Annual Performance and Credit Review Report to Investors

Fiscal Year 2020 (10/1/2019 - 9/30/2020)

Community Investment Corporation and
Community Initiatives, Inc.

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CIC is a certified Community Development Financial Institution (CDFI), a member of the Federal Home Loan Bank of Chicago, and an approved FHA Multifamily lender.

December 2020

To: CIC Investors

This Performance and Credit Review Report summarizes the lending activities and programs of Community Investment Corporation (CIC) and its affiliate, Community Initiatives, Inc. (CII), for FY 2020. The achievements of CIC and CII are made possible by many investors who have made CIC the Chicago area's leader in financing rehabilitation and preservation of affordable rental housing. With the onset of the coronavirus, FY 2020 was an extremely challenging year for CIC and the communities we serve. Nevertheless, CIC effectively and vigorously pursued its mission. Here are some highlights of FY 2020 that are more fully described in the report:

Lending Programs

- CIC secured $330 million in commitments from 40 bank investors to finance affordable rental housing through 2025, an increase of $25 million over the most recent loan pool renewals.
- In FY 2020, CIC provided $42 million in loans and grants to acquire, rehab, and preserve 954 units of affordable rental housing and seven commercial units throughout the Chicago area. Loans were approved for Multifamily acquisition and rehab, energy conserving retrofits, 1-4 Unit loans, and the Opportunity Investment Fund. For the first time, CIC made use of Agency debt from Fannie Mae and Freddie Mac to finance two Multifamily loans.
- Loans and grants were provided in 22 Chicago communities and two suburbs. 99% of the units financed by CIC were affordable to households at or below 80% of area median income (AMI), and 70% were affordable to households at or below 50% AMI.
- Due to the economic shutdowns caused by the coronavirus pandemic, loan delinquencies grew in both the Multifamily and 1-4 Unit loan portfolios, and CIC made significant use of temporary loan forbearances. There were no losses in the 1-4 Unit program and $1.8 million in losses on Multifamily Notes Sold to Investors, all of which was covered by the Investor First Loss Fund. All Opportunity Investment Fund loans performed as agreed.
- Investors in the Multifamily Loan Program received a return of 3.4%, and investors in the 1-4 Unit Loan Program received a return of 5%.
- At the close of FY 2020, the balances of loans sold to investors stood at $207 million for Multifamily loans, $21 million for 1-4 Unit loans, and $3 million for the Opportunity Investment Fund.

Community Development Activities

- Property Management Training moved fully online and provided training and information for 1,988 people, bringing the total number of attendees since 1998 to more than 22,700.
- Community Initiatives Inc. recovered 39 buildings with 703 units under the Troubled Buildings Initiative and led efforts to resolve the issues associated with poor management and deterioration of more than 200 buildings purchased by out-of-state buyers.
- CII acquired and transferred 89 buildings with 141 units to new owners to rehab and preserve, bringing its overall totals to 982 buildings with 5,803 units.
- The Preservation Compact led policy and programmatic efforts to preserve affordable rental housing in Cook County and worked with public agencies to preserve affordability in four publicly assisted properties with 427 units.
- The Preservation Compact also led investigation, advocacy, and communication regarding resources to stabilize tenants and buildings during coronavirus pandemic.

Financial Condition and Performance of CIC and CII

- CIC and CII achieved a Consolidated Net Operating Surplus of $264,000 in FY 2020. Unrestricted Net Assets increased $344,000 to $34.7 million, and Overall Net Assets increased to $38.5 million.

We appreciate your investment in CIC. CIC is committed to using it prudently and effectively. Thank you for your continued support.

Jack Markowski
President/CEO

David Dykstra
Board Chair

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Board and Committee Members

FY 2021

CIC BOARD MEMBERS

David Dykstra, Wintrust Financial Corporation (Chair)

Karen Case, CIBC (1)
Collete English Dixon, Roosevelt University (4)
Mitchell Feiger (1)
Scott Ferris, BMO Harris (2, 5)
Timothy Hadro (3, 4)
John Hein, Fifth Third Bank (4)
R. Patricia Kelly, TCF Bank (2)
Robert Marjan, The Marjan Group (3, 5)
John Markowski, Community Investment Corporation (President) (1)
Angie Marks, University of Chicago
Jeff Newcom, First Midwest Bank (2)
Frank Pettaway, Northern Trust (Vice Chair) (1, 3, 5)
Andrew Salk, First Eagle Bank (2, 4, 5)
Thurman Smith, PNC Community Development Bank (1, 4)
Daniel Watts, Forest Park National Bank & Trust (3, 5)

Note: Numbers in parentheses indicate committee membership. (1) Executive Committee, (2) Finance Committee, (3) Access to Capital Committee, (4) Portfolio Oversight Committee, and (5) Performance and Credit Review Committee.

CII BOARD MEMBERS

John Markowski, Community Investment Corporation (President)
Tom Hinterberger
Rondella Hunt, J.P. Morgan Chase
Robert Marjan, The Marjan Group
Angie Marks, University of Chicago
Frank Pettaway, Northern Trust
Thurman Smith, PNC Community Development Bank

CIC MULTIFAMILY LOAN COMMITTEE

Chas Hall, Leaders Bank (Chair) (4)
Brian Bianchi, Northern Trust
Rogelio Lopez, PNC Bank
Courtney Olson, First Bank of Highland Park
David Patchin, Fifth Third Bank
Teresa Rubio, Associated Bank
Tiffany Taylor, Wintrust Commercial Real Estate
James Turner, CIBC
James West, BMO Harris Bank
Bryan Esenberg, Chicago Department of Housing*
Stephen Gladden, Illinois Housing Development Authority*
** Non-voting Member*

CIC 1-4 UNIT LOAN COMMITTEE

Tiffany Taylor, Wintrust Commercial Real Estate (Chair) (4)
Brian Bianchi, Northern Trust
Lynn Backofen, First Savings Bank of Hegewisch
Loretta Minor, BMO Harris Bank

OPPORTUNITY INVESTMENT FUND INVESTMENT COMMITTEE

Carl Jenkins, BMO Harris Bank (Chair)
Bruce Bryant, Fifth Third Bank
Lindsay Durr, Northern Trust
Bryan Esenberg, City of Chicago
Tony Hernandez, CIBC

SECTION A: Overview and Organization

Overview and Organization

- This 28th annual Performance and Credit Review Report confirms that Community Investment Corporation (CIC) remains centrally focused on stabilizing the Chicago area's low and moderate income communities by financing the acquisition and rehabilitation of affordable multifamily housing stock safely and soundly while generating a fair return to investors.

- CIC is a not-for-profit 501(c)(3) corporation. Incorporated in 1973, CIC's mission is to be a leading force in affordable housing and neighborhood revitalization through innovative financing, programs, and policy leadership. CIC is an important and reliable source of capital for redeveloping and maintaining affordable rental housing. Since 1984, CIC has provided $1.55 billion to finance the acquisition and rehabilitation of more than 63,800 units of rental housing. CIC is the leading multifamily lender in Chicago's low and moderate income communities, which contain most of the region's affordable rental housing.

- CIC is managed as a self-sustaining Social Enterprise, generating income through its operations to cover its costs and provide an operating surplus while maintaining a focus on its mission. The surplus gives CIC the means to initiate new programs and expand existing efforts.

- Since 1996, CIC has been certified by the U.S Department of the Treasury as a Community Development Financial Institution (CDFI).

- CIC is an approved FHA Multifamily Lender and is a member of the Federal Home Loan Bank of Chicago.

- CIC is a pooled risk lender. CIC's success is the direct result of the long term support of Chicago area institutions investing in CIC's programs. CIC has been able to maintain the strong support of its investors for the past 36 years by providing a fair return on their investments and not passing through any losses since 2001. Currently, 39 investors have committed $294,900,000 to purchase notes through September 15, 2025 under the Multifamily Loan Program, 12 investors have committed $35 million to purchase notes through September 15, 2025 under the 1-4 Unit Loan Program, and nine investors have committed $34 million to participate in the Opportunity Investment Fund. (See Exhibit 1.)

- 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 more directly engage in real estate activities to further the mission of CIC. CII's governing board is elected by the CIC Board of Directors. Specifically, CII preserves troubled and deteriorating low and moderate income residential buildings through:

    1. Code enforcement, receivership, and repair of troubled multifamily properties;
    2. Re-assembly and return to the rental housing stock of buildings that have been lost through failed and/ or fraudulent condominium conversions;
    3. Purchase of delinquent mortgages and distressed properties and sale to capable new owners; and
    4. Coordinated redevelopment efforts in targeted areas.

- Since 2011, CIC has been the coordinator for The Preservation Compact, a collaborative policy forum composed of government, non-profit, and for-profit housing leaders working to preserve affordable rental housing in Cook County. Many CIC programs and initiatives have been developed to address issues originally identified by The Preservation Compact.

Overview and Organization

- CIC is well equipped to manage its programs. CIC's top executives and managers have many years of experience in real estate lending and community development. CIC is characterized by a stable workforce, with a mix of employees who have been with the company for a long time and some who have joined in recent years. (See Management Structure in Exhibit 2.)

- CIC's Loan and Investment Committees are composed solely of senior lending officers of investing institutions. As provided in their respective governing documents, members of the Multifamily Loan Committee represent at least 51% of total committed dollars for the Multifamily Note Purchase Agreement (NPA), all investors in the 1-4 Unit Loan Program are eligible for membership on the 1-4 Unit Loan Committee, and members of the Opportunity Investment Fund (OIF) Investment Committee are drawn from major OIF investors.

- CIC's Board is composed of leading banking professionals and community leaders in the Chicago area. The Board provides oversight for CIC through regular meetings, an Executive Committee, and other committees. The Board has established the following committees:

  1. **Executive Committee** - Reviews policy issues between board meetings, provides counsel to staff, acts as Compensation Committee, and nominates new board members and company officers.

  2. **Finance Committee** – Guides financial management and reporting, including the strategic management of capital resources, and reviews CIC's financial performance. This committee also reviews the annual budget with staff and recommends action to the whole board, and reviews annual audit reports with auditors before presentation of the audit report to the whole board.

  3. **Committee on Access to Capital** –Guides the process of raising capital for CIC's lending activity, including renewing the multifamily and 1-4 unit note purchase agreements, and developing other sources of funding. Guides strategy for approaching new and existing investors to finance CIC programs and weighs the relative risks and benefits of various new sources of funding.

  4. **Portfolio Oversight Committee** – Exercises Board management authority with respect to CIC's overall loan portfolio. Acts as the Board's liaison to loan committees. Works with the loan committees and CIC staff to implement the risk rating system. Provides advice and counsel to CIC staff regarding timely, streamlined reports on loan delinquencies and loan losses; watch list procedures and policies; establishment of appropriate loan loss reserves; and other matters regarding management and reporting on the loan portfolio.

  5. **Performance and Credit Review Committee** - Works with staff to prepare the annual report to the Board and investors on the company's performance, policies, loan portfolio, credit procedures, and controls.

Strategic Plan

Mission Statement

CIC's mission is to be a leading force in affordable housing and neighborhood revitalization through innovative financing, programs, and policy leadership.

Strategic Goals

- CIC's strategic plan details organizational priorities and strategies and identified four main goals focused on lending, mission impact, public policy, and strategic financial management:

  - Offer a full range of lending products and financing tools that meet the needs of the multifamily affordable housing market and generate income to support CIC operations.

  - Increase CIC's mission impact in low and moderate income communities through targeted neighborhood interventions and services that are complementary to CIC's lending business.

  - Lead the policy conversation and development of financing tools to expand the availability and quality of affordable rental housing.

  - Advance CIC's financial management systems and capabilities to provide CIC with a greater ability to strategically use its resources and capital and enhance its self-sustaining business model.

- In FY2020, CIC started the process of developing a new multiyear strategic plan which would begin in 2021. Given the dramatic and ongoing environmental changes brought by the coronavirus pandemic, however, CIC decided to suspend the planning process, extend the current plan through 2021, and re-engage in a comprehensive strategic planning process when the end of the pandemic brings a return to a more stable environment.

Overview and Organization

CIC Balances Two Objectives

Improve the condition and increase the supply of rental units that are affordable to low and moderate income households.

Provide fairly priced financing for acquisition and rehab of rental housing.

Provide advice and oversight regarding scopes of work, costs, and quality of construction.

Provide financing for energy efficient upgrades to reduce utility costs.

Provide training and technical assistance to ensure high quality property management.

Make efficient use of private and public funds.

Advocate for public policies that support affordable rental housing.

Real Returns.
Real Impact.

Generate fair return to investors.

Provide acceptable yield on every loan.

Manage investors' risk of loss through:

- Thorough underwriting of all aspects of every loan proposal.
- Robust credit process involving staff, management, and Loan Committees.
- CIC Loss Reserve Policies.
- Large investor base to share risk.
- Portfolio concentration limits.

Remit payments monthly.

Service loans in-house.

Capitalize on experience. Multifamily rehab lending has been CIC's core business since 1984.

Credit Process

CIC's Credit Process and policies are designed to mitigate potential investor risk.

The Credit Process Review is performed periodically by a participating Note Purchaser. The most recent review was performed by Northern Trust. Published in July 2018, the review was based on CIC's multifamily portfolio as of March 31, 2018. The review found that CIC was fully complying with the requirements of the Multifamily NPA. Because of the statewide "stay at home" orders and the limitations of working remotely, the Credit Process Review was not performed in 2020. CIC plans to undertake a review in 2021, which will provide an opportunity to review CIC's performance under the 2020 NPAs.

Underwriting and Loan Structure (See Exhibit 3.)

- Adhere to sound underwriting standards and credit processes.
- Perform sensitivity analysis for maximum adjustments for all loans.
- Limit exposure on any single loan to a maximum of $5 million.
- Personal recourse to borrower.
- Careful review and monitoring of the contractors and the construction progress.

Loan and Investment Committees

- Loans are approved by the Multifamily and 1-4 Loan Committees and the Opportunity Investment Fund (OIF) Investment Committee, which are composed solely of senior representatives of investing institutions.
- In the 2020 renewal of the NPAs, approval of loans by CIC management was increased to $500,000 per individual loan, not to exceed a total of $1 million exposure per borrower. All loans approved by CIC management are reported to the respective Loan Committee.
- The Multifamily Loan Committee represents at least 51% of the total dollars committed to the Multifamily NPA. All 1-4 Note Purchasers are invited to sit on the 1-4 Loan Committee. The OIF Investment Committee is composed of major OIF investors. (Current members of the Loan and Investment Committees are listed on page 4.)

Shared Risk

- Funded Investor First Loss Funds pursuant to the Multifamily and 1-4 Unit NPAs. Investors and CIC fund these accounts each month.
- Returns and risk on all loans are shared proportionally based on investor participations.

Loan Servicing and Asset Management

- Performed by CIC on all loans.
- Ongoing efforts to maintain close contact with borrowers.
- Employ early intervention and workouts where appropriate.
- Access other resources such as free energy assessments, utility rebates, referrals for property tax appeals, and sources for grants.
- Annual inspections of all properties with additional inspections for problem loans.
- Annual financial reports and reporting of DSCR.
- In anticipation of potential losses caused by the coronavirus pandemic, CIC has increased payments into the Multifamily First Loss Fund to the maximum amount permissible under the Multifamily NPA. (See page 22.)

Portfolio Reviews

- Monthly review of status of delinquent loans and REO by CIC Senior Management and CIC Committees.
- Quarterly Status review of the Portfolio Watch List by Loan and Investment Committees and semi-annual review by the Portfolio Oversight Committee.
- Board Portfolio Oversight Committee provides advice and counsel and acts as Board liaison to the Multifamily and 1-4 Unit Loan Committees.

Diversification

- Limit total exposure to any single borrower to $7.5 million ($10 million with board approval) for the Multifamily program and $2.5 million for the 1-4 Unit program.
- In the neighborhoods of highest concentration, risk is spread across multiple borrowers and properties.
- In FY 2020, loans were made for projects in 22 Chicago communities and in two suburban communities in the metropolitan area.

Overview and Organization

Impact Investing

CIC achieves its mission by increasing access to capital for local entrepreneurs - with a focus on minority and women-owned businesses - investing in low- and moderate-income neighborhoods, and providing quality homes to Chicago area residents. CIC achieves these mission impacts while also providing a consistent return to its investors.

Who does CIC lend to?

CIC borrowers are:

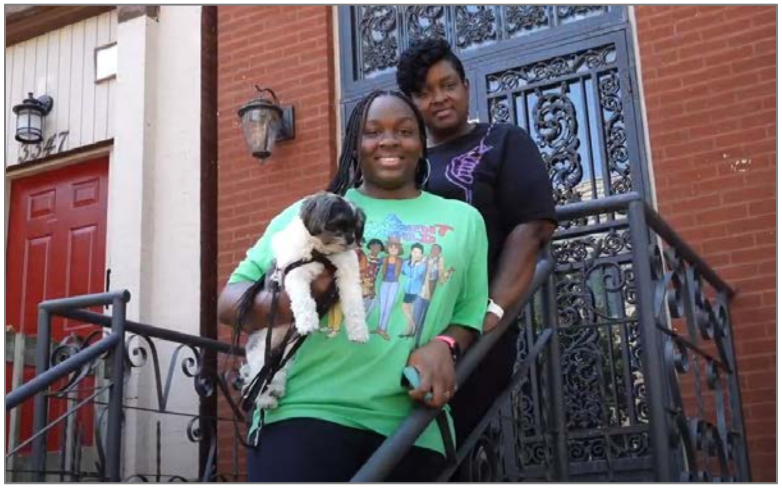
- Small businesses
  - 50% are full-time owner-operators and/or managers.
  - Have an average of 4 employees, but 39% have no employees.
- 54% of CIC borrowers are minority or women owned businesses.
- Experienced: Two-thirds have been in business more than 10 years.
  - 1/8 have come into business within the last 5 years.
- Over half of CIC borrowers own five buildings or less.
- CIC borrowers own an average of 35 units.
- 90% self-manage their properties.
- One-third got their first loan from CIC.
- 63% have received an Energy Savers assessment, and 71% of those borrowers completed the recommended upgrades.

Where does CIC lend?

- Throughout the six Illinois counties in the Chicago MSA, but primarily in Chicago's south and west side communities. (90% of loans are in Chicago.)
- 86% of loans in majority African American census tracts (5% Hispanic, 3% White, 6% no majority)
- In census tracts with an average median income of $42,290 (about 55% of Area Median Income)
- Areas of high unemployment and low Labor Market Engagement. (Average: 17 on a scale of 1-100)

Who lives in the buildings CIC finances?

- 86% of tenants living in CIC-financed buildings are African American.
- 37% of households living in CIC-financed buildings have at least one child.
- 92% of households living in CIC-financed buildings have an income of less than $40,000 per year. 34% have an income of less than $20,000 per year.
- Virtually all rents in CIC financed buildings are affordable to households at 80% of AMI, and nearly three-quarters of CIC financed units are affordable at 50% of AMI.
- 35% of tenants in CIC-financed properties receive some form of rental assistance.



Data are from a 2018 survey of CIC borrowers and their businesses; a 2016 analysis of the location of loans in CIC's multifamily portfolio; and a 2016 demographic survey of tenants living in a sample of buildings financed by CIC.

Community Development Activities

CIC and the Coronavirus

- FY 2020 began as another strong year for CIC. Through February, CIC was on target to meet most financial and program goals. Loan approvals and closings were ahead of budget, delinquencies were down, and losses were within projections and were fully covered by reserves. CIC received a clean, unmodified audit for FY 2019 and after a yearlong effort, successfully completed renewals of the Multifamily and 1-4 Unit Note Purchase Agreements -- $330 million in commitments from 40 banks to fund CIC loans through 2025.

- When COVID-19 and shelter-in-place orders hit it March, it disrupted CIC's world. Business closures and unprecedented increases in unemployment squarely hit the unsubsidized rental housing that is the focus of CIC's work. Overnight, a previously strong rental market stalled amidst fears that rent delinquencies would reduce the cash flows necessary to maintain properties and keep them current on their debt service. Concerned about its own financial exposure and ability to complete funding of $50 million of loans in construction, CIC sold virtually all eligible loans to investors. CIC suspended new construction lending and focused on maintaining liquidity during what was expected to be a time of very little lending activity and rising loan delinquencies. CIC applied for and was approved for $963,000 under the federal Paycheck Protection Program.

- As anticipated, unemployment, eviction and foreclosure moratoria, and the closure of courts all contributed to a rise in loan delinquencies in the second half of the fiscal year. As of September 30, overall delinquencies stand at 11.8% with 5.8% non-performing. Following the lead of federal regulators, CIC provided temporary forbearances to $44 million of loans (16.9% of the overall portfolio). CIC has devoted a tremendous amount of attention to loan servicing and asset management. Over the summer, the CIC Board of Directors increased payments into the Multifamily Investor First Loss Fund to the maximum amount allowed under the Multifamily Note Purchase Agreement; this will provide another $1.3 million per year for the fund.

- Through The Preservation Compact and Property Management Training, CIC has catalogued and communicated resources available to assist both landlords and tenants. Property Management Training has moved to all online seminars. The Preservation Compact convened stakeholders and participated in national policy discussions to identify and advocate for resources to stabilize renters and their buildings.

- This is certainly a challenging time for CIC. Until there is a vaccine or effective treatment for COVID-19, the economy will not recover, especially in the low and moderate income communities where CIC conducts its business. In the meantime, there is a need for renewed federal assistance through extended unemployment benefits and/or emergency rental assistance. CIC's mission calls for it to provide credit for affordable housing where it is needed most – in Chicago's low and moderate income communities. But CIC cannot provide financing that is not economically viable. During this time of unprecedented challenge, CIC will exercise the utmost caution in approving any new loans and will diligently manage the condition of the current portfolio. CIC will continue to provide information and advocate for resources to help tenants and building owners survive the pandemic.

- The rise in loan delinquencies is not due to poor building management, faulty loan underwriting, or even structural failure of the housing market. Rather, it's due to the unprecedented coronavirus pandemic, the economic consequences of which have most severely affected the workforce tenants and local owner-operators of affordable rental housing in low income communities of color. This is not a permanent condition, and CIC fully expects a return to pre-pandemic levels of performance and overall economic conditions after an effective vaccine reaches widespread distribution. Despite the reduction in current lending activity, CIC intends to fully maintain its staff and lending infrastructure, continue to provide mission-based services, and be poised to fully resume CIC's leading role in financing affordable rental housing in Chicago concurrent with the anticipated economic recovery.

SECTION B: CIC Lending Programs

CIC Lending Programs

FY 2020 Lending Report

Overview

In FY 2020, CIC provided $42.3 million in financial assistance for 954 of affordable rental housing and 7 commercial units throughout the Chicago area. (See Exhibits 4 and 5.)

Because of the disruption and uncertainty caused by the coronavirus pandemic, very little lending took place in the second half of the fiscal year. Overall, Multifamily loan applications were down 50%, and loan approvals and closings were down about 45% compared to FY 2019.

In FY 2020, CIC approved and closed or had closings pending for:

- 41 loans for $35.4 million under the Multifamily NPA.
- Two loans for $2.3 million in correspondent lending of agency debt.
- $785,000 of mezzanine debt for 3 loans under the Opportunity Investment Fund.
- Two first mortgage loans for $1.5 million under the 1-4 Unit Rental Redevelopment Loan Program.
- Two TIF Vacant Building matching grants for $830,000, and two AHP grants from the Federal Home Loan Bank of Chicago for $1.5 million.
- In all of the buildings provided with financial assistance by CIC in FY 2020, 99% of the units were affordable at 80% of area median income, 88% of the units were affordable at 60% of area median income, and 70% of the units were affordable at 50% of area median income.

Financial Assistance FY 2020		
	#	$ (000)
Multifamily Loans		
Multifamily NPA	41	35,390
Agency Debt	2	2,316
Total Multifamily	43	37,706
Opportunity Investment Fund Loans		
Mezzanine Debt	3	785
1-4 Unit Program Loans NPA		
1st Mortgages	2	1,467
2nd Mortgages	0	$0
Total NPA 1-4 Program	2	1,467
TOTAL LENDING		**$39,958**
Grants		
TIF Vacant Building Grants	2	830
FHLBC Affordable Housing Program Grants	2	1,500
TOTAL LENDING AND GRANTS	**52**	**$42,288**

CIC Lending Programs

FY 2020 Lending Report

- Most loans approved by CIC were located in low and moderate-income census tracts in the city and suburbs of Chicago. The multifamily lending totals, however, include $5.2 million in three first mortgage loans that provide affordable housing in strong markets through the Opportunity Investment Fund (OIF).

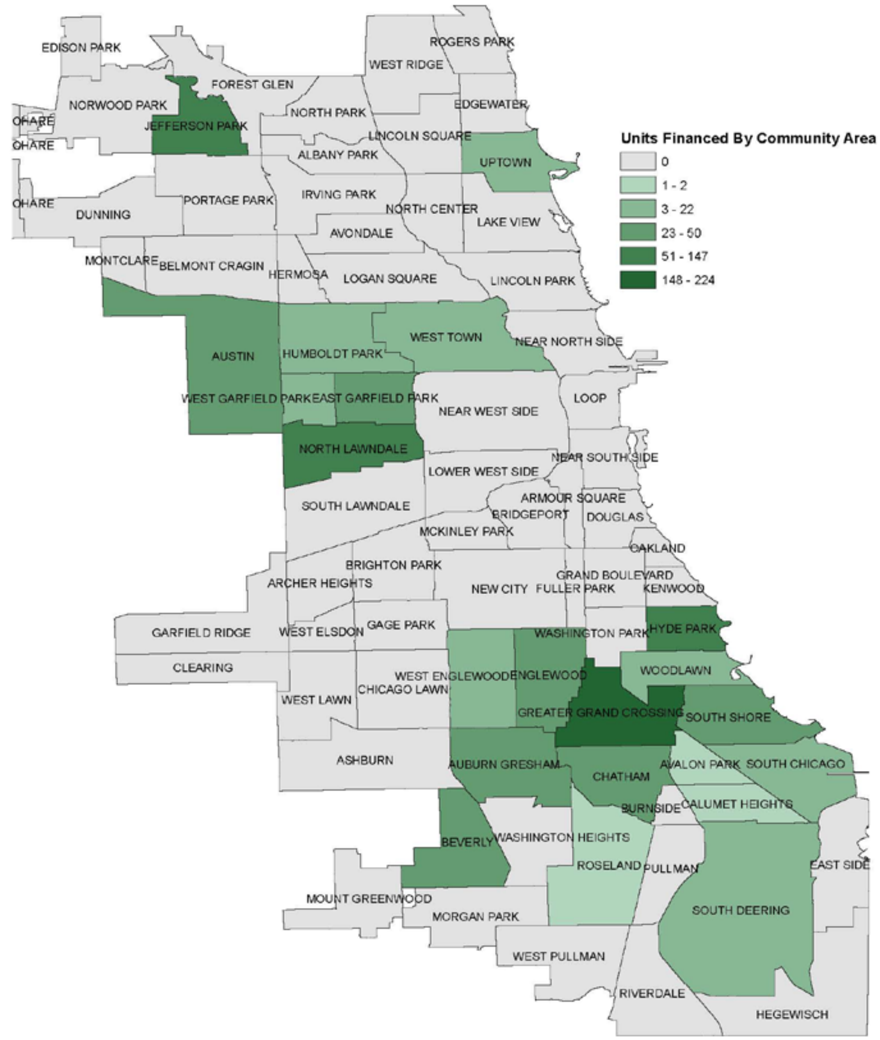
- Of the 52 loans and grants originated by CIC, 48 (accounting for 90% of the financial total) were made in 22 Chicago communities and four were in two suburbs. (Loans under the 1-4 Unit Program can include properties located in more than one community or municipality.)

- The Opportunity Investment Fund enabled CIC to reach city and suburban communities not usually served by CIC lending programs. OIF provided mezzanine debt for 27 affordable housing units in Hyde Park, Evanston, and Oak Lawn. OIF is more fully described on pages 26-27.

- The map on this page illustrates the distribution of units financed by CIC in the City of Chicago.

- The table on page 15 provides a complete list of all communities served by CIC financing programs in FY 2020.

CIC 2020 Chicago Lending By Community Area



Renewal of the Note Purchase Agreements

- In FY 2020, CIC successfully completed a multi-year effort to renew its Multifamily and 1-4 Unit Loan Program NPAs.

- CIC secured $330 million in commitments ($294.9 million for Multifamily and $35 million for 1-4) from 40 bank investors. This was an increase of $25 million over the most recent NPA renewals. (See Exhibit 1 for the full list of investors and commitment levels). These commitments are expected to finance 7,000 units of affordable housing over the next five years.

- Both NPAs went into effect on March 15, 2020, and CIC's authority to approve loans under the new 2020 NPAs extends through 2025.

- Investors in the 2020 NPAs represent 40 institutions from local, regional, and national banks. 31 banks renewed their commitment – many at increased levels – and nine new investors participated in the 2020 NPAs.

- One September 3, CIC, Mayor Lori E. Lightfoot, and Department of Housing Commissioner Marisa Novara joined CIC to announce the $330 investment at a press conference at a CIC-financed building in South Shore. Due to COVID-19 pre-cautions, just one representative from each of CIC's largest eight investors attended, and all investors were invited to participate via live stream. The event was covered by major TV and news outlets, including the Chicago Tribune, Crain's Chicago, WBEZ, WGN9, and NBC5.

CIC Board member Tony Smith, CIC borrower Anthony Oliver, CIC President Jack Markowski, Mayor Lori Lightfoot, and Department of Housing Commissioner Marisa Novara celebrate the $330 million in commitments for CIC lending programs.

CIC Lending Programs

Multifamily Loan Program

- Even in the midst of a very difficult environment, CIC continues to be the leading lender for the acquisition and rehab of affordable rental housing in Chicago's low and moderate income communities. Characterized by social and economic challenges that may not be found in other parts of the Chicago real estate market, these communities have been particularly affected by widespread unemployment resulting from COVID-19 economic shutdowns and by vandalism and looting that accompanied this past year's civil unrest.
- CIC's credit processes are strong, however, and CIC is exercising extreme diligence in loan servicing and asset management. Despite increases in loan delinquencies, CIC believes that they are manageable and that any future losses will be covered by the Multifamily Investor First Loss Fund.

Originations

- In FY 2020, CIC approved 43 Multifamily loans for a total of $37.7 million. These loans financed the acquisition and rehab of 934 residential and 10 commercial units. (See Exhibits 4 and 6.)
- Forty-one of the Multifamily loans for $35.4 million were standard First Mortgage Loans originated for the Multifamily NPA. Three of these loans for $5.2 million provided first mortgage financing for buildings that also received mezzanine debt under the Opportunity Investment Fund. (See pages 26-27.)
- The other two Multifamily loans provided $2.3 million of agency debt to two buildings with 36 units in the Beverly community. Under a pilot program, CIC is offering competitive Freddie Mac and Fannie Mae financing as a correspondent lender for Community Preservation Corporation (CPC), a not-for-profit CDFI based in New York. This loan product provides an alternative for larger and more sophisticated borrowers, especially those who have reached CIC's loan concentration limits.
- Complementing the Multifamily lending activity, CIC awarded two matching grants for a total of $830,000 to rehab 14 units in two buildings in East Garfield Park under the TIF Multifamily Vacant Building Rehab Program and two Affordable Housing Program (AHP) grants from the Federal Home Loan Bank of Chicago totaling $1.5 million for buildings in Jefferson Park and North Lawndale.
- CIC's Flex Fund enables CIC to use a portion of the Multifamily Loan Program 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. Flex Fund loans generally have less stringent Loan-to-Value (LTV) and Debt-Service Coverage Ratio underwriting ratios than standard Multifamily loans. (See Exhibit 3.) The Flex Fund is most useful in addressing situations in which a building's cash flow can support debt in excess of usual LTV limits. In recent years, however, with increasing building values but little change in underlying income and expenses, the Flex Fund's value has been limited. CIC did not use any Flex Fund financing in FY 2020. (The Flex Fund is more fully described in Exhibit 7.)
- CIC conducted three Multifamily Note Sales for a total of $54.7 million, and there were $41.7 million in payoffs and amortizations in FY 2020. In total, at the close of FY 2020, CIC's Multifamily Loan portfolio stands at $207.6 million of notes sold to investors. (See Exhibit 8.)

CIC Lending Programs

Multifamily Loan Program

Portfolio Performance

Delinquencies

- Delinquencies and REO on loans in the portfolio of Multifamily Loan Program Notes Sold to Investors are $25.6 million (12.3%) as of 9/30/20 versus $14.1 million (7.2%) as of 9/30/2019. (See table on this page and Exhibit 9.) Of this total, non-performing loans (90+ days past due plus foreclosures and workouts) are $10.5 million (5.0% of notes sold). Delinquency rates have risen largely as a result of the effects of the COVID-19 pandemic, making it difficult for tenants to pay rent and CIC borrowers to keep their loans current. Delinquencies do not include temporary loan forbearances made under the Borrower Assistance Program (BAP). (See page 20.)

- Delinquent loans include $14.5 million in 30 and 60-day delinquencies and $7.3 million in 90+ day delinquencies. Delinquencies have risen across the portfolio and CIC has actively pursued modifications, working closely with borrowers, and encouraging borrowers to access available resources in order to manage and maintain their buildings and loans. Of the $12.5 million in 30-day delinquencies, $7.4 was in the process of loan modification at fiscal year end and was brought current after 10/1/20. 90+ day delinquencies rose sharply in FY 2020, and CIC is aggressively pursuing remedies on all of the 14 loans in this category.

- Virtually all of the $3.1 million in Foreclosures represents a seven building portfolio in Roseland that CIC has been actively pursuing for the past two years. CIC has secured foreclosure judgments for all of the properties, but the loans have not moved to REO because of delays in receiving deeds from the Cook County Recorder of Deeds.

Summary of Delinquent Multifamily Note Purchase Agreement Loans Sold in Notes

Delinquent & Non-Performing Loans	**9/30/2020**		**9/30/2019**	
	$MM	**%**	**$MM**	**%**
30 days	12.5	6.0	0.8	0.4
60 days	2.0	1.0	3.0	1.5
Delinquent Sub Total	$14.5	7.0%	$3.8	1.9%
90+ Days	7.3	3.5	3.4	1.8
Foreclosure	3.1	1.5	5.3	2.7
Workout	-	0.0	1.2	0.6
Non-performing Sub Total	$10.5	5.0%	$10.0	5.1%
Total	$25.0	12.0%	$13.8	7.1%
REO Properties	0.6	0.3	0.3	0.2
Total REO plus Delinquency & Non-Performing	**$25.6**	**12.3%**	**$14.1**	**7.2%**
Multifamily Notes Outstanding	**$207.6**		**$194.7**	

Delinquencies (continued)

- As of 9/30/20, delinquencies include five Flex loans for $3.3 million. (Three loans for $2.8 million are 30 days delinquent, and two loans for $546,000 are 90+ days delinquent.) After 9/30/20, the three 30-day delinquencies were modified and brought current. CIC is pursuing remedies on the two remaining 90+ day delinquencies.

- REO includes two properties with loan balances of $638,240. One of these properties, with a debt of $305,855, has been in the CIC inventory for several years, delayed by difficulty in obtaining a required disposition approval by HUD. Disposition of this property to a new owner has finally been secured, and CIC expects the sale to close in FY 2021.The other property in REO has debt of $332,385. It is part of the seven building portfolio in Roseland that has been held up in foreclosure and described above. It will be marketed for sale with the other six buildings when deeds are obtained. CIC anticipates that any losses associated with the sale of all of these REO properties will be fully covered by the Multifamily Investor First Loss Fund.

CIC Lending Programs

Multifamily Loan Program

Portfolio Performance - Borrower Assistance Program

- In April 2020, responding to the severe cash flow shortages resulting from the economic shutdowns associated with COVID-19, and with the encouragement and examples of federal regulatory agencies and the GSEs, CIC established the Borrower Assistance Program (BAP).
- Under BAP, CIC allows a borrower to defer all principal and interest payments for three months. During this period, borrowers are required to make scheduled payments into their tax and insurance escrows. The deferred principal and interest is to be paid back over the 24 months following the forbearance period.
- In FY 2020, CIC provided temporary forbearances to 25 borrowers with 61 loans totaling $44 million (16.9% of all CIC and investor loans). (This includes two 1-4 unit loans for $976,008.) As of 9/30/20, of the 59 loans that completed three-month forbearance periods, 54 are current or paid-in-full, one loan is 30 days delinquent, and four are undergoing modifications.
- As of 9/30/20, two Multifamily loans are still in their three-month forbearance period.

All BAP Loan Modifications as of 9/30/20

	Loans	**Principal Balance**
Completed Deferral Period	59	$43,579,087
Active Forbearance	2	$394,947
Total	**61**	**$43,974,034**

Payment Status for Loans With Completed Deferral Period as of 9/30/20

	Completed Deferral Period Loans- CURRENT			**Completed Deferral Period Loans- PAID IN FULL**			**Completed Deferral Period Loans- 30 DAYS PAST DUE**			**Completed Deferral Period Loans- MODIFICATION IN PROCESS**		
	CIC-owned	Investor-owned	Principal Balance	CIC-owned	Investor-owned	Principal Balance	CIC-owned	Investor-owned	Principal Balance	CIC-owned	Investor-owned	Principal Balance
ALL LOAN TYPES- Active	3	50	$35,474,381	0	1	$401,344	0	1	$201,783	1	3	$7,501,579
Multifamily	3	48	$34,498,356	0	1	$401,344	0	1	$201,783	1	3	$7,501,579
1-4	0	2	$976,026	0	0	$0	0	0	$0	0	0	$0

Active BAP Forbearance as of 9/30/20

	Borrowers		**Loans**		**Principal Balance**		**Total**		
	CIC-owned	Investor-owned	CIC-owned	Investor-owned	CIC-owned	Investor-owned	Total Borrowers	Total Loans	Total Principal Balance
ALL LOAN TYPES- Active	0	2	0	2	$0	$394,947	2	2	$394,947
Multifamily	0	2	0	2	$0	$394,947	2	2	$394,947
1-4	0	0	0	0	$0	$0	0	0	$0

CIC Lending Programs

Multifamily Loan Program

Portfolio

Risk Ratings

- CIC uses a Risk Rating System to evaluate the condition of loans in the multifamily portfolio. Each loan is assigned a risk rating. The ratings are included in the Annual Multifamily NPA Report for the period ending September 30 and in the Mid-Year NPA Report for the period ending March 31, which are sent to all investors. The chart below lists the risk ratings in the Multifamily NPA at the close of FY 2020.

- On September 30, 2020, loans representing 90% of the overall portfolio of Multifamily Notes Sold to Investors are rated as *Pass* or *Acceptable*. On September 30, 2019, the number was 86%.

Risk Ratings of Multifamily Note Purchase Agreement Loans as of 9/30/20

Rating	Balance	# of Loans	%
Pass	$175,421,475	335	84.5%
Acceptable	$10,966,518	25	5.3%
Special Mention	$12,147,529	19	5.9%
Substandard	$3,988,749	8	1.9%
Doubtful	$4,504,464	14	2.2%
Loss	$602,268	2	0.3%
Total	**$207,631,003**	**403**	**100.0%**

Debt Service Coverage Ratios

- Under the 2020 Multifamily Note Purchase Agreement, CIC requests annual financial reports from borrowers for all loans in order to determine their debt service coverage ratios (DSCR). CIC gives special emphasis to obtaining reports for loans greater than $500,000. Below is a summary of the financial reports submitted to CIC in 2020.

Multifamily Loan Program Debt Service Coverage Ratios on Loans Sold to Investors

	Loans	$MM	%
Balance ≥ $500,000	106	$128.1	62%
Balance < $500,000	297	$79.5	38%
Total	**403**	**$207.6**	**100%**
Financial Reports Received	**245**	**$140.9**	
DSCR ≥ 1.0	188	$101.6	77%
DSCR < 1.0	46	$30.8	23%

- 41 of these 46 loans are current. ($27.4 million of the $30.8 million)

DSCR for Multifamily Loans ≥ $500,000 Sold to Investors

	Loans	$MM	%
Total Loans ≥ $500,000	106	$128.1	
Financial Reports Submitted	76	$89.3	
Loans Reporting with DSCR ≥ 1.0	58	$66.3	74%
Loans Reporting with DSCR < 1.0	18	$23.0	26%

- 16 of these 18 loans are current. ($20.6 million of the $23 million)

Loans Not Reporting†	30	$38.8	

† *Includes loans recently to servicing, foreclosure, REO, or payoff/sale in process.*

Multifamily Loan Program

Portfolio

Losses

- In FY2020, the portfolio of Multifamily Notes Sold to Investors incurred $1.8 million in loan losses on three loans, 0.86% of the $207.6 million portfolio balance at 9/30/20. (See Exhibit 10.)
- All of these losses were anticipated and were fully covered for participating investors by the Multifamily Investor First Loss Fund.

Multifamily Investor First Loss Fund					**Multifamily Portfolio Balance**
Beginning Balance (10/01/19	**Charges**	**% Portfolio**	**Additions to Reserve**	**Ending Balance (9/30/20)**	$207,631,004
$3,926,209	$1,792,575	0.86%	$1,582,480	$3,716,114	

Charges do not include $31,801 in losses to investors who have chosen not to participate in the Multifamily Investor First Loss Fund.

Multifamily Investor First Loss Fund

- Beginning with the 2010 Multifamily Note Purchase Agreement, CIC established a Multifamily Investor First Loss Fund, from which CIC reimburses note holders for losses of principal on notes sold. Each month, CIC deposits one-half of one percent (0.5%) from the 1.0% Loss and Administrative Fee into the Multifamily Investor First Loss Fund. Investor and CIC-funded contributions into the Fund have been adjusted at several points since 2010, to respond to market changes and to ensure that investor losses remain fully covered.
- In 2013, the CIC Board and Multifamily investors amended the Multifamily Note Purchase Agreement to increase deposits into the Fund by 50 basis points from investors and 25 basis points from CIC for three years. In 2016, in response to continued market recovery, contributions were reduced to 5 bps from Note Purchasers and 2.5 bps from CIC.
- Most recently, in response to uncertainty about future market conditions resulting from COVID-19, the CIC Board of Directors voted to increase payment into the Multifamily Investor First Loss Fund to the maximum amount provided for under the 2020 Multifamily Note Purchase Agreement: 1% from borrower payments and 25 bps from CIC.
- As of September 30, 2020, the Multifamily Investor First Loss Fund stands at $3,716,114. Over the next year, CIC expects the Fund to continue to be sufficient to cover all projected losses in the Multifamily portfolio.

CIC Lending Programs

Multifamily Loan Program

Return to Multifamily Note Purchasers

CIC's Multifamily Loan Program allows CIC to pursue its affordable housing mission while providing a fair return to investors and minimizing investor loss exposure.

- The net weighted yield of the notes sold under the Multifamily NPA to investors in FY 2020 was 3.4%, down slightly from 3.8% in FY 2019. (See Exhibit 11.)

- Since most loans in the Multifamily portfolio are three-year adjustable rate loans based on the three-year Treasury rate plus 3.5% at the time of adjustment, CIC compares the investor net weighted yield to a three-year rolling average of the three-year Treasury rate. When Treasury rates decrease, the margin between CIC's net yield and the rolling average increases. When the Treasury rates increase, the margin between CIC's net yield and the rolling average decreases.

For the past 30 years, the investors' net weighted return has averaged 5.3%, an average spread of 1.7% over the rolling average for the three-year Treasury certificates. In FY 2020, this margin was 1.6%. (See Exhibit 11.)

- Pursuant to the Amended 2020 Multifamily Note Purchase Agreement, CIC passes through to investors all funds (principal and interest) received, less 1.05%, (0.5.% to CIC for loan servicing and 0.55% for deposit into the Multifamily Investor First Loss Fund). In addition, CIC deposits another 0.025% into the First Loss Fund from CIC corporate income.

- As described on page 22, as of 9/30/20, 1.0% of borrower payments is currently deposited into the Investor First Loss Fund. In addition, CIC is depositing another 0.25% into the First Loss Fund from CIC corporate income.

- Every three to five years, CIC adjusts loans to a spread of 3.5% over Treasuries. In 2010, in response to historically low interest rates, CIC instituted a floor on all loans, generally at the initial interest rate for a loan. All Multifamily loans have ten-year terms. (See Exhibit 3.)

- The Multifamily Loan Committee sets the initial rate on CIC loans. This rate adjusts every three or five years after the month of commitment. Loans are eligible for sale to investors after construction has been completed and the building is operating at a 1.1 DSCR. Typically, this is six to twelve months after the Loan Committee approves a loan. Therefore, the first adjustment on a three-year adjustable rate loan usually occurs 24 to 30 months after the sale of the loan to the investors.

CIC Lending Programs

Energy Savers

- Since 2008, CIC has partnered with Elevate Energy to offer Energy Savers, a program that helps multifamily building owners reduce their operating costs by conserving energy and cutting their utility bills. Energy Savers has become the most successful program of its kind in the country.

- Building owners who participate in Energy Savers achieve significant reductions in their energy use and operating expenses as a result of the energy retrofit improvements to their properties. On average, owners achieve savings of 25-30% in their energy use and cost. Energy Savers retrofits have benefitted the environment by reducing greenhouse gas emissions, reducing electricity demand, and conserving water resources. Lower operating costs help keep rents affordable, while tenants experience enhanced comfort, health, and safety. Virtually all of the units in buildings retrofitted through Energy Savers loans have rents that are affordable to tenants with household incomes at or below 60% of the Area Median Income.

- Historically, Energy Savers has been implemented with grants from the City of Chicago, Bank of America, the Chicago Metropolitan Agency for Planning, the Grand Victoria Foundation, and Program Related Investments from Bank of America and the MacArthur Foundation. In FY 2017, after a strategic review of the Energy Savers program and borrower preferences, the CIC Board of Directors approved a revised financing model to carry Energy Savers from its initial phase into a more permanent and sustainable program.

- CIC now incorporates energy and water retrofits as part of its regular Multifamily Loan Program. To the extent that energy retrofit work exceeds standard underwriting guidelines, that portion of a loan is now treated as a second mortgage Energy Flex loan.

- In FY 2020, CIC financed all energy efficiency retrofits using first mortgage loans, comprising 111 affordable housing units in six properties. This included the first ever high performance new construction multifamily building financed by CIC. The developer, Full Circle Communities, will provide 75 mixed-income units and achieve significant energy savings. (See success story on page 25.)

- Energy Savers encourages CIC borrowers to take advantage of expanded energy retrofit resources from Illinois utility companies, which include free energy assessments and free or reduced-cost installation of energy-saving measures. All CIC borrowers who made energy retrofits in FY 2020 took advantage of these utility programs. The Full Circle building described above was the first time that a CIC borrower participated in the ComEd Affordable New Construction Energy Efficiency Program.

- Since the launch of Energy Savers, CIC has approved 254 loans for $23.2 million and 34 grants for $2.8 million, representing 11,274 units. Of the total $23.2 million in energy retrofit loans, approximately $4.6 million has been financed with first mortgages in CIC's Multifamily Loan Program.

- At the close of FY 2019, CIC carries a portfolio of $3.4 million in Energy Savers loans approved under the original Energy Savers loan program. These are CIC in-house loans and have not been sold to investors. Generally secured by second mortgages, CIC bears all liability for losses on these loans. (See pages 31-33.)

- A CIC borrower survey conducted in 2018 found that 63% of CIC borrowers had an energy assessment completed, and 71% of those borrowers made most of the recommended upgrades.

CIC Lending Programs

Energy Savers

Energy Savers Success Story: Breaking Ground on High Performance

CIC's Energy Savers program encourages buildings owners and developers to access resources to improve their building's energy efficiency. In FY 2020, CIC provided $3.9 million in construction financing to Full Circle Communities, a Chicago based not-for-profit with a mission to expand access to quality affordable housing. In this new construction project, Full Circle Communities will create 75 units of mixed-income housing with affordable set-asides for veterans and veteran families in the Jefferson Park community. The building will include commercial space to be occupied by local non-profit organizations. It is also using building techniques and materials to meet high performance building standards under Leadership in Energy and Environmental Design (LEED) Silver design and the City of Chicago's Sustainability guidelines.

In addition to accessing CIC financing, Full Circle took advantage of ComEd's Affordable New Construction Energy Efficiency Program, which provide grants for meeting and exceeding building performance standards. CIC and The Preservation Compact have worked closely with ComdEd and other industry partners to advocate for this grant program and to inform program structure.

The Jefferson Park new construction project broke ground in 2020 and is slated for completion in Summer 2021.

CIC Lending Programs

Opportunity Investment Fund

- In November 2018, CIC and The Preservation Compact closed on the Opportunity Investment Fund (OIF), an innovative, streamlined vehicle to finance multifamily rental buildings and create affordable housing in high cost neighborhoods. OIF efficiently combines $34 million in resources from public, private, and social impact investors. (See table on this page.)
- Growing out of discussions among housing stakeholders convened by The Preservation Compact, OIF provides low income households access to excellent schools and the economic advantages found in vibrant communities. Studies have shown that where a person lives plays a major role in the person's health, economic well-being, and overall quality of life. Yet, development in these desirable neighborhoods is very expensive, and scarce public resources make it extremely difficult to provide affordable units.
- OIF provides existing, functioning multifamily rental buildings with low-cost mezzanine debt. In return, owners keep 20% of their units affordable for 15 years. Owners may choose to use Housing Choice Vouchers or other types of operating subsidy to help offset reduced rents on the affordable units.
- CIC is the Fund Manager, and major OIF investors make up the Investment Committee.
- In FY 2020, CIC approved and closed three loans for $785,000 in OIF mezzanine debt. In addition, CIC approved $5.2 million in first mortgage loans as part of the OIF transactions. These loans were for buildings with a total of 129 units of mixed income housing, of which 27 are affordable to households at 50% AMI. The buildings are located in Hyde Park, Evanston, and Oak Lawn.
- Overall, $3 million in OIF loans have been approved, and CIC has provided $24.6 million in associated first mortgage financing. See table on page 24 for additional information. There are no delinquencies in the OIF portfolio. All borrowers are paying as agreed.
- In 2019, high property values in target markets and lower than expected interest rates made the OIF program terms less competitive, which led to fewer OIF loans and volume than anticipated. In 2020, the pandemic exacerbated the problem, with multifamily loan transactions virtually coming to a standstill. Changes are now being made to the OIF structure to allow more flexibility in pricing, so when the market returns the program will be more competitive and attractive to borrowers, which will drive more loan volume.

Investors in the Opportunity Investment Fund†

	Amount	Class
CIBC*	$5,000,000	Private Lender
BMO Harris*	5,000,000	Private Lender
Fifth Third Bank*	4,000,000	Private Lender
Northern Trust*	4,000,000	Private Lender
TCF	2,000,000	Private Lender
Byline Bank	1,000,000	Private Lender
Benefit Chicago	5,000,000	Social Impact
City of Chicago*	5,000,000	Gov. Investor
CIC/Capital Magnet Fund	3,000,000	CIC
Total	**$34,000,000**	

†JP Morgan Chase Foundation provided a grant of $300,000 to fund pilot loans and start-up expenses.
*OIF Investment Committee

CIC Lending Programs

Opportunity Investment Fund

Opportunity Investment Fund – Summary of Activity						
	Total Loans	Total Units	Affordable Units	CIC 1st Mortgage Loans	OIF Loans	Location of OIF Financed Projects
FY 2018	6	112	26	$6,600,000	$780,900	Galewood, Hermosa, Morgan Park, Oak Park
FY 2019	6	142	32	$12,827,000	$1,488,000	Des Plaines, Evanston, Harwood Heights, Hyde Park, Morgan Park
FY 2020	3	129	27	$5,235,000	$785,000	Evanston, Oak Lawn, Hyde Park
Total	**15**	**383**	**85**	**$24,662,000**	**$3,053,900**	

OIF Success Story: Efficiently Creating Affordable Housing Without Subsidy

In FY 2020, one of the notable properties financed with the Opportunity Investment Fund (OIF) was a 77-unit property in Hyde Park, operated as a Single Room Occupancy (SRO) by one owner for the past thirty years. The property was financed with a $1.65 million CIC first mortgage loan and $330,000 in OIF mezzanine debt financing.

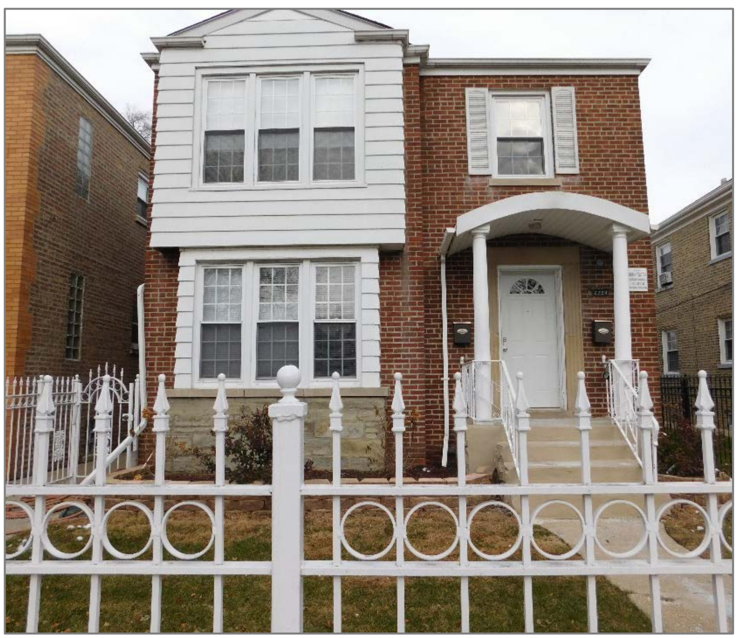
The best part: the new owners are preserving the affordability in the SRO – well above the 20% required by OIF financing – without using government subsidies. The borrowers are creating affordability efficiently in a historic and vibrant community with easy access to the lakefront, transit, and retail.

1-4 Unit Loan Program

- In 2014, CIC launched the 1-4 Unit Rental Redevelopment Loan Program to rehab and reclaim vacant 1-4 unit buildings that had formerly been owner-occupied and for which there was no homebuyer demand. Initially, the program also provided second mortgage loans to overcome the challenge of very low appraised values, which limited the ability to finance the rehab of these properties. The program was launched with $26 million in lending capital from 12 financial institutions and the MacArthur Foundation.

- In FY 2017, building on the program's initial success and recognizing an ongoing need in the marketplace, CIC made two significant changes to the 1-4 program. First, CIC secured investor approvals and commitments to extend the program through September 2019 and expand the loan pool to $48 million. Second, CIC expanded the program to include acquisition/rehab financing in addition to permanent take-out financing. By providing acquisition/rehab financing, CIC is in a better position to ensure high quality rehabs and can act as a one-stop financing source for small rental properties in Chicago.

- In FY 2020, concurrent with renewal of the Multifamily NPA, CIC renewed the 1-4 Unit Note Purchase Agreement. Twelve financial institutions committed $35 million, which will provide financing for 1-4 unit properties through 2025. In the new NPA, because of increases in appraised values since the start of the program, CIC was able to eliminate the second mortgage tier and will finance buildings solely by providing first mortgage loans up to 70% loan-to-value.



Participants in the CIC 1-4 Unit Note Purchase Agreement as of 9/30/20

	Commitments
First Mortgage Purchasers	
Northern Trust	$12,500,000
BMO Harris	8,000,000
Providence Bank	3,000,000
First Savings Bank of Hegewisch	2,500,000
Leaders Bank	2,500,000
Northbrook Bank*	1,500,000
Liberty Bank for Savings	1,000,000
Wheaton Bank & Trust	1,000,000
Hinsdale Bank and Trust Company*	750,000
Lake Forest Bank and Trust*	750,000
Village Bank and Trust Company*	750,000
Wintrust Bank**	750,000
Total	**$35,000,000**

* Wintrust banks (Total commitment: $5,500,000)

CIC Lending Programs

1-4 Unit Loan Program

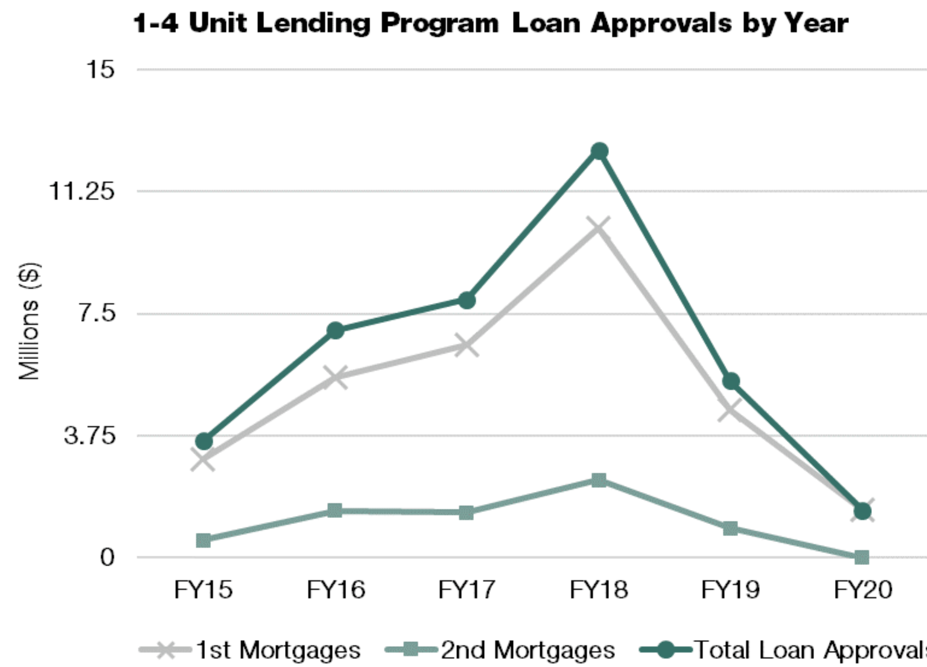
Lending Activity

- In FY 2020, CIC approved two first mortgage loans for $1.5 million for buildings with 20 residential units. There were no second mortgage loans. All 1-4 lending took place in the City of Chicago, and there were no 1-4 loans approved in suburban communities. Loan volume was down considerably due to COVID-19, but also due to increasing homebuyer demand for 1-4 unit properties.

- Before and even during the pandemic, homebuyer demand has been steadily increasing in many communities in the Chicago area. As a result, CIC has been experiencing slowing demand for loans to redevelop 1-4 unit buildings for rental housing. Property values have increased, and the cost of financing homes for new homebuyers has been near historic lows.

- Over six years of the 1-4 Unit Loan Program, CIC has approved 80 loans for $38 million for buildings with 616 residential units. Activity under the 1-4 Unit Loan Program is summarized in Exhibit 12.

- With continued increases in homebuyer demand, it is quite possible that 1-4 Unit rental lending will be significantly reduced over the next five years.



1-4 Unit Loan Program

Notes Sold to Investors

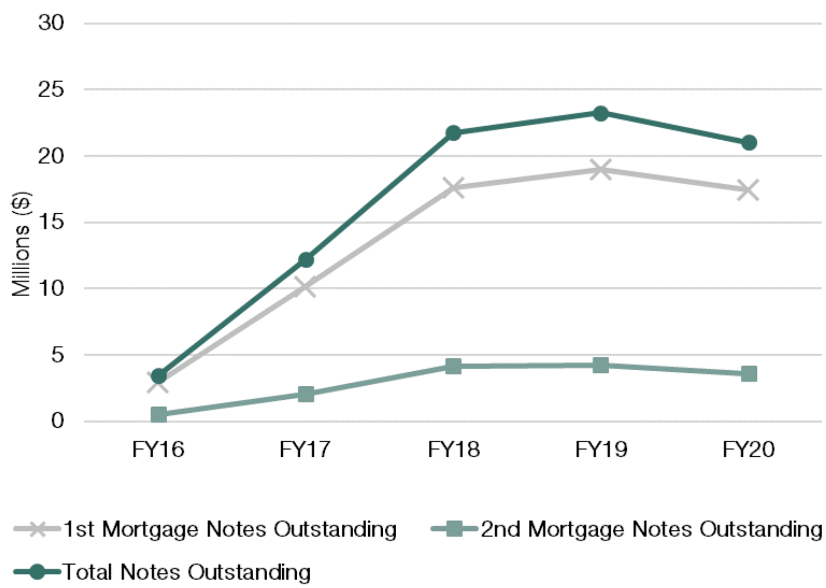
- CIC conducted one Note Sale for a total of $1.4 million for the 1-4 program in FY 2020. (See Exhibit 8.)

- At the end of FY 2020, the portfolio of Notes Sold to Investors in the 1-4 Unit Loan Program was $21 million ($17.4 million in the first mortgage tier and $3.6 million in the second mortgage tier). (See Exhibits 8 and 12.)

- In the 1-4 Unit Loan Program, one project is 90 days delinquent on both its first and second mortgage loans. The first mortgage delinquency is $1.2 million (7.1% of the 1-4 portfolio of first mortgage notes sold to investors), and the second mortgage delinquency is $299,946 (8.3% of the second mortgage portfolio of notes sold). CIC is pursuing foreclosure and has not projected a loss on these loans.

- As of 9/30/20, there are no other delinquencies in the 1-4 Unit Loan Program.

1-4 Unit Lending Program Cumulative Outstanding Notes Sold to Investors



- CIC uses a Risk Rating System to evaluate the condition of loans in the 1-4 Unit Loan Program. At the close of FY 2020, the two delinquent loans discussed above were rated *Substandard*, and three other loans were rated *Special Mention*. The three *Special Mention* loans belong to one borrower who recently received modifications on the delinquent loans and is currently paying as agreed. All other loans in the portfolio were rated *Pass*.

- To date, there have been no losses in the 1-4 Unit Loan Program.

- Per the 1-4 Unit Loan Program Note Purchase Agreement, Loan Loss Reserves were initially funded in the amount of $250,000 for the first mortgage tier and $500,000 for the second mortgage tier. Additional contributions of 0.5% are made monthly to the Investor First Loss Funds for each tier from CIC's Loss and Administrative Fee of 1.00%. At year end of FY 2020, the first mortgage Investor First Loss Fund stands at $569,279 and the second mortgage fund stands at $563,908.With the servicing fees established in the March 15, 2020 Note Purchase Agreement, investors in the 1-4 NPA are now receiving a return of 5.00%.

- The table on page 31 summarizes activity under the 1-4 Unit Rental Redevelopment Loan Program.

Risk Ratings of 1-4 Unit Note Purchase Agreement Loans as of 9/30/20

Rating	Balance	# of Loans	%
Pass	$18,127,499	48	86.1%
Acceptable	-	-	-
Special Mention	1,381,126	3	6.6%
Substandard	1,535,766	2	7.3%
Doubtful	-	-	-
Loss	-	-	-
Total	**$21,044,391**	**53**	**100.0%**

CIC In-House Loans

- Beginning with the 2010 Multifamily Note Purchase Agreement, CIC has been required to hold loans in-house through acquisition, rehab, and rent-up. Under the Multifamily NPA and the 1-4 Unit NPA, loans are not eligible for sale to investors until rehab is complete and rent-up has reached a 1.1 DSCR

- Under the Multifamily Flex Fund, CIC may also hold short-term acquisition loans that are not intended to be sold to investors.

- In addition to the Multifamily and 1-4 Unit Loan programs, CIC also holds second mortgage Energy Savers loans, Initiatives loans, and other loans (e.g. fixed rate loans), which are not intended to be sold to investors.

- CIC funds in-house loans through a combination of cash-on-hand, cash advances from the Federal Home Loan Bank of Chicago, and $32.2 million in Program Related Investments (PRIs). (PRIs are included on Exhibit 1.)

- Over the years, income generated by in-house loans has become a significant source of revenue for CIC. In FY 2020, CIC earned more than $3.1 million of interest income on in-house loans, 39% of the overall consolidated operating revenue. This was the largest category of CIC income but it was almost 20% less than FY 2019. This reduction in income resulted from CIC's decision to reduce risk and maximize liquidity by selling all eligible loans to investors in the face of the disruption caused by COVID-19.

- As of September 30, 2020, CIC held a total portfolio of $64.8 million of in-house loans, down from $88 million at 9/30/19. Of this total, $32.6 million is in permanent loans, and $32.2 million is in construction.

- Of the $32.6 million in permanent loans, there is $3.8 million in delinquencies (11.8%), with $3.3 million being non-performing (10.1%). The non-performing loans are largely accounted for by two projects: a 1-4 Unit loan for $2.05 million for 38 units in the south suburbs, on which CIC has been pursuing foreclosure for more than two years; and $735,000 for a 24-unit building on West Madison that completed construction, but was unable to fully rent-up, a situation that was exacerbated by the civil unrest this past year. CIC continues to pursue foreclosure on both of these projects. (See table on page 32.)

- As of 9/30/20, CIC also holds $32.2 million of loans in construction (toward a total commitment of $42.7 million). Of this total, about $6 million is out of balance and/or experiencing difficulty or delays finishing construction and rent-up. CIC is working with owners to successfully complete these projects and pursuing remedies, including foreclosure, if necessary.

- CIC bears full liability for any losses on in-house loans, whether in permanent servicing or construction.

CIC In-House Loan Delinquencies
Loans in Permanent Servicing
September 30, 2020

	Multifamily	Energy Savers	One-to-Four	Initiatives	Total	% of Portfolio
Portfolio Balance	$ 24,281,787	$3,409,664	$4,590,848	$333,840	$32,616,139	
Delinquencies & Non-Performing						
30 days	526,947	$0	$0	$0	526,947	1.62%
60 days	$0	$0	$0	$0	$0	0.00%
Delinquency subtotal	$526,947	$0	$0	$0	$526,947	1.62%
90 days	265,547	$0	$0	$0	265,547	0.81%
Foreclosure	836,744	44,588	2,050,000	33,065	2,964,397	9.1%
Workout	75,986	$0	$0	$0	75,986	0.23%
Non-Performing	$1,178,277	$44,588	$2,050,000	$33,065	$3,305,930	10.14%
Total	**$1,705,225**	**$44,588**	**$2,050,000**	**$33,065**	**$3,832,877**	**11.75%**
REO	$0	$0	$0	$0	$0	0.0%
Total REO Plus Delinquencies & Non-	**$1,705,225**	**$44,588**	**$2,050,000**	**$33,065**	**$3,832,877**	**11.75%**

CIC In-House Loans

- CIC uses its risk rating system to calculate loan loss reserves for all in-house loans. As described previously, on 9/30/20, CIC held a total of $64.8 million of in-house loans - - $32.6 in permanent loans and $32.2 million in construction. Of the total in-house portfolio of $64.8 million, $51 million is rated *Pass* or *Acceptable* (79%).
- To some degree, the overall profile of CIC in-house loans has been adversely affected by CIC's decision to maximize liquidity by selling most eligible loans to investors in the face of COVID-19.
- Based on historic experience, CIC has established reserve percentages for each category of risk. Applying the risk ratings and percentages, CIC has established a loan loss reserve of approximately $2 million as of 9/30/2020. CIC expects this reserve to fully cover any future loses on CIC's in-house loans.
- In FY 2020, CIC incurred $162,000 of losses on in-house loans, all of which were second mortgage Energy Savers loans and were covered by CIC loss reserves.

Risk Ratings of CIC In-House Loans*
September 30, 2020

CIC Risk Ratings	Balance	% of Volume	# of Loans	Loan Loss Reserve
Pass	$15,055,996	23.2%	40	$75,280
Acceptable	35,997,975	55.5%	50	359,980
Special Mention	5,925,893	9.1%	15	296,295
Substandard	4,695,676	7.2%	13	469,568
Doubtful	2,861,019	4.4%	5	715,255
Loss	274,637	0.4%	2	274,637
Total	**$64,811,196**	**100.0%**	**125**	**$2,191,015**

* Includes permanent loans and loans in construction.

SECTION C: Community Development Activities

Property Management Training

- CIC's Property Management Training program (PMT) is an initiative designed to provide information and resources to owners and managers of multifamily rental properties to help them succeed in operating buildings that perform well financially and provide good housing for their tenants and their communities. Since its inception, the program's centerpiece has been its eight-hour course entitled The Basics of Residential Property Management. PMT also offers sessions that concentrate on a single topic, such as property taxes, building maintenance, marketing, and tenant screening.

- PMT sessions are typically offered at a variety of locations throughout the metropolitan area, including meeting facilities of investor banks. Since 1998, PMT has provided training to more than 22,700 owners and managers. Through this program, CIC is constantly expanding and strengthening the pool of qualified apartment building owners, managers, and investors.

- In FY 2020, CIC provided 49 training sessions attended by 1,988 current or prospective managers/owners of affordable rental housing.

- Beginning in March 2020, CIC fully transitioned its PMT workshops to a virtual learning environment. With a focus on helping building owners through the pandemic, CIC offered a number of no-cost webinars on topics including owner and tenant resources, showing units virtually, and maintaining buildings during COVID-19. CIC also began to offer its eight-hour certificate class as an online, self-paced course.

Contributors to Property Management Training FY 2020	
Associated Bank	$10,000
Bank of America	15,000
BMO Harris Bank	10,000
Byline Bank	2,000
CIBC	15,000
Fifth Third Bank	10,000
First Eagle Bank	2,500
First Midwest Bank	7,500
First Bank of Highland Park	2,500
Forest Park National Bank	1,000
MUFG Union Bank	10,000
PNC Bank	10,000
Northern Trust Bank	25,000
Providence Bank	3,000
US Bank	10,000
TCF Bank	10,000
Wintrust Financial	15,000
City of Chicago	34,500
Total	**$193,000**

Troubled Buildings Initiative (TBI)

- In FY 2003, CIC initiated the Troubled Buildings Initiative (TBI), which is run under its affiliate company, Community Initiatives, Inc. (CII). The purpose of the program is to use code enforcement to improve physical conditions and property management in buildings and prevent abandonment and demolition of multifamily rental buildings in Chicago. Troubled buildings are referred to CII from a variety of sources, including community groups, the Police Department, and the Departments of Buildings, Housing, Planning and Development, and Law. CII and the city departments make Housing Court more effective in getting owners to rehab or sell to someone who will fix these buildings.

- As with many aspects of CIC/CII, the coronavirus pandemic had a significant impact on TBI activities in FY 2020. Temporary court closures and then a move to virtual hearings had the effect of decreasing the number of new TBI cases and dramatically slowing the progress and resolutions of existing cases. Building inspections by City inspectors and CII staff were slowed by new health and safety procedures necessitated by the coronavirus. In this challenging environment, CII added 17 buildings with 326 units to the program and recovered 39 buildings with 703 units in FY 2020. As of September 30, 2020, CII is the court appointed received on 56 buildings with 669 units, including 37 buildings of the Better Housing Foundation. (See pages 42-43.) Since the beginning of the program in 2003, TBI has taken action on 1,094 buildings with 18,433 units, and 739 buildings with 13,870 units have been recovered.

Troubled Buildings Initiative 2003 - 2020				
	FY 2020		**2003 to 2020**	
	Buildings	**Units**	**Buildings**	**Units**
Buildings Recovered	39	703	739	13,870
Buildings Demolished	0	0	80	957
Buildings Addressed by the Program	17*	326*	1,094	18,433

* New buildings and units added to program in FY 2020

Distressed Condominiums

- Since 2007, CII has worked with lenders, developers, and government agencies to address the plight of distressed, often fraudulent, condominium conversions. Having identified over 250 such buildings in Chicago, CII was instrumental in creating the Illinois Distressed Condominium Act, which increases court and governmental authority to de-convert failed condominium buildings into multifamily rental housing. Due in large part to CII's leadership, the peak of condominium fraud has passed, but CII continues to work with the City of Chicago 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.

- In FY 2020, CII filed a deconversion order on one building with 32 units, and sold/transferred seven re-assembled buildings with 42 units. Since 2009, CII has filed deconversion orders on 116 buildings with 1,068 units and sold/transferred a total of 95 buildings with 776 units for conversion back to rental housing.

Community Development Activities

Community Initiatives, Inc. (CII)

Acquisitions and Dispositions

Multifamily Acquisitions and Dispositions

- In 2003, CII began acquiring multifamily buildings and mortgages to expedite the transfer of troubled multifamily housing to new owners to rehab and provide good management for the buildings. In FY 2008, the MacArthur Foundation provided a $2 million Program Related Investment (PRI) to support this effort.

- In FY 2020, CII transferred one multifamily property with six units to a capable new owner. Primarily because of market uncertainty resulting from the COVID-19 pandemic, CII did not acquire any new multifamily properties during the fiscal year. Beginning in March, closure of the Chancery Court and the statewide foreclosure moratorium contributed to a shrinking TBI Multifamily acquisition pipeline. CII ended the year with an inventory of six multifamily buildings with 43 units.

1-4 Unit Acquisitions and Dispositions

- In 2015, as a complement to CIC's 1-4 Unit Rental Redevelopment Loan Program, CIC obtained a $5 million grant from the JPMorgan Chase Foundation to further address conditions in 1-4 unit buildings. Under the Chicago Collaborative, CIC worked with Neighborhood Housing Services of Chicago (NHS) and the Chicago Community Loan Fund (CCLF), who used their grant proceeds to provide loan capital for owner occupants and investors to rehab distressed 1-4 unit buildings. CIC used its own portion of the grant to create a fund to acquire distressed properties to facilitate the assembly of buildings for 1-4 unit rehabbers.

- In FY 2020, CII acquired 58 1-4 unit buildings with 66 units and sold 81 buildings with 93 units to qualified developers to rehab and manage as rental properties or to rehab and sell to new owner occupants. While the JP Morgan Chase grant period ended in FY 2017, 1-4 unit acquisition continues to be a significant component of CII's strategy and activities. In several areas where CII aquires 1-4 unit properties, recovering homebuyer demand has led to a substantial portion of properties being rehabbed for homeownership. In FY 2020, approximately two-thirds of 1-4 unit properties were rehabbed and sold to new homeowners.

- Since beginning acquisition of 1-4 unit buildings in 2015, CII has acquired 656 buildings with 852 units and sold/transferred 639 buildings with 836 units for rehab and re-use.

CIC & CII Acquisition/Disposition Activity

	FY 2020 Sold/Transferred to New Owners		**Since Inception**	
	Buildings	**Units**	**Buildings**	**Units**
Multifamily (2003-)	1	6	248	4,191
Condos (2009-)	7	42	95	776
1-4 Units* (2015-)	81	93	639	836
Total	89	141	982	5,803

* Includes individual condo units bought and sold apart from the condo de-conversion program.

Micro Market Recovery Program

- In 2011, in addition to providing financing and addressing troubled buildings throughout Chicago, CIC and CII began to focus on two target areas – West Woodlawn and East Chatham – to achieve greater redevelopment impact. After providing leadership and financial resources to these areas for many years, CIC and CII have moved into a supporting role for local organizations that now lead the local redevelopment efforts in these and other areas.

- As CIC and CII began to target redevelopment activities in 2011, the City of Chicago embraced and expanded CIC's approach with the Micro Market Recovery Program (MMRP).

- In 2017, the City of Chicago identified new MMRP target areas focused primarily on single family housing and homeownership, and CIC is now focused on providing loan products, acquisitions, and troubled buildings interventions for multifamily housing across all 13 designated MMRP areas.

- Under CII's leadership, 186 troubled multifamily buildings with a total of 2,771 units have been addressed through Troubled Buildings Initiative interventions in the MMRP areas.

- Since program inception, CIC has provided $38.4 million in loans for 70 multifamily buildings with 1,183 units in MMRP areas.

- Since 2012, CII has acquired 14 multifamily buildings with 154 units in MMRP areas and transferred them to be rehabbed by new owners.

- Overall, a total of 105 multifamily buildings with 1,490 units have been reoccupied in MMRP areas since 2012.

- In addition to its multifamily work, since 2012, CII has acquired 67 distressed 1-4 unit buildings and transferred them to new owners in MMRP areas.

MMRP Activity (2012 – 2020)

		Total MMRP
Troubled Buildings Initiative*	Buildings	186
	Units	2,771
CIC Loans	Amount ($ million)	$ 38.4
	Buildings	70
	Units	1,183
Reoccupied Buildings	Buildings	105
	Units	1,490
Multifamily Acquisitions/ Dispositions	Buildings	14
	Units	154
1-4 Unit Acquisitions/ Dispositions	Buildings	67
	Units	111

*Includes multifamily and condo buildings assigned to CII as receiver.

Community Development Activities

The Preservation Compact

In FY 2011, CIC became the coordinator of The Preservation Compact. Originally supported entirely by the MacArthur Foundation, in recent years the Compact has received funding from a variety of public, private, and philanthropic sources - - including the Energy Foundation, the Polk Bros. Foundation, the JPMorgan Chase Foundation, the Chicago Community Trust, and the CDFI Fund. The Compact brings together the region's public, private, for-profit, and non-profit leaders to promote policies and programs to preserve affordable rental housing in Cook County. The Compact's work has been featured in national publications and conferences, including Politico, Shelterforce, Harvard University, and the Brookings Institution.

Through a Leadership Committee and working groups, The Preservation Compact has focused on the following:

- **Innovation with the Preservation Lab:** The Preservation Lab is a new joint effort of The Preservation Compact and DePaul's Institute for Housing Studies. The mission of the Lab is to investigate challenging and complex preservation topics by developing research and analysis, engaging stakeholders, and capturing discussion and conclusions in a policy brief.

  The first Preservation Lab focused on the current coronavirus crisis. It explored how new and existing resources could be strategically deployed to preserve the stability of renters and buildings. Participants in the first Lab topic included a variety of stakeholders, including community groups, workforce development agencies, housing developers, and legal services agencies.

- **Creating affordability in strong markets:** The Compact developed the Opportunity Investment Fund (OIF) to create affordable rental units in strong markets. (OIF is fully described on pages 26-27.)

- **Coordinating Public Agencies:** The Compact convenes an Interagency Council of city, county, state, and federal agencies to develop and pursue strategies to preserve affordable housing in publicly funded properties. In FY 2020, Compact partners helped preserve four assisted properties with 427 affordable units. The Compact led a series of meetings with IHDA and the City of Chicago to analyze at-risk LIHTC properties in years 15-30. While most of the individual properties did not appear to be at imminent risk of loss to the affordable housing stock, the investigation provided a better understanding of what owners need to successfully preserve these properties. The Preservation Compact Director also co-chaired a task force on updating the City of Chicago's Affordable Requirements Ordinance.

- **Addressing the Impact of Large Portfolios of Poorly Managed Buildings:** The Compact developed policy strategies to address three large portfolios of poorly managed and deteriorating buildings. The Compact is working with Community Initiatives, Inc. (CII) and other partners to prevent similar occurrences in the future. The Compact is connecting with preservation buyers for the suburban portion of these portfolios and assisting suburban municipalities as the properties begin the bankruptcy process. (See pages 42-43.)

- **Expanding Energy Retrofits:** Energy Savers, a Preservation Compact initiative, has resulted in a 25-30% reduction of energy use in 11,274 units in retrofitted buildings. In FY 2020, the Compact convened an Energy Working Group to provide feedback to the utilities on current energy efficiency programs and to inform future program design and implementation for the utility programs related to rental housing.

Preservation Compact

- **Property Taxes:** To encourage owners to invest in and keep multifamily rental buildings affordable, the Compact convened statewide partners to craft a proposal providing a predictable property tax incentive for affordable rental housing. Compact partners Enterprise Community Partners, Housing Action Illinois, the Illinois Housing Council, and Metropolitan Planning Council helped the proposal get introduced as state legislation by State Representative Chris Welch and State Senator Sara Feigenholtz. The Compact has conducted extensive analysis to gauge the impact of different proposals and garnered strong support from many stakeholders.

- **Building Code Relief:** Based on recommendations developed by The Preservation Compact, the City of Chicago Department of Buildings (DOB) implemented an alternative plumbing materials program and an updated electrical code. DOB also adopted a new Chicago Building Code, representing the first comprehensive revision in 70 years. The Compact has educated multifamily building owners on these changes to incorporate cost saving measures into their rehabs.

- **Accessory Dwelling Units:** The Compact is working with community partners and the City of Chicago to develop effective policies to facilitate the creation of additional units in 2-4 unit and multifamily buildings. The Preservation Compact Director co-chaired the policy committee of the ULI Accessory Dwelling Unit initiative to streamline the City's processes and help create more affordability. With the City of Chicago's Housing Commissioner, the Compact hosted grassroots groups and staff to discuss how an ADU policy could create additional rental units.

The Preservation Compact's COVID-19 Response

This year, the COVID-19 pandemic has created new threats to investment and affordable rental housing in Chicago's low- and moderate-income neighborhoods. Along with direct health and safety challenges, severe and unprecedented job loss means households are struggling to pay rent and owners are worried about their ability to keep up with building expenses, including property taxes, utilities, and debt service.

The Compact rapidly convened stakeholders to respond to the pandemic, both through the framework of the Preservation Lab and in independently convened conversations among tenant advocates, community based organizations, and multifamily owners. In response to an enormous uptick in requests from tenants and owners for financial and other resources, the Compact also developed a central repository of resources and conducted webinars for tenants and owners that have been widely distributed and frequently accessed. The Compact worked with partners at IHDA and community based organizations to ensure that tenants in unsubsidized affordable rental housing were able to access State COVID relief dollars.

preservationcompact.org/resources/coronavirus/

Community Development Activities

Supporting a Strong Environment for Community Development

- CIC is committed to ensuring that a sufficient supply of credit is available to acquire, rehab, and maintain affordable rental housing, most of which is located in Chicago's low and moderate income communities. CIC's Community Development Activities (code enforcement, receiverships, acquisitions/dispositions, training property managers, and policy development) help build an environment that supports the investments of CIC and other responsible investors. Chicago's property values in low and moderate income communities remain significantly lower than in stronger markets in Chicago and the rest of the country. Cap rates for multifamily buildings in low and moderate income communities are often two or more times the cap rates in other areas.

- In recent years, attracted by the comparatively low prices and what seemed to be a potential for high returns, several out-of-state buyers made significant investments in Chicago's affordable rental stock. In FY2018, CIC noted that three large buyers had acquired more than 650 buildings with almost 4,500 units. The buyers paid above market prices and budgeted very little for rehab. Predictably, the buildings failed to perform for the buyers, their tenants, their communities, and their investors. The buildings fell into disrepair; many became uninhabitable, and one was even demolished. They failed to meet their financing obligations and fell into default, foreclosure, and bankruptcy.

- In FY 2020, CIC, CII, and The Preservation Compact continued to work with public and private entities to minimize and undo the damage to communities caused by these irresponsible building owners.

- Because of the breadth of these portfolios across many communities and the extent of their building code violations, Cook County Circuit Court established dedicated Housing Court calls to allow the City of Chicago and the Court to focus on the entirety of each portfolio in the city. On behalf of the City and Housing Court, CII has monitored all of the buildings as they move through the court process, through disposition to new owners, and ultimately, through rehab by the new owners.

- One buyer purchased 113 buildings with 1,674 units across Chicago's south side and was prosecuted by the Securities and Exchange Commission for running a Ponzi scheme. Now, pursuant to a U.S. District Court order, a local receiver is selling all of the buildings to new owners. CIC met with the receiver and advocated for an incremental, gradual sale of the properties in order to avoid a major disruption to the local housing market. As of September 30, 2020, the receiver has sold 50 buildings and is accepting bids on the remaining 63 buildings. All of the buildings are expected to be sold to new owners by the end of 2021.

Community Development Activities

Supporting a Strong Environment for Community Development

- In another large purchase by an out-of-state buyer, five separate tax-exempt bond issuances by the Illinois Finance Authority financed the acquisition of 105 buildings with 1,843 units in the city and suburbs. The bond issuances were characterized by faulty underwriting assumptions and inadequate funds for rehab. In the first few years, the owners failed to rehab and maintain the buildings, and they failed to pay their bondholders. Prior to receivers being appointed, more than 20 of their buildings were vacated, and one building was demolished. After defaults on all of the bond issuances, all of these buildings are being transitioned to new owners through bankruptcy.

- As of September 30, 2020, 13 of the city buildings with 262 units have been sold to new owners, and 61 more buildings with 699 units are in the process of sale. The 30 suburban properties with 873 units are expected to move through bankruptcy and sale to new owners in 2021.

- In addition to monitoring progress of the overall portfolio through the Troubled Buildings Initiative, CII has served as court appointed receiver on 37 of the buildings.

- CII and The Preservation Compact have advised suburban jurisdictions on intervention strategies on properties in their areas.

- The Preservation Compact has alerted preservation buyers to the acquisition opportunities presented by this large bankruptcy.

- CII has successfully acquired seven buildings with 55 units and will transfer them to be rehabbed and owned by local owner operators.

- CIC is offering financing for new owners to buy and rehab these buildings.

- The Preservation Compact has advocated for State policies to prevent similar financing abuses in the future.

SECTION D: Financial Condition and Performance of CIC/CII

Financial Condition and Performance of CIC and CII

- FY 2020 began as another strong financial year for CIC. Through February, CIC was on target to meet all financial goals. In March, the COVID-19 pandemic forced CIC to shift its operations and business model for the remainder of the fiscal year. Because of an unprecedented rise in unemployment, multifamily real estate came to a halt, and CIC originated very few loans in the second half of the year. To reduce exposure and improve liquidity, CIC sold most eligible in-house loans to investors. As a result, there was a significant reduction in Fee Income and Interest Income. Nevertheless, CIC achieved a Net Operating Surplus and maintained its solid financial condition. (See Exhibit 13.)

- In FY 2020, income generated by program activities led to a Consolidated Net Operating Surplus of $264,000 ($104,000 for CIC and $160,000 for CII).

- In FY 2020, CIC applied for and received an SBA Paycheck Protection Program loan of $963,000. CIC will recognize this income in FY 2021 if and when the loan is forgiven.

	FY 2020 Actual (000)	FY 2019 Actual (000)	Change (000)
CIC Income Statement			
Fee Income	688	978	(290)
Interest Income	3,139	3,856	(717)
Loan Servicing	1,294	1,252	42
Contracts and Grants	2,809	2,761	48
Total Income	7,930	8,847	(917)
Personnel Expense	6,357	5,936	421
Other Operating Expense	1,469	1,708	(239)
Total Expenses	7,826	7,644	182
Total Net Operating	**104**	**1,203**	**(1,099)**
CII Income Statement			
Contracts and Grant Income	1,306	1,300	6
Program Income	1,029	1,500	(471)
Total Income	2,335	2,800	(465)
(CIC Personnel) Consulting Expense	1,789	1,837	(48)
Other Operating Expense	386	442	(56)
Total Expenses	2,175	2,279	(104)
Total Net Operating	**160**	**521**	**(361)**
Consolidated Net Operating Income	**$264**	**$1,724**	**($1,460)**

Financial Condition and Performance of CIC and CII

- In FY 2020, CIC's Total Consolidated Net Assets increased $344,000 to a total of $38.5 million. This includes $3.7 million in Temporarily Restricted Net Assets for the Opportunity Investment Fund.
- CIC's Total Unrestricted Net Assets increased $344,000, to a total of $34.7 million.
- Each year, CIC obtains an independent audit of the financial statements of CIC and CII. For FY 2019, the audit was performed by Plante Moran, PLLC. Plante Moran provided an unmodified opinion, which was published on January 17, 2020. The audit for FY 2020 is again being performed by Plante Moran. It is expected to be published in January 2021.

	9/30/2020	9/30/2019	Change
CIC Unrestricted Net Assets	30,465,810	30,282,484	183,326
CII Unrestricted Net Assets	4,268,566	4,108,173	160,393
Total Unrestricted Net Assets	**$34,734,376**	**$34,390,657**	**$343,719**
CIC Temporarily Restricted	3,746,500	3,746,500	0
Total Consolidated Net Assets	**$38,480,876**	**$38,137,157**	**$343,719**

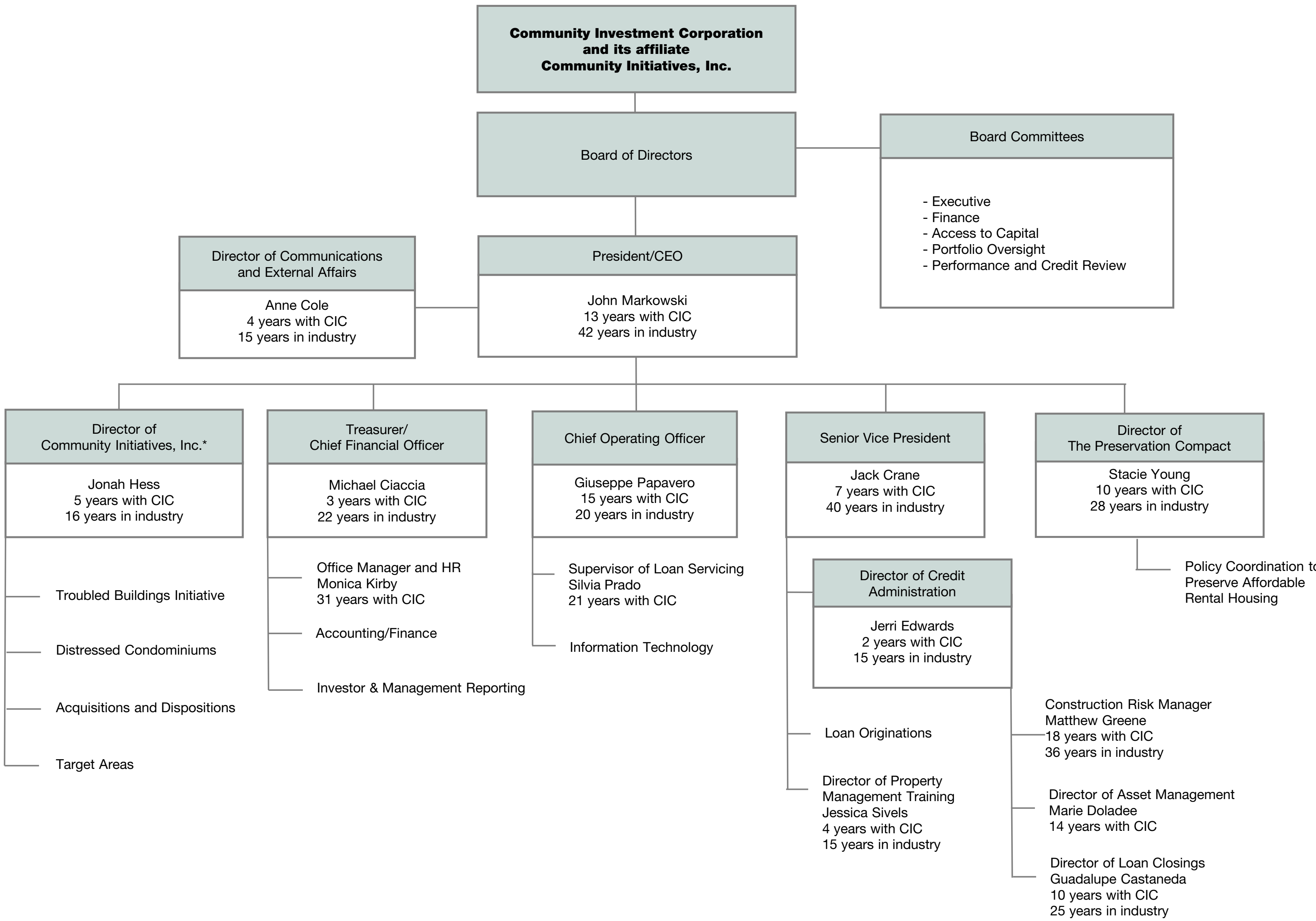
EXHIBITS

Exhibit 1: Investors in CIC Loan Programs as of 9/30/2020

	Multifamily Loan Program ($)	1-4 Unit Loan Program ($)	Opportunity Investment Fund ($)	Program Related Investments ($)	Total Investment ($)
The Northern Trust Company	$42,500,000	$12,500,000	$4,000,000	$5,000,000	$64,000,000
BMO Harris	25,000,000	8,000,000	5,000,000		38,000,000
Fifth Third Bank	30,000,000		4,000,000		34,000,000
CIBC Bank USA	20,000,000		5,000,000		25,000,000
PNC Community Development	25,000,000				25,000,000
First Midwest Bank	18,000,000				18,000,000
TCF Commercial Real Estate	15,000,000		2,000,000		17,000,000
MacArthur Foundation				12,666,667	12,666,667
Associated Bank of Chicago	10,000,000				10,000,000
MUFG Union Bank	10,000,000				10,000,000
Byline Bank	8,000,000		1,000,000		9,000,000
Federal Home Loan Bank of Chicago				9,000,000	9,000,000
First Bank of Highland Park	8,100,000				8,100,000
Bank of America				5,500,000	5,500,000
Leaders Bank	5,000,000	2,500,000			7,500,000
Providence Bank	4,000,000	3,000,000			7,000,000
Wintrust Bank*	6,000,000	750,000			6,750,000
First Savings Bank of Hegewisch	3,500,000	2,500,000			6,000,000
Northbrook Bank and Trust Company*	4,000,000	1,500,000			5,500,000
Benefit Chicago			5,000,000		5,000,000
City of Chicago			5,000,000		5,000,000
Huntington Bank	5,000,000				5,000,000
West Suburban Bank	5,000,000				5,000,000
First Bank and Trust Company of Illinois	4,800,000				4,800,000
Inland Bank and Trust	4,500,000				4,500,000
Liberty Bank for Savings	3,000,000	1,000,000			4,000,000
Old Second National Bank	4,000,000				4,000,000
Lake Forest Bank and Trust Company*	3,000,000	750,000			3,750,000
First National Bank of Brookfield	3,500,000				3,500,000
Community Investment Corporation [1]			3,000,000		3,000,000
First American Bank	3,000,000				3,000,000
First Eagle Bank	3,000,000				3,000,000
Republic Bank of Chicago	3,000,000				3,000,000
Wheaton Bank and Trust*	2,000,000	1,000,000			3,000,000
Amalgamated Bank of Chicago	2,000,000				2,000,000
Beverly Bank and Trust	2,000,000				2,000,000
Forest Park National Bank and Trust	2,000,000				2,000,000
International Bank of Chicago	2,000,000				2,000,000
Lakeside Bank	2,000,000				2,000,000
Oxford Bank	2,000,000				2,000,000
Hinsdale Bank & Trust Company*	1,000,000	750,000			1,750,000
Barrington Bank and Trust*	1,000,000				1,000,000
Burling Bank	1,000,000				1,000,000
Devon Bank	1,000,000				1,000,000
Old Plank Trail Community Bank*	1,000,000				1,000,000
Village Bank and Trust*		750,000			750,000
Total	$294,900,000	$35,000,000	$34,000,000	$32,166,667	$396,066,667

Note: Dollar figures represent overall financial commitments.
**Wintrust Financial Corporation Banks (Total Investment: $25,500,000)*

Exhibit 2: Management Structure



** Community Initiatives, Inc. (CII) is a 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. All staff of CII are employees of CIC.*

Exhibit 3: CIC Loan Underwriting Policies and Note Sale Requirements

Underwriting
Under policies established by the Board of Directors and the Multifamily and 1-4 Unit Loan Committees, CIC currently offers loans with the following terms:

Program	Multifamily Standard	Multifamily Flex	1-4 Unit Program 1st Mortgage	OIF Mezzanine Debt
Maximum Loan to Value	80% 3-year ARM, or 70% 5-year ARM	Can be > 80% 3- or 5-year ARM	70%	90%
Standard Loan Term	10 years	10 years	10 years	10 years
Amortization	25 - 30 years	25 - 30 years	Up to 30 years	Interest only
Rate Adjustment (above Comp. Treasury)	350 basis points	350 basis points	Fixed Rate	Fixed Rate
Maximum Loan to Cost	80%	95%	80%	90%
Minimum Equity	20%	5%	20%	10%
Minimum DSCR	1.25	1.15	1.25	1.10
Pre-Payment Penalty	No	No	No	No
Floors	Initial Rate	Initial Rate	N/A	N/A

Initial Rates are set by the Loan Committee.

Note Sales
For loans to become eligible for sale to the Investors under the Multifamily Note Purchase Agreement, the following conditions must by met:
- Construction is complete
- Loan is not in default
- Project has achieved a 1.10 debt service coverage ratio (DSCR)

For loans to become eligible for sale to the Investors under the Single Family Note Purchase Agreement, the following conditions must be met:
- Construction is complete
- Loan is not in default
- Project has achieved a 1.10 debt service coverage ratio (DSCR).

Exhibit 4: CIC Loans and Grants by Community Area

	Multifamily Loans											OIF Mezzanine Debt			1-4 Unit Loans			TOTAL		
	M/F Regular			Agency Debt			Grants		M/F Subtotal											
CHICAGO COMMUNITY	#	$	units	#	$	units	#	$	#	$	units	#	$	units (affordable only)	#	$	units	#	$	units
AUBURN GRESHAM	2	1,043,400	30						2	1,043,400	30				0.1	80,111	1	2.1	1,123,511	31
AUSTIN	2	1,856,000	31						2	1,856,000	31							2	1,856,000	31
AVALON PARK									0	0	0				0.1	80,111	1	0.1	80,111	1
BEVERLY	1	575,250	11	2	2,316,000	36			3	2,891,250	47							3	2,891,250	47
CALUMET HEIGHTS									0	0	0				0.2	147,929	2	0.2	147,929	2
CHATHAM	5	1,985,750	50						5	1,985,750	50							5	1,985,750	50
EAST GARFIELD PARK	3.3	2,427,059	43				2	830,000	5.3	3,257,059	43							5.3	3,257,059	43
ENGLEWOOD	1	1,900,000	48						1	1,900,000	48							1	1,900,000	48
GREATER GRAND CROSSING	3	5,870,000	224						3	5,870,000	224							3	5,870,000	224
HUMBOLDT PARK	1	250,000	5						1	250,000	5							1	250,000	5
HYDE PARK	2	2,076,000	83						2	2,076,000	83	1	330,000	16				3	2,406,000	83
JEFFERSON PARK	1	3,150,000	76				1	750,000	2	3,900,000	76							2	3,900,000	76
NORTH LAWNDALE	4.7	4,049,941	147				1	750,000	5.7	4,799,941	147							5.7	4,799,941	147
ROSELAND									0	0	0				0.1	80,111	1	0.1	80,111	1
SOUTH CHICAGO	1	216,000	6						1	216,000	6				0.3	240,333	3	1.3	456,333	9
SOUTH DEERING									0	0	0				1.1	838,404	12	1.1	838,404	12
SOUTH SHORE	4	1,229,000	40						4	1,229,000	40							4	1,229,000	40
UPTOWN	3	2,435,648	22						3	2,435,648	22							3	2,435,648	22
WEST ENGLEWOOD	1	240,000	6						1	240,000	6							1	240,000	6
WEST GARFIELD PARK	1	664,000	13						1	664,000	13							1	664,000	13
WEST TOWN	1	1,000,000	6						1	1,000,000	6							1	1,000,000	6
WOODLAWN	2	837,000	12						2	837,000	12							2	837,000	12
CHICAGO SUBTOTALS	39	31,805,048	853	2	2,316,000	36	4	2,330,000	45	36,451,048	889	1	330,000	16	2	1,467,000	20	48	38,248,048	909
SUBURBAN COMMUNITY																				
EVANSTON	1	1,625,000	20						1	1,625,000	20	1	210,000	4				2	1,835,000	20
OAK LAWN	1	1,960,000	32						1	1,960,000	32	1	245,000	7				2	2,205,000	32
SUBURBAN SUBTOTALS	2	3,585,000	52	0	0	0	0	0	2	3,585,000	52	2	455,000	11	0	0	0	4	4,040,000	52
PROGRAM TOTALS	41	35,390,048	905	2	2,316,000	36	4	2,330,000	47	40,036,048	941	3	785,000	27	2	1,467,000	20	52	42,288,048	961

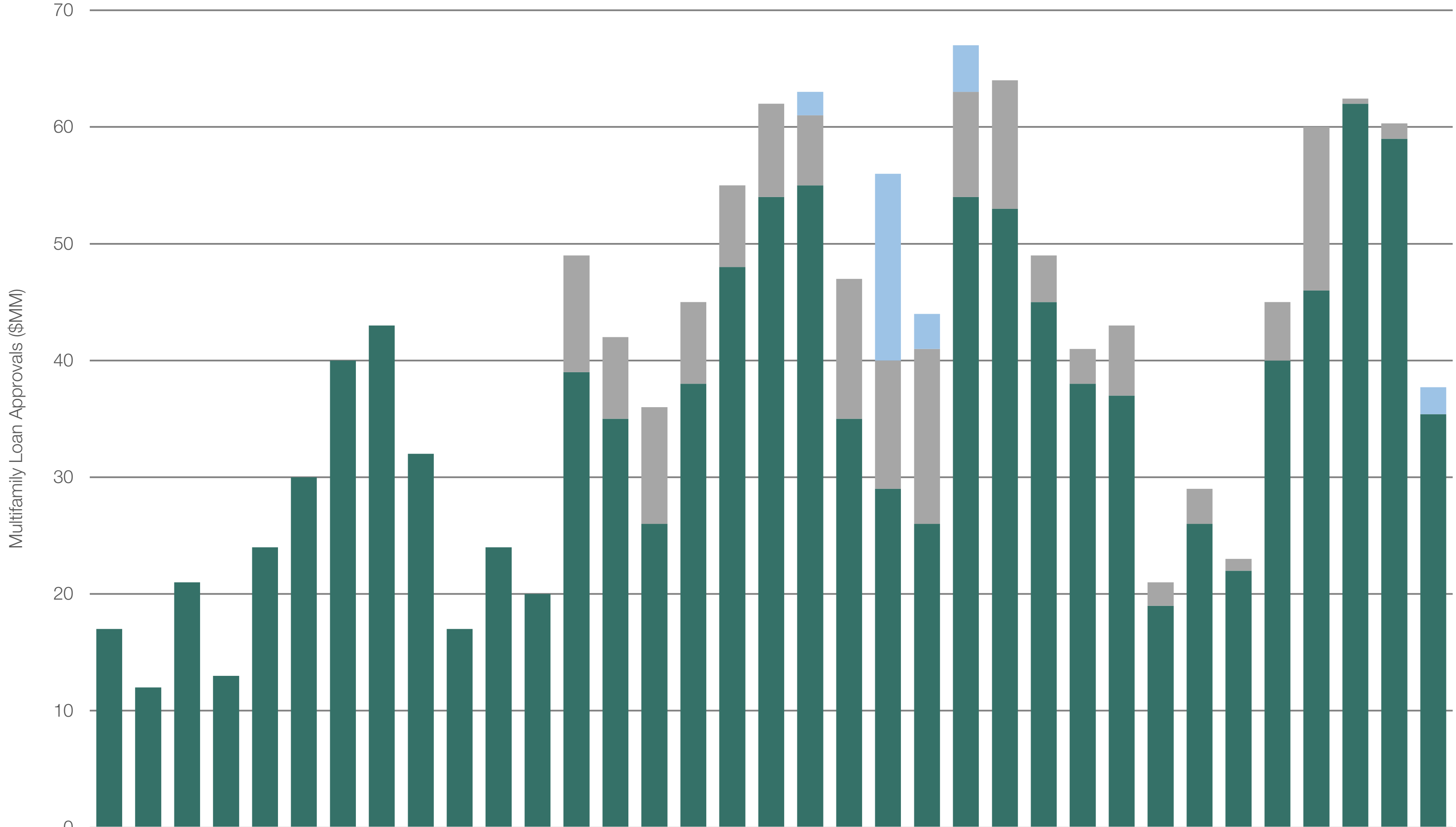
Notes:
Total unit count of 961 includes 954 residential units and 7 commercial units.
No Flex loans approved in FY 2020.
1-4 loans can be spread across multiple community areas and suburbs, resulting in fractional loan amounts.
OIF Mezzanine Debt affordable units are included within the overall Multifamily unit count.
Grants include TIF grants (2 in East Garfield Park) and AHP grants (Jefferson Park and North Lawndale).

Exhibit 5: Total Financial Assistance Provided by CIC by Fiscal Year

Fiscal Year	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	12	13	14	15	16	17	18	19	20
Loan Volume ($MM)	14	13	22	17	23	16	29	31	50	63	55	31	33	32	49	42	36	45	58	70	65	53	61	52	69	68	54	42	48	45	34	30	53	70	76	67	42

Note
Includes all CIC loans and grants.

Exhibit 6: CIC Multifamily Lending by Fiscal Year of Approval



Fiscal Year	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02
Loan Volume ($MM)		12	21	13	24	30	40	43	32	17	24	20	49	42	36	45	55
Avg per Loan ($TH)	315	364	656	419	686	714	800	843	914	680	571	444	557	532	600	549	519
Number of Units	1255	941	1210	752	1317	1671	2335	2182	1936	970	1429	901	2288	2088	1497	1848	2064
Avg Loan per Unit ($TH)	13	13	17	18	18	18	17	19	17	18	17	22	22	20	24	24	27
Fixed Rate ($MM)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multifamily Flex ($MM)	0	0	0	0	0	0	0	0	0	0	0	0	10	7	10	7	7
Multifamily Regular ($MM)	17	12	21	13	24	30	40	43	32	17	24	20	39	35	26	38	48

Fiscal Year	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20
Loan Volume ($MM)	62	63	47	56	44	67	64	49	41	43	21	29	23	45	60	62	60	38
Avg per Loan ($TH)	525	643	580	878	710	971	878	754	567	673	456	521	428	667	696	760	941	877
Number of Units	2010	2825	1498	2313	1849	1969	1849	1565	1576	1474	725	977	731	2009	1693	1658	1061	941
Avg Loan per Unit ($TH)	31	20	31	24	24	35	35	31	24	25	28	30	32	23	35	38	57	40
Fixed Rate ($MM)	0	2	0	16	3	4	0	0	0	0	0	0	0	0	0	0	0	2.3
Multifamily Flex ($MM)	8	6	12	11	15	9	11	4	3	6	2	3	1	5	14	0.44	1.3	0
Multifamily Regular ($MM)	54	55	35	29	26	54	53	45	38	37	19	26	22	40	46	62	59	35.4

Exhibit 7: Multifamily Flex Fund

The Multfamily Flex Fund was initiated in 1998 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, loan-to-value and debt service coverage ratios can be less stringent than standard Multifamily loans. Of the 248 Flex Fund loans for $155 million originated under the program, 154 have been sold to investors for $96.3 million, of which $76.1 million has been fully repaid.

In FY 2017, in order to more fully integrate Energy Savers loans into CIC's multifamily lending platform, CIC began to use the Flex Fund program for Energy Savers second mortgage loans that are originated behind a CIC first mortgage. In FY 2019, seven second mortgage Energy Savers loans for $1,253,522 were categorized as Flex Fund loans. In FY 2020, no Flex Fund loans were approved. One Energy Flex loan was sold to investors.

Since the beginning of the Multifamily Flex Fund in 1998, there have been losses on 13 loans in the amount of $6.5 million. Two of these loans were not sold to investors, and the losses were sustained by CIC. The $4.8 million in losses on the other 11 loans were absorbed by the Multifamily Investor Loan Loss Reserve. No losses have been experienced by note purchasers participating in the Multifamily Investor First Loss Fund under the Flex Fund loan program.

According to the 2020 Multifamily Note Purchase Agreement, the aggregate principal amount of all Flex Fund loans may not exceed 20% of the total dollar commitments of the Multifamily Note Purchasers. As of September 30, 2020, the aggregate principal of all Flex Fund loans is $21.7 million, or 7.4% of the $294.9 million in Purchaser commitments. ($14.5 million of Flex Fund loans have been sold to investors.) In addition, total Flex Fund loans sold to investors is limited to 20% of total multifamily loans sold in any 12 month period. In the past 12 months, there was one Flex Fund loan sold for $73,940, which is 0.1% of the total multifamily notes sold in that period.

Approved Flex Loans	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Number of Loans (#)	15	16	17	18	16	15	14	16	12	17	13	10	6	4	9	4	4	1	6	21	7	7	0
Value of Loans ($MM)	$10	$7	$10	$7	$7	$8	$6	$12	$11	$15	$11	$11	$4	$1	$6	$5	$4	$1	$5	$15	$0.4	$1.3	$0.0
Average LTV (%)	92%	82%	86%	103%	97%	87%	78%	86%	106%	73%	90%	91%	80%	80%	84%	104%	91%	68%	95%	97%	87%	88%	-
Average Debt Coverage 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	1.2	1.2	1.2	1.4	1.5	1.6	1.3	-

Flex Fund Notes as a Portion of EOY Balance of Multifamily Notes Sold to Investors																							
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Portfolio ($MM - Flex Fund Notes Sold)		$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	$38.0	$38.0	$38.9	$34.0	$32.1	$31.1	$26.2	$20.1	$14.5
Portfolio ($MM - All Multifamily Notes Sold)																					$196.7	$194.7	$207.6
% 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%	16.2%	16.0%	16.0%	15.0%	16.6%	16.5%	13.3%	10.3%	7.0%

Principal of Flex Fund Loans as a Percentage of Multifamily Investor Commitments	
Current Outstanding Principal of Flex Fund Loans	$21.7 million
Multifamily Investor Commitments	$294.9 million
% of Commitments	7.4%

Flex Fund Notes Sold to Investors in Previous 12 Months	
Flex Fund Notes Sold	$73,940
All Multifamily Notes Sold	$54.7 million
%	0.1%

Exhibit 8: Note Sales, Payoffs, and Payments in the Multifamily and 1-4 Unit Portfolios

Multi-Family Program Notes

Quarter	Beginning Balance	Note Sales	Payoffs	Payments	Ending Balance
Quarter 1 (10/1/2019-12/31/2019)	194,686,466	15,793,532	8,657,091	1,634,186	200,188,721
Quarter 2 (1/1/2020-3/31/2020)	200,188,721	12,399,650	15,008,742	1,538,097	196,041,531
Quarter 3 (4/1/2020-6/30/2020)	196,041,531	26,457,991	2,387,531	1,419,067	218,692,925
Quarter 4 (7/1/2020-9/30/2020)	218,692,925	-	9,478,517	1,583,404	207,631,004
	Totals	**54,651,174**	**35,531,881**	**6,174,753**	

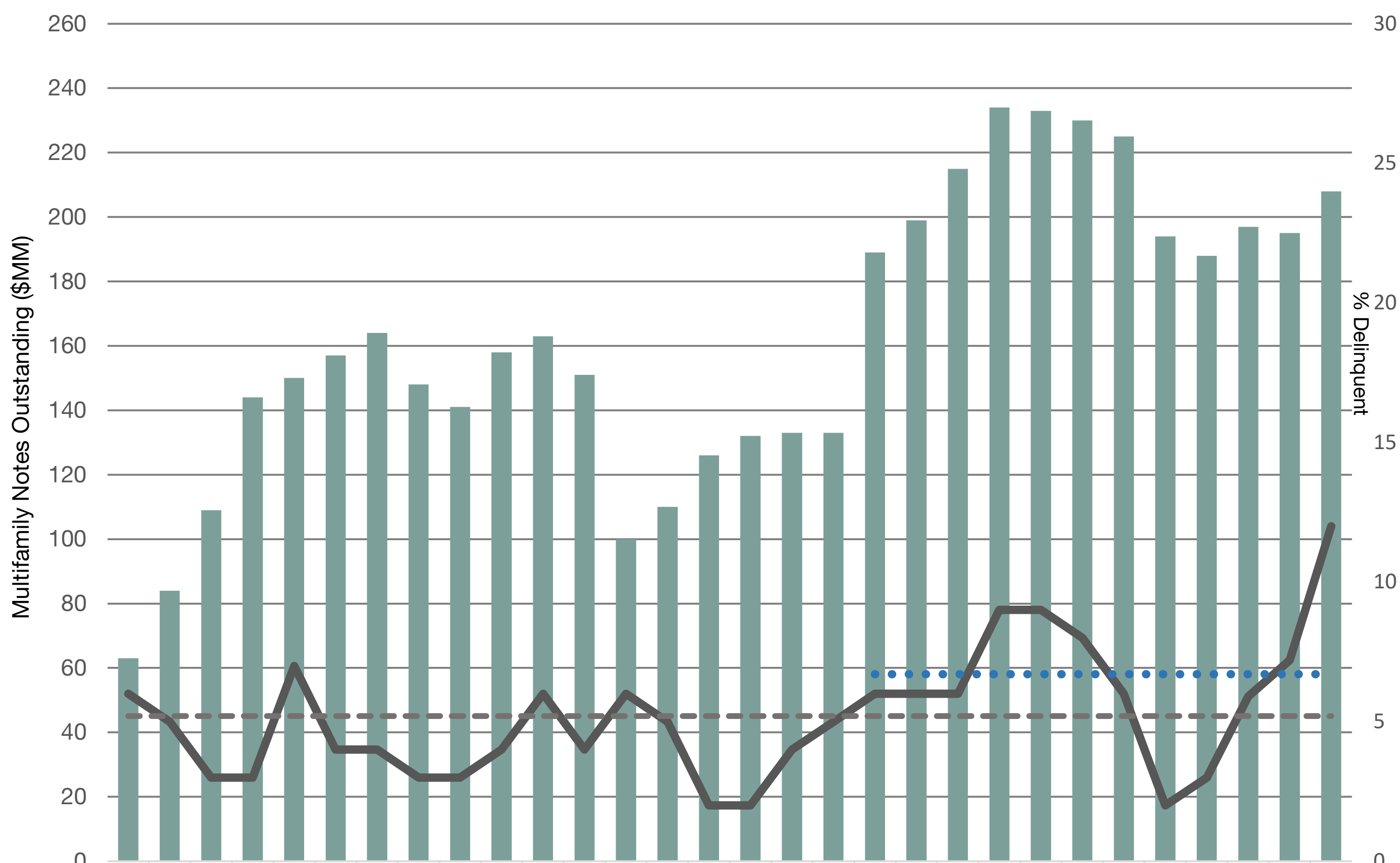
SF 1-4 Program Notes - Tier 1

Quarter	Beginning Balance	Note Sales	Payoffs	Payments	Ending Balance
Quarter 1 (10/1/2019-12/31/2019)	19,007,628	-	70,922	161,761	18,774,945
Quarter 2 (1/1/2020-3/31/2020)	18,774,945	-	387,573	152,784	18,234,588
Quarter 3 (4/1/2020-6/30/2020)	18,234,588	1,194,658	781,571	162,600	18,485,074
Quarter 4 (7/1/2020-9/30/2020)	18,485,074	-	117,532	935,219	17,432,323
	Totals	**1,194,658**	**1,357,598**	**1,412,365**	

SF 1-4 Program Notes - Tier 2

Quarter	Beginning Balance	Note Sales	Payoffs	Payments	Ending Balance
Quarter 1 (10/1/2019-12/31/2019)	4,247,704	-	12,730	38,090	4,196,885
Quarter 2 (1/1/2020-3/31/2020)	4,196,885		131,168	32,468	4,033,249
Quarter 3 (4/1/2020-6/30/2020)	4,033,249	237,333	518,791	32,272	3,719,520
Quarter 4 (7/1/2020-9/30/2020)	3,719,520	-	78,355	29,097	3,612,068
	Totals	**237,333**	**741,043**	**131,926**	

Exhibit 9: Multifamily Notes Outstanding and Delinquency Rates



Fiscal Year	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05
$MM Portfolio Balance	63	84	109	144	150	157	164	148	141	158	163	151	100	110	126
$MM Delinquent	4	4	3	5	5	3	6	2	2	3	9	5	5	5	3
$MM REO Property	3	3	3	2	1	1	1	1	1	1	0	0	0	0	0
% Delinquent	6	5	3	3	7	4	4	3	3	4	6	4	6	5	2
Average Delinquency % Since 1991															
Average Delinquency % Since 2009															

Fiscal Year	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20
$MM Portfolio Balance	132	133	133	189	199	215	234	233	230	225	194	188	197	195	208
$MM Delinquent	3	5	7	5	11	8	16	15	19	14	4	6	11	14	25
$MM REO Property	1	0	2	1	1	2	2	2	3	5	2	1	0.3	0.3	0.6
% Delinquent	2	4	5	6	6	6	9	9	8	6	2	3	6	7	12
Average Delinquency % Since 1991															5.2
Average Delinquency % Since 2009															6.7

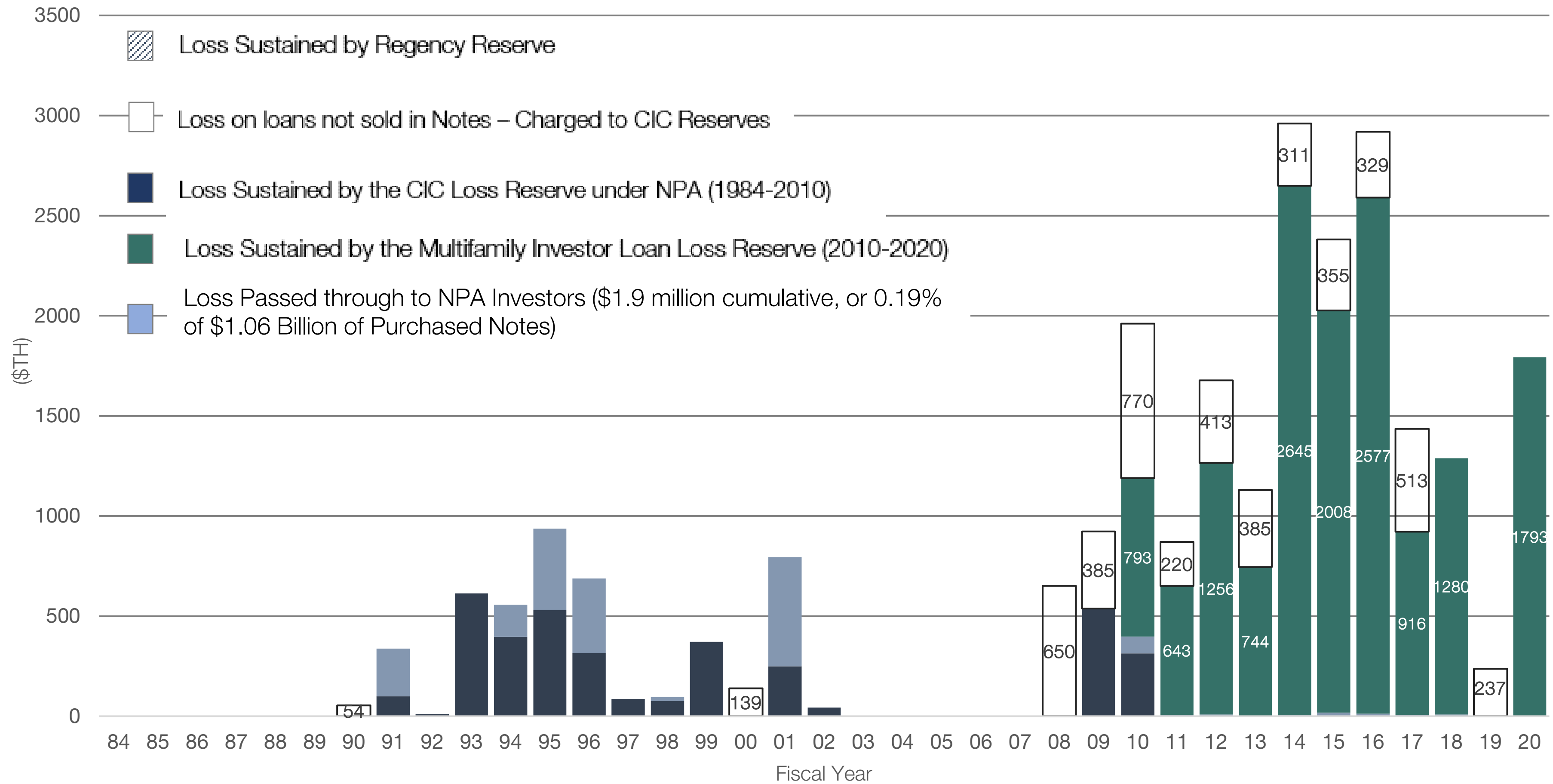
Notes

The delinquency percentage line on the chart includes loans 30 days or more delinquent, loans in foreclosure, and loans in workout. It does not include REO.

There were three loans with a balance of $1,228,750 in Workout at 9/30/19. There were no loans in Workout at 9/30/20.

In FY 2003, CIC sold $49 million in multifamily loans in the investor portfolio to Regency Bank, allowing CIC to create a new Stimulus Fund from increased servicing income on the $49 million portfolio.

Exhibit 10: Loan Losses on CIC Multifamily Loans Originated Since 1984

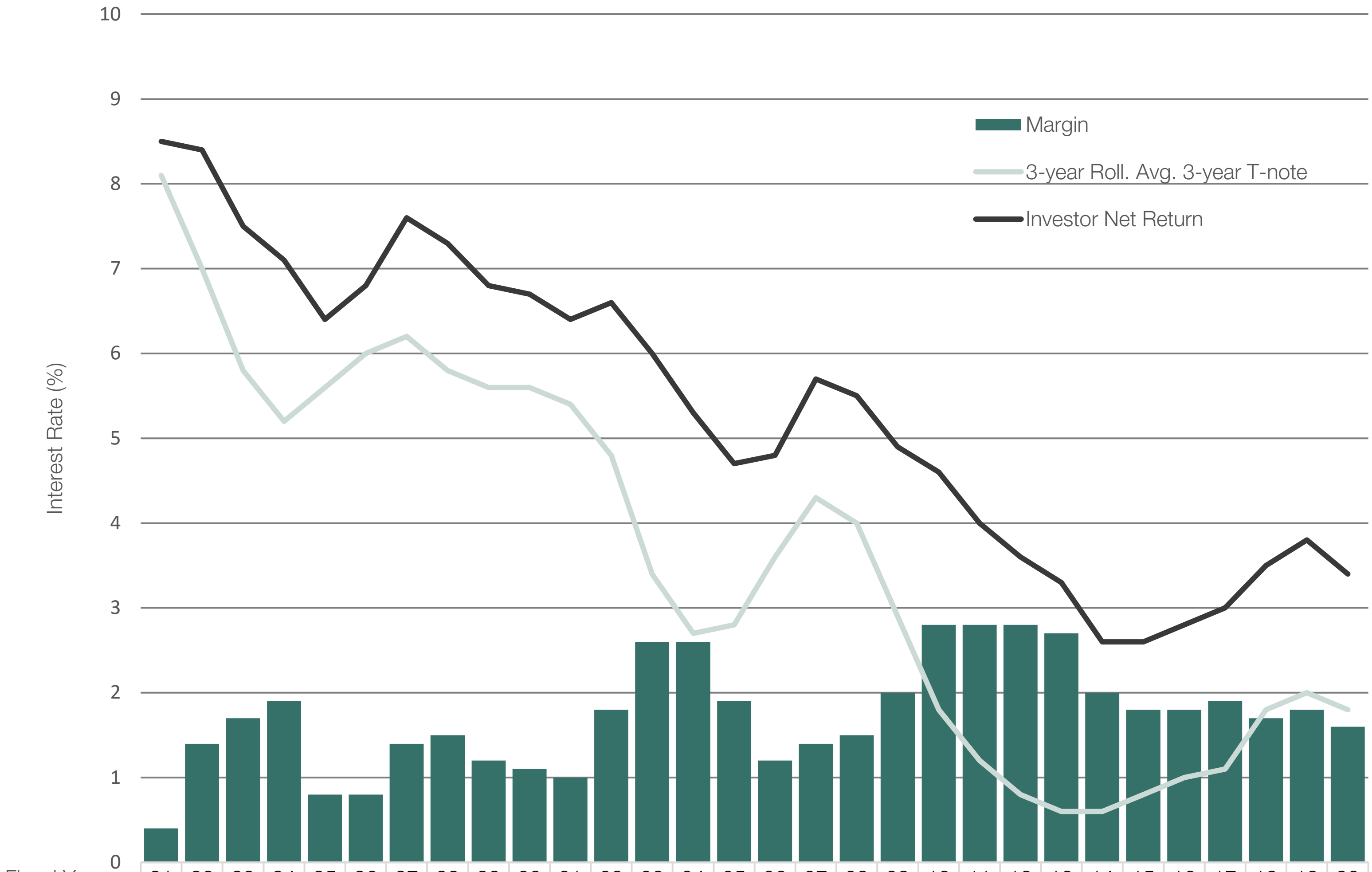


Multifamily Loan Losses

	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	12	13	14	15	16	17	18	19	20
Losses by Year ($TH)							54	337	12	614	557	936	688	85	96	371	139	795	43						650	923	2255	1255	1944	1131	2960	2381	2919	1435	1289	237	1793
Portfolio Balance* ($M)	5	18	28	24	37	33	43	63	84	135	162	168	172	173	171	167	183	189	188	180	192	192	207	214	220	256	285	307	317	316	306	281	278	275	285	286	275
Loss as % of Portfolio								0.5	0	0.5	0.3	0.6	0.4	0.1	0.1	0.2	0.1	0.4	0						0.3	0.4	0.79	0.41	0.61	0.36	0.94	0.85	1.05	0.52	0.45	0.08	0.65

* Note: 1984 to 1992 Portfolio Balance included notes sold to purchasers. 1993 to 2020 Portfolio Balance includes Multifamily notes sold to purchasers, plus in-house and construction CIC loans, Regency sale loans, and fixed rate pool.

Exhibit 11: Multifamily NPA Investor Net Return on Notes



Fiscal Year	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20
Margin	0.4	1.4	1.7	1.9	0.8	0.8	1.4	1.5	1.2	1.1	1	1.8	2.6	2.6	1.9	1.2	1.4	1.5	2	2.8	2.8	2.8	2.7	2	1.8	1.8	1.9	1.7	1.8	1.6
3-year Roll. Avg. 3-year T-note	8.1	7	5.8	5.2	5.6	6	6.2	5.8	5.6	5.6	5.4	4.8	3.4	2.7	2.8	3.6	4.3	4	2.9	1.8	1.2	0.8	0.6	0.6	0.8	1	1.1	1.8	2	1.8
Investor Net Return	8.5	8.4	7.5	7.1	6.4	6.8	7.6	7.3	6.8	6.7	6.4	6.6	6	5.3	4.7	4.8	5.7	5.5	4.9	4.6	4	3.6	3.3	2.6	2.6	2.8	3	3.5	3.8	3.4

Notes

The Multifamily investor return is calculated by averaging each month's net interest remitted (gross interest less servicing fee, funding to First Loss Fund, and unreimbursed principal losses, if any) divided by the month's beginning portfolio balance. CIC rates quoted represent full-year averages. Individual investor spreads will vary depending on loan mix and investor share of losses, if any.

Exhibit 12: 1-4 Unit Loan Program: Summary of Activity

1-4 Unit Loan Program - Approvals and Closings

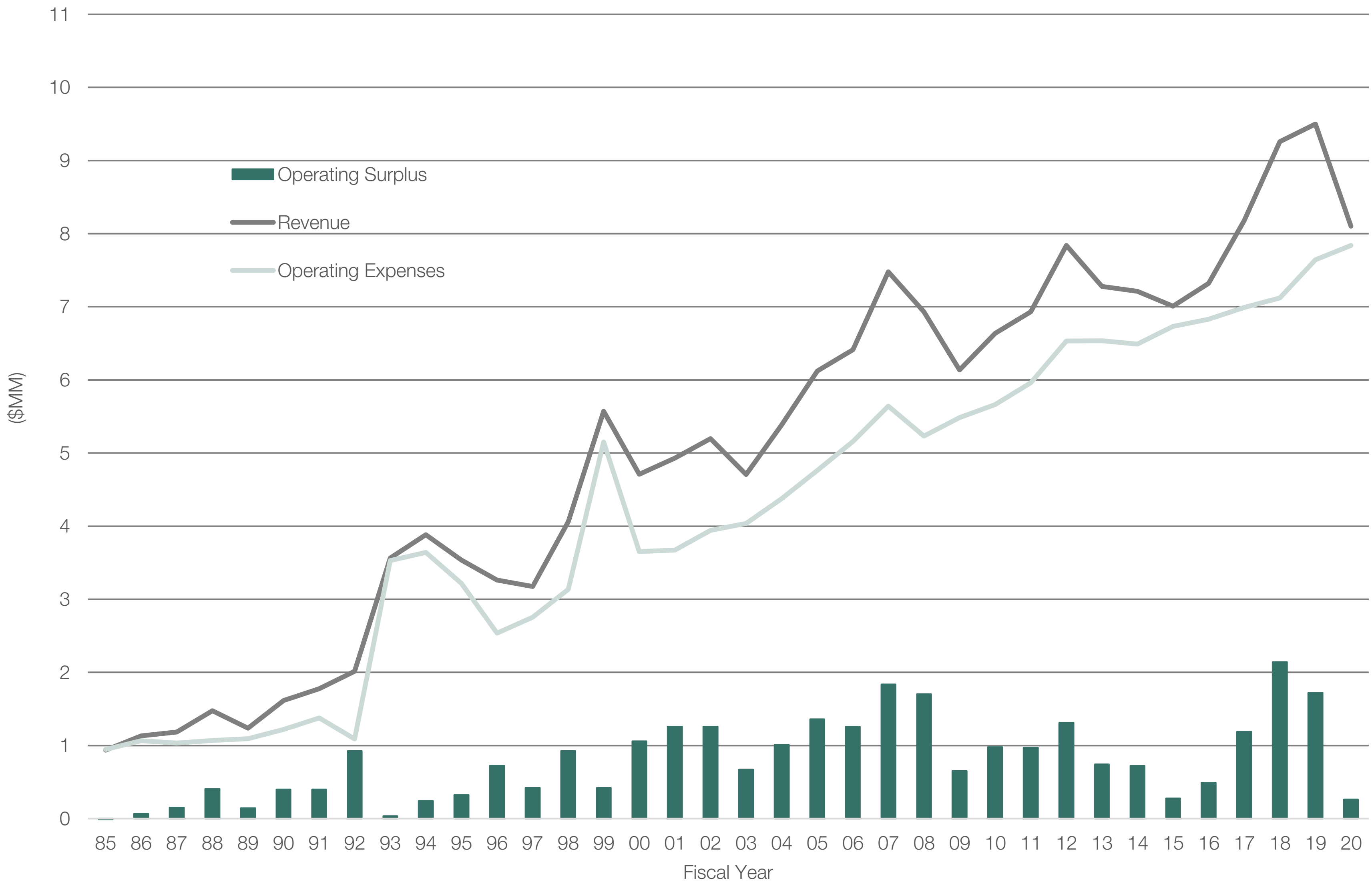
	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	Total
	1st Mortgage	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	**1st Mortgage**	
Approvals												
$	$3,046,000	$540,000	$5,551,000	$1,454,000	$6,550,000	$1,389,000	$10,146,000	$2,385,850	$4,530,500	$917,750	$1,467,000	$37,977,100
#	5	5	8	8	11	8	11	9	7	6	2	80
units		73		112		131		191		89	20	616
Closings												
$	$1,101,000	$201,000	$6,920,000	$1,649,000	$6,501,000	$1,428,000	$9.981,000	$2.350,850	$5,320,500	$1,057,750	$1,467,000	$37,977,100
#	3	3	9	9	11	8	11	9	8	7	2	80
units		30		146		130		190		100	20	616

1-4 Unit Loan Program - Loans Sold to Investors

	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019		FY 2020		Total
	1st Mortgage	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	**1st Mortgage**	**2nd Mortgage**	
Notes Sold	$-	$-	$3,012,496	$534,473	$7,793,766	$1,697,491	$10,515,339	$2,590,394	$3,157,833	$545,263	$1,194,658	$237,333	$31,279,046
Outstanding Notes Sold	-	-	$2,933,353	$521,414	$10,109,981	$2,079,144	$17,581,614	$4,184,904	$19,007,628	$4,247,704	$17,432,323	$3,612,068	$21,044,391
Delinquencies*	-	-	None	None	None	None	$408,054 (30 days) 2.3%	None	$408,054 (90+ days) 2.1%	$272,036 (90+ days) 6.4%	$1,235,820 (90+ days) 7.1%	$299,946 (90+ days) 8.3%	
Losses	-	-	None	None	None	None	None	None	None	None	None	None	
Investor First Loss Fund	$250,000	$500,000	$262,405	$502,203	$329,486	$511,591	$392,641	$524,277	$475,896	$543,789	$569,279	$563,908	
Return to Investors	NA	NA	5.125%	5.125%	5.125%	5.125%	5.125%	5.125%	5.125%	5.125%	5.00%	5.00%	

*Delinquencies on 1-4 Notes Sold to Investors

Exhibit 13: CIC/CII Consolidated Operating Revenue and Expenses



Note

CIC operates on a fiscal year ending September 30.