CDFI Industry Response to News Reports on ShoreBank

Prepared statement of Mark Pinsky, President & CEO for Opportunity Finance Network (OFN). OFN is the nation’s leading membership network for community development financial institutions (CDFIs.)

“ShoreBank helped seed an industry that today is thriving as it finances small businesses, nonprofits, and affordable housing in all 50 states in urban, rural, and Native communities. For that reason, the news about ShoreBank is hard to hear. But a healthy, $30 billion CDFI industry will carry on the vision, purpose, and mission that some 800 CDFIs share. The CDFI industry today is diverse, sound, responsible, and—most important—leading economic renewal in many markets. I am confident the industry will step up to support Urban Partnership Bank, and its independent nonprofit affiliates, as it charts its course as a CDFI.”

Key Data Points about CDFI Performance

CDFIs manage risks through a combination of sound capital structures, conservative loan loss reserves, close and thoughtful monitoring of portfolios, and provisional use of technical assistance.

According to the CDFI Market Conditions Report: Fourth Quarter 2009, annual net charge-offs for CDFIs in the survey sample were 1.78% in 2009, compared to 2.49% for all FDIC-insured institutions. For reporting institutions, CDFIs’ loan loss reserve ratio was 5.4%. During the year, CDFIs’ portfolio at risk (PAR) increased less (15%) than it did for FDIC-insured institutions (47%).

About the CDFI Industry

In FY 2008, 495 CDFIs reporting to the CDFI Data Project invested $5.53 billion to create economic opportunity in the form of new jobs, affordable housing units, community services, and financial services for low-income and low-wealth people. On average, the loan funds had a 37% net asset ratio, and the banks and credit unions had healthy 9% and 10% ratios, respectively. In FY 2008, they had 0.8% in net charge-offs and a 2.1% loan loss reserve ratio.

The CDFI Data Project, a collaborative CDFI industry effort, has FYE 2008 data on 495 of the estimated 700 CDFIs industry-wide; 65 community development banks, 284 community development credit unions, 145 community development loan funds, and one community development venture fund.

About CDFI Impact

At FYE 2008, the most recent year for which data are complete, OFN’s Members reported more than $23.5 billion in cumulative financing with cumulative net losses (net charge-offs) of just 1.2%. That financing helped build more than 630,000 affordable housing units, aided more than 51,000 small businesses, served more than 6,000 community organizations, and created or maintained more than 229,600 jobs.

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