

Report to the OFN Membership

KEY FINDINGS FROM OFN MEMBER COVID-19 BASELINE SURVEY

Conducted March-April 2020

In response to the COVID-19 pandemic and related economic crisis, OFN conducted a baseline survey to capture our member CDFIs' financial standing before the crisis hit, their initial responses to borrower requests for relief, and the CDFIs' need for capital. OFN plans to repeat the survey quarterly throughout the crisis to capture changes and trends over time.

From March 26th through April 6th, 100 of OFN's 280 member CDFIs completed the survey. The respondents comprise a representative sample of OFN members' primary lending sector, asset size, and urban/rural composition. At the time the survey was conducted, CDFIs had begun to contact their borrowers to understand their current needs in the face of the pandemic and its local effects. Results demonstrate that CDFIs entered the crisis in solid financial footing, they are quickly responding to borrower needs for loan accommodations, and in turn need accommodations and new capital from their funders and investors.

It is important to recognize that much of the nation's business closures and suspension of services began to occur in March due to state and federally mandated social distancing. This survey was conducted immediately following those closures, well before the impact of closures and service suspensions would begin to challenge CDFI operating liquidity and portfolio quality. OFN expects to see those impacts in the 2nd and 3rd quarters.

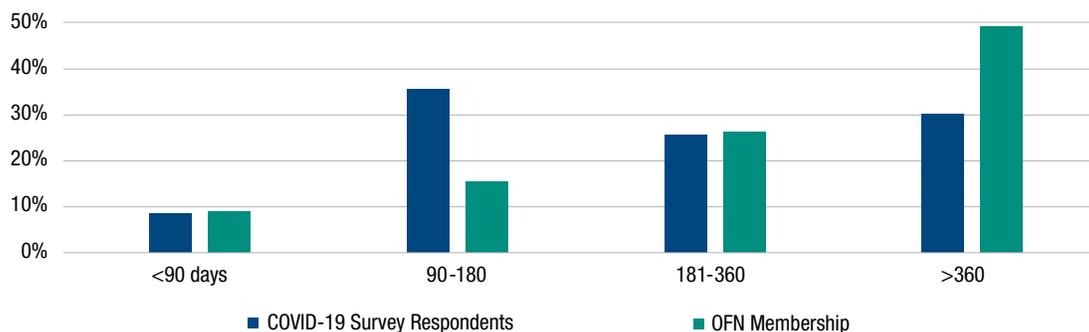
Respondent Overview

OFN received responses from 100 members for the COVID-19 survey conducted March 26th through April 6th. Comparing respondents' lending sector, asset size, and urban/rural composition to OFN's annual member survey respondents, we were able to achieve a close representative sample of OFN's membership from the survey responses (see Appendix: Summary of Survey Respondents). Based on this sample of respondents, OFN was able to rely on information from the FY 2018 annual member survey as a benchmark and to estimate future capital needs for OFN's entire membership.

Operating Cash on Hand

As of February 28th (the most recently completed month at the time the survey was conducted), 9% of respondents had less than 90 days of operating cash on hand, 35% had 90-180 days, 26% had 181-360, and 30% had more than 360 days. Among small business and microenterprise lenders, the same percentage had less than 90 days but significantly more (51%) had 90-180 days. Figure 1 (see next page) shows that survey respondents are far less likely to have more than 360 days of operating cash on February 28th, 2020, compared to all OFN members as of fiscal year-end 2018 and much more likely to have 90 to 180 days of cash.

Figure 1: Days of Operating Cash On Hand: COVID Survey Respondents 2/28/20 Compared to OFN Membership FYE 2018



Portfolio Performance

The survey asked respondents to provide actual portfolio data for February 28th and to provide their very early thinking on the potential impact of the crisis on their portfolios three and nine months out.

Respondents' average total outstanding portfolio was \$62.6 million as of February 28th. Table 1 shows respondents' current portfolio performance as of February 28th, portfolio performance for OFN's membership at fiscal year-end 2018, and initial projections of portfolio performance for June 30th, 2020, and December 31st, 2020. As of February 28th, the most recent interim date prior to the crisis, on average, 95% of the portfolio was current, 2.7% was at least 90 days past due, and 0.5% had been written off. Compared to OFN's membership in FY 2018, survey respondents' percentage of current loans is roughly similar with slightly higher rates of loan balances greater than 90 days past due and lower charge-off rates.

Looking toward the future, respondents project current loan balances at 82% by June 30th and remain there until year-end. By June 30th respondents project 9.3% to be at least 90 days past due and 4.6% written off. And by December 31st respondents project 10.7% to be at least 90 days past due and 5.2% written off. For the subset of respondents lending primarily to small business and microenterprises, projected portfolio quality suffers more. Microenterprise and small business respondents anticipate that by December 31st, 2020, 11.9% of their portfolios will be at least 90 days past due and 8.2% of outstanding loans will be written off. It is important to remember that these projections represent an early estimate of the impact of COVID-19 during late March and early April. State-wide guidance on social distancing and sector-specific mandated closures will likely affect future estimates.

Table 1: Portfolio Performance

	OFN Membership FYE 2018	COVID-19 Survey Respondents		
		2/28/2020	Projected 6/30/20	Projected 12/31/20
Portfolio Performance	(N=222)	(N=81)	(N=73)	(N=71)
Percent Current	94%	95%	82%	82%
Percent > 90 days Past Due	2.02%	2.74%	9.27%	10.68%
Write-Offs	1.30%	0.54%	4.63%	5.16%

Table Notes:

- Percentages are unweighted (i.e., straight average).
- June 30th, 2020, and December 31st, 2020, projections represent respondents' early (late March-early April) estimates of future portfolio performance as the COVID-19 crisis began. Projected portfolio performance should not be used as a benchmark for actual future performance.

Borrower Contact

On average, respondents have been in contact with 58% of their borrowers regarding the pandemic's economic impact; among CDFIs that primarily lend to small businesses and microenterprises, the percentage is much higher (73%).

Loan Accommodations

On average, 31% of borrowers are requesting loan accommodations; among CDFIs that primarily lend to small businesses and microenterprises, the percentage is higher (46%). The most common accommodation requested is principal payment deferrals, followed by interest payment deferrals and interest only periods. Borrowers are most often requesting and CDFIs are most often granting three-month accommodation periods. CDFIs report that they plan to offer more 6+ month durations in the near future.

CDFI Requests of Funders/Investors

Respondents' most common requests are principal payment deferrals, additional debt and grant capital, and converting debt to grants. These are followed by interest payment deferrals, interest only periods, debt modification/restructuring, interest forgiveness, and relaxing loan covenants. CDFIs are far more likely to request at least a 6-month duration for accommodations from funders/investors compared to the duration requested by, currently offered to, and soon to be offered to borrowers. This will help the CDFIs avoid liquidity gaps on their balance sheets, particularly as it appears that the COVID-19 shutdown will last for at least 2 to 3 months.

Respondents estimated additional capital needs in the next 3 to 12 months, which we used to project capital needs for all OFN member loan funds using data from OFN's FY 2018 annual member survey (see Table 2). Given this survey's representative sample, we feel comfortable extrapolating these figures for all member loan funds. At the time of the COVID-19 survey, we project that OFN member CDFI loan funds will need \$1.3 billion in new capital over the next 12 months. Breaking this down, the projected need for new debt is \$396 million in the next 3 months, growing to \$976 million in 12 months. The projected need for new equity is \$112 million in the next 3 months, growing to \$302 million in 12 months.

These early projections reflect respondents' best estimates at the time of the survey. With each subsequent quarterly survey, we will more accurately assess the capital needs of CDFIs as they revise their projections.

Table 2: Estimated OFN Membership Capital Needs

(N=222)	3 Months	6 Months	12 Months
Debt	\$396,410,365	\$576,442,163	\$976,105,398
Equity	\$112,410,894	\$175,842,917	\$302,088,119
Total	\$508,821,259	\$752,285,080	\$1,278,193,517

Table Notes:

- Projected capital needs represent respondents' early (late March-early April) estimates as the COVID-19 crisis began. Capital needs will vary across CDFIs and these estimates will likely change as the scope of the crisis expands and CDFIs respond to the needs of their borrowers. OFN will continue to assess the future capital needs of its member CDFIs and revise these projections in subsequent reports.

Appendix 1

Summary of Survey Respondents				
	COVID-19 Survey Respondents N=100		OFN Membership N=222	
Primary Lending Sector	N	Percent (%)	N	Percent (%)
Business/Microenterprise	47	47%	102	46%
Commercial Real Estate/Community Services	17	17%	29	13%
Consumer/Credit Union/Housing to Individuals	14	14%	44	20%
Housing to Organizations	20	20%	41	18%
Intermediary/Other	2	2%	6	3%
Primary Lending Sector Business/Microenterprise & Non-Business/Microenterprise	N	Percent (%)	N	Percent (%)
Non-Business/Microenterprise	53	53%	120	54%
Business/Microenterprise	47	47%	102	46%
Average Assets	N	Avg. (\$)	N	Avg. (\$)
Total	92	78,871,028	222	84,802,794
Business/Microenterprise	43	30,130,514	102	26,422,319
Asset Distribution Total	N	Percent (%)	N	Percent (%)
<\$10 million	21	23%	58	26%
\$10-\$50 million	36	39%	91	41%
>\$50 million	35	38%	73	33%
Rural/Urban	N	Percent (%)	N	Percent (%)
Urban	70	70%	174	78%
Rural	30	30%	48	22%
Native	N	Percent (%)	N	Percent (%)
Non-Native CDFI	98	98%	270	94%
Native CDFI	2	2%	16	6%

July 2020