



Capital for Communities –
Opportunities for PeopleSM

Fall 2008

The Connection

Community Investing Weathers Economic Maelstrom



A message from CRF president
and CEO Frank Altman

As financial shockwaves echo across the markets, CRF stands in the face of unprecedented events. Current market conditions represent a whole new world, an uncharted financial territory that will challenge CRF and its partners to collaborate, innovate and focus our efforts to find safe harbor for our borrowers. We are in this situation together, and CRF welcomes your ideas as we navigate these waters.

CRF remains committed to its lending partners and their stakeholders. We continue to seek solutions that will deliver capital to important development projects while remaining consistent with sound lending and capitalization principles. As credit markets tighten, the work we do becomes more important than ever to communities. However, we are carefully assessing future liquidity needs, as well as appropriate pricing for our products, in light of continually widening credit spreads.

A Strong Year, Despite the Storm

We began our new fiscal year in July 2008 after successfully issuing CRF 19, a \$68 million note issuance. That transaction priced on the day Bear Stearns went under, yet we managed to sell out the offering at beneficial spreads. We ended our recent fiscal year with an increase of nearly \$1 million in net assets – ahead of our plan. While delinquency rates increased slightly, our net loss rate remains below 0.61 percent. And this fall, we celebrated the \$1 billion mark in total loans funded.

We credit our stability not only to internal processes – the rigor and transparency of our underwriting process and the diversity of our portfolio – but also to the diligence and professionalism of our lending partners.

Watching the Skies

There is no doubt risk exists – we face market conditions unlike any in recent memory. With a \$700 billion government bailout approved and capital markets effectively frozen, observers predict the end of securitization, the end of investment banking and increased federal regulation of capital markets. A few CRF stakeholders are among those institutions in turmoil, and their demise is troubling.

However, our secondary market engages an ever-growing number of institutional investors. Many CRF investors are surviving the financial crisis, and several have even acquired other institutions. We will continue to pursue both traditional and alternative sources of capital to fund economic development across the country.



The Price We All Pay

CRF's securitization process refuels our lending capital, but volatile market conditions and ever-widening gaps in interest rate spreads also drive CRF loan pricing. In the near-term, we all will pay more for credit, and banks will make fewer loans. While the market demands that we adjust our pricing, which we have done and may be required to do in the future, we remain committed to providing stable and consistent financing, and charting a course that safeguards the strength and integrity of our portfolio.

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CRF MARKS \$1 BILLION MILESTONE

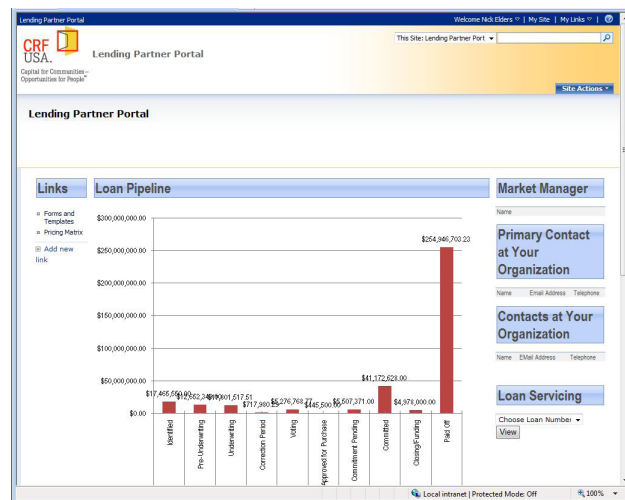
On Sept. 25, 2008, CRF announced it has closed more than \$1 billion worth of community development loans since the organization was founded in 1988.

Achieving this \$1 billion milestone, particularly in a difficult economic environment, is a testament to the strong demand for flexible business financing options in underserved communities throughout the country. As more banks tighten their small business lending criteria, CRF helps ensure that entrepreneurs continue to have access to capital for expansion and improvement.

“During an economic downturn, it’s more important than ever to ensure small business owners have access to capital,” said Frank Altman, CRF president and CEO. “Our experience shows that financial access for low-income entrepreneurs yields real community dividends, and we look forward to another 20 years of supporting successful, livable neighborhoods.”

Appalachian Development Corp. originated the loan that put CRF “over the top.” The loan financed a manufacturer of specialty fabrics in Andrews, S.C. Located in a low-income, minority neighborhood, the company will use CRF’s loan to expand its business and add 40 new employees over the next two years.

Since its first loan closed nearly 20 years ago, CRF financing has had a significant economic impact on urban and rural communities across the United States, resulting in nearly 40,000 jobs created or retained and improving the lives of more than 180,000 families.



CRF LAUNCHES ONLINE LENDING PARTNER PORTAL

For active CRF lending partners, it’s never been easier to manage a CRF loan portfolio. In an effort to strengthen transparency and improve service, CRF is launching a Web-based lending partner portal in November.

Using the portal, CRF lending partners can:

- View their loan pipelines
- Track loan information in all stages of the lending process
- Download pricing
- Access term sheets
- View their loan servicing details (for those organizations with loans serviced by CRF)

Watch for a communication from CRF in the near future with directions for obtaining a user name and password.

CRF RECEIVES SECOND-LARGEST NMTC ALLOCATION OF 2008

On Oct. 20, 2008, CRF received \$110 million in additional New Markets Tax Credit (NMTC) funds, the second-largest total allocation awarded in this round.

CRF was one of 70 organizations selected from a pool of 239 applicants to receive an allocation in the sixth round of NMTC awards. Since the program’s inception in 2001, CRF has received combined NMTC allocations totaling \$522.5 million, making CRF the single largest allocatee focused solely on small business financing.

This latest NMTC allocation represents a ray of hope for thousands of borrowers in low-income communities during a difficult economic environment. At a time when many institutions are retreating from small business lending, community development lenders are seeing greater demand. CRF’s NMTC allocation will play a key role in helping meet the needs of entrepreneurs across the country. CRF will provide further details about its NMTC allocation when more information is available.

TRACKING IMPACT

Deals Closed July 1, 2008 to October 31, 2008

CAPITAL SOLUTIONS BUSINESS LOANS

Amount: \$18.5 million (current fiscal year); 41 deals between \$55,500 and \$1.5 million.

CAPITAL SOLUTIONS NMTC BUSINESS LOANS

Amount: \$19.8 million (current fiscal year); 20 deals between \$67,500 and \$2.5 million.

Since inception, we have served more than 185,000 people through our partnerships resulting in:

- 16,224 affordable housing units
- 38,038 jobs created or retained
- 107,230 people served at community facilities
- Funding for 532 minority- and women-owned businesses