California Community Reinvestment Corporation

CCRC 2023 Loan Portfolio Analysis

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Introduction

The CCRC 2023 Loan Portfolio Analysis describes CCRC's owned portfolio of mortgage loans and forward commitments, analyzes its credit quality, and estimates an appropriate allowance for loan losses for FYE 2024. Loans and forward commitments addressed in this report are as follows:

1. Loans funded by CCRC.
2. Loans funded by CCRC's bank credit line.
3. Loans funded by CCRC's Bank of America ("B of A") credit line.
4. Loans funded with participations from the pension plan of the United Methodist Church ("UMC" or "PSP"); and
5. Forward loan commitments that CCRC intends to fund from any of the above four funding sources.

This report does not cover CCRC's serviced portfolio of tax-exempt bonds that are owned by a consortium of banks (a separate report covers this portfolio), loans originated for the Cornerstone/Barings Fund (these commitments and bonds are wholly owned by an entity unaffiliated with CCRC), loans and bonds that CCRC only services for investors, and a single commercial mortgage held by CCRC to secure a loan on an office property.

Unless otherwise noted, loan balances and commitment amounts are as of September 30, 2023. (See the footnote below for a reconciliation between the total loan amounts reported in this report and the amount reported on CCRC's audit as "Gross loans receivable"). [1]

S&P Rating

In summer 2021, CCRC engaged Standard & Poor's to provide a general obligation issuer credit rating (ICR). S&P's analysis reviewed CCRC's financial strength, business model, portfolio asset quality, and overall management and governance. S&P completed its review in September 2021, assigning an ICR of A+ stable. S&P reaffirmed CCRC's A+ stable rating in May 2023.

1. Characteristics of CCRC's Loan Portfolio

CCRC typically approves a loan before a project starts construction. (In this report, we refer to this approval as a "commitment" or "forward commitment.") CCRC maintains a forward commitment for a stated period, normally 24 to 30 months, during which time the developer constructs the property and rents it to full occupancy. When a completed project becomes

[1] **Reconciliation of Gross Loans Receivable (Audit) vs Total Loans (2023 Portfolio Analysis)**

Total Loans (Portfolio Analysis)	$ 248,024,086
CCRC bond Pool Participation	$ 1,567,038
Eden Central Office Loan	515,331
UMC Loan Total	(64,497,938)
CCRC's share of UMC loans	6,440,177
Gross Loans Receivable (Audit)	**$ 192,048,694**

operationally stable, CCRC funds the loan per the terms of the forward commitment agreements.

1.1. Descriptive Statistics

Tables 1 through 5 summarize CCRC's loan portfolio, book of forward commitments and loan origination activity over last 5 fiscal years.

Table 1: CCRC Portfolio of Funded Loans

Fiscal Year	Loans[1]	Balance	Average	DUs[2] Financed	$/DU	WAC[3]
2023	104	$248,024,086	$2,384,847	6,506	$38,122	5.62%
2022	95	$206,454,106	$2,173,201	5,698	$36,233	5.85%
2021	80	$159,572,076	$1,994,651	4,904	$32,539	6.27%
2020	134	$305,425,609	$2,279,296	8,089	$37,758	5.88%
2019	122	$261,529,266	$2,143,683	7,337	$35,645	6.02%

[1]Projects with multiple loans are counted as having a single loan with a balance equal to the total balance of the combined tranches. There are 122 funded loans on 104 projects. [2]Dwelling Unit. [3]Weighted Average Coupon.

In 2023, three loans paid off, with a combined liquidation balance of $2.17 million.

Table 1 shows that CCRC had an outstanding loan balance of over $248.02 million at FYE 2023, a 20% year-over-year increase in outstanding loans receivable. CCRC held loans on 104 projects, a 9% increase over the 2022 total of 95. Both the average loan size of $2.38 million and average loan amount per unit of $38,122 rose to historic highs, while the WAC fell from 5.85% to 5.62%. The $189.5 million loan sale in November 2020 was the overwhelming factor contributing to the year-over-year changes between 2020 and 2021. The 2021 post-sale portfolio's higher WAC reflected the temporary dominance of older, higher interest rate loans over portfolio metrics. This is particularly true of the UMC/PSP sub-portfolio, which accounted for 43% of the overall portfolio in 2021, 33% in 2022, and 26% in 2023. In 2023, the influence of these older loans on overall portfolio metrics receded as CCRC funded new loans.

Table 6 breaks out the balances of the different components of the funded loan portfolio (bank funded, UMC/PSP, Bank of America, and CCRC funded). It reports a Bank Pool WAC of 4.93%, compared to 5.11% in 2022.

Table 2: New Loans Funded During Year

Fiscal Year	Count	Balance	Average	DUs Financed	$/DU	WAC
2023	13	$49,638,198	$3,818,323	948	$52,361	5.04%
2022	19	$54,106,294	$2,847,700	1,059	$51,092	4.72%
2021	14	$54,886,294	$3,920,450	838	$65,497	5.42%
2020	18	$57,757,941	$3,208,775	999	$57,816	5.40%
2019	16	$61,071,879	$3,816,992	885	$69,008	5.33%

Table 2 reviews CCRC funding activity over the past five fiscal years (loan balances reflect fiscal year-end balances which, due to amortization, are slightly less than the sum of the original principal balances of loans funded over the course of the indicated year). As noted last year, the decline in average loan size and $/DU between 2021 and 2022 appears to contradict what we have observed in previous reports as a decisive movement upward in both metrics. However, a review of the book of forward commitments (discussed below), clearly shows that the upward trend continues and, in fact, may be strengthening. It appears, therefore, that 2022's departure from this trend was an aberration. Indeed, we saw a slight increase in the $/DU metric in 2023, and with a $86,965 $/DU average among loans in the forward commitment pipeline (Table 3), we can expect this metric to rise sharply over the coming years. In FY 2023, the WAC of newly funded loans increased by 32 basis points from 4.72% to 5.04%, reversing the steep decline between FYs 2021-2022, during which rates fell by 70 basis points. The 2023 funding total of $49.6 million was slightly less than funding levels between 2019 and 2022, but still higher than funding levels preceding 2019, which typically ranged between $30-$46 million.

Over the past four years, CCRC has seen a substantial increase in the number of projects seeking extensions of forward commitments due to delays in meeting CCRC funding conditions. In FY 2023, we approved 19 extensions comprising $111.9 in forward commitments, compared to 16 extensions involving $76.4 million in forward commitments in 2022, 31 extensions in 2021 and 36 in FY 2020.[2] COVID-related interruptions in construction and lease-up were among the chief causes of these delays. COVID-related delays are manifested in construction interruptions (attributable to supply chain issues and labor shortages), and to some extent lease-up delays, which were no doubt a bigger factor in the earlier, pre-vaccine, phases of the pandemic. Properties that serve special needs populations may also lease-up sluggishly due to targeted outreach and referral requirements and multiple levels of tenant screening. This is most notably true of properties serving homeless and other special needs populations, and that depend on tenant referrals from housing and public health organizations administering local coordinated entry system programs. We have also seen delays arise as the increasing volume of subordinated debt programs and providers impose additional review and approval procedures on the conversion process.

[2] Extension totals include Bond Pool and Barings programs in addition to the Loan Pool.

Table 3: Book of Forward Commitments

Fiscal Year	Count	Balance	Average	DUs Financed	$/DU	WAC
2023	48	$268,601,246	$5,595,859	3,195	$84,069	5.11%
2022	50	$277,405,269	$5,548,105	3,498	$79,304	4.67%
2021	45	$188,536,671	$4,189,704	3,008	$62,678	4.32%
2020	39	$124,603,109	$3,194,952	2,319	$53,731	4.79%
2019	42	$144,822,121	$3,448,146	2,517	$57,538	5.42%

Table 3 reviews CCRC's book of forward commitments. As noted, CCRC agrees to fund a forward commitment when the borrower satisfies loan conversion requirements. Accordingly, nearly all forward commitments become funded loans. In 2023, CCRC's book of forward commitments decreased by 3.17%, after rising 47% in FY 2022. WAC increased by 44 basis points, following 35 basis point increase in 2022. CCRC benchmarks loan and bond pricing on the 10-year treasury.

Following modest declines in 2020, average loan size and average loan proceeds per unit shot up 2021, 2022, and 2023. Reasons we are seeing increases in average loan size remain consistent with the factors identified in previous Portfolio Analyses, which noted a movement among borrowers to request loans with 35-year amortization periods in lieu of the more traditional 30-year amortizing loan. Since affordable housing loans are rarely LTV-constrained, CCRC and other affordable housing lenders have been able to use the 35-year amortization option to offer larger loans without a reduction in debt coverage. Another factor contributing to larger loan amounts may be the increasing prevalence of developments with project-based HAP contracts. If a project does not have a project-based rent subsidy, CCRC underwrites to restricted rents, which equal about 30% of the household AMI levels that the project owner commits to serve. With a long-term HAP contract in place, an owner can meet its AMI commitments while receiving higher rents. Our credit policy guidelines let us underwrite to these higher HAP contract rents, allowing projects with HAP contracts to support larger first mortgages. In addition, sharp increases in AMI over the past six years in urban coastal areas have increased permissible rent levels, allowing projects to support larger first mortgages. This trend began before the recent inflationary period but was no doubt buttressed by it. Finally, until recently, low-interest rates had been a factor that also allowed CCRC to provide larger loans. However, the abrupt rise in rates in 2022 and 2023 could contribute to a reversal in this trend over the coming year. Additionally, higher operating expenses tied to both inflation and to property management challenges intrinsic to affordable housing could also contribute to a reversal. In a sign of these pressures, we have witnessed higher security, social service, unit turnover and maintenance expenses at properties that provide supportive housing to formerly homeless households. We have also seen substantial across-the-board increases in insurance expenses and utilities.

CCRC's forward commitments will take out construction loans provided by the seven banks shown in Table 4, compared to eight banks in 2022. Wells Fargo remains the top construction lender, supplying 50% of all construction credit, declining from 55% in 2022. At $44.4 million, Bank of America's share of construction lending activity fell below the levels of $59.6 million and $60.5 million reached in 2021 and 2022, while its relative share dropped from 22% to 17%. US bank achieved the largest increases in construction lending, both in percent share

and lending volume, rising from $27.65 million (10%) in 2022 to $39.9 million in 2023. Its merger with Union Bank no doubt contributed to this increase.

Table 4: Construction Lenders

Construction Lender	Loans	CCRC Loan Commitment	% Share
Wells Fargo Bank	24	145,908,049	50%
Bank of America	9	44,426,300	17%
US Bank	8	39,915,956	15%
JP Morgan Chase Bank	2	12,145,000	4%
Capital One, N.A.	3	11,758,000	4%
Silicon Valley Bank	3	8,645,941	3%
Bank of the West	1	5,802,000	2%
Grand Total	**50**	**268,601,246**	**100.00%**

Table 5 shows loans approved over the past five years. In 2023, we approved $39.1 million in new mortgages, a dramatic reversal in originations relative to 2021 ($104.4 million, 18 loans) and 2022 ($143.8 million, 24), both of which were record years for CCRC. The average loan amount in 2023 was $3.55 million, a 35% decrease relative 2022 when the average loan balance was nearly $6 million and $5.80 million in 2021, both far above the previous record of $3.8 million in 2017. In 2023, we averaged 59 units per project, compared to 65 units in 2022. Loan proceeds per unit fell to $60,658 per unit, well below the record of $92,816 that we set in 2022.

The record origination levels in 2021 and 2022 departed from historic norms, while 2023 signals a return to normal. Over the ten years preceding 2021, we averaged $47.5 million in originations per year on annual average 17 loans. In past reports, we have noted that the federal 9% LIHTC allocation caps constrained the growth of CCRC's conventional loan program, causing year-to-year origination levels to fluctuate within a narrow range, and for the most part limiting growth opportunities to gains in market share. In the 2021 Portfolio Analysis, we noted that the state received a $1 billion allocation of Federal Disaster Relief LIHTCs, which resulted in a short-term spike in 9% LIHTCs, and, therefore, an increase in the number conventional loan lending opportunities for CCRC. And in 2022, taxable loan lending opportunities increased once again with the appearance of the California Housing Accelerator Program (CHAP). CHAP was a $1.6 billion program available to shovel-ready affordable housing projects that failed to receive 9% LIHTC or private activity bond allocations (accompanied by 4% LIHTCs). In 2022, CCRC approved two CHAP projects, totaling $10.3 million; however, the state is no longer accepting CHAP applications.

Yet, the factors noted above are not the only reasons originations fell in 2023. Higher interest rates and operating expenses reduced supportable hard payment loan amounts. Also, internal capital availability constraints stemming from delayed conversions forced CCRC to deliberately slow its pace of originations in early 2023. Over the course of the year, however, CCRC's capital availability picture improved. Overall bank commitments to the taxable loan pool increased from $405 million to $440 million just after the end of the fiscal year. CCRC's board also approved revisions to the capital availability policy that increased availability by about

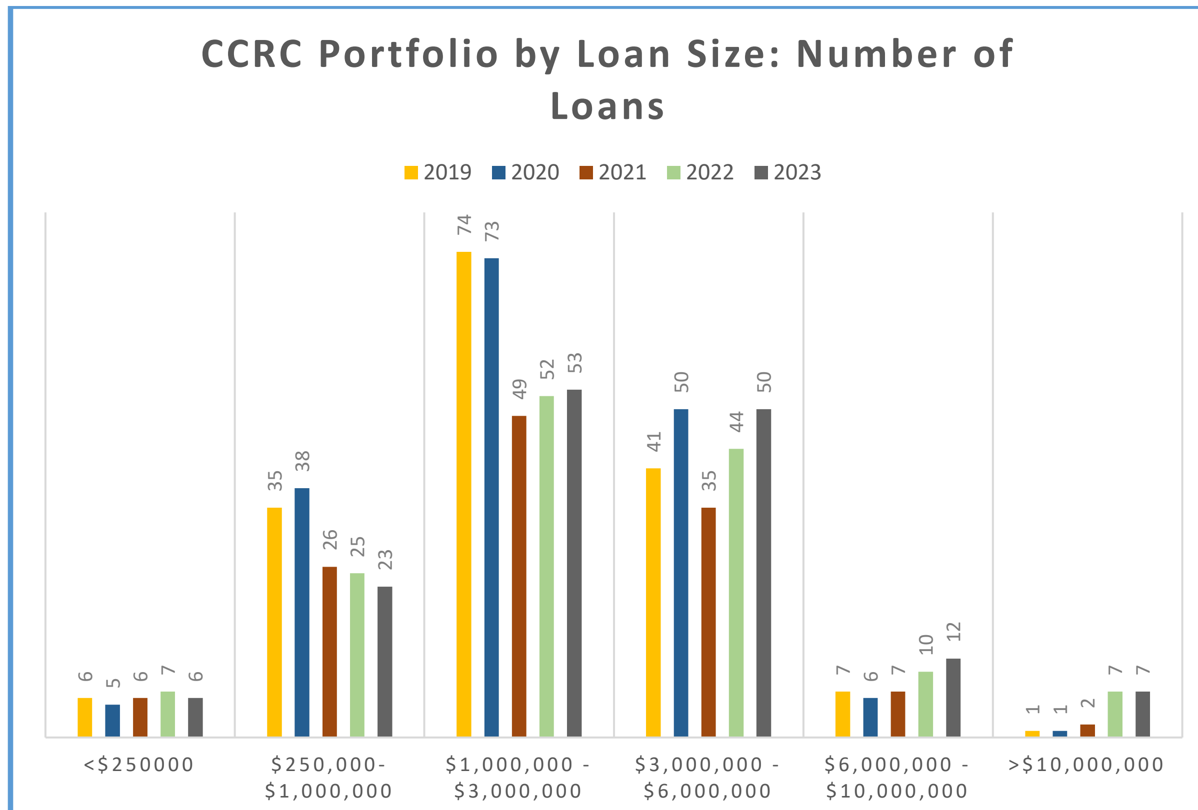
$20 million. Most importantly, progress with loan fundings over the course of the year further boosted availability.[3]

Table 5: New Loan Approvals

Date	Loans	Balance	Average	DUs Financed	$/DU	WAC
2023	11	$39,105,241	$3,555,022	645	$60,628	6.47%
2022	24	$143,772,649	$5,990,527	1,549	$92,816	5.11%
2021	18	$104,450,774	$5,802,821	1,366	$76,465	4.14%
2020	18	$59,176,144	$3,287,564	1,090	$54,290	4.12%
2019	19	$60,428,896	$3,180,468	1,012	$59,712	5.32%

Figures 1 and 2 show CCRC's loan portfolio (funded loans and forwards combined) by loan and project size.[4] A graph accompanying Figure 1 presents the total dollar value of loans within each loan-size range, and which presents a clearer picture of the impact of larger loans on CCRC's portfolio. Here we see that the dollar value of loans with balances greater than $10 million was $0 in 2018 but surged to $94 million in 2022 and 2023.

Figure 1: CCRC Portfolio by Loan Size (funded and forward commitments combined)



[3] When a loan funds, capital availability increases by 80% of the loan amount.
[4] Loans with balances of less the $250,000 are primarily older loans approaching maturity, and that have amortized below the $250,000 threshold.

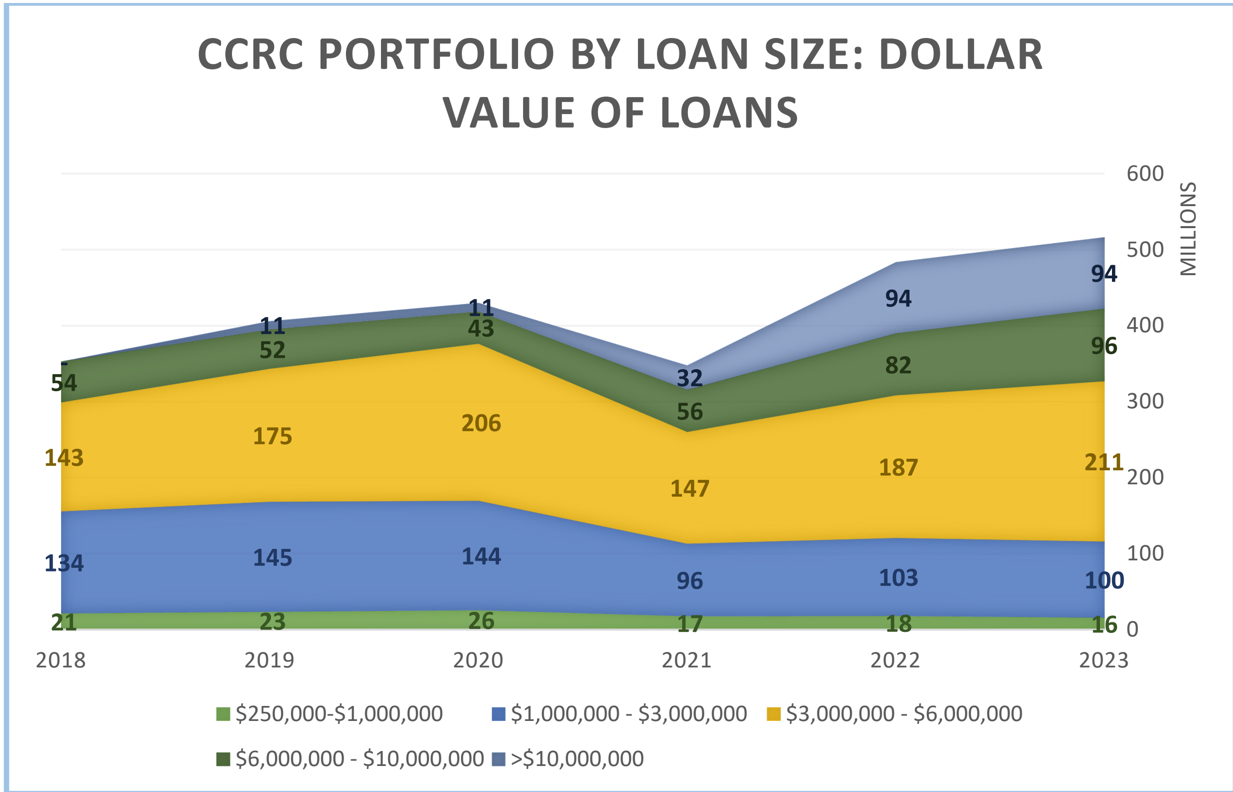
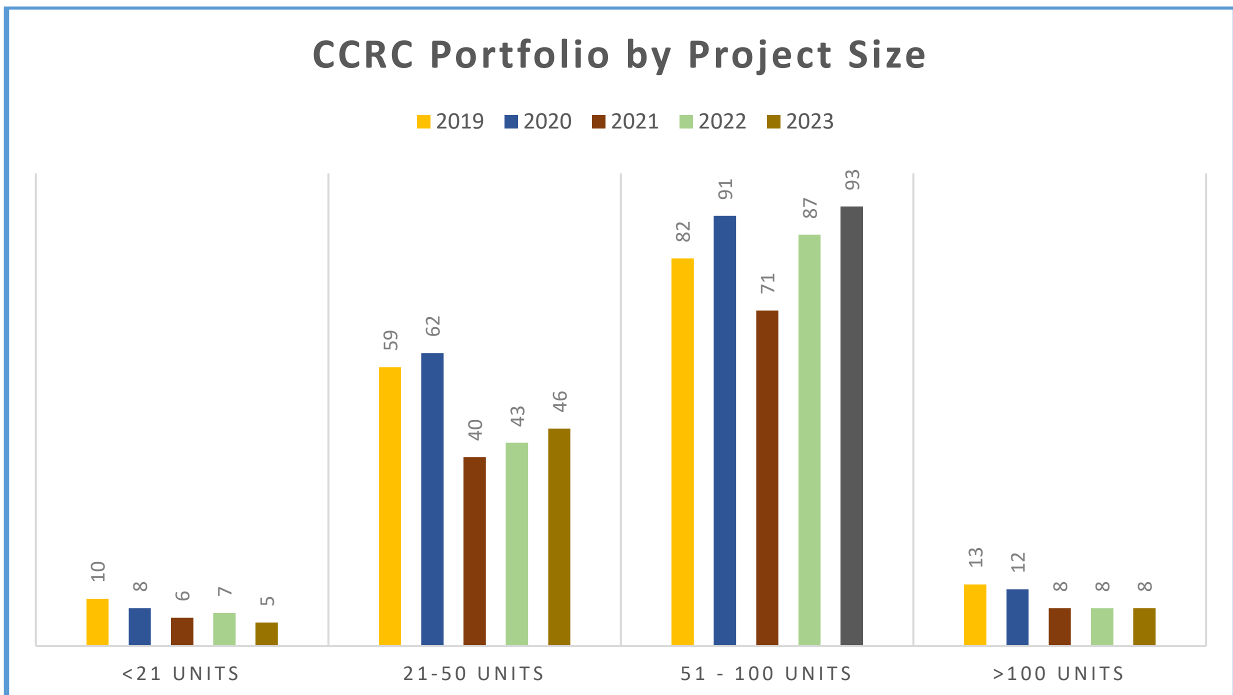


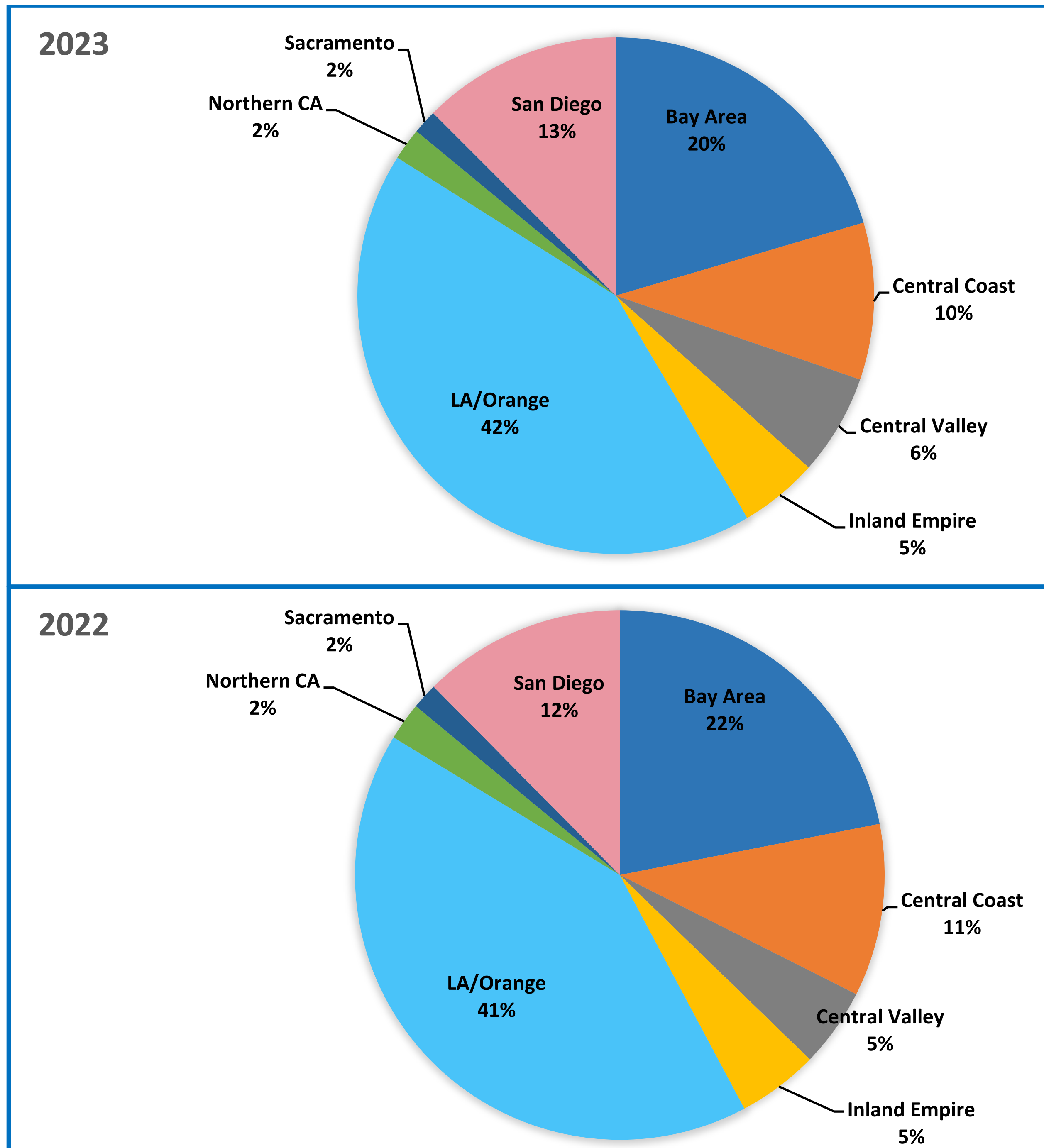
Figure 2: CCRC Portfolio by Project Size (funded and forward commitments combined)



1.2. Geographic Distribution

Figure 3 compares the 2022 and 2023 geographic distributions of CCRC's funded loans and forward commitments. 2022 and 2023 geographic distributions are nearly identical.

Figure 3: Geographic Exposure by Region (funded and forward commitments combined)

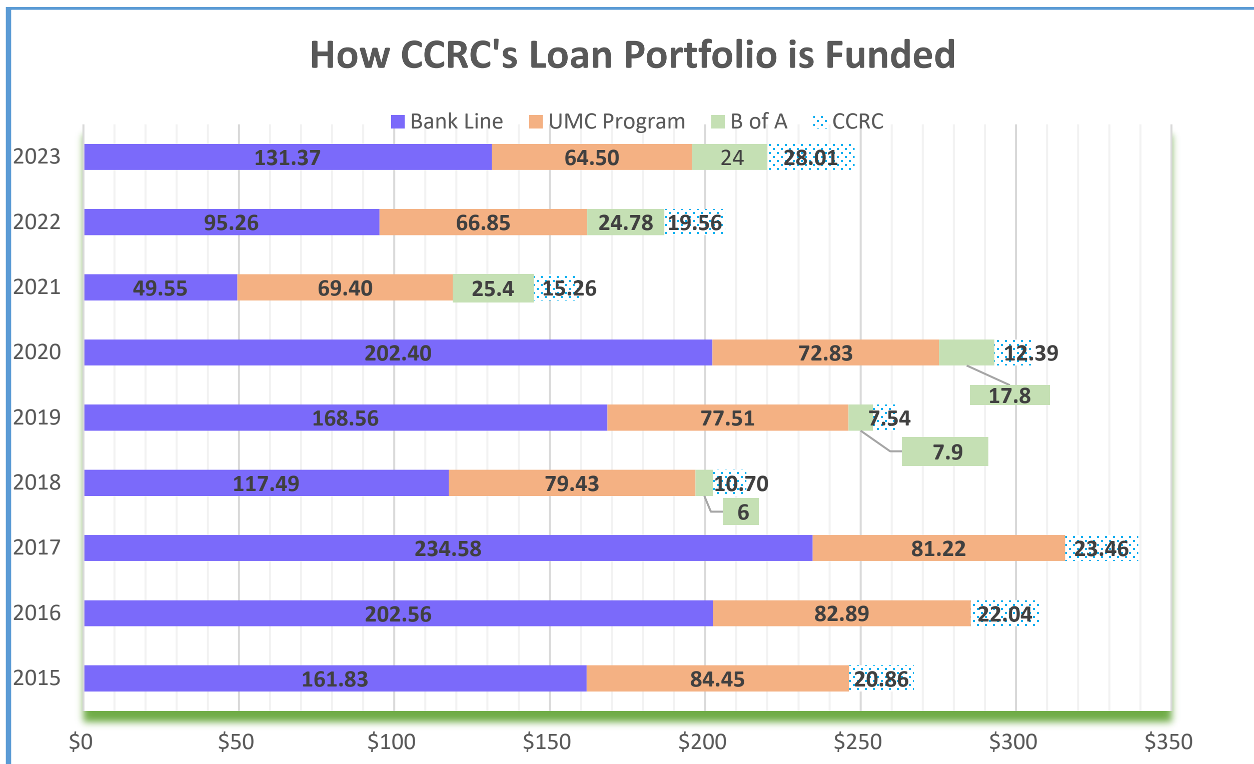


1.3. Portfolio Funding

As shown in Figure 4, CCRC taps four financing sources to fund its loan portfolio: the bank line of credit, UMC, B of A, and CCRC capital.

Due to the November 2020 loan sale, loans funded from CCRC's bank line fell from a pre-sale high $205 million to a post-sale low of $26 million, increasing to $49.55 million by FYE 2021, and to $131.37 million in 2023. Meanwhile, CCRC's self-funded loans fell to $1.4 million immediately after the 2020 loan sale, rising to $19.56 million at the end of the 2022 and to $28.01 million at FYE 2023. Three loans totaling $2.17 million paid off in 2023, all were older loans nearing maturity.

Figure 4: CCRC Portfolio Funding Sources



2. Portfolio Risk Factors

This section of the Portfolio Analysis provides an assessment of portfolio risk factors. As has been the case historically, there were no delinquent P&I payments in 2023. In the 2022 portfolio Analysis, we reported that one loan defaulted when the borrower failed to make its balloon payment that was due in July 2022. The loan had a balance at a maturity of $1.28 million and was in non-judicial foreclosure at FYE 2022. The borrower's failure to repay loan stemmed from a dispute between its general partner and investor limited partner (ILP). The partners have resolved the dispute and in December 2022 repaid the loan in full plus fees.

2.1. Risk Metrics

Table 6 stratifies standard risk metrics by loan funding source. With a few exceptions, CCRC loan proceeds per unit ($/DU) cover a small fraction of a project's per-unit total development cost. In our experience, LIHTC equity investors and subordinate lenders typically supply 80%-90% of the funding required to develop a project. This is a crucial reason for the strong performance of CCRC loans. LIHTC investors also serve an essential role in making CCRC loans safe investments. LIHTC investors have the financial resources and economic incentives necessary to support struggling projects and have reliably stood behind properties on those rare occasions when sponsors fail to provide needed support.

Properties that consistently struggle with low DSCRs and that also have high LTV ratios pose the greatest risk of loss to CCRC. They present increased default risk and greater potential of loss to CCRC in a foreclosure.

In aggregate, the portfolio has a healthy weighted average DSCR of 1.30, lower than last year's figure 1.32. The weighted average LTV ratio of 53% is higher than 2022 ratio of 51%. At the fund level, the DSCR on bank-funded loans increased from 1.19 in 2022 to 1.23 in 2023 but falls below the 2020 level of 1.31. Bank Pool LTV increased from 56% to 58%. For CCRC loans, DSCR fell from 1.47 to 1.46, while LTV increased from 44% 56%. Occupancy portfolio-wide remains steady at 97%.

Table 6: Risk Metrics

2023						
Risk Factor	**Bank Funded**	**UMC**	**B of A**	**CCRC Funded**	**Total Funded**	**Forwards**
1. Projects	40	42	6	16	104	48
2. Balance	$131,365,028	$64,497,938	$24,149,601	$28,011,519	$248,024,086	$ 268,601,246
3. $/DU	$53,270	$23,488	$60,525	$31,298	$38,122	$ 84,069
4. Coupon	4.93%	7.12%	5.48%	5.53%	5.62%	5.11%
5. DSCR	1.23	1.50	0.97	1.46	1.30	1.20
6. LTV	58%	48%	52%	46%	53%	60%
7. Occupancy	96%	98%	96%	98%	97%	N/A
8. Maturity	192	102	182	195	168	N/A
9. Age	30	147	43	22	61	N/A
10. Risk Rating	6.09	6.08	6.32	6.00	6.10	N/A
11. Loans >30 Yr Ar	16	1	3	5	25	36
$ >30 Yr Amort	$83,653,946	$ 2,296,966	$11,065,948	$ 12,568,247	$ 109,585,106	$ 215,961,249
% $ >30 Yr Amort	64%	0%	46%	45%	44%	80%
Loans <30 Yr Amor	14	7	4	8	33	5
$ <30 Yr Amort	28,876,969	2,833,568	4,238,571	13,763,862	49,712,969	27,316,056
% $ <30 Yr Amort	22%	4%	18%	49%	20%	10%
Loans =30 Yr Amor	12	36	3	3	54	9
$ =30 Yr Amort	18,834,113	59,367,404	8,845,083	1,679,411	88,726,011	25,323,941
% $ =30 Yr Amort	14%	92%	37%	6%	36%	9%

2022						
Risk Factor	Bank Funded	UMC	B of A	CCRC Funded	Total Funded	Forwards
1. Projects	32	42	6	15	95	50
2. Balance	$95,260,458	$66,852,653	$24,781,378	$19,559,618	$206,454,106	$ 277,405,269
3. $/DU	$53,577	$24,345	$62,109	$25,238	$36,233	$ 79,304
4. Coupon	5.11%	7.12%	5.45%	5.62%	5.85%	4.67%
5. DSCR	1.19	1.53	1.14	1.47	1.32	1.15
6. LTV	56%	48%	40%	44%	51%	62%
7. Occupancy	96%	98%	95%	96%	97%	N/A
8. Maturity	174	113	188	174	156	N/A
9. Age	31	135	31	36	65	N/A
10. Risk Rating	6.13	6.04	6.15	6.15	6.11	N/A
11. Loans >30 Yr Ar	10	1	3	4	18	35
$ >30 Yr Amort	$56,185,573	$ 2,341,912	$ 9,292,050	$ 8,762,731	$ 76,582,266	$ 214,181,482
% $ >30 Yr Amort	59%	0%	37%	45%	37%	77%
Loans <30 Yr Amor	11	7	4	6	28	9
$ <30 Yr Amort	24,628,828	3,909,938	7,729,868	7,584,539	43,853,174	38,804,956
% $ <30 Yr Amort	26%	6%	31%	39%	21%	14%
Loans =30 Yr Amor	12	36	3	5	56	9
$ =30 Yr Amort	14,446,057	60,600,803	7,759,459	3,212,348	86,018,666	24,418,831
% $ =30 Yr Amort	15%	91%	31%	16%	42%	9%

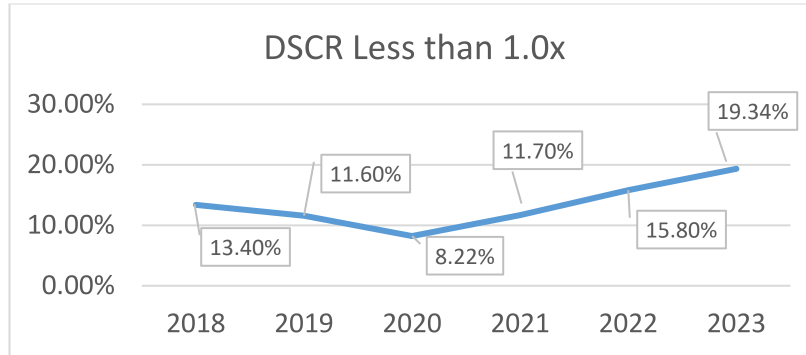
Note that loans funded in FY 2023 comprise 20% of the combined portfolio. For newly funded loans, we base DSCRs on conversion underwriting projections rather than actual performance.[5]

As averages, the indicators presented in Table 6 can conceal variances within the portfolio, masking risks that a more granular view of the portfolio might expose. Figure 5 (an LTV-DSCR scatterplot diagram) and Table 7 (an LTV-DSCR matrix) provide additional insights into our loans' LTV and DSCR characteristics. Each point on the scatterplot diagram represents a project. In 2023, as in prior years, only one project resides in the upper-left quadrant (as marked by the intersecting perpendicular lines) --the quadrant occupied by projects with DCRs below 1.00 and LTVs above 100%. Both the scatterplot and the matrix show that the most significant vulnerabilities in the CCRC portfolio involve low DSCRs. In FY 2023 (based on 2022 audits), 22 properties with combined loan balances of $47.97 million, or 19.34% of the portfolio, had DSCRs of less than 1.00, compared to 2022 when 18 properties totaling $32.62 million (15.8% of the portfolio), and 2021 when 15 properties with combined loan balances of $18.67 million (11.7% of the portfolio) had DSCRs of less than 1.00.

The graph below shows changes in the percent of the portfolio with sub-1.0x DSCRs since 2018. The table clearly shows that since 2020 there has been a steady increase in the relative volume (as measured in dollars) of loans with DSCRs of less than 1.0x. While 2020-2023 is arguably too brief a timespan from which to spot a trend, we do feel the graph illustrates something more than statistical noise. In our view, the data registers pandemic, post-

[5] Conversion underwriting reflects a combination of actual income and expenses and for certain line-items, such as maintenance and repairs, projections.

pandemic, and inflationary era impacts, including eviction moratoriums, bad-debt charge-offs, higher security expenses, soaring insurance expenses (driven less be inflation, we are told, and more by the increasing pace of natural disasters), and general inflationary pressures on operating expenses. Over the coming year we hope to use new data tools available through RealInsight to provide a more comprehensive analysis of operating trends.



This analysis underscores a common feature of affordable housing underwriting: debt coverage is the primary constraint on lending, capping loan amounts far below LTV policy limits. Since LIHTC lending is DSCR constrained, the typical LIHTC project lifecycle is often characterized by occasional dips into or below breakeven.

In Table 6, metric number 10 is the weighted average loan risk rating. Loan risk ratings, which CCRC assign as prescribed in its Credit Policies and Procedures Manual, range from "6" (Pass) to "9" (Doubtful), with watch-rated loans assigned a 6.5. In both FYs 2022 and 2023 aggregate risk rating was 6.11, compared to 2019, 2020 and 2021 ratings of 6.10, 6.07 and 6.13. When Asset Management staff conduct a Loan Review and assign a risk rating, it is often difficult to distinguish between temporary setbacks and more entrenched long-term challenges. If the low DSCR trends discussed above persist over the coming year, we can expect to see increases in weighted average risk ratings.

Metric number 11 in Table 6 shows the number of loans with original amortization periods of more than 30 years and the percentage of total loan balance represented by these loans. Loans with amortization periods exceeding 30 years rose from 14 in 2018 to 22 in 2019 and 32 in 2020. The total fell to 12 in 2021 following the loan sale but increased to 25 in 2023. Their share of total principal balance increased from 22% to 44% between 2018 and 2023.

As measured by commitment amount, the proportion of these loans in the forward book fell from 53% to 40% between 2018 and 2019 but rose steadily after 2019 to 82% in 2023. CCRC has had a long-standing policy for approving mortgages with 35-year amortizations on an exception basis. The policy states that a 35-year amortization should only be offered to a strong sponsor with an accomplished property manager, a property location in urban/suburban markets with at least a 15% market rent advantage, a cash flow analysis that projects rising DCR and, if warranted, a satisfactory refinance analysis. In the past, CCRC approved loans under this policy as exceptions to standard credit policy. In September 2016, in response to the increasing demand for 35-year amortizations, CCRC approved an amendment to its Credit Policies and Procedures Manual that incorporates this policy. Accordingly, CCRC no longer designates 35-year amortizing loans as policy exceptions if they meet the criteria described above.

Finally, as noted in past reports, CCRC seeks to spread risk among funding sources. For several reasons, the data presented in Table 6 do not self-evidently support this claim. One reason is that the UMC portfolio is a static portfolio comprised of loans that, as shown in metric number 9, are five times as old as the Bank Pool loans. Another reason is that the CCRC and Bank of America portfolios are comparatively small and supply no basis for making statistically meaningful conclusions. In this regard, we view the 1.46 DSCR of the CCRC funded portfolio in a similar way, a statistical anomaly without an identifiably meaningful cause.

Figure 5: DSCR-LTV Scatterplot (9/30/2023)

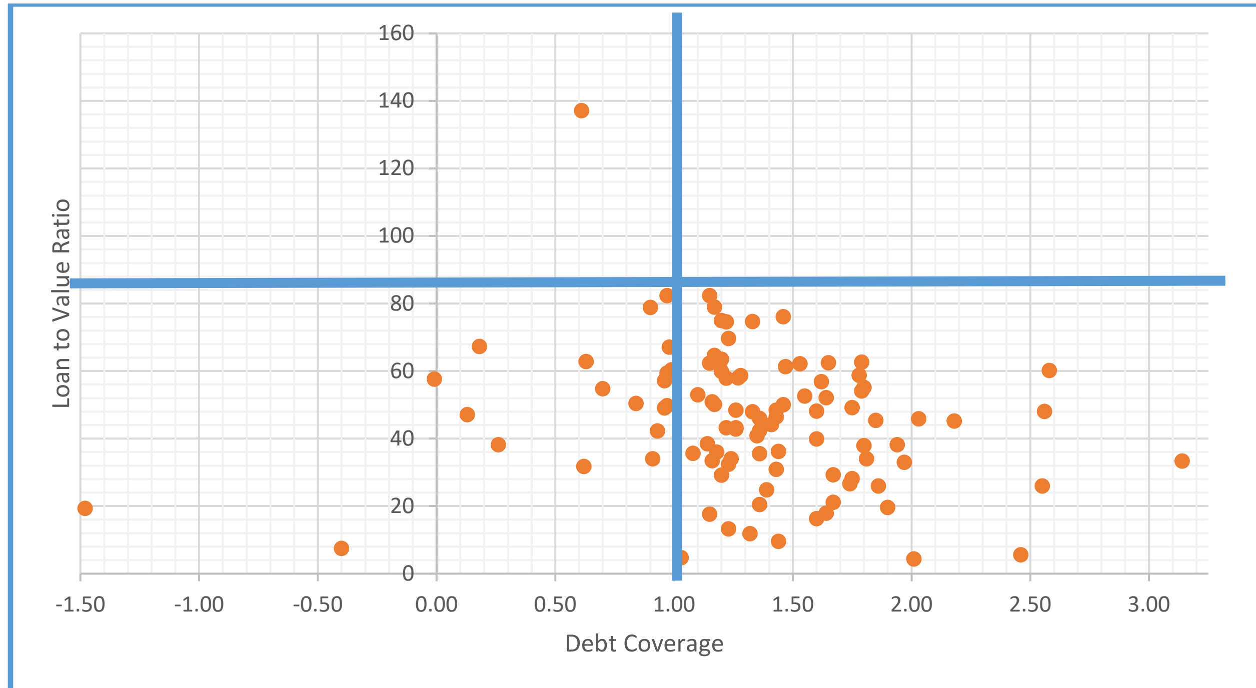


Table 7: DSCR-LTV Matrix (9/30/2023)

	Debt Service Coverage Ratio						
LTV	**Less than 1.0x**	**1.00-1.14**	**1.15--1.29**	**1.30-1.49**	**1.50 to 1.79**	**Greater than 1.79**	**Total**
0%--49.x%	17,591,302	1,188,363	27,375,085	24,605,313	12,210,212	18,830,305	**101,800,580**
50%-59.x%	8,778,582	1,126,613	17,089,533	12,659,106	13,085,951	2,261,330	**55,001,115**
60%-69.x	7,018,374	-	23,514,822	4,416,102	12,070,487	625,816	**47,645,600**
70%-79.x%	10,595,569	-	16,640,381	5,460,942	-	-	**32,696,892**
80%-89.x%	2,100,112	-	6,894,302	-	-	-	**8,994,414**
90%-99.x%	-	-	-	-	-	-	**-**
100%-200%	1,885,484	-	-	-	-	-	**1,885,484**
Total	**47,969,424**	**2,314,975**	**91,514,123**	**47,141,462**	**37,366,651**	**21,717,451**	**248,024,086**

2.2. Geographic Stratification

Table 8 summarizes portfolio metrics by region. In some areas, sample sizes are too small to draw definitive conclusions about the characteristics of regional markets. This is particularly true of Sacramento (2 projects) and Northern California (5 projects). Still, a few apparent patterns emerge from the data. Based on risk rating (18.71% rated "7" or worse) and DSCR (down from 1.25 in 2022 to 1.01 in 2023), Inland Empire continue to show signs of relative weakness, while LA/Orange also saw a notable increase in loans rated 7 or worse, increasing from 5% (four properties, $5.5 million) in 2022 to 10% in 2023 (four properties, $10.7 million)

Table 8: Geographic Analysis

	Bay Area	Central Coast	Central Valley	Inland Empire	LA/Orange	Northern CA	Sacra-mento	San Diego
Count	17	5	14	8	40	5	2	13
Balance	53,355,043	5,288,115	16,470,988	14,300,079	107,027,045	10,383,177	795,536	40,404,104
% Total Balance	22%	2%	7%	6%	43%	4%	0%	16%
Units	1,093	156	936	725	2,292	285	109	910
$/DU	48,815	33,898	17,597	19,724	46,696	36,432	7,298	44,400
DSCR	1.39	1.50	1.66	1.01	1.18	1.16	0.89	1.47
LTV	47%	46%	51%	55%	53%	68%	12%	59%
Occupancy	96%	97%	97%	57%	97%	94%	94%	97%
Age	61	57	82	87	56	42	52	60
% Risk Rated 7 or Worse	6.12%	0.00%	0.00%	18.71%	10.01%	9.07%	0.00%	0.00%

2.3. Loan Concentrations

CCRC monitors its exposure to sponsors and LIHTC investors. These concentration levels are less critical for CCRC than they are analyzing traditional lending portfolios because nearly all CCRC borrowers are stand-alone, single-asset entities that cannot provide cross-support to other properties. In addition, usually 90% of a LIHTC investor's equity has been funded before CCRC funds its permanent loan, and loans are non-recourse beyond the real estate security.

Table 9 reviews CCRC's exposure to the top 10 sponsors this year and last, as measured by loan balances and commitment. Between FYs 2022 and 2023, CCRC's total exposure to the top-10 sponsors increased from 56% to 59%.

CCRC lending policies cap sponsor exposure at $30 million. With Board consent, CCRC permits higher caps for approved sponsors. When recommending Board approval for a higher cap, CCRC evaluates sponsor capacity by analyzing sponsor and related party financial statements, REO schedules, and internal CCRC loan reviews. The $30 million cap replaced a $20 million cap that had been in place since 1989 when the CCRC loan fund totaled $100 million. Today, CCRC can extend more than $500 million in credit (bank line, UMC and B of A combined); a fourfold increase that, in combination with increased lending volume and larger loan amounts, will likely increase the number of occasions we seek to raise the $30 million cap for individual sponsors. CCRC uses loan sales to mitigate sponsor exposure risk. On occasion, this might include limited one-off sales (or assignments of forward commitments to other lenders) for the specific purpose of lowering exposer to a single sponsor. In addition, even when exposure to an individual sponsor is high, we typically distribute this exposure over many small loans. In Table 9, the Number of Projects column illustrates this point, showing, for example, that the $54.7 million in exposure to our top-ranked sponsor consists of loans on 15 projects.

Forward commitments, which CCRC includes in its sponsor exposure calculations, accounts for 50% of our year-end exposure.

Table 9: CCRC Exposure to Sponsors

2023 Rank	Sponsor	2023 Exposure	Number of Projects	% of Total Exposure	2022 Exposure	2022 Rank
1	XXXXXXXXXXX	54,716,004	15	12%	55,287,476	1
2	XXXXXXXXXXX	50,376,681	9	11%	50,266,489	2
3	XXXXXXXXXXX	34,789,161	7	8%	28,222,685	3
4	XXXXXXXXXXX	27,370,669	11	6%	26,208,626	5
5	XXXXXXXXXXX	26,651,882	6	6%	26,781,800	4
6	XXXXXXXXXXX	18,638,553	8	4%	13,289,095	7
7	XXXXXXXXXXX	16,359,657	4	4%	11,297,697	12
8	XXXXXXXXXXX	15,634,000	2	3%	15,634,000	6
9	XXXXXXXXXXX	13,327,273	6	3%	3,832,539	36
10	XXXXXXXXXXX	13,025,000	2	3%	13,025,000	9
		270,888,879		**59%**	**254,701,261***	**56%***

*2022 total exposure and percentage of total exposure based on 2022 top 10 sponsors.

Table 10 summarizes CCRC's exposure to LIHTC investors, affiliates of which serve as investor limited partners of CCRC borrowers. In FY 2023, the top 5 investors accounted for 73% of CCRC's total LIHTC investor exposure, compared to 76% in 2022. Wells Fargo accounted for 35% of CCRC's LIHTC investor exposure, compared to 40% in 2022 and 30% in 2021. Hudson Housing Capital rose from sixth to fifth, trading places with Red Stone Equity.

Table 10: CCRC Exposure to LIHTC Investors

2023 Rank	Tax Credit Investor	2023 Loan Exposure	% of Total Exposure	2022 Loan Exposure	2022 Rank
1	Wells Fargo	190,018,749	35%	193,233,394	1
2	Bank of America	69,618,143	13%	57,975,051	3
3	National Equity Fund	59,938,065	11%	59,411,804	2
4	US Bank	51,849,119	10%	37,012,272	4
5	Hudson Housing Capital	20,652,161	4%	16,513,140	6
	Top 5 Total	**392,076,238**	**73%**	**245,529,594**	**76%**

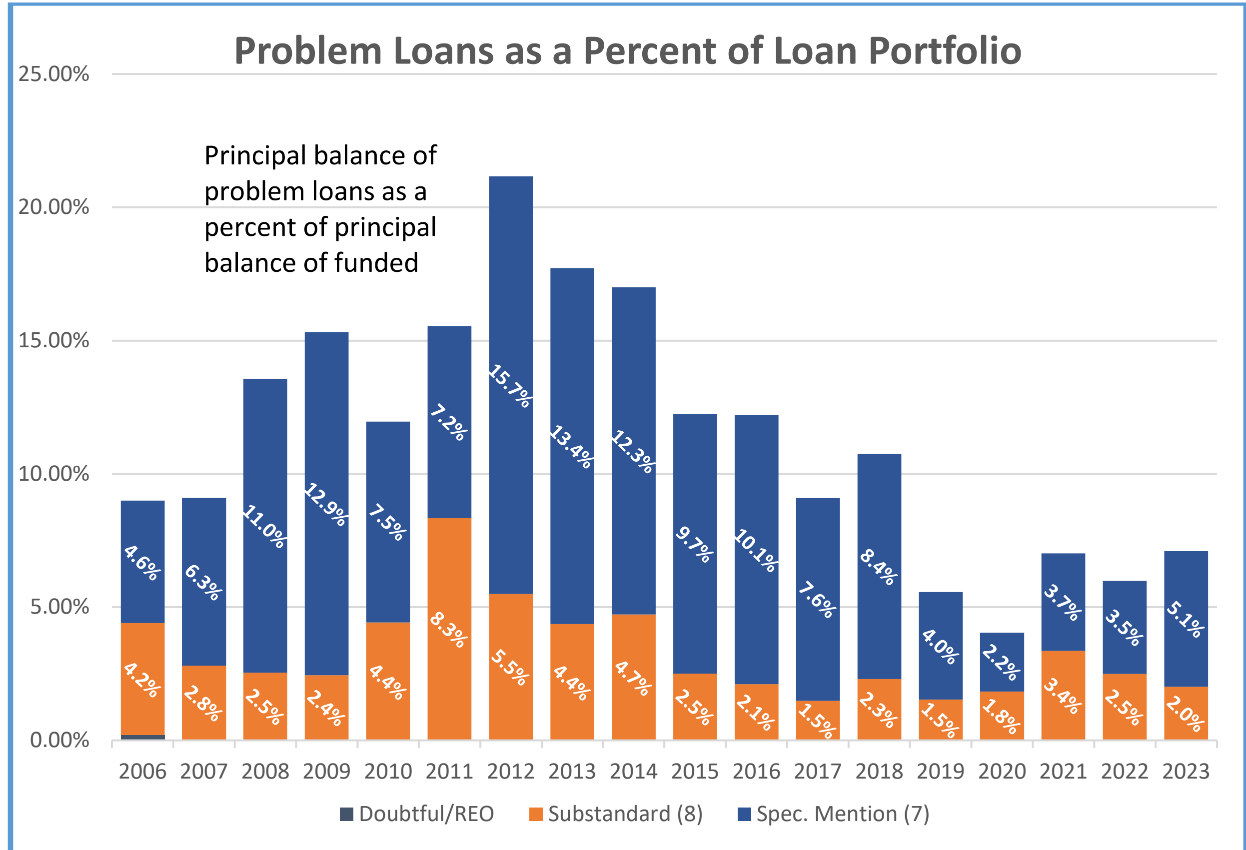
*2022 total exposure and percentage of total exposure based on 2022 top 5 investors.

2.4. Risk Ratings

Figure 6 reviews changes in the ratio of problem loans (rated 7 and over) to total funded loans. At the end of FY 2023, there were 8 problem loans, compared to 15 in 2018, 11 in 2019, 10 in 2020, 9 in 2021 and 7 in 2022. CCRC rated three loans as 8s and five as 7s, compared to 5 8-rated and 2 7-rated loans in 2022. Two 8-rated loans came off the list because borrowers paid off the loans. Both were balloon payments that became delinquent

due to the failure of the respective borrowers to repay the loan at maturity. We removed another 8-rated loan from the list due to its improved performance. Notably, we have added four new loans to the list, with three rated 7 and one rated 8. The combined principal balance of problem loans was 7.10% of the principal balance of CCRC's funded portfolio, up from last year's ratio of 6.00%.

Figure 6: Problem Loans as a Percent of Funded Portfolio



3. Loan Loss Reserve Adequacy

With this year's Portfolio Analysis, we begin a transition to a new methodology for calculating loan loss reserve adequacy. The Financial Accounting Standards Board (FASB) announced in 2016 a new accounting standard, introducing the current expected credit loss, or CECL, methodology for estimating allowances for credit losses. CECL becomes effective for CCRC in 2024. As such, FASB rules will require CCRC to employ the CECL methodology starting with the 2024 Audit. However, with the 2023 Audit and Portfolio Analysis we move closer to compliance with CECL standards, while leaving the door open to making further revisions in the 2024 Audit, which is when compliance will become mandatory.

CECL is a new accounting standard for estimating allowances for credit losses on financial instruments that requires financial institutions to estimate credit losses based on the expected collectability of cash flows over the term of a loan. CECL also requires the use of a broader range of reasonable and supportable information to inform credit loss estimates, including historical, current, and forecasted data.

For rental housing, CECL requires an assessment of historical, current, and forecasted information, such as tenant payment history, vacancy rates, market conditions, and economic trends, to inform allowance values. In many instances such assessments could lead to lower valuation estimates and higher loan-to-value ratios. Under our old methodology, LTV did not factor directly into the calculation of our loan loss allowance. But LTV will figure prominently in our new approach and is a major reason why the allowance will fall.

3.1. New Loan Loss Reserve Procedure

Our new Loan Loss Reserve procedure replaces the formula used in previous years with a model that incorporates more variables and portfolio data. As in past years, we will continue to compare the model's reserve calculation with "floor" (best-case) and "ceiling" (worst-case) scenarios to test the reasonableness of the model's result by comparing it against a range of potential outcomes.

Our new loan loss reserve calculation methodology introduces three changes: (1) Lower Loan Loss Provision factors, (2) a loss severity calculation tied to a project's LTV, and (3) Individual Impairment Determinations assigned by management to a subset of loans rated "7" or higher for which management has determined a special provision is warranted. In acknowledgement of the CECL requirement that loan loss provisions reflect current and historic market conditions, we will review and, as appropriate, revise calculation factors annually. We propose to incorporate this assessment into the annual Loan Portfolio analysis.

A. New Loss Provision Factors

The table below compares our current Loan Loss Provision Factors with our recommended updates.

Rating	Current Loan Loss Provision Factor	New Loan Loss Provision Factor
6	1%	.57%
6W	1%	1%
7	5%	3% or Special Provision
8	15%	15% or Special Provision
9	Special Provision	Special Provision
10	Full Write-off	Full Write-off

The most material change to the Provision Factors is the reduction of "6" rated loans from 1% to .57%. The source of the .57% factor is the Affordable Housing Credit Study published in 2021 by Cohn Reznick which reported a nationwide .57% cumulative foreclosure rate over the 35-year LIHTC program history. While still higher than CCRC's historic loss rate of .08%, we note that historic foreclosure and historic loss rates are not directly comparable. We propose maintaining the 1% loss factor for "6w" (watchlist) loans and reducing "7" (special mention) rated loans to 3%, while the provision for "8" rated loans will continue to be 15%. For both "7" and "8" rated loans, we reserve the right to adjust the Provision Factor for these loans if circumstances warrant. We discuss special provision procedure in Section C (Individual Impairment Determinations) below. Workout Committee will review and approve the assignment of special provisions on "7" and "8" rated loans.

Going forward, it will be our practice to review and, if warranted, revise Provision Factors on an annual basis. We believe such periodic reviews better align with CECL guidelines, which require ongoing assessments of market conditions and trends. Cohn Reznick updates its LIHTC study on a regular basis, and we expect to continue using the report as a source document for updates to our Provision Factors. However, we will refer to other source documents as well, including Fannie Mae and Freddie Mac data and internal data sources.

Our Provision Factors are probability assessments. They reflect management's assessment of the probability that a loan will default. Thus, for 6-rated loans, we assume a 0.57% probability of default, and absent a Special Provision determination, we assume a 15% probability of default. After determining a probability of default, the next step in our analysis is to project the magnitude of our loss, a loss severity analysis rooted in a valuation estimate.

B. Loss Severity Calculation

The purpose of the loss severity calculation is to estimate losses, if any, resulting from a foreclosure sale. Our proposed loss severity calculation is as follows:

Loss on sale = (50% of Appraised Value) – (deferred maintenance) – (principal balance of loan).

The 50% appraised value “haircut” (Appraised Value Discount) serves as a broad-brush approach to discounting appraised value by accounting for factors that may reduce foreclosure sale proceeds. These factors include:

- Foreclosure transaction and holding costs
- Liquidation sale (i.e., fire sale) valuation discount
- Appraised value adjustment, accounting for the fact that in most cases appraisals will be old and the circumstances that lead to the foreclosure are likely to be accompanied by a decline in value.

Regarding the last bullet, it is important to bear in mind that by the time a property moves into foreclosure it will almost certainly have a new appraisal. In this instance, the application of a 50% discount could lead to an overestimate of losses. However, our proposed policy also allows us to override the calculated provision by applying a “special provision" for these loans.

As with the Loss Provision Factor, CCRC will review the Appraised Value Discount annually.

For “7” and “8” rated loans subject to Individual Impairment, the Appraised Value Discount may be adjusted by management as discussed below.

C. Individual Impairment Determination

At the discretion of management and with approval of loan committee, CCRC may assign Special Provision amounts to selected “7” and “8” rated loans. We will decide on whether to assign a Special Provision and on the amount of the provision using criteria enumerated in CCRC’s CP&Ps. These criteria will include a variety of operating performance, sponsorship, and economic factors, including:

- Operating Performance (cash flow, DSCR, vacancy/bad debt)
- LTV ratio
- Reserve balances
- Property condition
- Neighborhood conditions
- Sponsorship capacity
- LIHTC compliance period status
- Size of balloon payment, if any, and number of years to maturity

Based on analysis conducted in their Loan Reviews, CCRC Asset Managers will recommend if a loan should be individually impaired and, if applicable, the amount of the provision. They will calculate a special provision amount by adjusting either the Loan Loss Provision Factor, the Appraised Value Discount, or both.

For example, staff may determine that a certain “8” rated loan’s probability of default is higher than the 15% assumed in our standard model, perhaps arriving at this conclusion over concerns about a weak sponsor with a poorly performing project, confronting imminent balloon payment in a high interest rate environment. In this example, we may choose to increase the Loan Provision factor from, say, 15% to 40% to account for the higher probability of default. Similarly, we may decide to increase or decrease the Appraised Value Discount to reflect current information impacting property value.

D. Loan Loss Provision Model – Formula Derived Provision Amount

We will calculate the provision for loan losses using the model shown in Exhibit III. The model will link to data in FICS and can be run in both Excel and Crystal Reports. By linking to FICS, the allowance for loan losses can be updated in real time, reflecting new loan fundings, loan repayments and rating changes as the occur.

In the attached report, we show one project as being subject to an Individual Impairment Determination. For this loan, we apply a 100% valuation haircut (i.e., liquidation value equals $0). The valuation projection is supported by operating data that shows deeply negative NOI for three consecutive years. We have also increased the Provision Factor from 15% to 40%, reflecting our assessment of a higher probability of default.

The report (Exhibit III), which will serve as our model for calculating CCRC's formula-based loan loss provision amount, calculates a provision amount of $1,006,432.

3.2. Historical Loss Rate and Worst-Case Loss Expectation – Floor and Ceiling

As shown by Exhibit II, in the line titled "Charge-offs, Real Estate Write Downs, Losses on Loan Sales", there have been only 3 loss events in CCRC's mortgage history, 2 foreclosures and a loan sale at a credit discount. The most recent of these occurred over 19 years ago. Thus, we have limited data with which to analyze the factors that generate higher risks of loan default and lower rates of recovery.

CCRC's mortgage losses since inception total $976,794, which is just 0.08% (in what follows "CCRC's historical loss rate") of total loan originations during its 34 years.

CCRC's performance history aligns with the LIHTC industry, whose performance has been documented by several studies. Cohn Reznick's 2021 survey[6] of over 30,000 LIHTC properties found a cumulative foreclosure rate of just 0.57%, despite also finding that on average about 12% of all LIHTC properties operated below breakeven in 2020. CCRC's performance relative to this breakeven metric has generally been strong. As discussed in Section 2.1, in 2023, the dollar value of loans below breakeven rose to over 19%. However, in 2020, the year reflected in the Cohn Reznick study, just 8% of CCRC's portfolio operated below breakeven. As previously noted, pandemic and inflationary era impacts appear to be the main drivers behind the increase in the number of projects operating below breakeven, drivers that were not fully manifested in Cohn Reznick's 2020 data.

We compare the model-derived reserve calculation with a range of possible loan loss scenarios whose floor is calculated by applying CCRC's historical loss rate to the entire loan portfolio and whose ceiling is calculated by adding the "worst case loss expectations" for CCRC's criticized and classified loans (loans rated 7 or higher) to the ALLL calculated by applying CCRC's historical loss rate to its portfolio of pass rated loans.

The "worst case loss expectation" for a loan assumes that the loan collateral will be liquidated and the proceeds from the liquidation are the only source of repayment. We calculate liquidation value by dividing the average NOI for the past three years[7] by an 8% (coastal) or

[6] "Affordable Housing Credit Study: A Comprehensive Affordable LIHTC Property Performance Report", Cohn Reznick LLP, November 2021

[7] CCRC staff determine NOI by reviewing the 3 most recent audits or, if there is not an audit, the most recent financial statements.

9% (inland) capitalization rate, deducting any deferred maintenance indicated on the latest loan review, and multiplying by 90% to account for a quick sale. This “worst case value” is conservative in that it is based on high cap rates, and it ignores any remaining tax credits, any sponsor support, and any value increase from converting the property to market. The results of this analysis are shown in Exhibit IV.

3.3. Loan Loss Reserve Calculations

Table 13 compares the 2023 and 2022 floor and ceiling calculations with the formula reserve. The 2023 formula allowance is more than $2 million higher than the 2022 allowance, representing 0.41% of CCRC’s year end 2023 loan portfolio.

Table 11: Allowance for Loan Losses Calculation

	$ at 9/30/23	Percent of Loan Portfolio	$ at 9/30/22	Percent of Loan Portfolio
FLOOR	201,919	.08%	175,330	0.08%
CEILING	9,591,662	3.87%	4,658,143	2.26%
MODEL (formula)	1,006,432	.41%	3,077,465	1.49%
RECOMMENDED	1,006,432	.41%	3,077,465	1.49%

3.4. Allowance for Loan Losses Recommendation

This year we recommend that the Loan Committee adopt CCRC’s formula reserve as CCRC’s provision for loan losses. It amounts to 0.41% of the funded loan portfolio and 20% of all classified loans (rated 8 and above).

RECOMMENDATION

That the September 30, 2023, Allowance for Loans be set at $1,006,432, CCRC’s formula provision.

CCRC LOAN COMMITTEE

By: ____

Exhibit I: CCRC Exposure by County (commitments and funded loans)

September 30, 2023

County	2023 CCRC Exposure	2023 % of CCRC Exposure	2023 CCRC Exposure	2023 % of CCRC Exposure
Alameda	33,928,735	6.57%	$34,526,851	7.14%
Butte	941,711	0.18%	$982,147	0.20%
Colusa	773,451	0.15%	$787,939	0.16%
Contra Costa	550,997	0.11%	$572,111	0.12%
Fresno	20,299,948	3.93%	$8,711,227	1.80%
Imperial	1,961,497	0.38%	$1,984,543	0.41%
Kern	4,810,430	0.93%	$4,893,455	1.01%
Kings	910,258	0.18%	$933,323	0.19%
Los Angeles	164,829,469	31.91%	$150,117,160	31.02%
Madera	433,927	0.08%	$453,724	0.09%
Nevada	6,894,302	1.33%	$6,979,334	1.44%
Orange	54,578,186	10.56%	$50,640,635	10.47%
Placer	1,222,716	0.24%	$1,858,900	0.38%
Riverside	17,769,568	3.44%	$17,145,278	3.54%
Sacramento	3,391,900	0.66%	$3,180,900	0.66%
San Bernardino	7,648,948	1.48%	$6,773,682	1.40%
San Diego	62,613,606	12.12%	$58,048,680	12.00%
San Francisco	0	0	$8,360	0.002%
San Joaquin	0	0.00%	0	0.00%
San Luis Obispo	2,057,873	0.40%	$2,074,009	0.43%
San Mateo	7,755,988	1.50%	$6,793,098	1.40%
Santa Barbara	9,027,784	1.75%	$9,116,385	1.88%
Santa Clara	18,733,116	3.63%	$19,255,401	3.98%
Santa Cruz	38,539,000	7.46%	$38,539,000	7.96%
Solano	5,834,700	1.13%	$5,834,700	1.21%
Sonoma	39,323,905	7.61%	$39,566,448	8.18%
Stanislaus	3,449,263	0.67%	$4,299,300	0.89%
Tulare	2,722,162	0.53%	$4,060,816	0.84%
Ventura	1,157,458	0.22%	$1,230,465	0.25%
Yolo	4,464,436	0.86%	$4,491,507	0.93%
Nevada	0	0.00%	0	0.00%
TOTAL	**$516,635,332**	**100%**	**$483,859,378**	**100.00%**

Exhibit II: CCRC Loan Portfolio History

CCRC LOAN PORTFOLIO SELECTED STATISTICS

Years Ending September 30	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross Loans Receivable	7,491,392	23,957,301	37,439,866	52,353,133	65,675,483	96,170,974	109,498,875	128,153,437	145,247,818	153,117,276	121,131,143	117,037,502	122,380,677
Loans Originated	7,501,250	16,535,047	13,667,629	36,626,344	21,034,796	34,580,350	14,634,369	20,835,393	18,984,435	9,611,339	10,223,837	19,474,122	46,556,605
Cash from Loan Fees	411,737	671,004	379,599	593,710	664,749	803,468	613,511	508,795	303,268	460,212	1,400,594	1,230,692	912,645
Increase in Deferred Revenue	130,329	251,060	72,522	(100,193)	251,857	(828)	48,296	(174,667)	(374,399)	142,939	1,264,701	436,468	(431,383)
Loan Interest Income	152,766	1,265,908	2,928,047	4,508,267	4,785,820	6,201,690	8,621,892	9,657,944	11,426,930	12,322,426	12,086,650	8,837,656	9,180,613
Gross Yield		8.05%	9.54%	10.04%	8.11%	7.66%	8.38%	8.13%	8.36%	8.26%	8.81%	7.42%	7.67%
Allowance for Loan Loss		239,573	374,399	523,531	1,193,065	1,369,517	1,942,268	2,522,827	2,544,754	2,913,060	2,525,225	2,836,485	2,980,991
Provision Expense		239,573	134,826	149,132	669,534	664,288	572,751	624,559	21,927	368,306	(387,835)	311,260	144,506
Charge Offs, RE Writedowns, Losses on Loan Sales, RE Operations				69,823		511,902	435,274	(135,794)	(259,358)	-	-	-	-
Allowance as a % of Loans		1.00%	1.00%	1.00%	1.82%	1.42%	1.77%	1.97%	1.75%	1.90%	2.08%	2.42%	2.44%
Provision Exp as a % of Loans Originated		1.45%	0.99%	0.41%	3.18%	1.92%	3.91%	3.00%	0.12%	3.83%	-3.79%	1.60%	0.31%
Hypothetical Losses at 50 bps	18,728	78,622	153,493	224,482	295,072	404,616	514,175	594,131	683,503	745,913	685,621	595,422	598,545

* "Loan Losses" defined as Charge Offs, Real Estate Writedowns, Losses on Loan Sales, and Real Estate (REO) Operations expense

Exhibit II
CCRC Loan Portfolio History

CCRC LOAN PORTFOLIO SELECTED STATISTICS

Years Ending September 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Loans Receivable	123,618,574	96,341,236	87,477,174	102,079,598	150,740,036	165,920,508	156,055,161	188,525,489	206,767,098	193,960,971	218,841,367	169,138,795
Loans Originated	17,088,336	29,062,973	45,313,728	29,644,854	50,404,151	53,975,233	66,956,019	35,131,239	48,998,597	32,212,379	46,617,639	36,001,272
Cash from Loan Fees	1,627,832	2,358,489	1,276,129	241,134	846,412	1,137,839	795,743	1,273,771	1,943,082	614,217	1,359,431	1,085,063
Increase in Deferred Revenue	554,541	1,543,448	59,683	(85,820)	344,278	117,993	(130,566)	634,754	394,752	106,941	(73,762)	(293,466)
Loan Interest Income	9,193,155	7,759,131	7,256,808	6,667,105	8,764,705	10,275,234	12,904,008	11,754,672	13,923,571	12,917,882	13,348,527	13,869,800
Gross Yield	7.47%	7.06%	7.90%	7.03%	6.93%	6.49%	8.02%	6.82%	7.04%	6.45%	6.47%	7.15%
Allowance for Loan Loss	3,019,913	2,331,030	1,639,133	1,943,084	2,482,024	2,978,184	3,462,271	3,614,312	5,058,947	5,074,654	5,129,536	5,289,968
Provision Expense	38,922	(709,379)	(691,898)	303,951	538,939	496,160	484,087	152,041	1,444,635	15,706	54,882	160,433
Charge Offs, RE Writedowns, Losses on Loan Sales, RE Operations	-	354,947	-	-	-	-	-	-	-	-	-	-
Allowance as a % of Loans	2.44%	2.42%	1.87%	1.90%	1.65%	1.79%	2.22%	1.92%	2.45%	2.62%	2.34%	3.13%
Provision Exp as a % of Loans Originated	0.23%	-2.44%	-1.53%	1.03%	1.07%	0.92%	0.72%	0.43%	2.95%	0.05%	0.12%	0.45%
Hypothetical Losses at 50 bps	614,998	549,900	459,546	473,892	632,049	791,651	804,939	861,452	988,231	1,001,820	1,032,006	969,950

* "Loan Losses" defined as Charge Offs, Real Estate Writedowns, Losses on Loan Sales, and Real Estate (REO) Operations expense

Exhibit II
CCRC Loan Portfolio History

CCRC LOAN PORTFOLIO SELECTED STATISTICS

Years Ending September 30	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL	AVERAGE
Gross Loans Receivable	191,770,405	233,505,402	266,767,721	142,323,288	192,349,390	240,442,042	97,797,487	147,181,422	192,048,694		129,531,665
Loans Originated	43,721,671	$46,896,937	$39,483,911	$30,594,985	61,071,879	57,757,941	$54,886,294	$54,106,294	$49,638,198	1,199,830,046	
Cash from Loan Fees	1,504,961	1,492,076	1,928,835	1,383,460	2,253,640	4,544,893	2,297,584	2,803,285	1,671,168		
Increase in Deferred Revenue	307,015	563,167	812,618	115,316	(112,288)	536,060	996,683	1,236,913	(115,794)		
Loan Interest Income	10,992,080	13,430,636	14,940,186	8,832,555	9,538,253	11,385,642	5,437,703	6,619,535	8,618,702		
Gross Yield	6.09%	6.32%	5.97%	4.32%	5.70%	5.26%	3.22%	5.40%	5.08%		
									-		
Allowance for Loan Loss	4,653,072	5,228,325	5,137,234	3,545,251	3,605,430	2,213,071	2,590,421	3,077,465	(1,006,432)		
Provision Expense	(643,367)	575,253	(91,091)	(1,591,983)	60,180	(1,392,359)	377,350	487,044	(2,071,033)	1,511,298	
Charge Offs, RE Writedowns, Losses on Loan Sales, RE Operations	-	-	-	-	-	-	-		-	976,794	
									-		
Allowance as a % of Loans	2.43%	2.24%	1.93%	2.49%	1.87%	0.92%	2.65%	2.09%	-0.52%		
Provision Exp as a % of Loans Originated	-1.47%	1.23%	-0.23%	-5.20%	0.10%	-2.41%	0.69%	0.90%	-4.17%		
	Total Provision Expense as a % of Total Originations ===================>								-	0.13%	
	Total Historical Loan Losses* As a Percentage of Total Originations =====>								-	0.081%	
	Total Historical Loan Losses* As a Percentage of Average Loans Receivable Originations====>								-		0.75%
									-		
Hypothetical Losses at 50 bps	902,273	1,063,190	1,250,683	1,022,728	836,682	1,081,978.58	845,598.82	612,447.27	848,075.29	23,236,412	

* "Loan Losses" defined as Charge Offs, Real Estate Writedowns, Losses on Loan Sales, and Real Estate (REO) Operations expense

Exhibit III: Loan Loss Provision Model

Loan No	Loan Name	Prin Bal	Ln Class	Appraised Value	LTV	DefMaint	Valuation Discount	Liquidation Val (App val)	Liqu Proceeds	Factor	Provision
XXXXXX	XXXXXX)	246,490	6	4,350,000	5.67		50%	2,175,000	1,928,510	0.57%	-
XXXXXX	XXXXXX)	55,346	6	1,270,000	4.36	5,000	50%	632,500	577,154	0.57%	-
XXXXXX	XXXXXX)	132,286	6	2,750,000	4.81		50%	1,375,000	1,242,714	0.57%	-
XXXXXX	XXXXXX)	77,873	6	433,986	17.94		50%	216,993	139,120	0.57%	-
XXXXXX	XXXXXX)	350,885	6	1,030,000	34.07		50%	515,000	164,115	0.57%	-
XXXXXX	XXXXXX)	275,032	6	1,030,000	26.70		50%	515,000	239,968	0.57%	-
XXXXXX	XXXXXX)	1,103,660	6	2,400,000	45.99		50%	1,200,000	96,340	0.57%	-
XXXXXX	XXXXXX)	651,835	6	1,830,000	35.62		50%	915,000	263,165	0.57%	-
XXXXXX	XXXXXX)	623,835	6	2,400,000	25.99		50%	1,200,000	576,165	0.57%	-
XXXXXX	XXXXXX)	1,347,461	6	3,550,000	37.96		50%	1,775,000	427,539	0.57%	-
XXXXXX	XXXXXX)	2,261,330	6	4,100,000	55.15		50%	2,050,000	(211,330)	0.57%	(1,205)
XXXXXX	XXXXXX)	2,158,199	6	3,775,000	57.17		50%	1,887,500	(270,699)	0.57%	(1,543)
XXXXXX	XXXXXX)	2,296,966	6	4,775,000	48.10		50%	2,387,500	90,534	0.57%	-
XXXXXX	XXXXXX)	2,775,383	6	7,650,000	36.28		50%	3,825,000	1,049,617	0.57%	-
XXXXXX	XXXXXX)	1,126,613	6	2,125,000	53.02		50%	1,062,500	(64,113)	0.57%	(365)
XXXXXX	XXXXXX)	1,861,594	6	3,000,000	62.05	200	50%	1,499,900	(361,694)	0.57%	(2,062)
XXXXXX	XXXXXX)	648,090	6	5,475,000	11.84		50%	2,737,500	2,089,410	0.57%	-
XXXXXX	XXXXXX)	404,242	6	1,050,000	38.50		50%	525,000	120,758	0.57%	-
XXXXXX	XXXXXX)	2,151,748	6	4,325,000	49.75		50%	2,162,500	10,752	0.57%	-
XXXXXX	XXXXXX)	433,927	6	900,000	48.21		50%	450,000	16,073	0.57%	-
XXXXXX	XXXXXX)	4,416,102	6	7,200,000	61.33		50%	3,600,000	(816,102)	0.57%	(4,652)
XXXXXX	XXXXXX)	703,375	6	1,950,000	36.07		50%	975,000	271,625	0.57%	-
XXXXXX	XXXXXX)	910,258	6	1,600,000	56.89		50%	800,000	(110,258)	0.57%	(628)
XXXXXX	XXXXXX)	1,831,161	6	5,475,000	33.45		50%	2,737,500	906,339	0.57%	-
XXXXXX	XXXXXX)	1,501,246	6	3,675,000	40.85		50%	1,837,500	336,254	0.57%	-
XXXXXX	XXXXXX)	1,631,776	6	3,400,000	47.99		50%	1,700,000	68,224	0.57%	-
XXXXXX	XXXXXX)	1,318,687	6	2,900,000	45.47		50%	1,450,000	131,313	0.57%	-
XXXXXX	XXXXXX)	625,816	6	1,040,000	60.17		50%	520,000	(105,816)	0.57%	(603)
XXXXXX	XXXXXX)	3,051,055	6	5,800,000	52.60		50%	2,900,000	(151,055)	0.57%	(861)
XXXXXX	XXXXXX)	3,274,729	6	6,650,000	49.24		50%	3,325,000	50,271	0.57%	-
XXXXXX	XXXXXX)	1,918,102	6	3,903,640	49.14		50%	1,951,820	33,718	0.57%	-
XXXXXX	XXXXXX)	2,578,185	6	4,300,000	59.96		50%	2,150,000	(428,185)	0.57%	(2,441)
XXXXXX	XXXXXX)	792,272	6	3,750,000	21.13		50%	1,875,000	1,082,728	0.57%	-
XXXXXX	XXXXXX)	1,137,476	6	2,575,000	44.17		50%	1,287,500	150,024	0.57%	-
XXXXXX	XXXXXX)	2,581,357	6	5,325,000	48.48		50%	2,662,500	81,143	0.57%	-
XXXXXX	XXXXXX)	2,470,299	6	7,400,000	33.38		50%	3,700,000	1,229,701	0.57%	-
XXXXXX	XXXXXX)	757,659	6	2,125,000	35.65		50%	1,062,500	304,841	0.57%	-
XXXXXX	XXXXXX)	206,063	6	1,050,000	19.63		50%	525,000	318,937	0.57%	-
XXXXXX	XXXXXX)	1,656,475	6	3,300,000	50.20		50%	1,650,000	(6,475)	0.57%	(37)
XXXXXX	XXXXXX)	2,094,045	6	4,560,000	45.92		50%	2,280,000	185,955	0.57%	-
XXXXXX	XXXXXX)	753,216	6	2,675,000	28.16		50%	1,337,500	584,284	0.57%	-
XXXXXX	XXXXXX)	1,029,491	6	1,775,000	58.00		50%	887,500	(141,991)	0.57%	(809)
XXXXXX	XXXXXX)	3,033,231	6	5,025,000	60.36		50%	2,512,500	(520,731)	0.57%	(2,968)
XXXXXX	XXXXXX)	740,514	6	2,175,000	34.05		50%	1,087,500	346,986	0.57%	-
XXXXXX	XXXXXX)	5,294,415	6	10,150,000	52.16		50%	5,075,000	(219,415)	0.57%	(1,251)
XXXXXX	XXXXXX)	1,904,944	6	3,520,000	54.12		50%	1,760,000	(144,944)	0.57%	(826)
XXXXXX	XXXXXX)	5,093,931	6	7,590,000	67.11		50%	3,795,000	(1,298,931)	0.57%	(7,404)
XXXXXX	XXXXXX)	630,928	6	4,760,000	13.25		50%	2,380,000	1,749,072	0.57%	-
XXXXXX	XXXXXX)	4,238,571	6	12,430,000	34.10		50%	6,215,000	1,976,429	0.57%	-

Exhibit III: Loan Loss Provision Model

Loan No	Loan Name	Prin Bal	Ln Class	Appraised Value	LTV	DefMaint	Valuation Discount	Liquidation Val (App val)	Liqu Proceeds	Factor	Provision
XXXXXX	XXXXXXX	2,100,112	6	2,550,000	82.36		50%	1,275,000	(825,112)	0.57%	(4,703)
XXXXXX	XXXXXXX	3,121,248	6	6,900,000	45.24		50%	3,450,000	328,752	0.57%	-
XXXXXX	XXXXXXX	2,621,075	6	7,375,000	35.54		50%	3,687,500	1,066,425	0.57%	-
XXXXXX	XXXXXXX	1,961,497	6	4,625,000	42.41		50%	2,312,500	351,003	0.57%	-
XXXXXX	XXXXXXX	1,925,279	6	3,275,000	58.79		50%	1,637,500	(287,779)	0.57%	(1,640)
XXXXXX	XXXXXXX	2,127,505	6	4,920,000	43.24		50%	2,460,000	332,495	0.57%	-
XXXXXX	XXXXXXX	2,216,950	6	3,550,000	62.45		50%	1,775,000	(441,950)	0.57%	(2,519)
XXXXXX	XXXXXXX	1,660,223	6	3,575,000	46.44		50%	1,787,500	127,277	0.57%	-
XXXXXX	XXXXXXX	5,571,183	6	8,775,000	63.49		50%	4,387,500	(1,183,683)	0.57%	(6,747)
XXXXXX	XXXXXXX	5,625,874	6	8,975,000	62.68		50%	4,487,500	(1,138,374)	0.57%	(6,489)
XXXXXX	XXXXXXX	12,659,106	6	25,270,000	50.10		50%	12,635,000	(24,106)	0.57%	(137)
XXXXXX	XXXXXXX	3,734,605	6	18,200,000	20.52		50%	9,100,000	5,365,395	0.57%	-
XXXXXX	XXXXXXX	773,451	6	1,300,000	59.50		50%	650,000	(123,451)	0.57%	(704)
XXXXXX	XXXXXXX	2,273,363	6	5,380,000	42.26		50%	2,690,000	416,637	0.57%	-
XXXXXX	XXXXXXX	1,247,242	6	3,930,000	31.74		50%	1,965,000	717,758	0.57%	-
XXXXXX	XXXXXXX	761,512	6	2,930,000	25.99		50%	1,465,000	703,488	0.57%	-
XXXXXX	XXXXXXX	3,392,741	6	8,500,000	39.91		50%	4,250,000	857,259	0.57%	-
XXXXXX	XXXXXXX	551,125	6	1,670,000	33.00		50%	835,000	283,875	0.57%	-
XXXXXX	XXXXXXX	2,659,426	6	9,080,000	29.29		50%	4,540,000	1,880,574	0.57%	-
XXXXXX	XXXXXXX	2,468,407	6	3,130,000	78.86		50%	1,565,000	(903,407)	0.57%	(5,149)
XXXXXX	XXXXXXX	1,511,894	6	8,575,000	17.63		50%	4,287,500	2,775,606	0.57%	-
XXXXXX	XXXXXXX	1,923,295	6	7,750,000	24.82		50%	3,875,000	1,951,705	0.57%	-
XXXXXX	XXXXXXX	4,227,663	6	6,800,000	62.17		50%	3,400,000	(827,663)	0.57%	(4,718)
XXXXXX	XXXXXXX	3,837,225	6	8,960,000	42.83		50%	4,480,000	642,775	0.57%	-
XXXXXX	XXXXXXX	9,334,957	6	14,430,000	64.69		50%	7,215,000	(2,119,957)	0.57%	(12,084)
XXXXXX	XXXXXXX	1,405,969	6	3,680,000	38.21		50%	1,840,000	434,031	0.57%	-
XXXXXX	XXXXXXX	6,894,302	6	8,370,000	82.37		50%	4,185,000	(2,709,302)	0.57%	(15,443)
XXXXXX	XXXXXXX	1,560,942	6	2,050,000	76.14		50%	1,025,000	(535,942)	0.57%	(3,055)
XXXXXX	XXXXXXX	286,102	6	2,990,000	9.57		50%	1,495,000	1,208,898	0.57%	-
XXXXXX	XXXXXXX	3,273,780	6	5,650,000	57.94		50%	2,825,000	(448,780)	0.57%	(2,558)
XXXXXX	XXXXXXX	4,455,603	6	5,850,000	58.72		50%	2,925,000	(1,530,603)	0.57%	(8,724)
XXXXXX	XXXXXXX	3,533,837	6	4,475,000	78.97		50%	2,237,500	(1,296,337)	0.57%	(7,389)
XXXXXX	XXXXXXX	2,565,230	6	3,680,000	69.71		50%	1,840,000	(725,230)	0.57%	(4,134)
XXXXXX	XXXXXXX	4,181,858	6	6,700,000	62.42		50%	3,350,000	(831,858)	0.57%	(4,742)
XXXXXX	XXXXXXX	3,296,349	6	6,800,000	48.48		50%	3,400,000	103,651	0.57%	-
XXXXXX	XXXXXXX	1,222,716	6	3,700,000	33.05		50%	1,850,000	627,284	0.57%	-
XXXXXX	XXXXXXX	5,554,767	6	19,000,000	29.24		50%	9,500,000	3,945,233	0.57%	-
XXXXXX	XXXXXXX	7,966,922	6	10,675,000	74.63		50%	5,337,500	(2,629,422)	0.57%	(14,988)
XXXXXX	XXXXXXX	5,139,622	6	6,850,000	75.03		50%	3,425,000	(1,714,622)	0.57%	(9,773)
XXXXXX	XXXXXXX	897,739	6	2,770,000	32.41		50%	1,385,000	487,261	0.57%	-
XXXXXX	XXXXXXX	3,900,000	6	5,220,000	74.71		50%	2,610,000	(1,290,000)	0.57%	(7,353)
XXXXXX	XXXXXXX	6,243,629	6	14,450,000	43.21		50%	7,225,000	981,371	0.57%	-
XXXXXX	XXXXXXX	4,096,000	6	8,050,000	50.88		50%	4,025,000	(71,000)	0.57%	(405)
XXXXXX	XXXXXXX	1,039,529	6	3,360,000	30.94		50%	1,680,000	640,471	0.57%	-
XXXXXX	XXXXXXX	550,997	6.5	3,370,000	16.35		50%	1,685,000	1,134,003	1.00%	-
XXXXXX	XXXXXXX	2,750,619	6.5	5,450,000	50.47		50%	2,725,000	(25,619)	1.00%	(256)
XXXXXX	XXXXXXX	164,608	6.5	2,200,000	7.48		50%	1,100,000	935,392	1.00%	-
XXXXXX	XXXXXXX	941,711	7	2,000,000	47.09		50%	1,000,000	58,289	3.00%	-
XXXXXX	XXXXXXX	3,267,223	7	5,200,000	62.83		50%	2,600,000	(667,223)	3.00%	(20,017)
XXXXXX	XXXXXXX	789,368	7	4,075,000	19.37		50%	2,037,500	1,248,132	3.00%	-
XXXXXX	XXXXXXX	3,866,589	7	10,125,000	38.19		50%	5,062,500	1,195,911	3.00%	-
XXXXXX	XXXXXXX	3,751,152	7	5,575,000	67.29		50%	2,787,500	(963,652)	3.00%	(28,910)
XXXXXX	XXXXXXX	1,885,484	8	1,375,000	137.13		0%	-	(1,885,484)	40.00%	(754,194)
XXXXXX	XXXXXXX	1,436,971	8	2,620,000	54.85		50%	1,310,000	(126,971)	15.00%	(19,046)
XXXXXX	XXXXXXX	1,659,342	8	2,880,000	57.62		50%	1,440,000	(219,342)	15.00%	(32,901)
		248,024,086									**(1,006,432)**

Exhibit IV: Worst Case Loss Expectations for Criticized and Classified Loan

Loan No	Loan Name	Fund Dt	Principal Balance	Rate	Rating	Last Rev Date	Audited Fins	3-Year Average NOI	Cap Rate	Capitalized Value	Def Maint	Estimated Value	LTV	Liquidation Value: Quick Sale Adjustment 10% Discount	Worst Case Loss
xxxxxxx	xxxxxxx	1/11/2007	941,711	0.0715	7	03/23	12/31/2022	61,767	9%	686,300	0	686,300	137%	617,670	94,171
xxxxxxx	xxxxxxx	12/21/2009	3,267,223	0.05	7	02/23	12/31/2021	172,016	8%	2,150,200	0	2,150,200	152%	1,935,180	1,332,043
xxxxxxx	xxxxxxx	12/18/2012	789,368	0.0698	7	12/22	12/31/2022	16,685	9%	185,385	4000	181,385	435%	163,247	626,122
xxxxxxx	xxxxxxx	11/10/2020	3,866,589	0.0526	7	05/23	12/31/2022	239,433	8%	2,992,913	111,000	2,881,913	134%	2,593,721	1,272,867
xxxxxxx	xxxxxxx	8/18/2021	3,751,152	0.0536	7	06/23	12/31/2022	29,572	8%	369,646	0	369,646	1015%	332,681	3,418,470
xxxxxxx	xxxxxxx	6/7/2007	1,885,484	0.0685	8	06/23	12/31/2022	-129,211	9%	(1,435,678)	1,000	-		-	1,885,484
xxxxxxx	xxxxxxx	8/11/2009	1,436,971	0.07	8	06/23	12/31/2022	73,599	8%	919,992	0	919,992	156%	827,993	608,978
xxxxxxx	xxxxxxx	11/08/2012	1,659,342	0.070	8	07/23	12/31/2022	83,660	8%	1,045,750	0	1,045,750	159%	941,175	165,934
			17,597,839												9,404,070