 buildings with 5,265 units have been recovered under the program.** CII continues to intervene with troubled multifamily housing and failed condo conversions, through the acquisition of mortgages, units or buildings and disposition and transfer of ownership to competent owner/developers. (See Pages 14-15.)
7. In FY 2011, CIC's **Property Management Training program conducted 45 training sessions attended by 1,505 current or prospective managers/owners of affordable housing.** Since 1998, the Property Management Training Program has provided training to more than 9,000 owners and managers of apartments throughout Chicagoland.
8. In FY 2011, CIC became the **coordinator for The Preservation Compact**, a regional effort to preserve affordable rental housing in Cook County.

Outline

- Perspective
- Financial Condition and Performance
- Loan Portfolio Performance and Credit Process
- Return to Investors

Perspective

FY 2011 AFFORDABLE APARTMENT LENDING PROGRAM:

- **In FY 2011 under the RAL program**, CIC approved loans for the rehab of buildings with **1,598 residential units** and 44 commercial units. Of these units 100% of the units in the buildings which CIC financed were affordable at 80% of area median income; 99% were affordable at 60% of area median income; **85% of the units were affordable at 50% of area median income**; and 10% of the units financed by CIC were affordable at 30% of area median income. In addition, **all loans approved under the investor RAL lending program were located in Low and Moderate Income areas (92% are in LMI classified census tracts)**.
- Loan volume was **\$42.5 million in RAL investor funds with 71 loans approved** and closed, or waiting to be closed. (See [Exhibit 2.](#)) Included in these 71 loans are 5 loans for \$3 million approved through the innovative Flex Fund Program.
- **In addition, CIC approved 12 CIC Loans for \$496,200 plus 11 Energy Savers Loans for \$518,298** (from other specifically designated funds). Combined with the RAL loans, total lending was 94 loans for \$43.5 million.
- CIC loans financed rehab in lower income areas of the city of Chicago and Suburbs. (See [Page 11.](#)) In FY 2011, **91% (87 loans) were made in Chicago communities and 9% (7 loans) in the suburbs.**
- Included in the 71 loans indicated above for **FY 2011, are 5 loans approved through the innovative Flex Fund Program totaling \$3 million.** Created in 1998, the Flex Fund enables CIC to finance projects which would not have otherwise been possible. This fund was initiated to use a **portion of the RAL loan pool for “Innovative and Complex” lending** in order to reach unmet neighborhood needs or stimulate an increased level of rehab activity in neighborhoods needing an intervention stimulus. In order to achieve this goal, LTV and D/C underwriting ratios are less stringent than standard RAL loans. It is expected that these loans will carry more risk. Since 1998, 205 Flex Loans have been made, totaling \$120 million, of which \$86 million has been sold to investor and \$42 million has been repaid. Since the beginning of the fund, the average LTV for these loans has been 84% and Debt Cover Ratios has averaged 1.3. There have been no losses experienced to date by the investors with loans in the Flex Fund. (See [Exhibit 10.](#))

Perspective

- CIC is party to an agreement with the City of Chicago and Mercy Housing to underwrite and fund loans under the **Neighborhood Stabilization Program (NSP Funds)** which is part of the Housing and Economic Recovery Act of 2008. Properties under this program are vacant multifamily apartment buildings in the City of Chicago. The goal is to save these lower income affordable units from eventual demolition. CIC has a first mortgage which is underwritten according the terms of the Note Purchase Agreement and the NSP Funds spent on each project become a grant secured by a second mortgage which is forgiven according to the terms of the agreement between the developers and the Neighborhood Stabilization Program. CIC monitors, approves and funds all construction draws for both the CIC and NSP Funds. CIC is reimbursed for the construction related to the NSP Funds. **In FY 2011 the portion of CIC approved loans that were part of the NSP Program was 13 loans for \$5.9 million in CIC funds plus \$24.8 million in NSP funds as government second mortgages.**

Perspective

THE FOLLOWING CHARTS ALL FY 2011 CIC TRANSACTIONS BY PROGRAM AND COMMUNITY:

PROGRAMS	REGULAR		FLEX		ENERGY 2ND'S		CIC LOANS		TOTALS			CIC GRANTS
	#	\$	#	\$	#	\$	#	\$	#	\$	UNITS	\$
CHICAGO COMMUNITY												
ALBANY PARK	2	548,000							2	548,000	13	
AUBURN-GRESHAM							1	35,000	1	35,000	0	
AUSTIN	4	1,870,000							4	1,870,000	101	
CHATHAM	6	2,081,000					3	138,000	9	2,219,000	75	21,150
CHICAGO LAWN	3	2,275,000			1	52,960			4	2,327,960	115	
DOUGLAS	1	420,000							1	420,000	12	
ENGLEWOOD							2	72,200	2	72,200	0	51,000
GRAND BOULEVARD	2	1,032,000			1	83,643	1	15,500	4	1,131,143	42	
GREATER GRAND CROSSING	4	2,992,000							4	2,992,000	127	
HUMBOLDT PARK	1	123,000							1	123,000	8	
HYDE PARK	1	2,274,000							1	2,274,000	47	
LOGAN SQUARE	1	300,000							1	300,000	7	
McKINLEY PARK	1	239,400							1	239,400	18	
NORTH LAWNDALE	1	262,000					3	165,500	4	427,500	15	255,850
ROGERS PARK					1	32,500			1	32,500	18	
ROSELAND	5	1,667,500	2	205,875	3	89,280			10	1,962,655	60	
SOUTH CHICAGO	7	1,778,100							7	1,778,100	80	
SOUTH SHORE	11	9,415,400	2	2,666,000	2	100,000	2	70,000	17	12,251,400	441	25,000
UPTOWN	1	2,772,300							1	2,772,300	165	
WASHINGTON HEIGHTS	2	1,288,000			1	7,015			3	1,295,015	37	
WASHINGTON PARK	5	1,487,000			1	20,000			6	1,507,000	45	6,000
WEST PULLMAN	1	183,000							1	183,000	12	
West Ridge									0	0		100,000
WOODLAWN	2	2,792,000							2	2,792,000	108	100,000
TOTALS	61	35,799,700	4	2,871,875	10	385,398	12	496,200	87	39,553,173	1546	559,000
SUBURBAN COMMUNITY												
AURORA	1	1,580,000							1	1,580,000	48	0
BELLWOOD	1	345,000							1	345,000	14	0
MAYWOOD					1	132,900			1	132,900	27	0
OAK PARK	1	1,190,000							1	1,190,000	26	0
RIVERDALE (SUB)			1	100,000					1	100,000	8	0
ZION	2	582,000							2	582,000	18	18,000
TOTALS	5	3,697,000	1	100,000	1	132,900	0	0	7	3,929,900	141	18,000
PROGRAM TOTALS	66	39,496,700	5	2,971,875	11	518,298	12	496,200	94	43,483,073	1687	577,000
RAL PROGRAM TOTALS	66	39,496,700	5	2,971,875					71	42,468,575	1598	

Perspective

- CIC continues to provide leadership in advancing the Chicago area's affordable housing agenda and has earned national recognition for its efforts. **CIC currently administers several rehab grant programs** in conjunction with government entities. In addition, in FY 2011 CIC received the following government and private grants to support its work and operations in affordable housing.

<u>Source:</u>	<u>Funding</u>	<u>Received</u>	<u>Purpose</u>
	<u>Amount</u>	<u>FY 2011</u>	
Multi Year Grant (3 yrs.) approved to offset cost of Troubled Buildings Receivership Program, City of Chicago	2,000,000 per/yr	1,953,000	(CII) TBI Receivership Program
Multi Year Grant Program (3yrs.) for Distressed Condominium Program, City of Chicago	2,500,000	452,000	(CII) Adm Grant plus Program Funding
Chicago Metropolitan Agency for Planning	1,500,000	1,500,000	Loan Guaranty
Community Development Financial Institution Grant, U.S. Treasury	750,000	750,000	Augment CIC Lending Programs
John D. and Catherine T. MacArthur Foundation (3 yrs)	1,050,000	350,000	Preservation Compact

Grants received to offset costs of the Property Management Training Program:

<u>CIC Investor:</u>	<u>FY 2011</u>
Bank of America	20,000
Charter One	10,000
Citi Community Capital	10,000
Cole Taylor Bank	3,500
Fifth Third Bank	5,000
BMO Harris Bank	8,000
JPMorgan Chase *	25,000
MB Financial N.A	5,000
The Northern Trust	22,000
PNC Bank	10,000
The PrivateBank	7,500
U.S. Bank	5,000
Total	131,000
City of Chicago, DHED:	37,596

*NOTE: JPMorgan Chase provided a grant of \$100,000 in FY 2011. The grant supports PMT in the amount of \$25,000 in both FY 2011 and 2012. In addition, \$50,000 is designated to support CIC's targeted community initiatives.

Perspective

ENERGY SAVERS PROGRAM:

- Together with the Center for Neighborhood Technology, CIC initiated the Cook County Energy Savers program in 2008. Initially targeting Cook County, the program dropped “Cook County” from its name during FY 2011 and expanded service to also include Lake, Kane, Will, McHenry, DuPage, and Kendall counties and the city of Rockford. Part of The Preservation Compact, this program aims to help owners conserve energy and reduce their utility bills on rental housing. During FY 2011, audits were performed on 132 buildings with over 6,903 units. **Eleven loans were approved for \$518,298 and 9 Energy Grants for \$486,000 were provided in FY 2011.** Since the inception of CIC’s energy initiatives, 52 loans for \$3.8 million and 20 grants for \$929,746 have been approved.
- On average, CIC is lending about \$2,500 per unit for energy conserving retrofits that are reducing an owner’s utility costs by approximately 30%.
- To help implement these programs, CIC has received grants and Program Related Investments since the beginning of the program in 2008:
 1. **\$1 million grant from the Grand Victoria Foundation.**
 2. **\$1 million Program Related Investment (PRI) from the MacArthur Foundation.**
(MacArthur has committed to provide an additional \$5 million PRI over FY Years 2012 and 2013.)
 3. **\$750,000 in grant funds from the City of Chicago.**
- In FY 2010, CIC received through the City of Chicago a \$998,800 Energy Efficiency Block Grant from the US Department of Energy to use as a loss reserve for energy loan funds. This enabled CIC to acquire \$1 million, 2.5% Line of Credit from PNC Bank for the energy loan program. **In FY 2011, CIC received a \$1.5 million grant from the Chicago Metropolitan Agency for Planning which guarantees another Line of Credit at 2.5% from PNC Bank in the amount of \$1.5 million.** These multiple sources of funds enable CIC to provide loans to the borrowers at 3%. The technical services, streamlined energy assessments, work write-ups, construction inspection, and follow-up monitoring are provided by the **Center for Neighborhood Technology.**

Perspective

COMMUNITY INITIATIVES INC.:

Troubled Buildings Initiatives Receivership Program (TBI):

- In FY 2003, CIC initiated a **Troubled Buildings Initiative (TBI)**, which is run by its affiliate company, Community Initiatives Inc. The purpose of the program is to use code enforcement and other legal proceedings to improve physical condition and property management in buildings rather than leading to abandonment and demolition. Troubled buildings are referred to CII from a variety of sources, including community groups, the Police Department, and the Departments of Buildings, Housing and Economic Development, and Law. CII and the city departments make Housing Court more effective in getting owners to rehab or sell to someone who will move promptly to rehab. Currently, CII is the court appointed receiver on 65 buildings. Buildings placed in the program are the properties in most need of repair and present the most problems to their communities. Through the program, TBI has taken action on **571 buildings with 10,954 housing units and 260 buildings with 5,265 units have been recovered under the program.**
- The following chart briefly shows the scope and status of buildings in the program:

Status	FY 2011	2003 to 2011
1. Buildings Recovered	44	260
Units	1,239	5,256
2. Buildings Demolished	9	33
Units	117	578
3. Buildings Addressed by the Program	* 80	571
Units	* 1,382	10,954

(* New building and units added to program in FY 2011)

CII has signed a contract with the City of Chicago providing \$2 million per year for the program toward operational and program costs. The program has prevented the demolition of many buildings with **only 33 program buildings having been demolished.**

Perspective

Acquisition and Disposition Program:

Community Initiatives, Inc. (CII) established the Acquisition and Disposition Program in order to enhance the effectiveness of interventions on troubled multifamily housing. In FY 2007, the MacArthur Foundation provided a \$2 million Program Related Investment to support the effort. **In FY 2011, 9 properties with 260 units were transferred to capable new owners, reimbursing all expenditures and generating fees that support the program. Since 2003, 186 properties with 2,979 affordable multifamily apartment units have been transferred to capable new owners and preserved.**

Distressed Condominium Program:

- For the last four years, CII staff has been tracking troubled condominiums both in and outside of Housing Court. CII has identified over 250 distressed condominium buildings and has been working with lenders to develop disposition strategies for these properties. CII has counseled lenders, developers, and government agencies on the plight of distressed, and often fraudulent, condominium transactions. **In September 2009, CII was awarded a three year contract from the City of Chicago under the American Recovery and Reinvestment Act (ARRA) to acquire, stabilize, and transfer all individual condominium units in targeted buildings to single owner/developers to de-convert the buildings back to viable multifamily rental buildings. The contract amount is \$2 million to accomplish the task of acquisition and disposition of individual condominium units along with \$500,000 for administrative costs. Since 2009, CII has acquired 125 units in 19 buildings. In FY 2011, CII sold and transferred 2 buildings with 14 units to competent developers of affordable housing for conversion back to rental apartments.**
- Working with lenders, title companies and government agencies, CII was instrumental in creating the **Illinois Distressed Condominium Act (DCA)**. The Act increases court and governmental authority to de-convert failed condominium buildings into multifamily rental housing. **Under the Illinois Distressed Condominium Act, which took effect in January 2010, local municipalities can petition the court to void condo declarations in failed conversions and issue deeds for the re-assembled buildings. CII is working closely with the City of Chicago in the implementation of the DCA. Under court orders, CII filed deconversion orders on 33 buildings with 372 units in FY 2011.**

Perspective

PROPERTY MANAGEMENT TRAINING:

- In July of 1998, CIC launched its Property Management Training Program, an initiative designed to provide a training vehicle for owners and managers of multifamily rental properties. Since its inception, the program's centerpiece has been its four-evening course entitled The Basics of Residential Property Management. The Property Management Training Program also offers sessions that concentrate on a single topic. In the last two years, it has given special attention to helping landlords succeed in the midst of a very difficult economy. Since 1998, the Property Management Training Program has provided training to 9,000 owners and managers of apartments throughout Chicagoland. Through Property Management Training, CIC is constantly expanding and strengthening the pool of qualified apartment building owners/investors. **In FY 2011, CIC conducted 45 training sessions attended by 1,505 current or prospective managers/owners of affordable housing.** These sessions are available to customers of all investor banks and some sessions are held at their locations. Staff also produced a regular **column in the CIC Newsletter** and answered over **2000 requests for assistance that come directly to CIC or through the City of Chicago's 311 hotline from landlords and building managers.**

PRESERVATION COMPACT:

- In FY 2011, **CIC became the coordinator of The Preservation Compact.** The Preservation Compact is an initiative to bring together the region's public, private and nonprofit leaders to **address the loss of affordable rental housing stock in Cook County.** The Compact includes several Initiatives designed to preserve and improve existing affordable rental homes that might otherwise be lost to condominium conversion, demolition, or rising costs. CIC houses the coordinating and Interagency Council functions related to The Preservation Compact. The program is supported through a **3 year \$1,050,000 grant from the MacArthur foundation for its activities.** **CIC has convened a 31 member Leadership Committee and coordinated working groups** on a number of topics related to the preservation of affordable rental housing.

Outline

- **Perspective**
- Financial Condition and Performance
- **Loan Portfolio Performance and Credit Process**
- **Return to Investors**

Financial Condition and Performance

- CIC's financial condition is sound and the business continues to be well managed. (See Exhibits 3 and 4.) The spread between revenues and expenses remains positive. Revenues from operations have consistently exceeded expenses. The **Operating Surplus** this year was **\$430 thousand for CIC plus \$540 thousand for CII** (Community Initiatives Inc., CIC's affiliate 501(c)(3) company). CIC/CII, on a consolidated basis, has generated an operating surplus each year for the past 26 years. In FY 2011, the **Consolidated Unrestricted Net Assets grew this year by \$1.1 million** to \$20 million.
- At the end of FY 2011, **CIC has \$22.4 million in total Net Assets. Restricted Funds are \$2.4 million (10%)** which are grant funds received by CIC for restricted uses such as TIF grants to CIC customers and Loan Guarantees. The **Unrestricted Funds of \$20 million (90%) are CIC board controlled and have increased this year by \$566 thousand.** Currently, the CIC board has designated \$4.2 million for loan loss reserves, \$9.9 million for special programs, and \$5.9 million remain undesignated as operating reserves. (See Exhibit 4.)
- As part of its mission to revitalize neighborhoods and affordable housing, CIC initiated programs beginning in 2003 under its affiliate **CII (Community Initiatives Inc.)** Two programs, the Receivership Program and the Distressed Condo Program, are funded with grants from the City of Chicago. The third, the Acquisition and Disposition Program, operates from fees generated by its activities.
- **On CIC loans and RAL loans held by CIC** (not sold in Notes) as of 9/30/2011, **CIC took a \$220 thousand charge to income in FY 2011.** (See Exhibit 8.) CIC maintains a \$300 thousand account against future unspecified losses (as recommended by the CIC auditors) to fund a contra account against CIC in house loans and RAL construction loans. As of 9/30/2011, CIC holds 3 loans (\$522,987) in foreclosure and 1 loan in REO which has been charged off.
- In the early years, CIC's operating surplus was directed primarily into building CIC's general reserves or unrestricted fund. More recently, the largest proportion has been allocated to Loss Reserves in response to today's market conditions. Now, with the initiation of the new NPA, **CIC has established a "Restricted Loss Reserve Account"** from which CIC reimburses note holders for losses of principal on notes sold to the purchasers. The loan loss reserve account was initially funded with \$1.2 millions from CIC. In addition, from CIC's monthly collection of the loan servicing fee, CIC deposits monthly the sum equal to one-half of one percent (.5%) from the .875% servicing fee into the restricted loan loss reserve account. (See Exhibit 7.)
- CIC has sold \$24 million in fixed rate mortgages to the General Board of Pensions (GBOP) of the United Methodist Church. As part of the agreement CIC retained a 1% share of each mortgage and is obligated to absorb first losses up to an added 9% of the loans. CIC maintains a reserve account of \$900,000, which represents almost 50% of CIC's potential obligation.

Financial Condition and Performance

- At the close of FY 2011 the following reflects the activity in the Investor Restricted Reserve Account and Board Designated Loan Reserve Accounts:

<u>Loan Reserves:</u>	<u>Beginning Balance</u>	<u>FY 2011 Charges</u>	<u>FY 2011 Deposits</u>	<u>9/30/2011 Balance</u>	<u>Portfolio Balance</u>
<u>Note Purchasers' RAL Restricted Reserve:</u>	869,712	(642,832)	1,056,701	1,283,580	215,000,000
-					
<u>Board Designated Net Asset Reserves:</u>					
* CIC In-House Loans and Loans not Sold in Notes	2,412,243	(220,116)	-	2,192,127	57,000,000
** Regency Portfolio (off Balance Sheet)	1,461,949	(384,577)	56,776	1,134,148	11,700,000
**GBOP Fixed Rate Pool (off Balance Sheet)	900,000	-	-	900,000	24,000,000

* In addition to this reserve account, CIC maintains a contra asset account of \$300,000 for unspecified losses.

** CIC's liability for the Regency Portfolio is capped at the balance in the reserve and the GBOP portfolio at 10% of portfolio balance.

Outline

- Perspective
- Financial Condition and Performance
- Loan Portfolio Performance and Credit Process
- Return to Investors

Loan Portfolio Performance and Credit Process

- CIC's **loan Portfolio and credit process remain strong**; losses and delinquencies are within manageable limits for a portfolio of CIC's age and composition; reserves are adequate to cover exposure to known or possible future losses under the current reserve policy. (See Exhibits 5 through 10.)
- In total, CIC's portfolio stands at **\$284 million in total loan commitments** and \$272 million in outstanding balances, which includes \$57 million of construction loans and **\$215 million of notes sold to Investors**.
- **The loan portfolio of RAL loans sold** in notes to the Investors and credit process remains strong. **Delinquencies** on RAL loans in the portfolio and **sold in the Note Series** have increased slightly this year with \$11.2 million (5.6%) as of 9/30/2010 and **\$12.3 million (5.7%) as of 9/30/2011**. (See Exhibits 5 and 6.) **Non-performing Loans, 90 days past due plus foreclosures and workouts, were \$7.1 million (3.3%) as of 9/30/2011** primarily due to one large (\$4 million) workout. Delinquencies are concentrated in 30 day delinquencies. Weakness in the economy and unemployment continue to result in increased vacancy problems for some CIC borrowers. As of 9/30/2011, five Loans (\$2.0 million) were in foreclosure. As of 9/30/11, three properties (\$1.7 million) were in REO and listed for sale. **Any losses incurred in the sale of these properties are expected to be covered by CIC's Restricted Investor Loss Reserve.**
- As of 9/30/11, three loans in sold RAL notes (\$4.6 million) were in Loan Committee approved **WORKOUT**. The largest (\$4.0 million) has had monthly payments reduced to approximately \$17,500 for 12 months beginning April 2011. All payments are being applied to principal on the loan. Accrued interest will be deferred and collected with the balloon payment. At the end of the 12 month period, CIC will have the option to call the loan due. The borrower is in full compliance with the workout agreement.

Summary of Delinquent RAL Loans sold in Notes:				
Delinquent Loans	9/30/2010		9/30/2011	
	\$M	%	\$M	%
30 days	3.8	1.9	4.2	2.0
60 days	3.7	1.8	1.0	0.5
Sub Total	7.5	3.7	5.2	2.4
90+ Days	0.4	0.2	0.5	0.2
Foreclosure	3.3	1.7	2.0	0.9
Workout	0.0	0.0	4.6	2.2
Sub Total	3.7	1.9	7.1	3.3
Total	11.2	5.6	12.3	5.7
REO Properties	1.2	0.6	1.7	0.8

Loan Portfolio Performance and Credit Process

- With the start of the new Note Purchase Agreement, signed in March of 2010, CIC set up a **Restricted Loan Loss Reserve** solely for the benefit of the Note Purchasers to cover principal losses. [\(See Exhibit 7.\)](#) The loan loss reserve account was **initially funded with \$1.2 million from CIC**. In addition, **from CIC's monthly collection of the loan servicing fee**, CIC deposits monthly the sum equal to one-half of one percent **(.5%) into the restricted loan loss reserve account**. CIC reimburses note holders for losses of loan principal up to the balance of funds available in the loan loss reserve account. **On RAL loans not sold to investors (loans in construction), CIC absorbs any related losses as required by the new NPA.**
- **On RAL loans sold in Notes to investors**, there were **\$650 thousand in loan losses (0.30% of the portfolio) in FY 2011. (See Exhibit 8.)** Investors participating in the Loss Reserve Program were reimbursed **100% for any principal loss from the Investor Restricted Reserve. Since 1984** loan losses in Notes sold to the Investors have been a total of \$6.9 million or 81 bps of the \$858 million in RAL notes sold to the Investors. CIC has reimbursed the investors for 80% of these losses, and **no losses have been passed through to the Investors, participating in the NPA loss reserve program, since 2001.** Servicing vigilance remains a priority for FY 2012. Currently, there are 4 loans in REO for \$1.7 million. **CIC is projecting a possible total of \$700,000 in losses in FY 2012 on loans sold to the investors. All losses are expected to be covered, for the investors participating in the NPA loss reserve program, by the Restricted Loan Loss Reserve.**
- As noted on page 18, in FY 2011, CIC took a \$220 thousand charge for losses on loans not sold to the investors, As of 9/30/2011, CIC retains liability for another 3 loans (\$522,987) in foreclosure and 1 loans in REO, which has been charged off.

Loan Portfolio Performance and Credit Process

The CIC board and company management take the following steps to mitigate potential investor risk:

- Loans are approved by the **Loan Committee which is composed solely of senior lending officers of investing institutions**. The committee must represent at least 51% of the total committed dollars. (Current members of the Loan Committee are listed on page 3.) As of January 2003, loans of \$300,000 or less are approved by CIC management and reported to the Loan Committee.
- **Loan Structure:**
 - Adhere to and continue **sound underwriting** standards and credit process.
 - Perform sensitivity analysis on first adjustments for all loans.
 - **Limit exposure to any single project** to a maximum of \$5 million.
 - **Limits total exposure to any single borrower** to \$7.5 million (\$10 million with board approval).
 - **Personal recourse** to borrower as a norm
 - **Careful review and monitoring** of the contractors and the **construction** progress.
- **Loan Servicing:**
 - Performed by CIC on all loans.
 - **Increased Loan Servicing staff** in response to challenging economic conditions.
 - Increased efforts to maintain **close contact with borrowers**.
 - Employ **early intervention** and workouts where appropriate.
 - **Access other resources** such as the Energy Savers Program and various grants from IHDA and CDFI.
 - Annual inspections of all properties with additional inspections scheduled for problem loans.
- **Portfolio Reviews:**
 - All delinquent loans and loans in construction reviewed **Monthly** by Loan Committee
 - **Quarterly** Portfolio Status review, including Watch List, by Loan Committee
 - **Biannual** Credit Process Review conducted by a team from investing bank(s)
- **Maintain loss reserves** along with Restricted Loss Reserves as provided in the Note Purchase Agreement.
[\(See Exhibits 7 and 9.\)](#)
- **Diversify Investor Base:**
 - In the areas of highest concentration, **risk is spread across multiple borrowers and properties**.
 - Loans have been made for projects in **56 Chicago Communities** and in **48 different surrounding communities** in the metropolitan area.

Loan Portfolio Performance and Credit Process

The Credit Process Review:

The Credit Process Review is performed every two years. The last review was completed in 2010 by Harris Bank N.A.. Representatives from Harris Bank N.A. conducted an on-site review of Community Investment Corporation (“CIC”) loan files to assess the adherence to credit policies and processes as recommended by the CIC Board of Directors and the CIC Loan Committee. The review included an analysis of a sampling of the loans currently on the books for CIC and included a review of the asset quality, underwriting, construction monitoring and loan servicing procedures. This review was not a full scope audit or a full scope lending process review, but a limited analysis of CIC’s lending operations and process.

The review findings included the following:

- “CIC’s Credit process appears to be unchanged since the last review conducted in 2007. There were no major findings and no downgrades considered as a result of this review.”
- “The portfolio of CIC had been stable for some period of time but the recent economic conditions have created some challenges to CIC much as it has for the Multifamily and Commercial Real Estate Lending community in general. The delinquency rates have bounced up and down during the past year but CIC has been dealing with these delinquent loans in a very diligent manner and up until the time of this review, was able to cover any losses internally without affecting any of its investors. CIC has set up reserves for these types of occurrences and has kept its members aware of the current portfolio issues through its Board and Loan Committee. While the Delinquency rates and defaults have increased, the percentage of loss appears to be kept as low as possible with strong oversight of the borrowers and properties. CIC has also stated that any recovery from REO properties will be returned to the CIC Reserves.”
- “CIC’s overall lending process is satisfactory. No major deficiencies were noted in the files reviewed. The files reviewed were analyzed for deficiencies in analysis, documentation, credit monitoring, collateral valuation, collateral monitoring, problem loan recognition and adherence to the respective loan program under which it was approved. Construction loan files were reviewed to determine the due diligence performed, adherence to environmental concerns and adequacy of construction monitoring documentation.”
- The next review will be scheduled in the beginning of 2012.

Outline

- Perspective
- Financial Condition and Performance
- Loan Portfolio Performance and Credit Process
- Return to Investors

Return to Investors

- CIC's program is designed to balance its dual goals of its affordable housing mission with a fair return to investors.
- All efforts are made to keep rents as affordable as possible while minimizing investor loss exposure. [\(Exhibit 12\)](#)
- In the last 21 years, **net yield to investors has averaged 1.6% above the Rolling Average for 3-year Treasuries**. In FY 2011, the margin was **2.8%**. The net yield to investors, because the CIC mortgage rates adjust every three years, lags behind the treasury rate both as the treasury rate increases or decreases. [\(Exhibit 13\)](#). When Treasury rates decrease, the margin between CIC's net yield and the Rolling Average 3-year Treasury increases. When the Treasury rates increase, the margin between CIC's net yield and the Rolling Average 3-year Treasury decreases. This occurs because CIC's rates for the loans in the portfolio adjust based on the 3-year or 5-year Treasury rates. **The net weighted yield to investors for the twelve months of Fiscal Year 2011 is 4.1%. For the past 23 years, the investors' net return has averaged 6.5%.**
- Most CIC loans, sold to investors to date, adjust every 3 years at 2.5% over 3-year Treasuries. Within the last year, CIC has changed the adjustment on new loans to a spread of 3.5% over Treasuries. In response to the historically low interest rates, CIC instituted a floor on all approved loans, 5.5% for a 3-year ARM and 6.0% for a 5-year ARM.
- CIC passes through to investors all funds (principal and interest) received less .875%, .375% to CIC for servicing and .500% which is deposited in the note purchasers' "Restricted Loss Reserve". [\(See Exhibit 7 for description of Loss Reserve Policy under the new NPA.\)](#) On RAL loans sold in Notes to investors, there was **\$642,832 in loan losses (3 loans) in FY 2011. (See Exhibit 8.) Investors participating in the Loss Reserve Program were reimbursed 100%** for any principal loss. **Since 1984**, loan losses in Notes sold have totaled \$6.9 million, of which CIC has reimbursed the investors with \$5.1 million or 73% of principal losses. No losses have been passed through to participating investors since 2001.
- The Loan Committee sets the initial rate on CIC loans slightly below market. This rate adjusts 3 or 5 years after the month of commitment. The loans are sold to investors after construction has been completed and the building is operating at a 1.05 debt service coverage ratio. Typically, this is 12 to 15 months after the Loan Committee approves the loan. Therefore, the first adjustment on a three-year adjustable rate loan usually occurs 21 to 24 months after the sale of the loan to the investors.

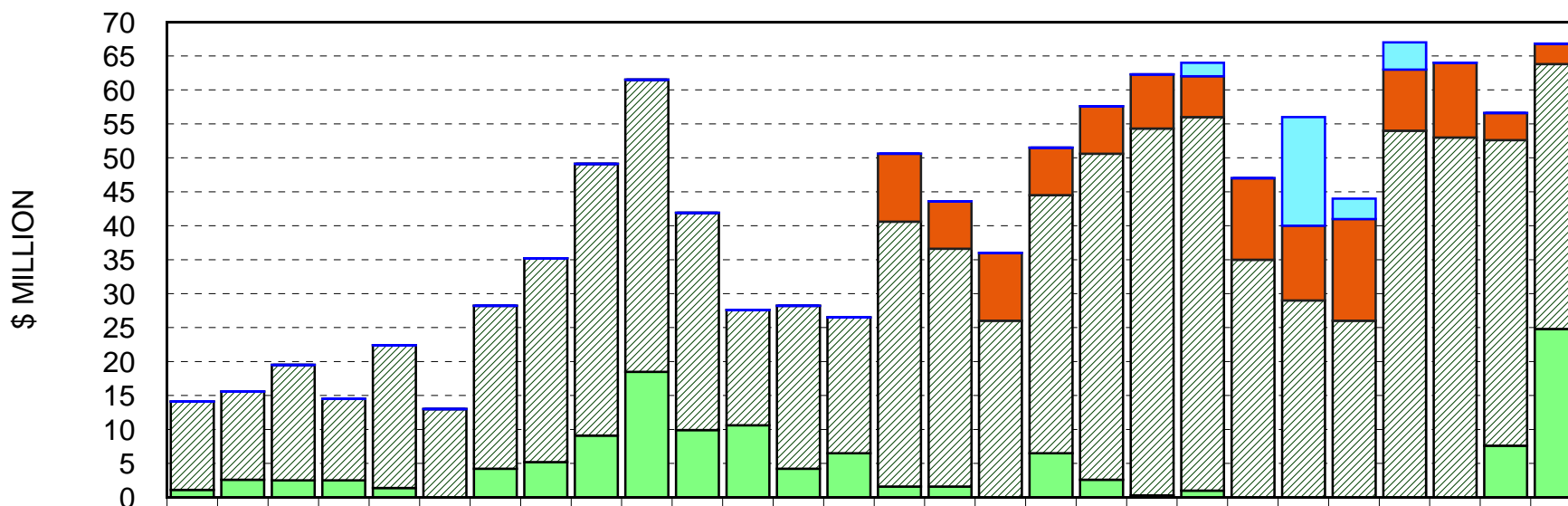
**LIST OF PURCHASERS PARTICIPATING IN THE CIC
NOTE PURCHASE AGREEMENT AS OF 9/30/2011:**

Exhibit 1

<u>Purchasers</u>	<u>Commitment</u>	
	<u>\$</u>	<u>%</u>
Bank of America	\$80,000,000	19.3%
JPMorgan Chase Bank, N.A.	\$60,000,000	14.5%
Citibank	\$50,000,000	12.1%
The Northern Trust Company	\$32,000,000	7.7%
BMO Harris Bank N.A.	\$30,000,000	7.2%
PNC Community Development Co. LLC	\$20,000,000	4.8%
RBS Citizens NA (Charter One)	\$20,000,000	4.8%
U.S. Bank N. A.	\$20,000,000	4.8%
Fifth Third Bank	\$17,500,000	4.2%
The PrivateBank and Trust Company	\$15,000,000	3.6%
MB Financial Bank NA	\$10,000,000	2.4%
First Midwest Bank	\$7,000,000	1.7%
Cole Taylor Bank	\$5,750,000	1.4%
First Bank of Highland Park	\$5,000,000	1.2%
North Shore Community Bank	\$5,000,000	1.2%
Allstate Bank	\$4,000,000	1.0%
FirstMerit Bank N.A.	\$4,000,000	1.0%
Northbrook Bank and Trust Company	\$4,000,000	1.0%
Lake Forest Bank and Trust Company	\$3,000,000	0.7%
Seaway Bank and Trust Company	\$3,000,000	0.7%
Bridgeview Bank	\$2,000,000	0.5%
Oxford Bank	\$2,000,000	0.5%
Standard Bank and Trust Company	\$2,000,000	0.5%
First Savings Bank of Hegewisch	\$1,500,000	0.4%
Inland Bank and Trust	\$1,500,000	0.4%
Amalgamated Bank of Chicago	\$1,000,000	0.2%
Associated Bank of Chicago	\$1,000,000	0.2%
Banco Popular	\$1,000,000	0.2%
Delaware Place Bank	\$1,000,000	0.2%
First Eagle Bank	\$1,000,000	0.2%
Forest Park National Bank & Trust	\$1,000,000	0.2%
Hoyne Savings Bank	\$1,000,000	0.2%
Metropolitan Capital Bank	\$1,000,000	0.2%
Republic Bank	\$1,000,000	0.2%
Town Center Bank	\$1,000,000	0.2%
Total	\$414,250,000	100.0%

RAL PROGRAM LOANS BY CIC FISCAL YEAR OF APPROVAL:

Exhibit 2

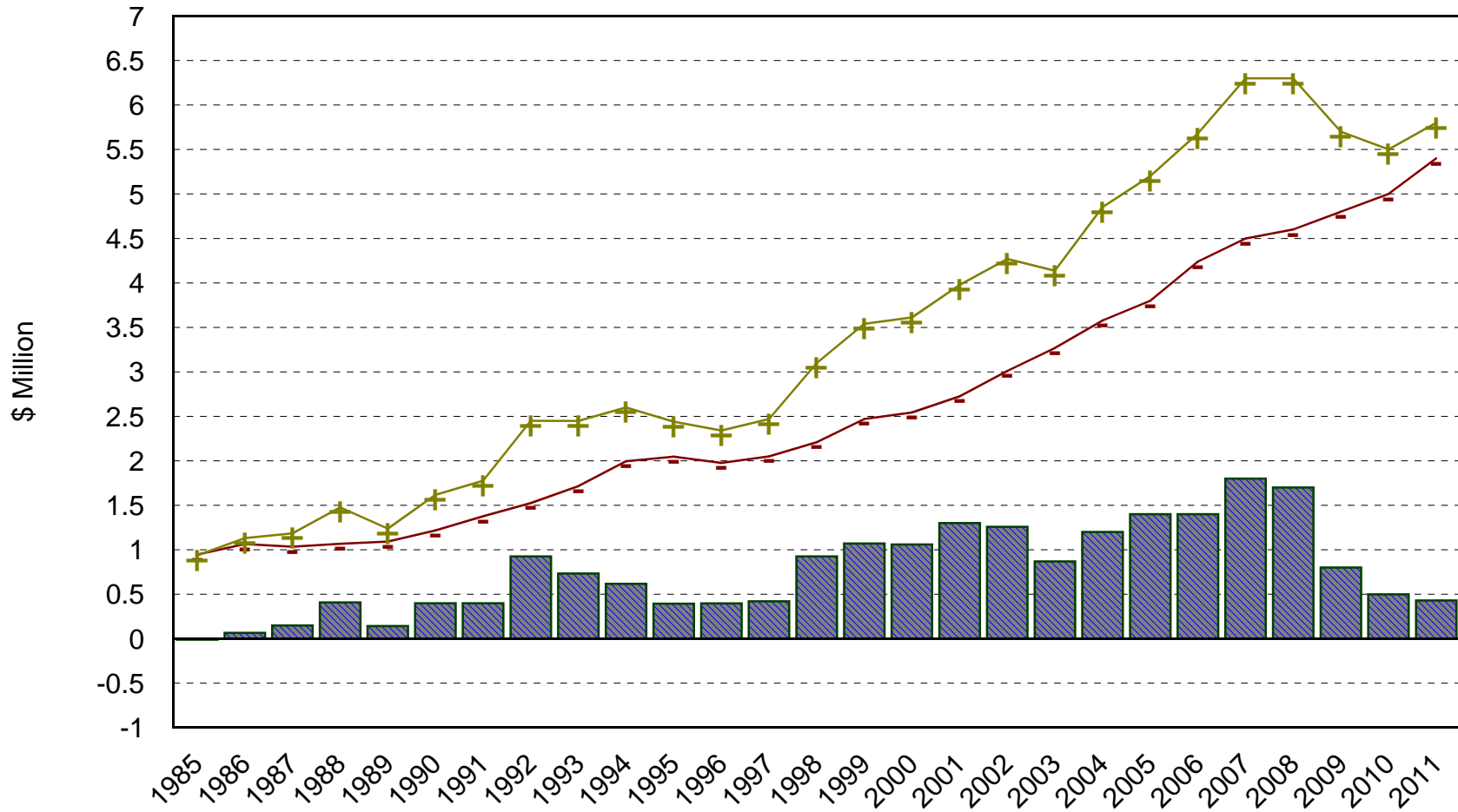


	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	
CIC Loans Approved (#)	51	51	72	38	41	40	41	50	58	56	45	43	52	59	97	89	67	98	124	131	113	99	74	70	81	84	75	73	
CIC Loans Closed (#)	46	41	54	33	32	31	35	42	50	51	35	25	42	45	88	79	60	82	106	118	98	81	64	62	70	73	65	71	
% Closed	90	80	75	87	78	78	85	84	86	91	78	58	81	76	91	89	90	84	85	90	87	82	86	89	86	87	87	97	
CIC Fixed Rate Prg. (\$M)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	16	3	4	0	0	0	
CIC Flex Reg. Prg. (\$M)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	7	10	7	7	8	6	12	11	15	9	11	4	3	
CIC Reg. Prg. (\$M)	13	13	17	12	21	13	24	30	40	43	32	17	24	20	39	35	26	38	48	54	55	35	29	26	54	53	45	39	
Avg per Loan (\$TH)	283	317	315	364	656	419	686	714	800	843	914	680	571	444	557	532	600	549	519	525	643	580	878	710	971	878	754	592	
Number Units	1101	1099	1255	941	1210	752	1317	1671	2335	2182	1936	970	1429	901	2288	2088	1497	1848	2064	2010	2825	1498	2313	1849	1969	1849	1565	1642	
Avg Loan per Unit (\$TH)	12	12	13	13	17	18	18	18	17	19	17	18	17	22	22	20	24	24	27	31	20	31	24	24	35	35	31	26	
Government Seconds																													
Govt. Seconds (#)	4	7	18	8	2	0	6	11	11	12	8	5	10	6	4	2	0	3	5	1	1	0	0	0	0	0	4	13	
Govt. Seconds (\$M)	1.1	2.6	2.5	2.5	1.4	0	4.2	5.2	9.1	18.5	9.9	10.6	4.2	6.5	1.6	1.6	0	6.5	2.6	0.3	1	0	0	0	0	0	7.6	24.8	
Avg per Loan (\$TH)	267	375	137	310	694	0	694	474	826	1540	1237	2128	419	1086	410	802	0	2166	522	288	1014	0	0	0	0	0	1900	1908	
CIC RAL Program Cumul. (M)	13	26	43	55	76	89	113	142	182	224	256	273	298	318	367	409	455	490	545	608	668	715	771	815	883	947	996	1038	
Cumul. w/ Govt 2nd's (M)	14	30	49	63	86	99	127	161	211	271	313	341	370	396	447	491	527	578	636	699	761	807	863	907	975	1039	1096	1162	

■ Govt. Seconds (\$M)
 ▨ CIC Reg. Prg. (\$M)
 ■ CIC Flex Reg. Prg. (\$M)
 ■ CIC Fixed Rate Prg. (\$M)

CIC OPERATING REVENUE AND EXPENSES:

Exhibit 3



Note: CIC operates on a fiscal year ending September 30. + Revenue - Operating Expenses Operating "Surplus"

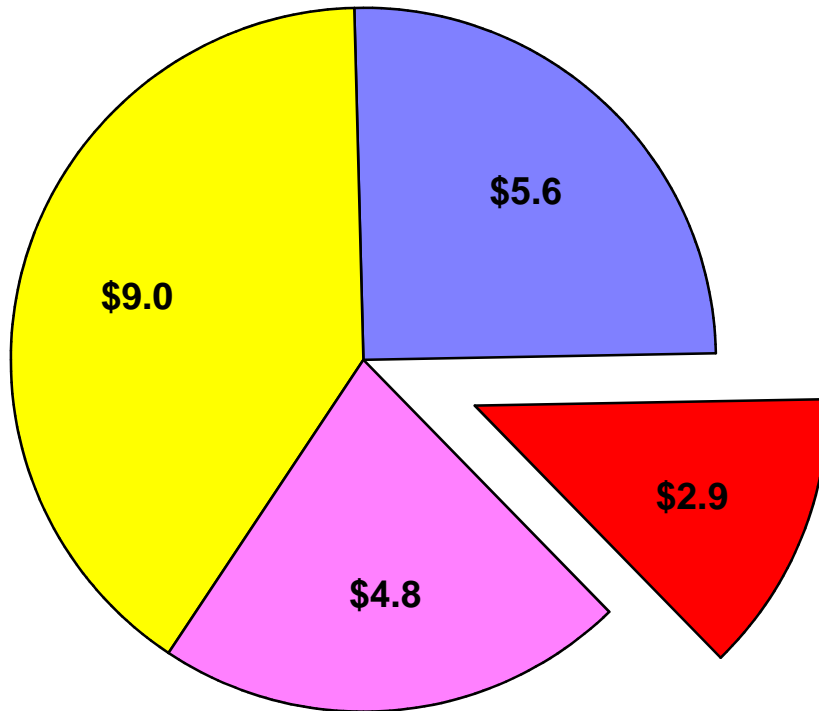
In 2009-10, the drop in Income is generally the result of reduction in interest income due to a historically low interest rate environment. CIC finances the construction period of its loans at 3 over Prime. In addition, in 2010, with the start of the new Note Purchase Agreement, CIC reduced the servicing fee it retains as income by 25 bps and placed this portion in the Note Purchasers' Loss Reserve. This resulted in a reduction of income to CIC in FY 2010 and will continue to have similar effect on CIC income in subsequent years.

CIC NET ASSETS AS OF 9/30/2011 = \$22.4 MILLION:

Exhibit 4

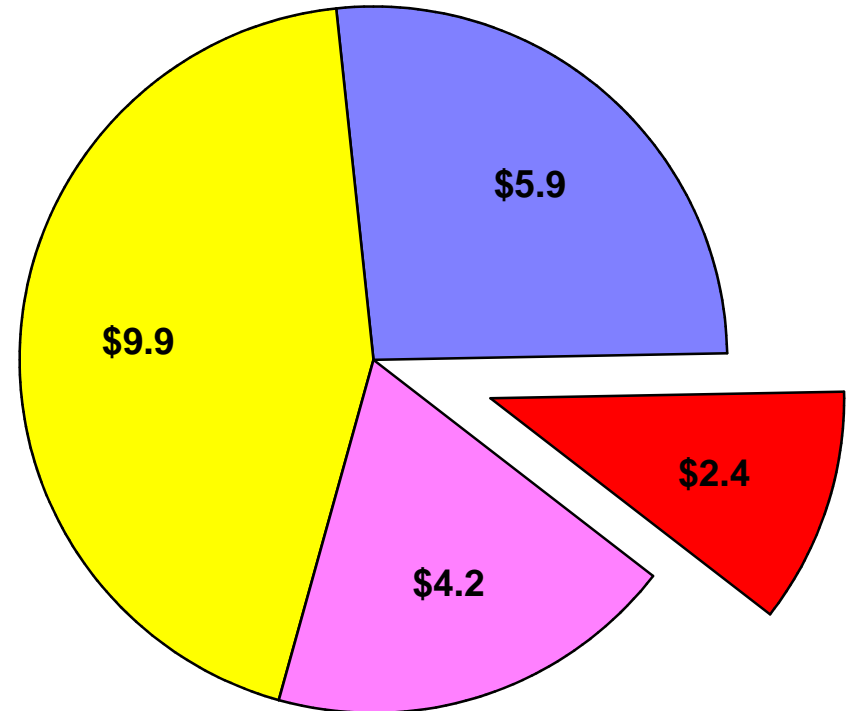
9/30/2010
\$22.3 million

\$19.4 million Unrestricted
\$2.9 million Restricted



9/30/2011
\$22.4 million

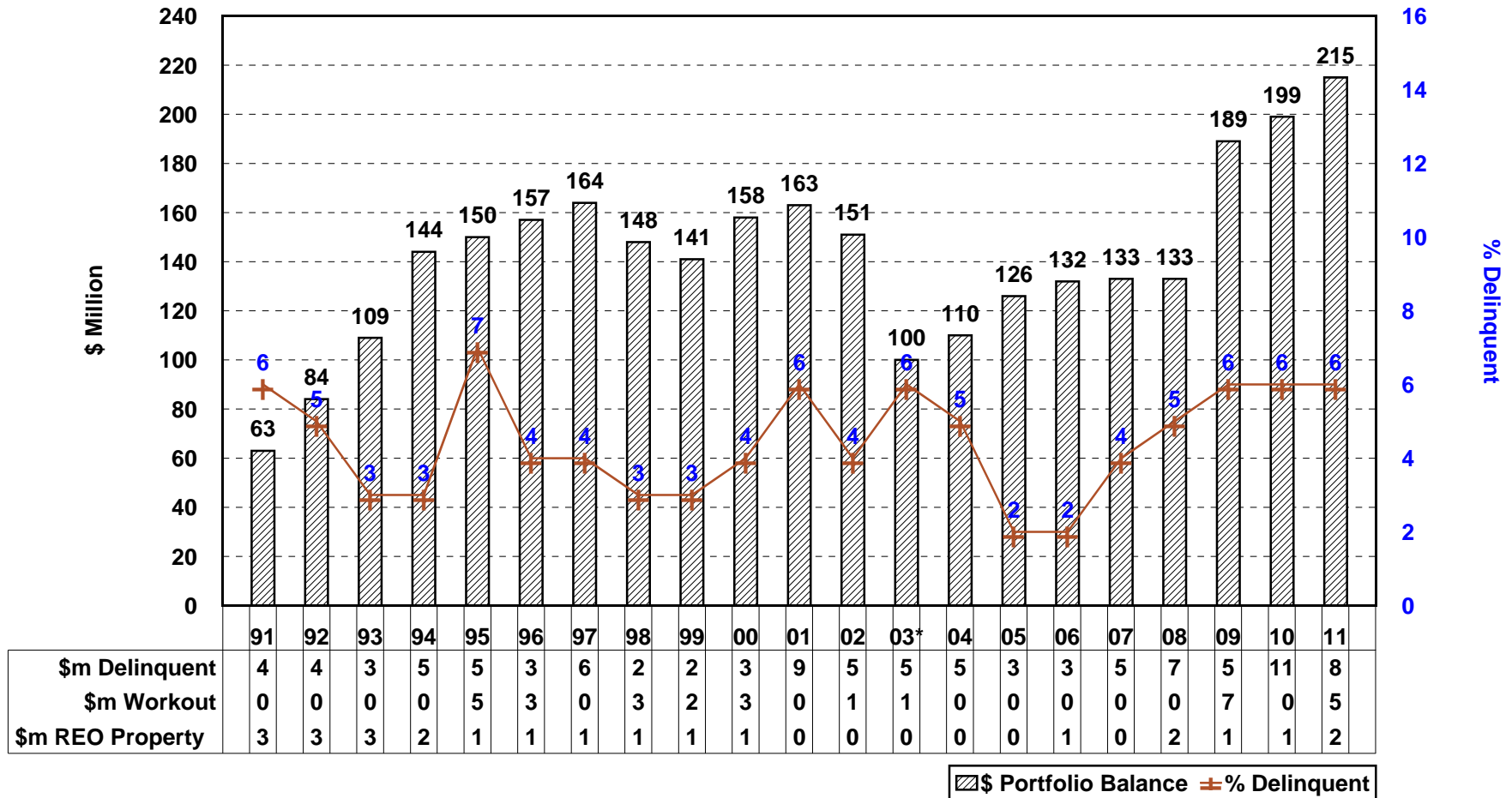
\$20.0 million Unrestricted
\$2.4 million Restricted



- Unrestricted/Board Undesignated
- Unrestricted/Board Designated for Special Programs
- Unrestricted/Board Designated for CIC Inhouse Loan Loss Reserves
- Restricted/Government Grants

NOTES OUTSTANDING AS COMPARED TO DELINQUENCIES BY FY:

Exhibit 5



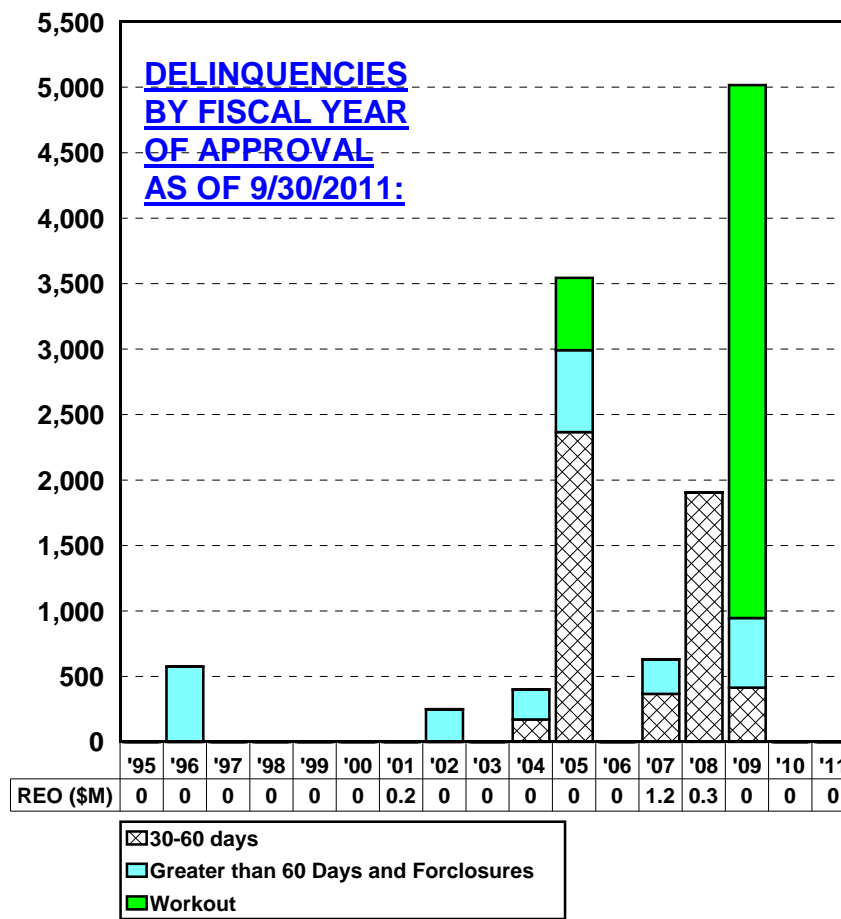
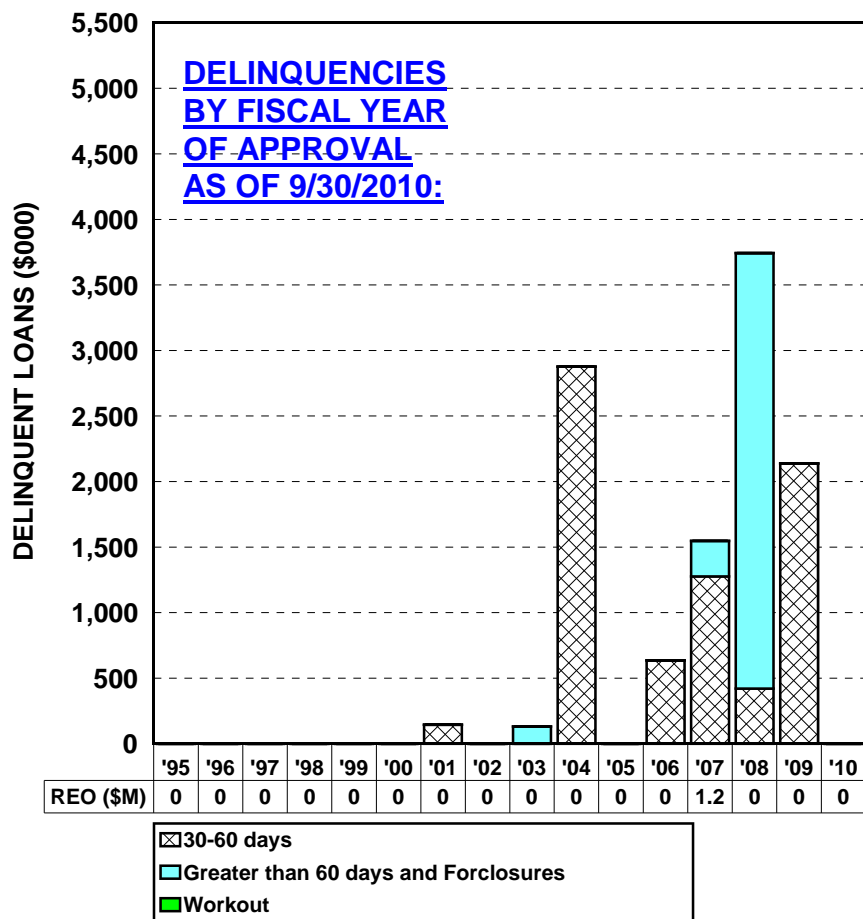
The red delinquency line on the chart includes loans 30 days or more delinquent, loans in Foreclosure and in Workout. The delinquency line does not include REO.

Note: At 9/30/2011 there were 3 loans (\$4.6 million) in temporary Workout, all of which are performing according to their modifications as approved by the Loan Committee. There were no loans in Workout at 9/30/2010. (See Page 21.)

* 2003: In September of FY2003, CIC sold \$50 million in portfolio mortgages to an investor allowing CIC to create the new Stimulus Fund from the increased servicing income on the \$50 million.

DELINQUENCIES BY FISCAL YEAR OF APPROVAL:

Exhibit 6



	9/30/2010	9/30/2011
Total Loan Delinquencies (Including Foreclosures)	11.2 million	7.7 million
Total Workout	0.0 million	4.6 million
Total REO	1.2 million	1.7 million
Grand Total (REO plus Delinquencies)	12.4 million	14.0 million

LOAN UNDERWRITING AND LOSS RESERVE POLICY:

Exhibit 7

In accordance with the new RAL program Note Purchase Agreement dated 3/16/2010:

UNDERWRITING:

Under policies established by the Board of Directors and the Loan Committee, CIC currently offers loans with the following terms:

Standard Loan	(Three or Five Year Adjustable Rate Mortgages)
Size	\$100,000 to \$5 million
Term	20 years
Amortization	25 years
Loan-to-Value	80% maximum (70% on Five Year ARM)
Debt Coverage	1.25 minimum
Security	First mortgage on the property (occasionally a small second mortgage behind a CIC originated first mortgage)
Prepayment	No prepayment penalty
Recourse	Full recourse to the borrower
Loan Limits	Single Borrower \$7.5million - up to \$10million with Board Approval

LOSS RESERVE POLICY:

A restricted loan loss reserve account has been established by CIC to reimburse note holders for losses of principal on notes sold to the investors. The loan loss reserve account was initially funded with \$1.2 million from CIC. From CIC's monthly collection of the loan servicing fee, CIC deposits monthly the sum equal to one-half of one percent (.5%) into the restricted loan loss reserve account. CIC will reimburse note holders for losses of loan principal up to the balance of funds available in the loan loss reserve account.

<u>Reserve Account Activity FY2011:</u>	<u>9/30/2010</u>	<u>FY 2011</u>	<u>FY2011</u>	<u>9/30/2011</u>
	<u>Balance</u>	<u>Charges</u>	<u>Deposits</u>	<u>Balance</u>
Investor RAL Restricted Reserve	869,712	(642,832)	1,056,701	1,283,581

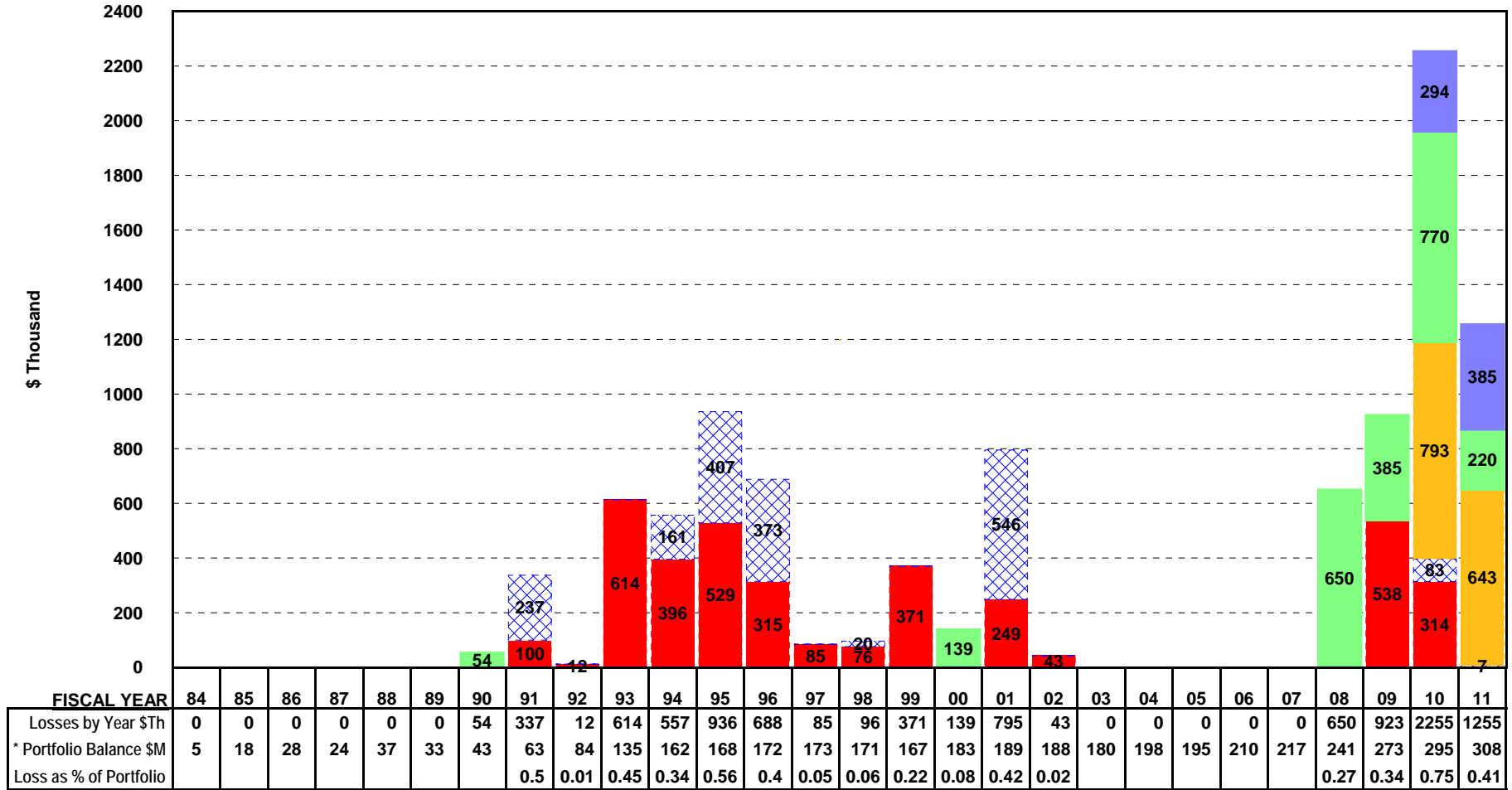
CIC absorbs all losses on RAL program loans not sold to the investors.

For loans to become eligible for sale to the investors under the new Note Purchase Agreement:

- Construction is complete.
- Loan is not in default.
- Project has achieved a 1.05 debt service coverage ratio (DSCR).

ALL PROGRAM LOSSES ON RAL LOANS ORIGINATED WITH THE RAL PROGRAM SINCE 1984 (\$1.1 BILLION) 9/30/2011:

Exhibit 8



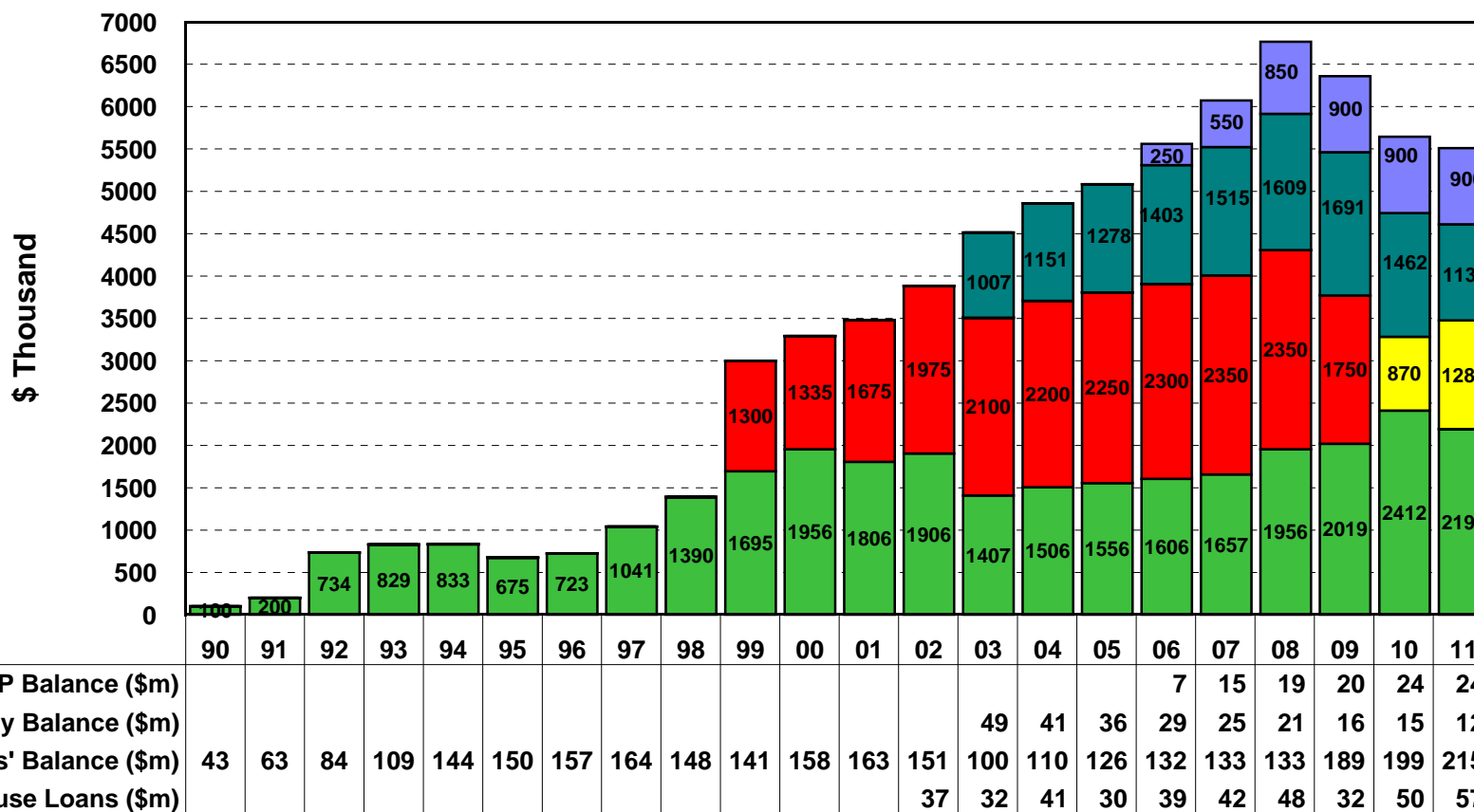
* **NOTE:** 1984 to 1992 Portfolio Balance \$M = Notes Sold to Purchasers.

1993 to 2010 Portfolio Balance \$M = Notes Sold to Purchasers plus In-House and Construction CIC loans, Regency Sale Loans and Fixed Rate Pool.

- Loss sustained by the CIC Loss Reserve Under Previous NPA
- ▨ Loss Passed through to Investors (\$1.8 million Cumulative, or 0.21% of \$858 million of Purchased Notes)
- Loss Sustained by Current 2010 NPA Reserve
- Loss on REO not sold in Notes - Charged to CIC Reserves
- Loss Sustained by Regency Reserve

LOSS RESERVE BALANCES AS OF 9/30/2010:

Exhibit 9



*CIC In House loans includes loans funded by CIC plus RAL loans in construction waiting to be sold to Noteholders.



NOTE in 2010: CIC combined its Regular and Flex loss reserves into the "CIC Loan Loss Reserve" and initiated the "Noteholders' Restricted Reserve".

FLEX FUND

Exhibit 10

Flex Fund loans

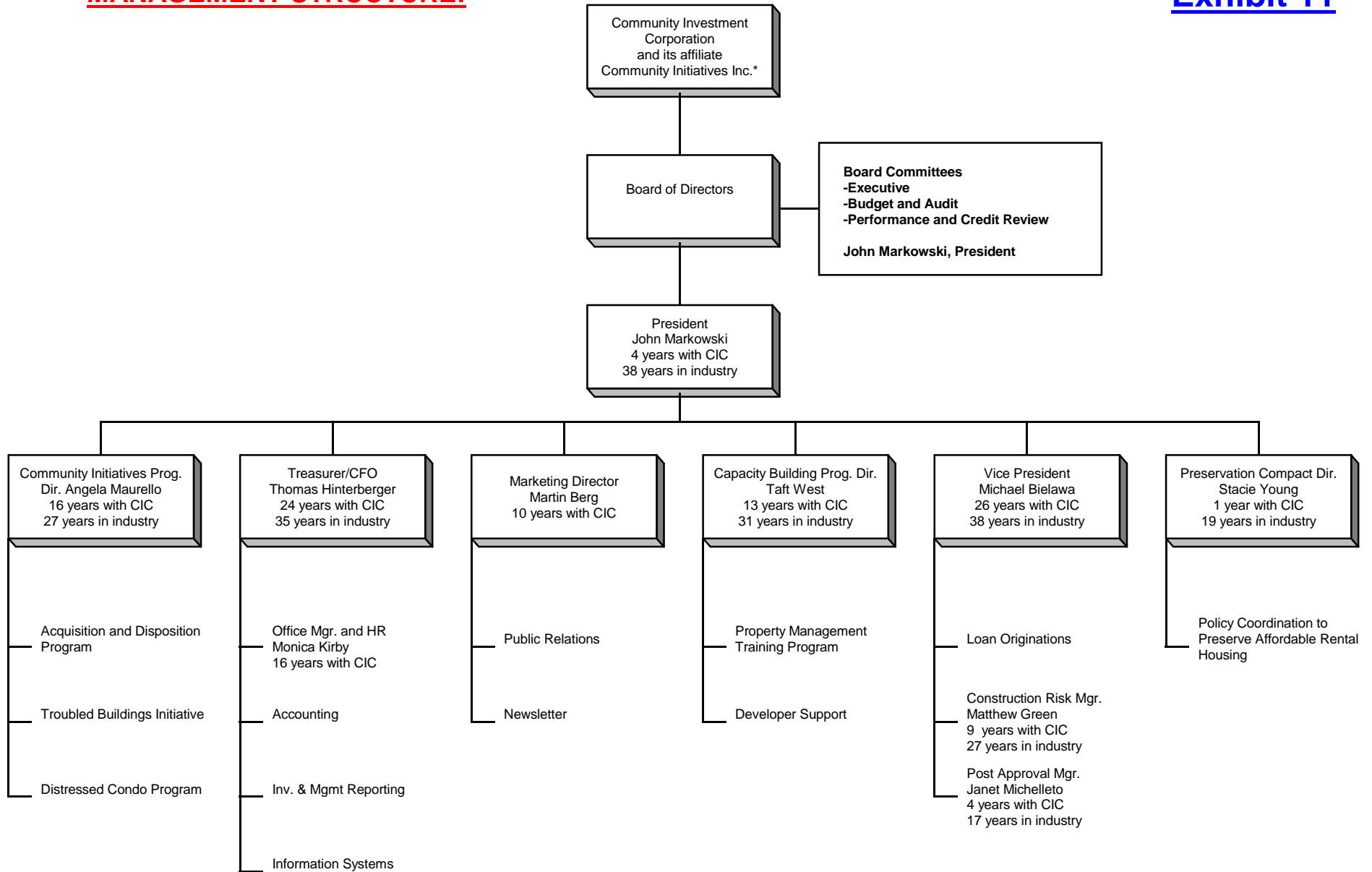
This fund was initiated in 1998 and renewed in 2010 to reach unmet neighborhood needs or stimulate an increased level of rehab activity in neighborhoods needing an intervention stimulus. In order to achieve this goal, LTV and D/C underwriting ratios are less stringent than standard RAL loans. The CIC board monitors lending under this program and sets the funding limit each year, \$20 million annually since 1999. Of the 185 Flex Fund Loans for \$120 million originated under the program, **123 Flex Fund Loans have been sold to the Investors for \$86 million of which \$42 million has been repaid. No losses have been experienced by the NOTE PURCHASERS with the Flex Fund loan program.**

As according to the current Note Purchase Agreement, loans outstanding under the Flex Fund Program may not exceed 20% of total dollar commitments of Purchasers. In addition, total Flex Fund Loans sold to the Purchasers is limited to 20% of total loans sold in any 12 month period. In the past 12 months, 12% of loans sold were Flex Loans.

<u>Approved Loans</u>	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total /Avg
Number of Loans	15	15	17	17	16	15	14	16	12	15	13	10	5	5	# 185
Value of Loans \$m	10	7	10	7	7	8	5	12	11	14	11	11	4	3	\$120 m
Average LTV %	92	82	86	103	97	87	78	86	106	73	90	91	80	80	84
Average D/C Ratio	1.2	1.5	1.4	1.2	1.2	1.5	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.2	1.3
<u>Flex Fund Loans as the Portion of EOY Balance of Loans Sold:</u>															
Portfolio \$m		7.9	14.1	15.6	12.9	18.4	16.4	13.2	17.9	22.1	18.6	32.4	37.2	40.4	
% of Total Portfolio		5.6	8.9	9.5	8.6	18.9	14.6	10.5	13.6	16.7	14.1	17.1	18.9	18.8	
<u>Flex Fund Loans Sold in Previous 12 Months:</u>															
Value of Loans \$m														4	
% of Loans Sold														12.1	

MANAGEMENT STRUCTURE:

Exhibit 11



*Community Initiatives Inc. (CII) is a stand-alone 501(c)(3) Not for Profit Corporation and is an affiliate of Community Investment Corporation (CIC). CIC is the sole member of CII and CIC has sole authority to elect the Board of CII. CII does not have employees and all activities are performed by CIC on a consulting basis.

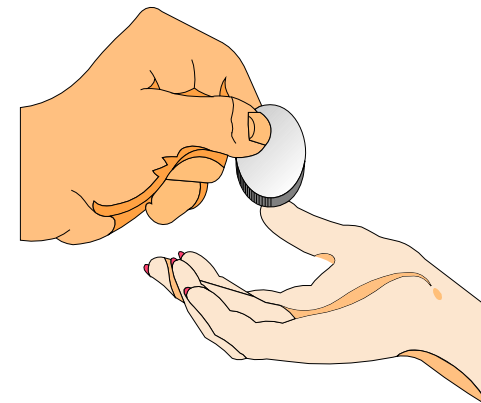
CIC CONSTANTLY SEEKS TO BALANCE TWO OBJECTIVES:

Exhibit 12

Increase affordable housing units, keeping rental rates as low as possible.



Generate "fair" return for investors.



Steps

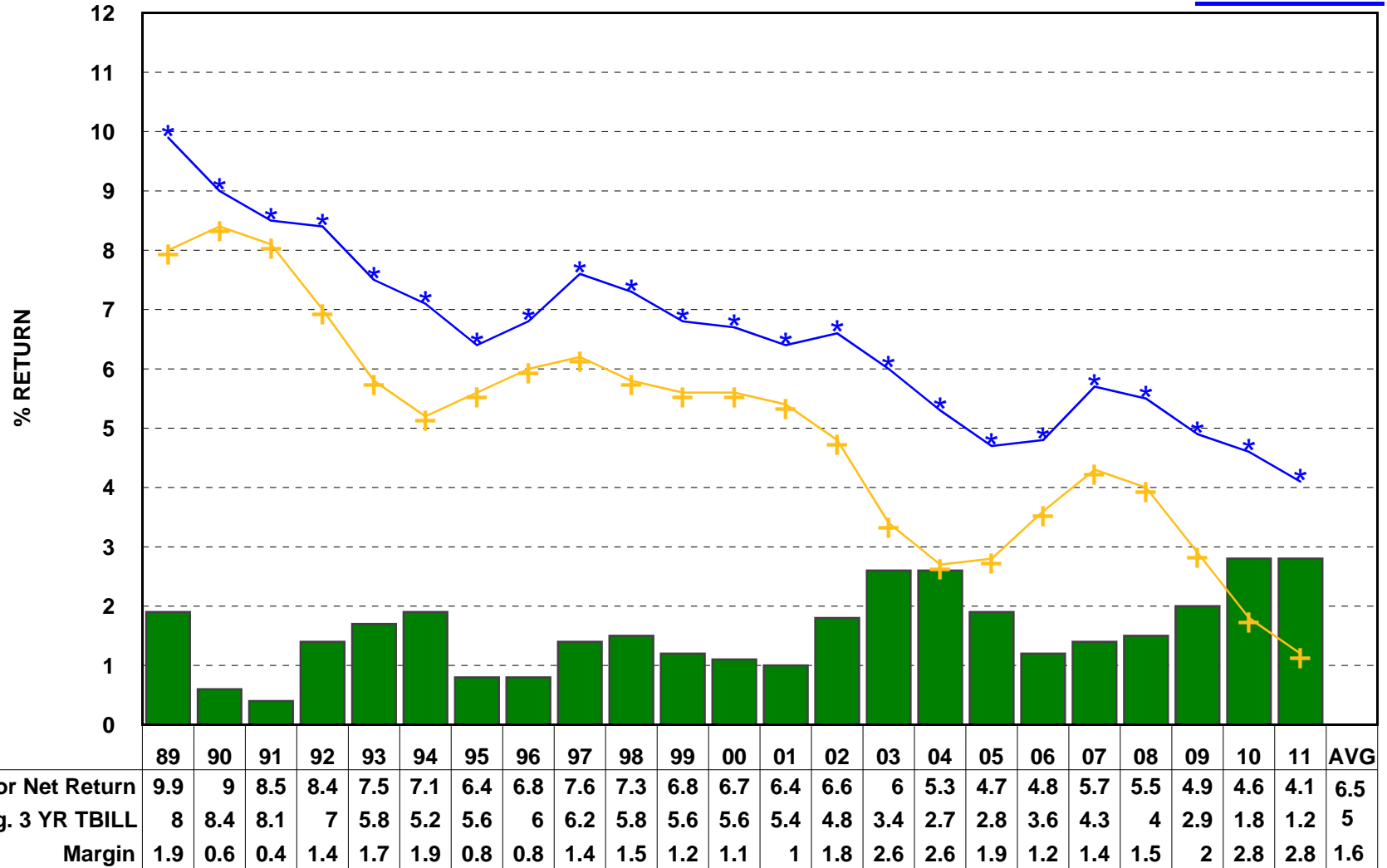
- Provide professional construction, property and management training/assistance.
- Encourage use of most cost-effective labor/materials.
- Initiate steps to limit property tax increases.
- Provide financing for energy efficient upgrades to lower utility bills.
- Use low-rate second mortgages.
- Efficient use of Private and Public funds.

Steps

- Provide acceptable net yield on every loan.
- Minimize investors' risk of loss through:
 - Loans being approved by investor Loan Committee.
 - CIC Loss Reserve policy.
 - Large investor base.
 - Portfolio concentration limits.
- Remit payments monthly.
- Use of in house loan servicing.
- Experience - Mult-Family Bldg. Lending has been CIC's core business for 27 years.

INVESTOR NET RETURN AS OF 9/30/2011:

Exhibit 13



Note: The **CIC INVESTOR** return is calculated by averaging each month's net interest remitted (**Gross Interest less Service Fee less Principal Losses**) divided by the month's beginning portfolio balance. CIC operates on a fiscal year ending September 30. CIC rates quoted represent full year averages. Individual investor spreads will vary depending on loan mix, funding policy, and investor share of losses.

