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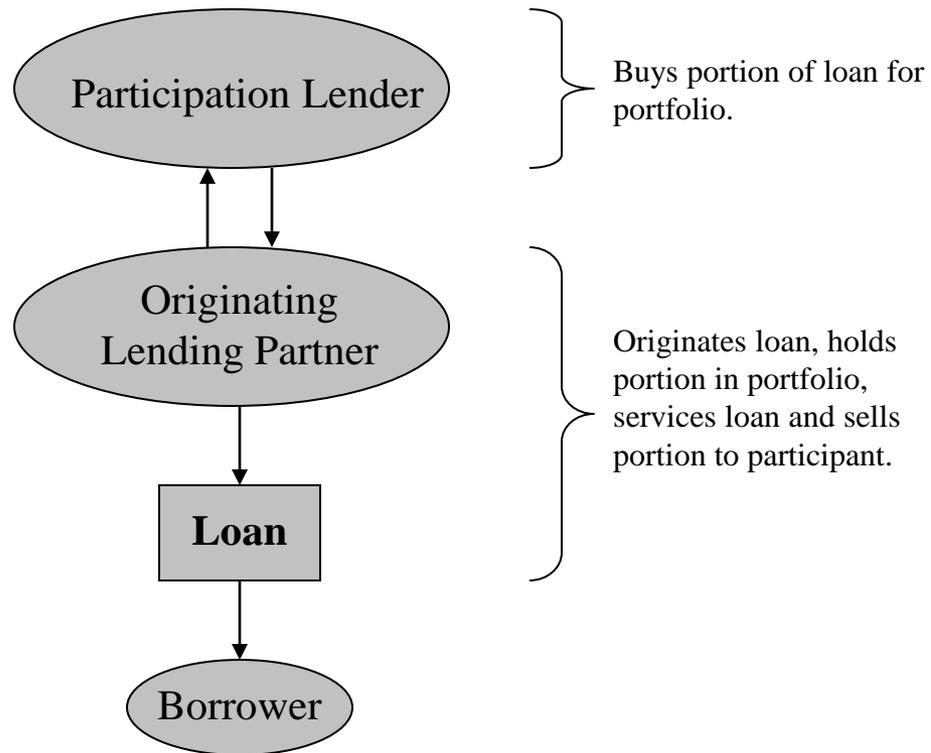
# Loan Participation Key Survey Findings

OFN Southeast Regional Meeting

Tuesday, July 20, 2010

# Loan Participation Model

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# CDFI Participation Lending Survey



Mind Institute  
Santa Ana, CA



# CDFI Loan Participation Survey

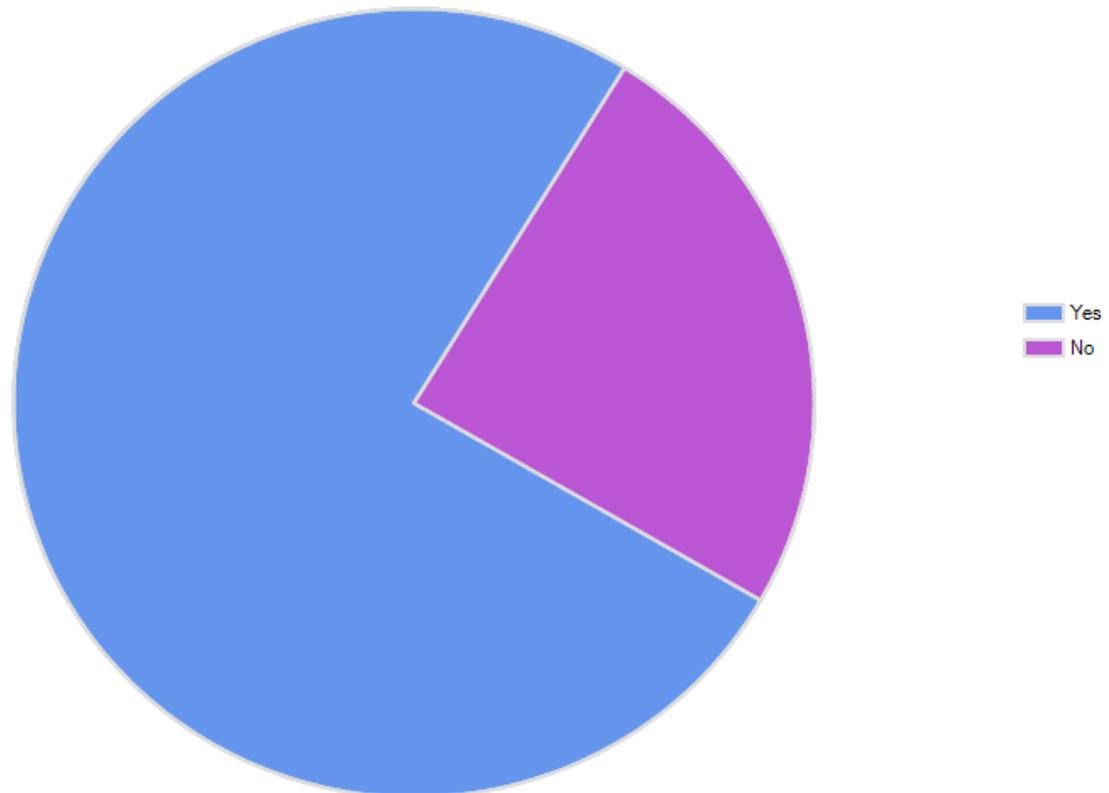
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- Purpose: To assess CDFI interest, demand and motivations for participation lending (both selling and buying loans)
- Annual survey 2008-2010 of CDFIs
- Participants are loan fund members of Opportunity Finance Network (OFN) and CDFI bank members of Community Development Bankers Association (CDBA)
- 2010 Survey:
  - 195 surveys distributed from May 14 to June 4
  - 102 respondents (52% response rate)
  - Similar response rates in 2008 & 2009

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# 75% of respondents engaged in at least one participation loan within past 3 years

Within the past three years have you engaged in any loan participation transactions? (Note: A loan participation is the sharing of a loan by a group of two or more lenders that join together to make a loan. Generally, one lender originates a loan with the other participating lender(s) purchasing a share of the loan.)



# Participation Activity Trends

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## Average number of participation loans per year as originator or participant

Number of Loans	2008 (93 responses)	2009 (99 responses)	2010 (75 responses)
Less than 1	20.4% (19)	26.3% (26)	8.0% (6)
1	7.5% (7)	12.1% (12)	18.7% (14)
2-3	<b>30.1%</b> (28)	<b>31.3%</b> (31)	<b>33.3%</b> (25)
4-6	25.8% (24)	17.2% (17)	24.0% (18)
7-10	4.3% (4)	2.0% (2)	4.0% (3)
11-20	6.5% (6)	6.1% (6)	6.7% (5)
More than 20	5.4% (5)	5.1% (5)	5.3% (4)



# What factors motivate you to engage in loan participation activities?

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2010 Survey	Not a Factor At All	Small Motivating Factor	Moderate Motivating Factor	Strong Motivating Factor	Response Count
Ability to make larger loans	12.6% (12)	9.5% (9)	21.1% (20)	<b>56.8% (54)</b>	95
Manage Liquidity Constraints	19.8% (19)	20.8% (20)	24.0% (23)	<b>35.4% (34)</b>	96
Manage Portfolio Concentration Risk	13.5% (13)	24.0% (23)	<b>38.5% (37)</b>	24.0% (23)	96
Share Risk on Difficult Transactions	14.6% (14)	13.5% (13)	<b>45.8% (44)</b>	26.0% (25)	96
Enhance Earned Income	<b>25.5% (24)</b>	24.5% (23)	<b>25.5% (24)</b>	24.5% (23)	94

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# Are You Interested In...

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2010 Survey	Selling Loans (98 responses)	Buying Loans (94 responses)
Yes	22.4% (22)	17.0% (16)
Maybe	48.0% (47)	24.5% (23)
No	29.6% (29)	58.5% (55)

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# Types of Loans/Participations CDFIs Want to Sell or Buy

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2010 Survey	Sell		Buy
	Yes	Maybe	
Housing for Individuals	25.6% (11)	18.6% (8)	2.7% (1)
Housing to Organizations	<b>37.5% (18)</b>	25.5% (12)	<b>45.9% (17)</b>
Community Facility	<b>42.9% (21)</b>	22.4% (11)	<b>64.9% (24)</b>
Commercial Real Estate	27.9% (12)	30.2% (13)	37.8% (14)
Business (for-profit)	31.9% (15)	<b>46.8% (22)</b>	<b>45.9% (17)</b>
Business (nonprofit)	<b>34.8% (16)</b>	30.4% (14)	<b>45.9% (17)</b>
Other	16.0% (4)	20.0% (5)	13.5% (5)

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# Why are you interested in BUYING loans or participations?

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	Not a Factor at All	Somewhat Motivating Factor	Moderate Motivating Factor	Strong Motivating Factor	Response Count
Increase portfolio deployment	15.8% (6)	21.1% (8)	<b>34.2%</b> <b>(13)</b>	28.9% (11)	38
Increase Earned Income	7.9% (3)	18.4% (7)	<b>36.8%</b> <b>(14)</b>	<b>36.8%</b> <b>(14)</b>	38
Diversify Portfolio	22.2% (8)	<b>38.9%</b> <b>(14)</b>	16.7% (6)	22.2% (8)	36
Meet Certain Social Impact Goals	<b>33.3%</b> <b>(12)</b>	30.6% (11)	19.4% (7)	16.7% (6)	36
Support CDFI Industry	16.2% (6)	<b>37.8%</b> <b>(14)</b>	16.2% (6)	29.7% (11)	37

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# Demand Estimate

- 44 respondents estimated they would be interesting in selling **\$195.9 million** in loans to other CDFIs or investors over the next 12-18 months
- When asked whether they would be interested in being contacted by PCG about loan participations, 74% (66 of 89 respondents that answered the question) responded positively. Among this group:
  - 36 respondents estimated they would be interested in selling **\$132.9 million** in loans to CDFIs or investors over the next 12-18 months
  - 30 respondents declined to estimate the dollar amount of loans they were interested in selling.

Telesis Corporation  
Bradenton, FL

