

The Reinvestment Fund Inc. CARS™ Rating			
Release Date	Impact Performance Rating	Policy Plus	Financial Strength and Performance Rating
04/09	AAA	yes	1

Rating Descriptions

Impact Performance

The Impact Performance rating is an assessment of how well the CDFI does what it says it is trying to do. This rating is based on an assessment of the CDFI's effective use of its financial resources to achieve its stated mission and the CDFI's own evidence of how its activities contribute to its mission. The assessment is based on four key criteria:

- Alignment of strategy and operations: how well the CDFI's mission, strategies, products and services, output data and impact data are tied together.
- Effective use of financing resources: how well the CDFI uses its financing resources in support of its mission and target population.
- Tracking of outputs that show effectiveness: how well the CDFI tracks its own relevant outputs (activities such as loans disbursed, participants trained, etc.), whether those data indicate that the CDFI is accomplishing its goals, and how the CDFI uses those data to improve its effectiveness.
- Tracking of outcomes or impacts that show effectiveness: how well the CDFI tracks the actual outcomes of its work (such as jobs actually created, housing units occupied by low-income families, improved community conditions), whether those data indicate that the CDFI is accomplishing its goals, and how the CDFI uses those data to improve its effectiveness.

The analysts score each of these areas on a scale of 1 to 3, with 1 being best. Using those scores and the full analysis as a guide, the ratings committee assigns the Impact Performance rating based on which of the following descriptions best fits the CDFI.

■ Rating

AAA. A CDFI in this group has clear alignment of mission, strategies, activities, and data that guides its programs and planning. The CDFI presents data that clearly indicate that it is using its resources effectively to achieve positive impacts related to its mission. It has processes and systems that track output and outcome data on an ongoing basis, and it can provide data showing positive changes in the communities or populations being served. This CDFI uses its data on an ongoing basis to adjust strategies and activities in line with its desired impact.

AA. A CDFI in this group has clear alignment of mission, strategies, activities and data that guides its programs and planning. It accurately tracks appropriate output data that indicate that it is using its resources effectively to benefit its target populations or communities in line with its mission. The CDFI uses its data on an ongoing basis to adjust strategies and activities in accordance with its desired impact. It may track a limited number of impact indicators as well, but impact data tracking may not be rigorous or consistent.

A. A CDFI in this group has reasonable strategies and activities given its mission. It tracks basic output data that indicate fairly effective use of its resources to benefit its target populations or communities in line with its mission.

B. A CDFI in this group may lack alignment of its mission, strategies, activities and data. Either the CDFI lacks data to form an opinion of its outputs and impact, or the data show that the outputs and impact are unsatisfactory. This CDFI may also have a history of not using its financial resources fully to serve its target populations or communities.

■ Policy Plus

Policy change is an integral part of this CDFI's strategies. The CDFI leads initiatives to change government policy to benefit the community development finance industry or disadvantaged people and communities. The CDFI can provide evidence of its leadership role in recent policy changes that produced benefits beyond additional resources for the CDFI itself, and management can clearly articulate the CDFI's leadership role in current policy activities.

Financial Strength and Performance

The rating for Financial Strength and Performance (FSP) is an assessment of the CDFI's overall creditworthiness. This rating is based on an analysis of past financial performance, current financial strength, and apparent risk factors. The methodology is based on the CAMEL analysis used by regulators to rate banks. CAMEL stands for Capital (or capitalization), Asset quality, Management (including strategy, governance, management and staff, and infrastructure and management information systems), Earnings, and Liquidity.

The analysts score the CDFI in each one of these areas on a scale of 1 to 5, with 1 being best. Using those scores and the full analysis as a guide, the ratings committee then assigns the CDFI its Financial Strength and Performance rating based on which of the following descriptions best fits the CDFI.

■ Rating

1. A CDFI in this group is sound in every respect. It exhibits exceptional financial strength, performance and risk management practices. Any weaknesses are minor and can be handled in a routine manner by the board of directors and management. This CDFI is resilient to significant changes in its operating environment. It generally has a score of 1 or 2 in all five of the FSP areas.
2. A CDFI in this group is fundamentally sound. It exhibits solid financial strength, performance, and risk management practices relative to its size, complexity, and risk profile. Challenges are well within the board of directors' and management's capabilities and willingness to strengthen. The CDFI is stable and is capable of withstanding fluctuations in its operating environment. Generally, most FSP scores for this CDFI are 2 or better, although it may have received a 3.
3. The current financial strength and recent performance of this CDFI is satisfactory. It exhibits satisfactory financial strength, performance, and risk management practices relative to its current situation. It is stable but less capable of withstanding fluctuations in its operating environment than a CDFI rated 1 or 2. Generally, most FSP scores for this CDFI are 3 or above, although the CDFI may have received a 4.
4. A CDFI in this group is facing challenges that compromise its financial strength and performance. It exhibits weaknesses in one or more areas that could compromise its financial situation in the short term, even in a stable operating environment. The CDFI exhibits somewhat weak financial strength, performance, or risk management practices relative to its current situation. Generally, most FSP scores for this CDFI are 4 or better, although it may have received a 5.
5. A CDFI in this group faces significant weaknesses in several areas that must be addressed immediately to ensure its viability.

About CARSTM

CARSTM, the CDFI Assessment and Rating System, is a comprehensive third-party analysis of community development financial institutions that aids investors and donors in their investment decision-making. The ratings process includes extensive analysis of financial and programmatic information as well as a site visit with management interviews and a review of loan files. The full analysis discusses each area examined and includes output data, impact data, financial statements and key ratios. CARSTM analyses are available for purchase from Opportunity Finance Network. For more information, contact Jon Schwartz: jschwartz@opportunityfinance.net.

About Opportunity Finance Network

Opportunity Finance Network is the leading network of private financial intermediaries with a proven expertise in lending prudently and productively in unconventional markets often overlooked by conventional financial institutions. Through fiscal-year end 2006, the Opportunity Finance Network had loaned and invested \$12.5 billion to create economic opportunities for women-owned, minority-owned, and other small businesses; quality, affordable housing; and essential community facilities and services. That financing has generated or maintained 174,422 jobs and 39,250 businesses, 533,394 housing units, and 5,858 community facilities projects in urban, rural and Native communities in all 50 states. Investing in the Opportunity Finance Network is low-risk, with a net charge-off rate of only 0.5% in fiscal year 2006.

www.opportunityfinance.net