



California Community Reinvestment Corporation

CCRC 2025 Loan Portfolio Analysis

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CCRC 2025 Loan Portfolio Analysis: Scope and Overview

The **CCRC 2025 Loan Portfolio Analysis** provides a comprehensive review of CCRC's owned portfolio of mortgage loans and forward commitments. This report evaluates the portfolio's credit quality and estimates an appropriate allowance for loan losses as of fiscal year-end 2025 (FYE 2025).

Loans and Forward Commitments Included in the Analysis

The following categories of loans and forward commitments are addressed in this report:

1. **Loans funded directly by CCRC.**
2. **Loans funded through CCRC's bank credit line.**
3. **Loans funded via 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").**
5. **Loans and tax-exempt loans (TEs) funded through or pledged to the CDFI Bond Guarantee Program credit facility (BGP)**
6. **Loans funded through or pledged to the Federal Home Loan Bank of San Francisco (FHLB) credit Line**
7. **Forward loan commitments** intended to be funded using any of the above sources #1-3.

With the exception of the UMC-participated loans, all loans listed above are held on CCRC's balance sheet. CCRC retains 10% top-loss participation in the UMC loans, while the remaining 90% is held by UMC and remains off CCRC's balance sheet. Nevertheless, for the purposes of this report, we present the full outstanding balance of these loans to provide a complete view of the underlying exposures.

Loans Excluded from This Report

This analysis does not cover the following portfolios, which are addressed in separate reports or are managed outside of CCRC's ownership:

- **Serviced Tax-Exempt Bond Portfolio:** Owned by a consortium of banks and covered in a separate report.
- **Loans Originated for the Cornerstone/Barings Fund:** These loans and bonds are wholly owned by an entity unaffiliated with CCRC.
- **Serviced Loans and Bonds for Investors:** These are loans and bonds that CCRC services does not own.

Reporting Dates and Reconciliation Notes

Unless otherwise noted, loan balances and commitment amounts in this report are accurate as of September 30, 2025. For a detailed reconciliation of the total loan amounts reported

here with the “Gross Loans Receivable” figure in CCRC’s audit, see the accompanying footnote. ¹

S&P Rating

In summer 2021, CCRC engaged Standard & Poor’s (S&P) 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 2025.

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 30 to 40 months, during which the developer constructs the property and rents it to full occupancy. When a completed project reaches operational stability, CCRC funds the loan in accordance with 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
2025	141	\$514,973,373	\$3,652,293	9,265	\$55,583	5.48%
2024	124	\$356,542,971	\$2,875,347	7,951	\$44,843	5.37%
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%

¹Projects with multiple loans are counted as having a single loan with a balance equal to the total balance of the combined tranches. There are 152 funded loans on 141 projects.

²Dwelling Unit. ³Weighted Average Coupon.

¹ Reconciliation of Gross Loans Receivable (Audit) vs Total Loans (2024 Portfolio Analysis)

Total Loans (Portfolio Analysis)	\$ 514,973,373
CCRC bond Pool Participation	\$ 1,936,089
UMC Loan Total	(56,252,398)
CCRC's share of UMC loans	\$5,612,351
Gross Loans Receivable (Audit)	\$466,269,416

In 2025, five loans were repaid, including three through note sales. Notably, all three were rated 8 at the time of repayment. Of these, two were in default with foreclosures pending. In both cases, the loans were paid off by subordinate lenders, allowing CCRC to recover the full outstanding balance and all foreclosure-related expenses.

The third note sale involved a property in Barstow, one of the weakest performing assets in the portfolio. This sale occurred as part of a broader portfolio disposition by the sponsor.

The remaining two loan repayments included a fully amortizing loan on a project in Oakland and a balloon payment on a project in Los Angeles.

Table 1 shows that CCRC had an outstanding loan balance of \$514.97 million at the end of FY 2025, reflecting a 44% year-over-year increase in outstanding loans receivable. CCRC held loans on 141 projects, marking a 14% increase over the 2025 total of 124. Both the average loan size of \$3.65 million and the average loan amount per unit of \$55,583 reached historic highs.

The WAC improved from 5.37% to 5.48%, marking a gradual rebound from historically low interest levels. This upward trend is expected to continue as new originations priced in today's higher-rate environment offset lower rate legacy loans originated during the low-rate years.

The record-high loan balance in FY 2025 was made possible by the addition of new capital sources — most notably, the CDFI Bond Guarantee Program (BGP), a \$100 million credit facility that expanded CCRC's on-balance sheet lending capacity. BGP provides long-term, low-interest financing with credit terms of approximately 28 years, funded by the Federal Financing Bank and guaranteed by the CDFI Fund. As of the end of FY 2025, the outstanding balance under this facility was \$58.3 million, with \$62.6 million pledged to satisfy BGP over-collateralization requirements (Figure 4 and Table 6).

In addition to the BGP facility, CCRC also secured approximately \$19 million in borrowing capacity through the Federal Home Loan Bank of San Francisco (FHLB), based on current levels of pledged collateral. Total available financing under this facility increases up to \$35 million with the pledge of additional collateral. To date, one bridge loan totaling \$895,000 has been funded through the FHLB line. This facility provides additional flexibility for short-term lending needs and liquidity management.

The last major loan sale occurred in November 2020. Management anticipates another loan sale in 2026 to free up capital and ensure continued lending capacity.

Table 6 breaks out the balances of the different components of the funded loan portfolio (bank funded, UMC/PSP, Bank of America, BGP, FHLB, and CCRC funded). It reports a Bank Pool WAC of 5.10%, compared to 4.86% in 2024.

Table 2: New Loans Funded During Year

Fiscal Year	Count	Balance	Average	DUs Financed	\$/DU	WAC
2025	25	\$157,827,788	\$6,313,112	1,631	\$96,767	5.82%
2024	21	\$115,586,343	\$5,504,112	1,445	\$79,991	4.87%
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%

Table 2 reviews CCRC funding activity over the past six 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). 2025 is another record-setting year for funding activity:

- **Loan Volume:** With 25 loans funded, 2025 surpasses 2024’s record high of 21.
- **Loan Value:** The total loan value of newly funded loans was \$157.8 million in 2025 set a record,
- **Average Loan Size:** The average loan size of \$6.3 million in 2025 also marked a record.
- **Cost per Unit:** The loan amount per unit reached \$96,767 per unit, setting another record.

The 2025 funding totals reported above include two TELs totaling \$9.6 million that were originally funded though the TEL pool and subsequently transferred to CCRC’s balance sheet using capital from the BGP facility.

In FY 2025, the weighted average coupon (WAC) of newly funded loans rose substantially from 4.87% to 5.82%, a nearly one-percentage-point increase and the highest level since 2014.

Extensions of Forward Commitments

Over the past five years, CCRC has experienced a significant increase in the number of projects seeking extensions of forward commitments due to delays in meeting funding conditions. These delays can be attributed to several factors, including:

- **Construction Delays:** Supply chain disruptions and labor shortages were among the primary contributors to construction interruptions during the COVID pandemic. Post-COVID, there continue to be delays caused by utility company delays in electrifying buildings and long waiting periods for switchgears. Rain delays impacted properties under construction in 2023 and 2024.
- **Special Needs Properties:** Properties serving homeless or other special needs populations often face slower lease-up periods due to:
 - Targeted outreach and referral requirements.
 - Complex, multi-level tenant screening processes.

- Dependence on tenant referrals from housing and public health organizations administering local coordinated entry system programs.
- **Subordinated Debt Programs:** The increasing volume of subordinated debt programs and providers has added additional review and approval procedures to the loan conversion process, further contributing to delays.

The number of approved forward commitment extensions over the past six years is as follows²:

- **FY 2025:** 20 Extensions involving \$142.3 million in forward commitments.
- **FY 2024:** 12 extensions involving \$74.4 million in forward commitments.
- **FY 2023:** 19 extensions involving \$111.9 million in forward commitments.
- **FY 2022:** 16 extensions involving \$76.4 million in forward commitments.
- **FY 2021:** 31 extensions.
- **FY 2020:** 36 extensions.

Table 3: Book of Forward Commitments

Fiscal Year	Count	Balance	Average	DUs Financed	\$/DU	WAC
2025	16	\$73,692,159	\$4,605,760	1,051	\$70,116	6.45%
2024	30	\$167,328,695	\$5,577,623	1,953	\$85,678	5.76%
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%

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 FY 2025, the forward commitment pipeline declined from 30 to 16 deals. This decrease corresponds with an increase in loan fundings, as we continue to execute on the record volume of forward commitments originated in 2021 and 2022.

Both the average loan size and the average loan proceeds per unit declined compared to 2024 levels, reflecting rising operating costs and more conservative underwriting standards. These operating pressures have been driven by inflation, increases in insurance premiums, and persistent property management challenges typical of affordable housing. In particular, properties providing supportive housing to formerly homeless households have experienced notable increases in costs related to security, social services, unit turnover, and maintenance. In addition, insurance and utility expenses have risen substantially across nearly all properties in the portfolio.

Attached to this report is an underwriting variance analysis that examines income and expense trends through FYE 2024 and provides further insight into these operating trends.

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

CCRC's forward commitments will take out construction loans provided by the five banks listed in Table 4, a decrease from eight banks in 2024. Wells Fargo, US Bank and Bank of America remain the top three construction lenders, totaling 88% of our forward commitments.

Table 4: Construction Lenders

Construction Lender	Count of Loan No	CCRC Loan Commitment	% Share
Wells Fargo Bank	6	22,819,631	30.97%
US Bank	3	20,945,000	28.42%
Bank of America	3	18,846,000	25.57%
Comerica Bank	1	3,647,528	4.95%
Capital One, N.A.	1	3,172,000	4.30%
Umpqua bank	1	2,552,000	3.46%
Regions Bank	1	1,710,000	2.32%
Grand Total	16	73,692,159	100.00%

Table 5 displays loans approved over the past five years.

In 2025, CCRC approved 10 new loans totaling \$39.2 million, nearly matching 2023's volume of \$39.1 million across 11 loans. This marks a clear rebound from 2024, when only three loans totaling \$13.3 million were approved. The recovery in lending activity was supported by renewed lending capacity and sustained sponsor demand.

However, originations remained at the low end of CCRC's typical annual range. This is likely due in part to a broader decline in statewide transaction volume, driven by reduced availability of soft debt from state and local affordable housing programs.

The average loan size in 2025 was \$3.92 million, slightly above the longer-term pre-pandemic average but below the record levels seen in 2021–2022. The weighted average coupon (WAC) on 2025 originations was 6.28%.

Additional factors that contributed to lower originations in 2023 and 2024 continue to persist. These include higher interest rates and rising operating expenses, which reduced supportable loan amounts. Internal capital constraints, stemming from delayed loan conversions, also led CCRC to slow originations in early 2023. Over the course of that year, however, CCRC's capital availability improved: bank commitments to the taxable loan pool increased from \$405 million to \$440 million shortly after the end of FY 2023, reaching \$444.7 million by the close of FY 2024. Additionally, CCRC's board approved changes to the capital availability policy in 2023, adding around \$20 million, and ongoing loan fundings throughout the year further bolstered availability.³

³ When a loan funds, capital availability increases by 80% of the loan amount.

Table 5: New Loan Approvals

Date	Loans	Balance	Average	DUs Financed	\$/DU	WAC
2025	10	\$39,235,985	\$3,923,599	607	\$64,639	6.28%
2024	3	\$13,312,159	\$4,437,386	191	\$69,697	6.85%
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 presents a clearer picture of the impact of larger loans on CCRC’s portfolio. The dollar value of loans with balances greater than \$10 million was \$0 in 2018 but surged to \$111 million in 2025.

Figures 1 and 2 highlight CCRC’s primary niche within the affordable housing space: medium-sized projects of 50 to 100 units, with loan amounts typically ranging from \$2 million to \$6 million.

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

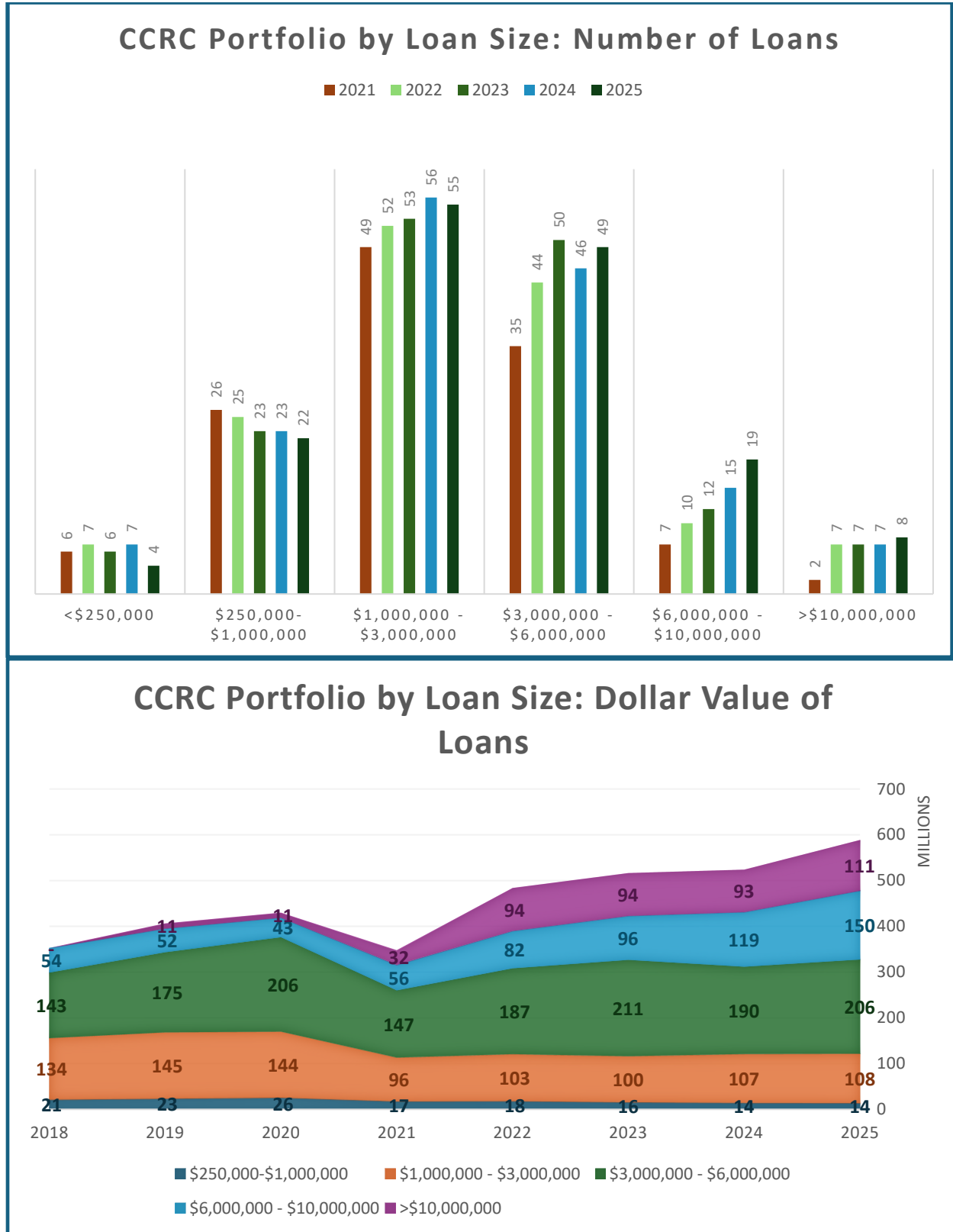
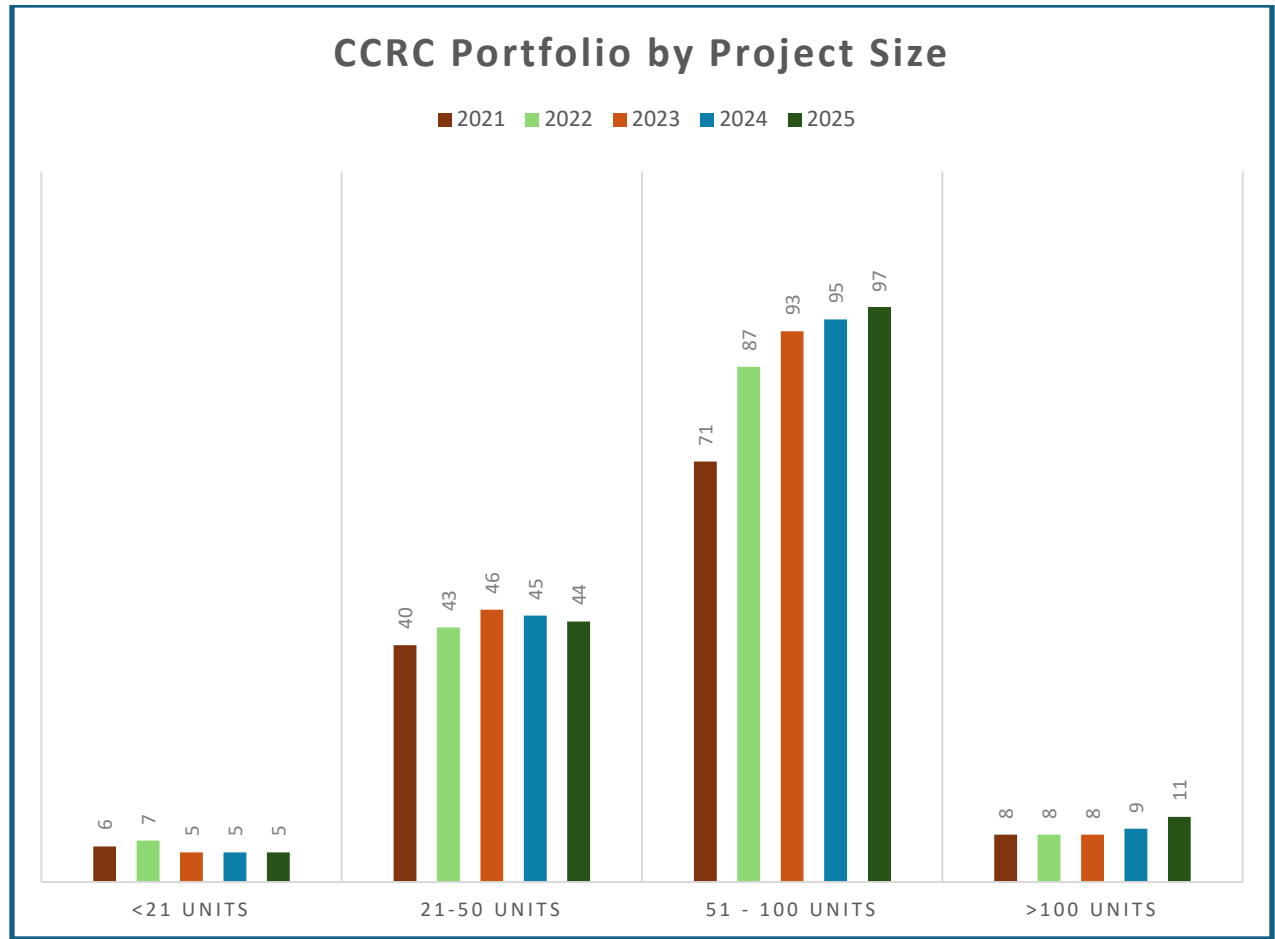


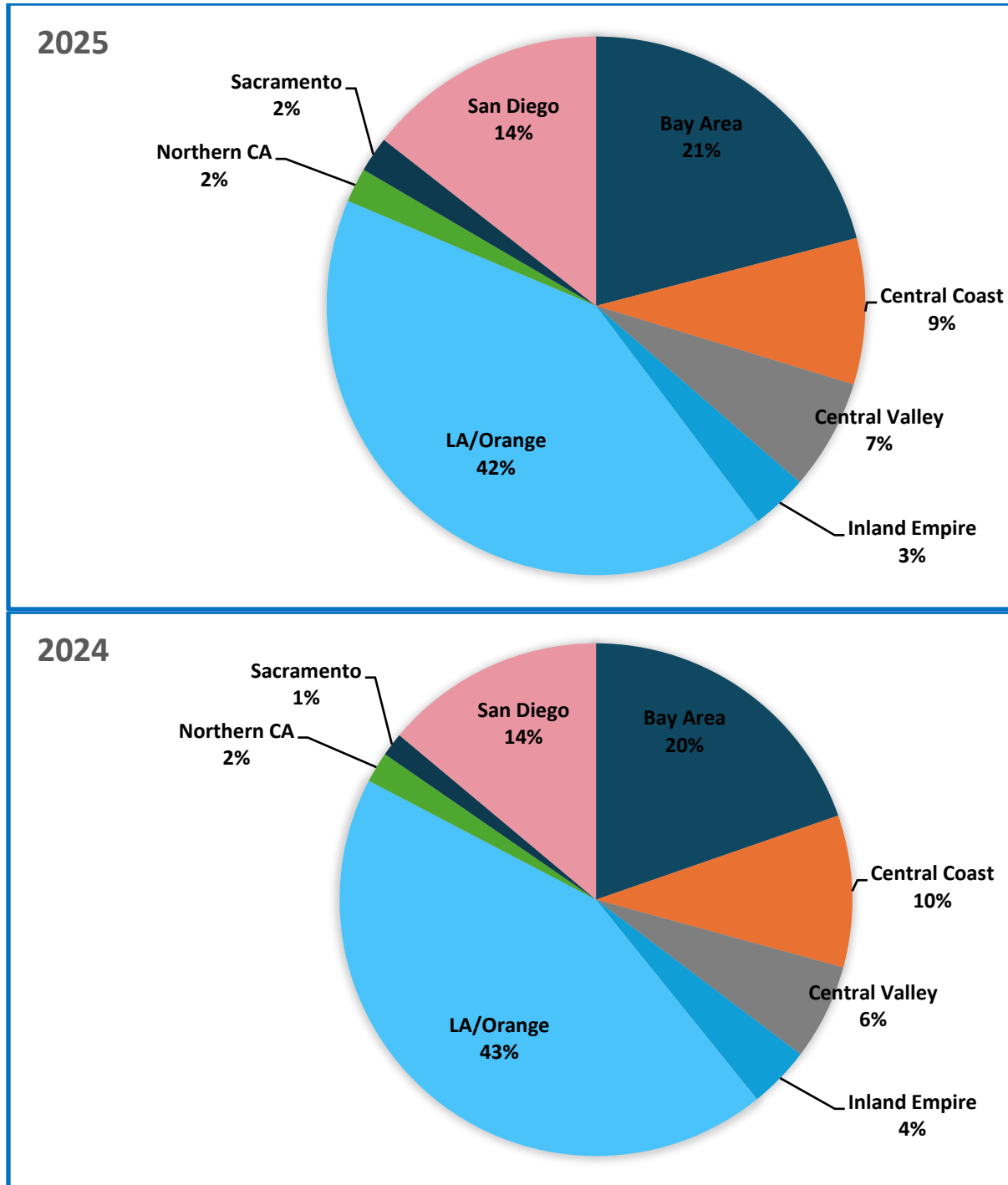
Figure 2: CCRC Portfolio by Project Size (funded and forward commitments combined)



1.2. Geographic Distribution

Figure 3 compares the 2024 and 2025 geographic distributions of CCRC’s funded loans and forward commitments. 2024 and 2025 geographic distributions are nearly identical.

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



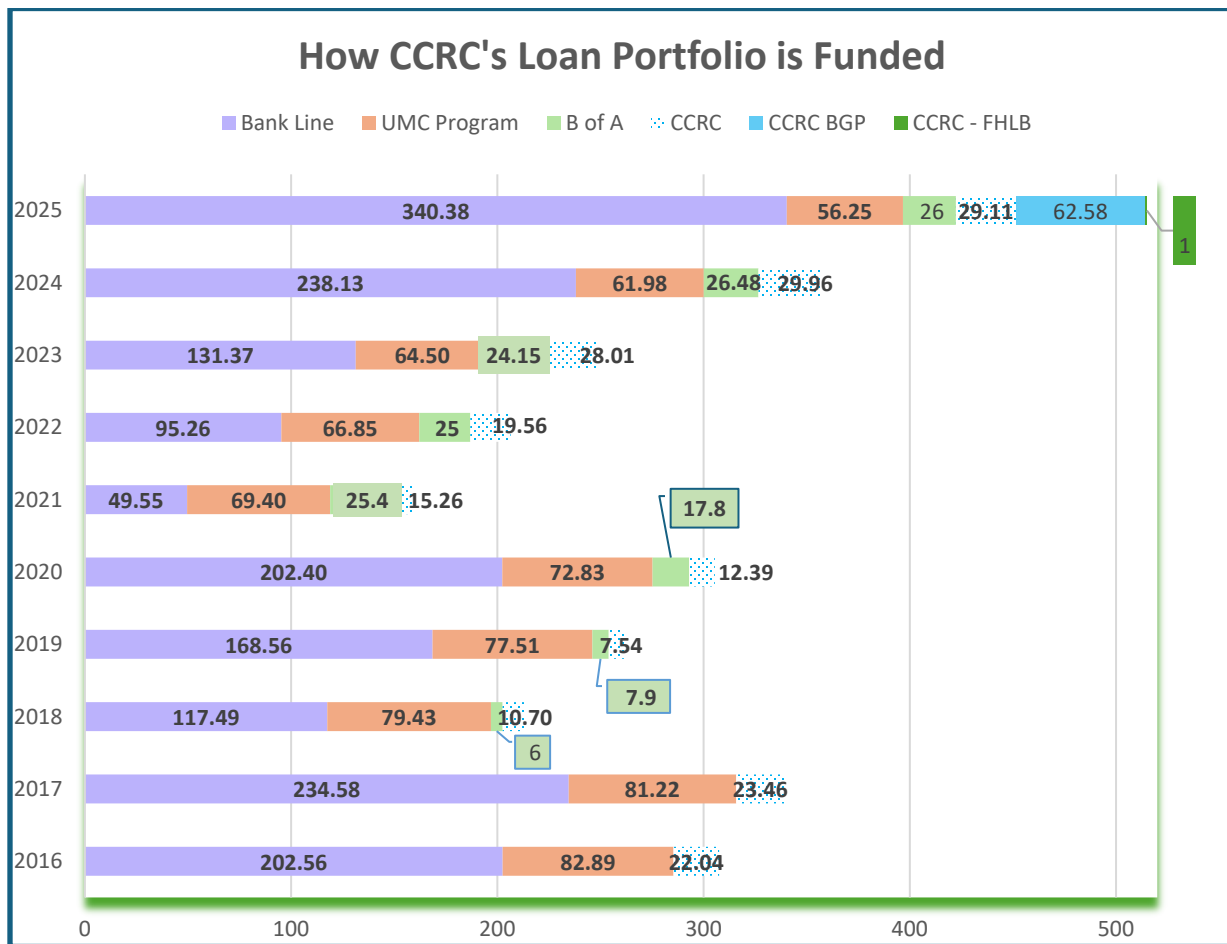
1.3. Portfolio Funding

As shown in Figure 4, CCRC continues to draw from multiple funding sources to finance its loan portfolio. In FY 2025, two additional capital sources were introduced: the BGP and the FHLB programs.

During the year, new loan originations were funded almost entirely through the bank line of credit, which expanded to \$340 million by fiscal year-end. To manage liquidity and preserve borrowing capacity, CCRC utilized approximately \$60 million of BGP capital to replenish both the loan Pool and TEL Pool.

One new loan totaling \$3.2 million was funded directly using CCRC’s own balance sheet capital in 2025. Subsequently, CCRC pledged the loan to BGP to meet the program’s 3% overcollateralization requirement. Though funded by CCRC, this loan is included in the BGP funded loan balance of \$62.58 million to reflect its pledged status. The actual outstanding draw on the BGP line is \$58.66 million.

Figure 4: CCRC Portfolio Funding Sources



2. Portfolio Risk Factors

This section of the Portfolio Analysis provides an assessment of portfolio risk factors.

During 2025, CCRC managed several loan defaults across both balance sheet and sold loan portfolios. These were the first payment defaults experienced by CCRC since 2004. In all cases, sponsor weakness was the primary factor driving the defaults. CCRC worked closely with subordinate lenders and other partners to safeguard CCRC's position and preserve project affordability, resulting in no realized losses to date.

Three projects were associated with a single sponsor—two balance sheet loans and one sold loan. The sponsor provided advance notice of default on all three loans, ceasing payments on the balance sheet loans beginning November 1, 2024, and on the sold loan beginning March 1, 2025.

For the two balance sheet loans, CCRC coordinated with subordinate lenders to achieve loan sales without loss to CCRC and with affordability covenants fully preserved. For the sold loan, CCRC expects resolution by year-end 2025, with an outcome consistent with the two balance sheet loans—no loss to CCRC and affordability maintained.

An additional balance sheet loan, unrelated to the above sponsor, defaulted in Spring 2025 and was paid in full in July 2025. The loan is fully resolved, with no remaining credit exposure, and no loss to CCRC.

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 provide 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.

In aggregate, the portfolio has a weighted average DSCR of 1.25, improving from last year's figure of 1.23. The weighted average LTV ratio of 56% is marginally higher than 2024 ratio of 55%. At the fund level, the DSCR on bank-funded loans improved from 1.20 to 1.26 year over year, while LTV increased slightly from 59% to 61%. For CCRC loans, DSCR fell from 1.40 to 1.33, while LTV stood consistent at 46%. Occupancy portfolio-wide remains unchanged at 96%.

Table 6: Risk Metrics 2025

2025								
Risk Factor	Bank Funded	UMC	B of A	CCRC Funded	CCRC- BGP	FHLB	Total Funded	Forwards
1. Projects	67	38	7	19	9	1	141	16
2. Balance	\$340,384,930	\$56,252,398	\$25,744,440	\$32,263,423	59,432,474	895,708	\$514,973,373	\$73,692,159
3. \$/DU	\$76,388	\$22,492	\$57,594	\$32,263	73,282.95	17,914	\$55,583	\$70,116
4. Coupon	5.10%	7.13%	5.63%	5.51%	5.95%	5.85%	5.48%	6.45%
5. DSCR	1.26	1.39	1.10	1.31	1.09	2.64	1.25	1.20
6. LTV	61%	45.54%	50%	47%	51.95	17.05	56%	51%
7. Occupancy	96%	98%	94%	92%	94.65	95.00	96%	N/A
8. Maturity	208	81	179	184	214.43	74.07	192	N/A
9. Age	22	168	63	40	13.90	11.43	40	N/A
10. Risk Rating	6.09	6.10	6.48	6.25	6.17	6.00	6.13	N/A
11. Loans >30 Yr Amort(1)	45	1	3	7	4	0	60	9
\$ >30 Yr Amort	277,274,663	2,197,990	10,654,405	17,375,892	25,405,318	-	332,908,269	43,299,631
% \$ >30 Yr Amort	81%	0%	41%	54%	43%	0%	65%	59%
Loans <30 Yr Amort(1)	16	6	4	8	5	1	41	4
\$ <30 Yr Amort	33,932,321	1,488,773	3,724,171	13,296,505	28,033,187	895,708	81,370,665	14,698,528
% \$ <30 Yr Amort	10%	3%	14%	41%	47%	100%	16%	20%
Loans =30 Yr Amort(1)	10	33	4	3	1	0	51	3
\$ =30 Yr Amort	29,177,945	52,565,634	11,365,864	1,591,026	5,993,970	-	100,694,440	15,694,000
% \$ =30 Yr Amort	9%	93%	44%	5%	10%	0%	20%	21%

2024						
Risk Factor	Bank Funded	UMC	B of A	CCRC Funded	Total Funded	Forwards
1. Projects	57	42	7	18	124	30
2. Balance	\$238,126,850	\$61,975,558	\$26,483,279	\$29,957,282	\$356,542,969	\$ 167,328,695
3. \$/DU	\$62,880	\$22,569	\$59,247	\$30,852	\$44,843	\$ 85,678
4. Coupon	4.86%	7.12%	5.63%	5.61%	5.37%	5.76%
5. DSCR	1.20	1.36	0.97	1.40	1.23	1.19
6. LTV	59%	46%	51%	47%	55%	56%
7. Occupancy	96%	97%	94%	94%	96%	N/A
8. Maturity	217	90	191	195	191	N/A
9. Age	24	159	50	36	51	N/A
10. Risk Rating	6.08	6.09	6.28	6.12	6.10	N/A
11. Loans >30 Yr Amort(1)	27	1	3	6	37	26
\$ >30 Yr Amort	155,860,363	2,249,057	10,865,815	14,398,061	183,373,295	151,441,167
% \$ >30 Yr Amort	65%	0%	41%	48%	51%	91%
Loans <30 Yr Amort(1)	18	7	4	8	37	3
\$ <30 Yr Amort	46,574,274	2,155,790	3,988,784	13,305,049	66,023,897	8,793,528
% \$ <30 Yr Amort	20%	3%	15%	44%	19%	5%
Loans =30 Yr Amort(1)	16	36	4	4	60	2
\$ =30 Yr Amort	35,692,213	57,570,712	11,628,680	2,254,172	107,145,778	7,094,000
% \$ =30 Yr Amort	15%	93%	44%	8%	30%	4%

Loans funded in FY 2025 account for 31% of the combined portfolio. For these newly funded loans, DSCRs are based on conversion underwriting projections rather than actual operating performance. Excluding the 2025 originations, the portfolio’s weighted average DSCR rises to 1.28, compared to 1.21 in last year’s analysis when newly funded 2024 loans were excluded.

As averages, the indicators presented in Table 6 may obscure variances within the portfolio, potentially masking risks that a more granular analysis could reveal. Figure 5 (a scatterplot of LTV versus DSCR) and Table 7 (an LTV-DSCR matrix) provide additional insights into the LTV and DSCR characteristics of our loans. Each point on the scatterplot represents a project. In 2025, no project fell within the upper-left quadrant—defined by intersecting lines marking DSCRs below 1.00 and LTVs above 100%.

Figure 5: DSCR-LTV Scatterplot (9/30/2025)

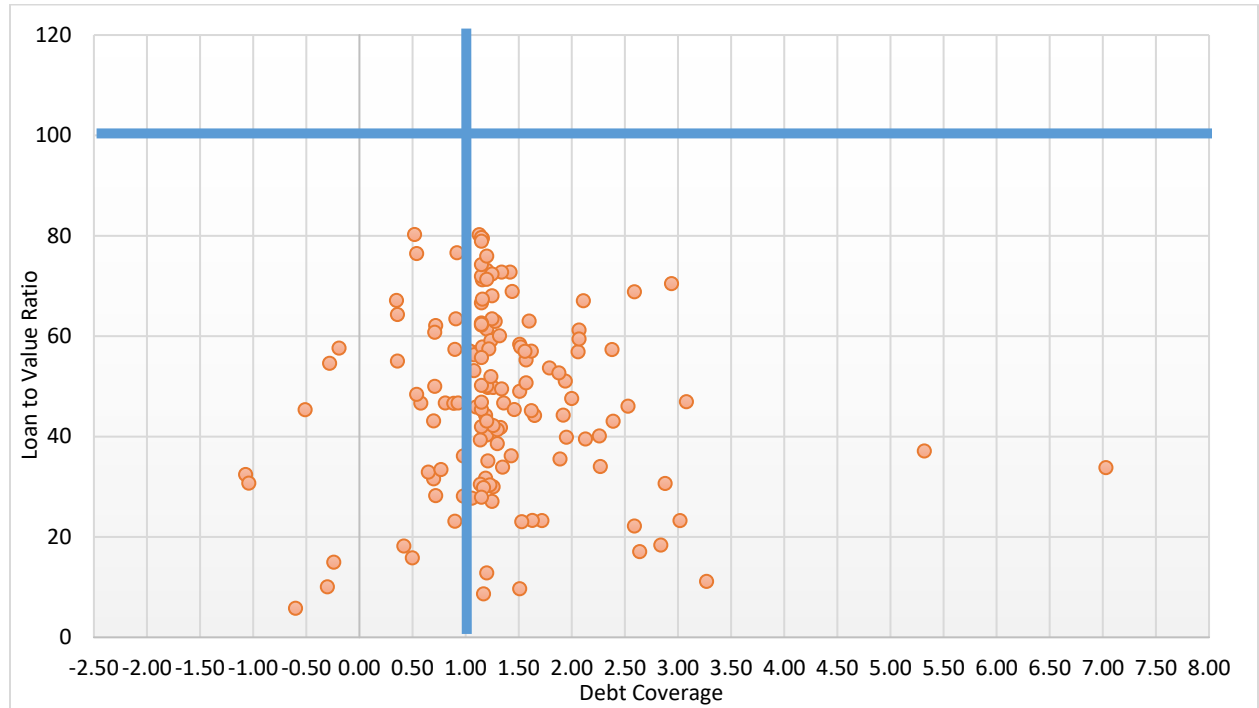


Table 7: DSCR-LTV Matrix (9/30/2025)

LTV	Debt Service Coverage Ratio						Total
	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	
0%--49.x%	46,320,333	10,841,825	77,304,205	13,809,156	30,396,606	31,205,237	209,877,363
50%-59.x%	13,238,366	8,370,046	35,624,404	-	15,748,408	6,414,156	79,395,380
60%-69.x	17,847,192	-	87,315,802	11,159,072	9,087,068	9,372,575	134,781,708
70%-79.x%	5,819,741	-	61,046,622	11,560,960	-	3,733,008	82,160,332
80%-89.x%	2,046,279	6,712,313	-	-	-	-	8,758,592
90%-99.x%	-	-	-	-	-	-	-
100%-200%	-	-	-	-	-	-	-
Total	85,271,910	25,924,184	261,291,034	36,529,188	55,232,081	50,724,976	514,973,373

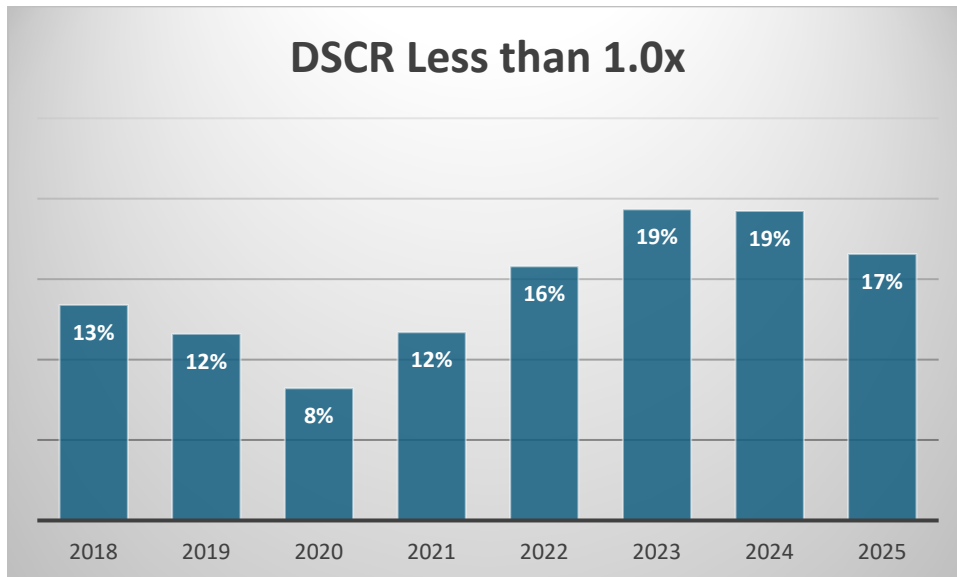
Both the scatterplot and the matrix highlight that the portfolio’s main area of weakness continues to be loans with < 1 DSCR. Based on 2024 audits, 30 properties representing \$85 million in combined loan balances—about 17% of the total portfolio—reported DSCRs below 1.00. This compares with 33 properties totaling \$68.6 million, or 19% of the portfolio, in last year’s analysis.

While the share of the portfolio with sub-1.0x DSCRs declined modestly, the dollar volume increased, indicating that fewer but generally larger loans are now operating below breakeven. Because the overall portfolio balance expanded substantially in 2025, the lower percentage figure should be interpreted with caution—it does not necessarily signify an improvement in underlying performance.

The reduction in the number of underperforming properties is a constructive sign, suggesting some stabilization after several years of operating pressure. Another indicator of improvement is the increase in DSCR from 1.21 to 1.28 among projects with more than one year of operating history.

In the 2024 Portfolio Analysis, we identified rising insurance premiums, security costs, staffing expenses, and general inflation as key drivers of underperformance. Following that report, we conducted a more detailed review of contributing factors, summarized in the attached Portfolio Variance Report.

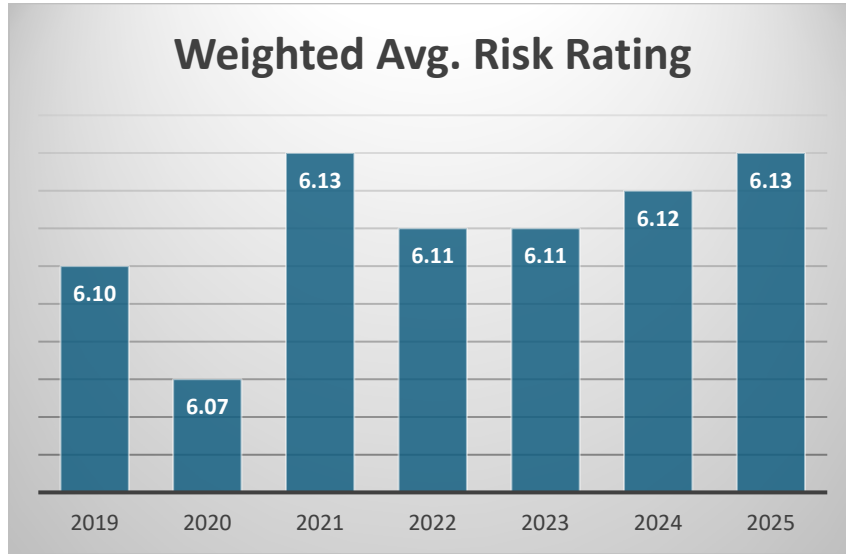
The Variance Report confirms last year’s conclusions but also reveals additional pressures, including rising utility costs—particularly water—as well as increased bad debt and vacancy. These latter trends are likely residual effects of Covid-era eviction moratoriums.



This analysis highlights a common characteristic of affordable housing underwriting: debt coverage often serves as the primary constraint on lending, limiting loan amounts well below

LTV policy thresholds. Because LIHTC lending is constrained by DSCR, the typical LIHTC project lifecycle is frequently marked by occasional dips to or below the breakeven point.

In Table 6, Metric 10 represents the weighted average loan risk rating. Loan risk ratings, assigned by CCRC as outlined in its Credit Policies and Procedures Manual, range from “6” (Pass) to “9” (Doubtful), with watch-rated loans assigned a 6.5. In FY 2025, the aggregate risk rating was 6.13. The graph below shows weighted average risk ratings since 2019.



When Asset Management staff conduct Loan Reviews and assign risk ratings, distinguishing between temporary setbacks and deeper, long-term challenges can often be difficult. If the low DSCR trends noted earlier continue into the coming year, we anticipate an increase in weighted average risk ratings.

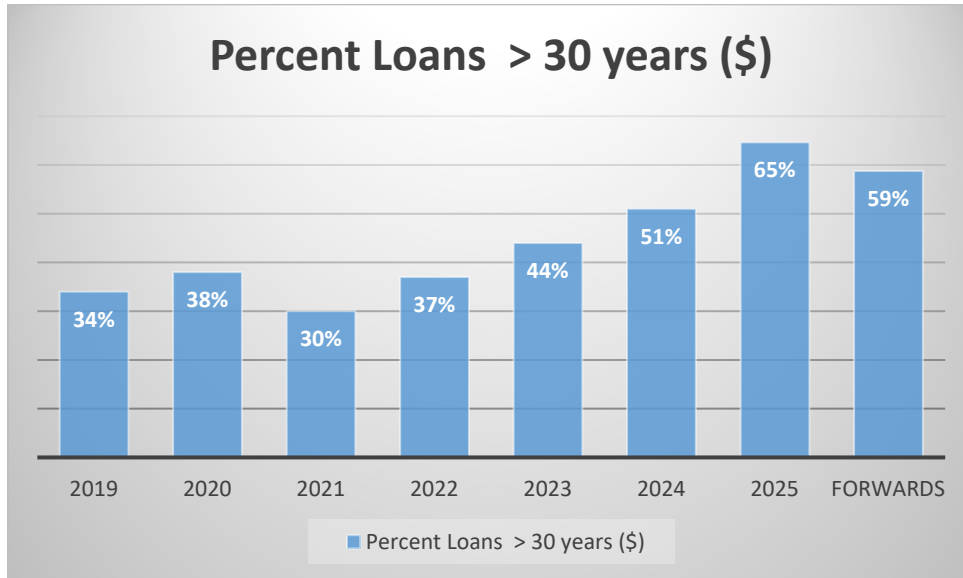
As mentioned earlier, loans funded in 2025 account for 31% of the combined portfolio. Since nearly all newly funded loans receive a risk rating of 6, their inclusion in the weighted average risk rating calculation tends to pull the overall score closer to 6.

However, when newly funded loans are excluded from the calculation, the weighted average risk rating rises to 6.19, slightly higher than the 6.15 reported in 2024 when applying the same exclusion. This suggests a modest increase in underlying portfolio risk year over year, independent of recent originations.

Metric 11 in Table 6 highlights the number of loans with original amortization periods exceeding 30 years, along with the percentage of the total loan balance represented by these loans. The graph below tracks the trend in the proportion of loans with extended amortization periods.

The share of such loans with extended amortization terms continued its year-over-year increase, reaching 65% of the total portfolio in 2025, while 59% forward commitments now carry amortization terms longer than 30 years. This sustained upward trend reflects the normalization of extended amortization structures in affordable housing finance. Longer terms have become a common strategy to improve project feasibility — particularly in an

environment of rising operating costs and interest rates, along with reduced availability of subordinate debt.



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 previous reports, CCRC continues to seek greater diversification across funding sources. While the portfolio remains predominantly bank funded, reflecting the strength of CCRC’s relationships with its member banks, two additional capital sources were introduced in 2025: the BGP and FHLB programs.

Together, these new facilities provide approximately \$135 million in combined funding capacity. As discussed previously, BGP supplies \$100 million in long-term credit and aligns well with our permanent loan products, while the FHLB facility is intended to support our emerging short-term bridge loan program.

2.2. Geographic Stratification

Table 8 provides a summary of portfolio metrics by region. In some cases, the sample sizes are too small to draw definitive conclusions about regional market characteristics—particularly in Sacramento (4 projects) and Northern California (5 projects). Nonetheless, several notable changes are evident compared to 2024.

In 2025, the Bay Area, Los Angeles/Orange, and Northern California regions each showed a noticeable uptick in the share of loans rated 7 or worse. While this warrants closer monitoring, it is too early to conclude that a broader negative trend is persisting. Risk ratings may improve if property-level fundamentals strengthen over the next review cycle. The Inland Empire provides a recent example: its share of 7-rated or worse loans declined from 16% to zero, following resolution of two small-balance loans totaling \$2.5 million. Some of the observed underperformance in the Bay Area and Los Angeles/Orange regions can be attributed to higher vacancies and increased bad debt expense, which have weighed on operating margins. A more detailed review of these property-level dynamics is provided in the CCRC Portfolio Variance Analysis Report.

Table 8: Geographic Analysis

2025								
	Bay Area	Central Coast	Central Valley	Inland Empire	LA/Orange	Northern CA	Sacra-mento	San Diego
Count	25	10	15	10	55	5	4	17
Balance	114,059,223	51,642,843	23,474,157	19,839,659	222,708,232	9,573,571	8,054,398	65,621,290
% Total Balance	22%	10%	5%	4%	43%	2%	1.6%	13%
Units	1,775	465	1,027	814	3,513	241	229	1,201
\$/DU	64,259	111,060	22,857	24,373	63,395	39,724	35,172	54,639
DSCR	1.21	1.26	1.31	1.62	1.15	0.89	1.18	1.61
LTV	55%	63%	56%	51%	55%	67%	54%	60%
Occupancy	94%	97%	96%	97%	95%	98%	95%	98%
Age	46	14	62	59	38	48	17	50
% Risk Rated 7 or Worse	9.64%	0.00%	0.00%	0.00%	11.27%	17.13%	1.57%	0.00%

2024								
	Bay Area	Central Coast	Central Valley	Inland Empire	LA/Orange	Northern CA	Sacra-mento	San Diego
Count	22	7	15	9	49	5	2	15
Balance	91,189,981	12,022,243	17,759,618	15,741,754	157,912,889	10,170,752	767,039	50,978,693
% Total Balance	26%	3%	5%	4%	44%	3%	0.2%	14%
Units	1,488	256	1,000	780	2,967	285	109	1,066
\$/DU	61,284	46,962	17,760	20,182	53,223	35,687	7,037	47,822
DSCR	1.13	1.43	1.53	1.11	1.17	0.42	0.69	1.62
LTV	55%	59%	50%	53%	53%	67%	12%	61%
Occupancy	95%	98%	96%	98%	96%	96%	95%	98%
Age	43	31	85	87	46	54	63	58
% Risk Rated 7 or Worse	3.44%	0.00%	0.00%	16.33%	6.61%	8.83%	19.05%	0.00%

2.3. Loan Concentrations

CCRC monitors its exposure to sponsors and LIHTC investors. While concentration risk is an important consideration, it is somewhat less critical in this context than in traditional lending portfolios. Nearly all CCRC borrowers are stand-alone, single-asset entities that cannot provide cross-support to other properties. Additionally, LIHTC investors typically fund 90% of their equity before CCRC disburses its permanent loan, and the loans themselves are non-recourse beyond the real estate collateral.

Nevertheless, sponsor capacity and financial strength remain important risk factors. Sponsor-affiliated entities often provide operating deficit guarantees to their LIHTC limited partners, which indirectly benefits CCRC. Furthermore, sponsors with a history of defaults, foreclosures, or compliance issues risk losing access to future LIHTC allocations and soft debt awards. This provides a strong incentive for sponsors to support projects — even beyond the formal guarantee period — helping mitigate long-term risk to CCRC.

Table 9 provides an overview of CCRC's exposure to the top 10 sponsors in FY 2025 and FY 2024, measured by loan balances and commitments. Over this period, CCRC's total exposure to the top 10 sponsors decreased from 58% to 51%, reflecting higher diversity due to increased portfolio size.

CCRC's lending policies cap sponsor exposure at \$30 million, although higher limits may be approved by Loan Committee and Executive Committee for select sponsors. When recommending an increased cap, CCRC evaluates sponsor capacity by analyzing sponsor and related-party financial statements, REO schedules, and internal loan reviews.

The \$30 million cap replaced a \$20 million limit established in 1989, when the total CCRC loan fund was \$100 million. With over \$600 million in available credit today—including the bank line, BGP facility, Bank of America, and FHLB facility—the six-fold increase in lending capacity, alongside larger loan sizes and increased origination volume, has made sponsor cap exceptions more likely.

To mitigate sponsor exposure risk, CCRC employs strategies such as loan sales and, on occasion, one-off assignments of forward commitments to other lenders. Even in cases of high exposure to a single sponsor, risk is typically distributed across numerous smaller loans. For example, as shown in Table 9, the \$59.8 million exposure to our top-ranked sponsor is spread across 11 projects.

In recent years, elevated interest rates have limited loan sale opportunities, contributing to higher sponsor concentration levels. However, recent declines in market interest rates, combined with an increase in the weighted average yield of our bank pool loans, create favorable conditions for a potential loan sale in 2026. As a result, we anticipate a reduction in sponsor concentrations over the coming year.

Forward commitments, which CCRC includes in its sponsor exposure calculations, accounted for 13% of year-end exposure, compared to 47% in 2024.

Table 9: CCRC Exposure to Sponsors

2025 Rank	Sponsor	2025 Exposure	Number of Projects	% of Total Exposure	2024 Exposure	2024 Rank
1	XXXXXXXX	59,822,190	11	10%	60,946,083	1
2	XXXXXXXX	55,183,651	8	9%	54,193,805	2
3	XXXXXXXX	49,834,090	10	8%	50,262,614	3
4	XXXXXXXX	32,492,154	5	6%	27,419,331	5
5	XXXXXXXX	28,620,619	7	5%	27,773,762	4
6	XXXXXXXX	21,152,870	7	4%	17,497,266	7
7	XXXXXXXX	19,484,849	3	3%	19,812,910	6
8	XXXXXXXX	16,559,595	5	3%	16,026,438	8
9	XXXXXXXX	15,199,030	4	3%	9,267,517	16
10	XXXXXXXX	15,143,175	2	3%	15,477,004	9
	Top 10 Total	313,492,222		53%	254,701,261	58%

*2024 total exposure and percentage of total exposure based on 2024 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 2025, the top 5 investors accounted for 75% of CCRC’s total LIHTC investor exposure, up from 70% in 2025. Wells Fargo remained the largest LIHTC investor, accounting for 39% of CCRC’s exposure, nearly unchanged from the prior year. US Bank’s share increased from 7% to 11%.

Table 10: CCRC Exposure to LIHTC Investors

2025 Rank	Tax Credit Investor	2025 Loan Exposure	% of Total Exposure	2024 Loan Exposure	2024 Rank
1	Wells Fargo	227,737,191	39%	190,018,749	1
2	Bank of America	65,911,534	11%	69,618,143	3
3	US Bank	64,902,863	11%	36,129,375	4
4	National Equity Fund	63,224,008	11%	58,573,593	2
5	Hudson Housing Capital	19,787,980	3%	20,233,650	5
	Top 5 Total	441,563,576	75%	374,573,510	70%

*2024 total exposure and percentage of total exposure based on 2024 top 5 investors.

2.4. Risk Ratings

Figure 6 illustrates changes in the ratio of problem loans (rated 7 and above) to total funded loans. At the end of FY 2025, there were 12 problem loans in the portfolio up from 9 in 2024.

There was significant turnover within the problem loan list during the year. Seven loans were added, while four were removed — three due to repayment and one due to improved performance. Additionally, two loans were downgraded from a risk rating of 7 to 8.

At the start of FY 2025, two problem loans were paid off: XXXXXX (rated 7) and XXXXXXs (rated 8). XXXXXX was the worst-performing loan in the portfolio from a cash flow perspective, making its repayment a meaningful improvement in overall portfolio quality.

XXXXXXXX was removed from the problem loan list following a default resolution — specifically, a loan sale to the subordinate lender — as discussed in Section 2 of this report.

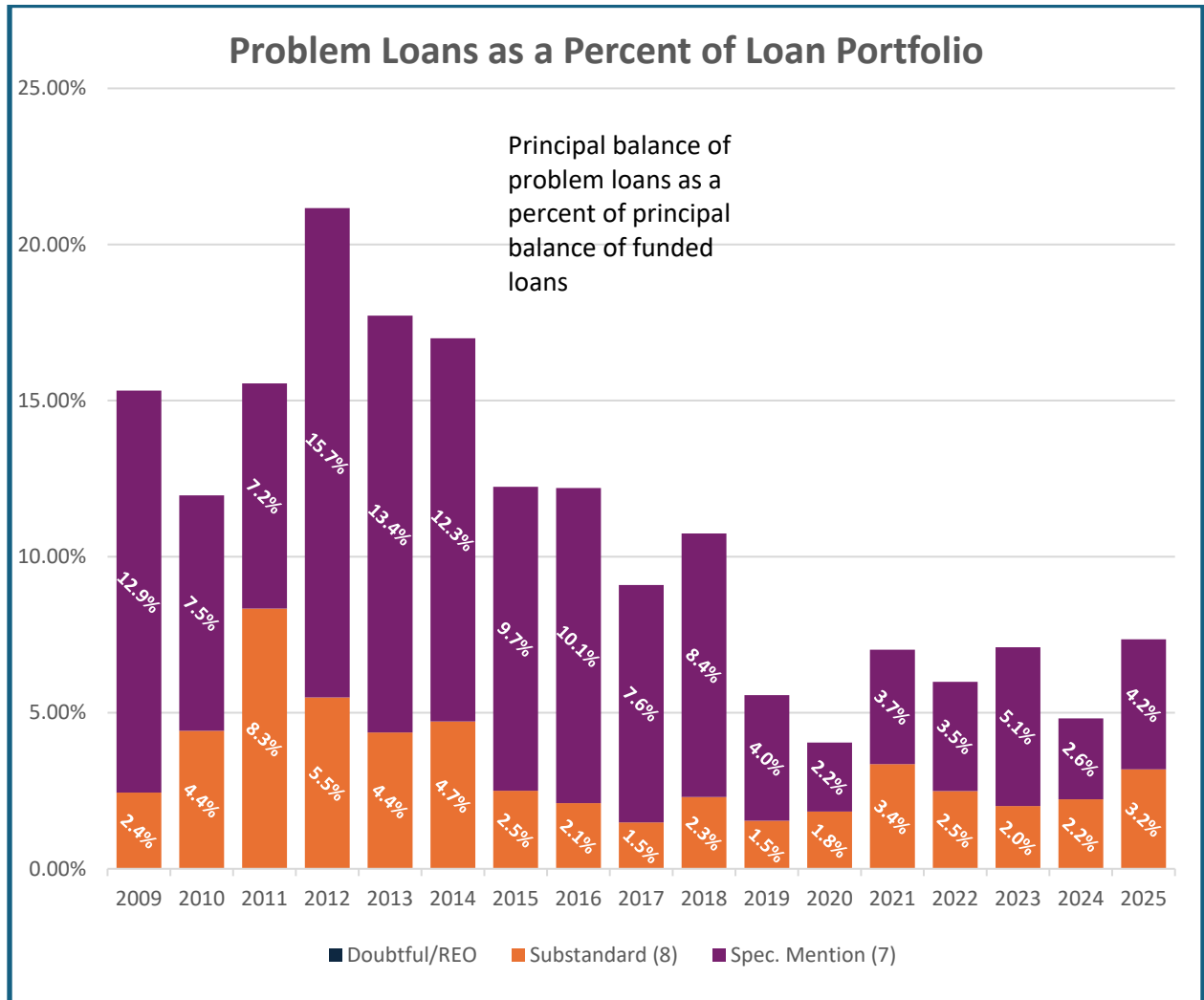
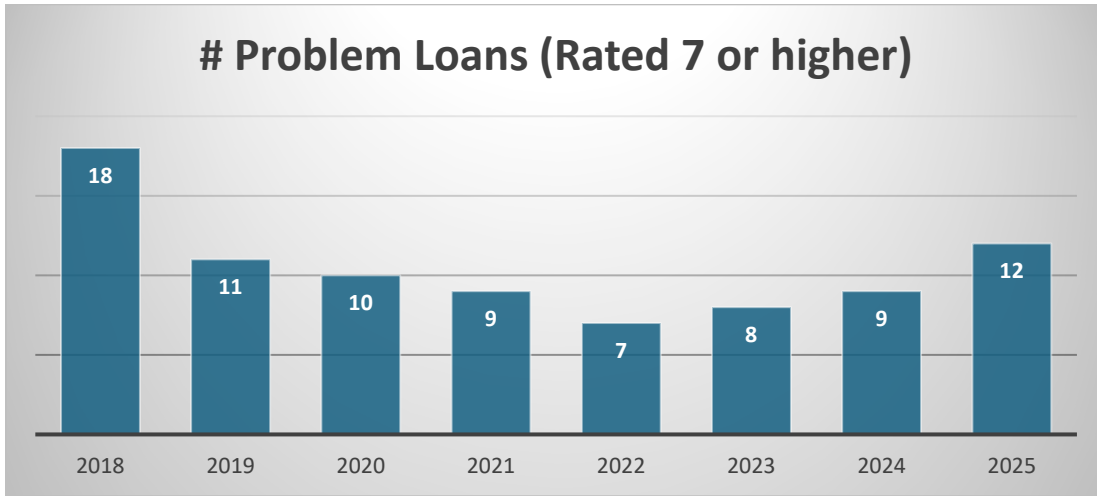


Figure 6: Problem Loans as a Percent of Funded Portfolio



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3. Loan Loss Reserve Adequacy

With the 2023 Portfolio Analysis, we began transitioning to a new methodology for calculating loan loss reserve adequacy. This change aligns with the Financial Accounting Standards Board's (FASB) 2016 introduction of the Current Expected Credit Loss (CECL) methodology for estimating allowances for credit losses. CECL became effective for CCRC in 2024, requiring us to adopt this methodology starting with the 2024 Audit.

3.1. Overview of CECL

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

For rental housing, CECL necessitates an assessment of a range of factors, including tenant payment history, vacancy rates, market conditions, and economic trends. These factors collectively inform allowance values. In many cases, such assessments could result in lower valuation estimates and higher loan-to-value (LTV) ratios. Under our old methodology, LTV did not factor directly into the calculation of loan loss allowances. However, LTV plays a significant role in our new approach, which is a primary reason why the overall decreased.

In 2024 we developed internal guidelines to streamline the implementation of this new procedure. These guidelines facilitated smooth adoption of CECL standards while maintaining compliance with FASB requirements.

3.2. Loan Loss Reserve Procedure

Our Loan Loss Reserve procedure replaces the formula used prior to 2024 with a model that incorporates additional variables and portfolio data. As in prior years, we will continue to validate the model's reserve calculation by comparing it to "floor" (best-case) and "ceiling" (worst-case) scenarios. This approach ensures the model's results are reasonable when evaluated against a range of potential outcomes.

Changes in the Loan Loss Reserve Methodology

The calculation methodology incorporates three significant changes from the approach used prior to 2024.

1. Lower Loan Loss Provision Factors – These factors have been adjusted to align with CECL's forward-looking approach.
2. Loss Severity Calculation Tied to LTV – The severity of a potential loss will now be directly tied to a project's loan-to-value (LTV) ratio.
3. Individual Impairment Determinations (IID) – Management will assign IID assessments to a subset of loans rated "7" or higher, where a special provision is deemed necessary. Additionally, an IID will be conducted for every loan at conversion.

Annual Review and Updates

In recognition of CECL's requirement that loan loss provisions reflect both current and historical market conditions, we will review and, if necessary, revise calculation factors on an annual basis. To facilitate this process, we propose incorporating this review into the annual Loan Portfolio Analysis.

New Loss Provision Factors

The table below compares our historic Loan Loss Provision Factors with our current CECL compliant methodology.

Rating	Historic Loan Loss Provision Factor	Current 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 significant change to the Provision Factors is the reduction of the factor for "6"-rated loans from 1% to 0.57%. This adjustment is based on the Affordable Housing Credit Study published in 2021 by CohnReznick, which reported a nationwide cumulative foreclosure rate of 0.57% over the 35-year history of the LIHTC program. While this figure is still higher than CCRC's historic loss rate of 0.07%, it is important to note that historic foreclosure rates and loss rates are not directly comparable, as foreclosure may not always result in principal loss.

In its 2023 update, CohnReznick reported a slight decline in the national foreclosure rate to 0.50%; however, CCRC has elected to retain the more conservative 0.57% factor.

For "6W" (watchlist) loans, we have maintained the 1% Provision Factor. For "7" (special mention) rated loans, we have reduced the factor to 3%, while keeping the factor for "8"-rated loans at 15%. For both "7" and "8"-rated loans, we reserve the right to adjust Provision Factors as circumstances warrant, in accordance with special provision procedures discussed in Section C: Individual Impairment Determinations (IID).

Annual Review

To ensure alignment with CECL guidelines, which require continuous assessments of market conditions and trends, we will conduct an annual review of Provision Factors. If warranted, these factors will be revised as part of this review. We plan to continue using Cohn Reznick's LIHTC study as a primary source for updates, as this report is updated regularly. However, we will also incorporate other reliable data sources, such as reports from Fannie Mae, Freddie Mac, and internal portfolio data, to inform our assessments.

Understanding Provision Factors and Loss Severity

Provision Factors represent management's probability assessment of loan default. For example:

- For "6"-rated loans, we assign a 0.57% probability of default.
- For "8"-rated loans, absent a Special Provision determination, we assign a 15% probability of default.

Once a probability of default has been established, the next step is to estimate the potential loss severity. This involves a valuation-based analysis to project the magnitude of loss in the event of default.

B. Loss Severity Calculation

The purpose of the loss severity calculation is to estimate potential losses resulting from a foreclosure sale. Our formula is as follows:

Liquidation Value = (Appraised Value x (100% - Valuation Discount)) - Deferred Maintenance

Liquidation Proceeds = Liquidation Value - Loan Balance

Provision Amount = Liquidation Proceeds x Loan Loss Provision Factor

Note: If Liquidation Proceeds is a positive amount, the Provision Amount is \$0. A loan loss provision is only applicable when a loss on sale is projected (negative Liquidation Value)

The standard Valuation Discount is 50%. Reducing the appraised value by 50% is a broad-brush adjustment that accounts for factors likely to reduce foreclosure sale proceeds, such as:

- Foreclosure transaction and holding costs.
- Liquidation sale (fire sale) discount.
- Appraised value adjustments due to outdated reports or market declines, particularly in distressed situations.

In most cases, properties entering foreclosure will be reappraised. In such instances, applying the standard 50% Valuation Discount may overestimate losses. CCRC's policy permits overriding the calculated provision by adjusting the Valuation Discount when justified.

CCRC may adjust the Valuation Discount for a loan as part of the impairment determination process. This flexibility allows for more precise calculations when circumstances warrant. Factors leading to the proposal of a Special Valuation Discount should be material, have readily identifiable causes, and be systemic, meaning the underlying issues cannot reasonably be corrected or reversed in the near term, nor is there a viable remediation plan.

C. Individual Impairment Determination (IID)

At management's discretion, CCRC may assign Special Provision amounts to selected loans rated "7" or "8." The decision to assign a Special Provision and determine its amount will be guided by criteria outlined in CCRC's Credit Policies and Procedures. These criteria include a range of operating performance, sponsorship, and economic factors, such as:

- **Operating Performance:** Cash flow, DSCR, vacancy, and bad debt
- **LTV Ratio**
- **Reserve Balances**
- **Property Condition**
- **Neighborhood Conditions**
- **Sponsorship Capacity and Financial Stability**
- **LIHTC Compliance Period Status**
- **Balloon Payments:** Size and number of years to maturity.

Process for Assigning Special Provisions

Based on their **Loan Reviews**, CCRC Asset Managers will recommend whether a loan should be individually impaired and, if applicable, the amount of the provision. The **Special Provision Amount** will be calculated by adjusting one or both of the following:

1. **Loan Loss Provision Factor**
2. **Appraised Value Discount**

Example Application of IID

Consider an "8"-rated loan with a higher probability of default than the 15% assumed in our standard model. This determination might stem from concerns about a weak sponsor managing a poorly performing project, coupled with an imminent balloon payment in a high-interest-rate environment. In this case:

- We might increase the Loan Loss Provision Factor from 15% to, say, 40% to reflect the heightened risk of default.
- Additionally, we might adjust the Appraised Value Discount to reflect more accurate, current property valuation data.

The ability to assign Individual Impairments ensures CCRC can tailor loss estimates to specific circumstances, allowing for a more precise and proactive approach to risk management.

D. Loan Loss Provision Model – Formula Derived Provision Amount

We calculate the provision for loan losses using the model shown in Exhibit III. The model integrates with FICS and can be run in both Excel and Crystal Reports, enabling seamless updates. By linking to FICS, the allowance for loan losses can be updated in real time to reflect new loan fundings, repayments, and rating changes as they occur.

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

Calculating the Floor: Historical Loss Rate

As shown in Exhibit II, on the line titled “Charge-offs, Real Estate Write-Downs, Losses on Loan Sales,” CCRC has experienced only three loss events in its mortgage history—two foreclosures and one loan sale at a credit discount. Notably, the most recent of these events occurred over 19 years ago. Accordingly, we have limited data with which to analyze the factors contributing to loan defaults and recovery rates.

Since its inception, CCRC’s total mortgage losses amount to \$976,794, or just 0.07% of total loan originations over the organization’s 35-year history (hereafter referred to as “CCRC’s historical loss rate”).

Performance Context: LIHTC Industry Comparison

CCRC’s performance aligns with trends in the LIHTC industry, as documented in in CohnReznick’s ongoing LIHTC industry surveys.⁵

- **CohnReznick 2021 Survey:** This study of over 30,000 LIHTC properties reported a cumulative foreclosure rate of 0.57%, despite finding that approximately 12% of LIHTC properties operated below breakeven in 2020.
- **CohnReznick 2023 Survey:** The foreclosure rate fell to 0.50%; however, 23.2% of the national LIHTC portfolio incurred an operating deficit in 2022, reflecting increasing pressures on the industry.

CCRC’s portfolio has generally performed well relative to these metrics. However, as discussed in Section 2.1, the dollar value of CCRC loans operating below breakeven has been elevated since 2023, compared to historic levels. Accordingly, we have applied a higher provision factor to reflect this heightened risk.

Calculating the Ceiling: Worst-Case Loss Expectation

We calculate the ceiling by adding a worst-case liquidation value for loans rated “7” or higher to an allowance figure calculated by applying CCRC’s historic loss rate to its portfolio of pass rated loans. The liquidation value for a loan is based on the premise that the loan collateral will be liquidated, with foreclosure proceeds serving as the only source of repayment. The liquidation value is calculated as follows:

1. **Determine NOI:** Use the average NOI for the past three years.⁶
2. **Apply a Capitalization Rate:**
 - **8% cap rate** for coastal properties.
 - **9% cap rate** for inland properties.
3. **Deduct Deferred Maintenance:** Subtract any deferred maintenance costs identified during the latest loan review.

⁵ “Affordable Housing Credit Study: A Comprehensive Affordable LIHTC Property Performance Report”, CohnReznick LLP, November 2021 and November 2023.

⁶ CCRC staff determine NOI by reviewing the 3 most recent audits or, if there is not an audit, the most recent financial statements.

4. **Account for Quick Sale Discount:** Multiply the result by **90%** to reflect a quick-sale discount.

This liquidation value is intentionally conservative. It assumes:

- High capitalization rates,
- No contribution from remaining tax credits,
- No sponsor support, and
- No potential value increase from converting the property to market rate.

The results of this analysis are detailed in **Exhibit IV**.

3.4. Loan Loss Reserve Calculations

Table 13 compares the floor and ceiling calculations for 2025 and 2024 with the formula-based allowance. In 2025, CCRC assigned an IID to one 8-rated loan, applying a provision factor of 20%. Another 8-rated loan, assessed with the standard 15% provision factor, accounts for nearly one-third of the recommended loan loss allowance.

Table 11: Allowance for Loan Losses Calculation

	\$ at 9/30/25	Percent of Loan Portfolio	\$ at 9/30/24	Percent of Loan Portfolio
FLOOR	341,439	0.07%	264,760	.07%
CEILING	16,886,377	3.28%	10,594,109	2.97%
MODEL (formula)	975,268	0.19%	475,344	0.13%
RECOMMENDED	975,268	0.19%	475,344	0.13%

3.5. Allowance for Loan Losses Recommendation

This year we recommend that the Loan Committee adopt CCRC’s formula reserve **\$975,268** as CCRC’s provision for loan losses. It amounts to 0.19% of the funded loan portfolio and 6% of all classified loans (rated 8 and above).

RECOMMENDATION:

That the September 30, 2025 Allowance for Loans be set at **\$975,268**, in accordance with CCRC’s formula provision.

CCRC LOAN COMMITTEE

Date Approved by Loan Committee:

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

September 30, 2025

County	2025 CCRC Exposure	2025 %CCRC Exposure	2024 CCRC Exposure	2024 % CCRC Exposure
Alameda	32,188,783	5.47%	33,225,927	6.34%
Butte	NA	NA	898,288	0.17%
Colusa	742,680	0.13%	758,373	0.14%
Contra Costa	982,328	0.17%	528,369	0.10%
El Dorado	2,850,000	0.48%	NA	NA
Fresno	20,410,589	3.47%	20,135,020	3.84%
Humboldt	2,552,000	0.43%	NA	NA
Imperial	1,911,757	0.32%	1,937,256	0.37%
Kern	11,908,107	2.02%	4,685,329	0.89%
Kings	858,554	0.15%	885,382	0.17%
Los Angeles	182,482,821	31.00%	169,679,701	32.39%
Madera	387,790	0.07%	410,803	0.08%
Nevada	6,712,313	1.14%	6,805,355	1.30%
Orange	62,645,939	10.64%	57,579,316	10.99%
Placer	1,136,251	0.19%	1,180,368	0.23%
Riverside	14,001,967	2.38%	13,015,271	2.48%
Sacramento	4,860,647	0.83%	3,391,900	0.65%
San Bernardino	5,837,692	0.99%	7,479,919	1.43%
San Diego	82,997,164	14.10%	71,435,068	13.64%
San Francisco	13,659,103	2.32%	NA	NA
San Luis Obispo	2,008,656	0.34%	2,041,079	0.39%
San Mateo	15,123,793	2.57%	6,211,181	1.19%
Santa Barbara	8,704,055	1.48%	8,896,282	1.70%
Santa Clara	19,299,891	3.28%	19,816,039	3.78%
Santa Cruz	39,928,780	6.78%	38,539,000	7.36%
Solano	5,496,813	0.93%	5,570,893	1.06%
Sonoma	37,518,840	6.37%	37,487,642	7.16%
Stanislaus	3,175,620	0.54%	3,316,637	0.63%
Tulare	2,377,497	0.40%	2,440,446	0.47%
Ventura	1,001,352	0.17%	1,084,883	0.21%
Yolo	4,903,751	0.83%	4,435,939	0.85%
TOTAL	588,665,532	100.00%	523,871,664	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	2024	2025	TOTAL	AVERAG	
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	303,491,477	466,269,416		153,140,767	
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	115,586,342	157,827,788	1,473,244,176		
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	1,326,207	1,437,718			
Increase in Deferred Revenue	307,015	563,167	812,618	115,316	(112,288)	536,060	996,683	1,236,913	(115,794)	(1,335,247)	(1,129,710)			
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	12,392,546	18,517,200			
Gross Yield	6.09%	6.32%	5.97%	4.32%	5.70%	5.26%	3.22%	5.40%	5.08%	5.00%	4.81%			
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	475,344	(975,268)			
Provision Expense	(643,367)	575,253	(91,091)	(1,591,983)	60,180	(1,392,359)	377,350	487,044	(2,071,033)	(531,088)	(1,450,612)	(470,401)		
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%	0.16%	-0.21%			
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%	-0.46%	-0.92%			
					Total Provision Expense as a % of Total Originations =====>									-0.03%
					Total Historical Loan Losses* As a Percentage of Total Originations =====>									0.066%
					Total Historical Loan Losses* As a Percentage of Average Loans Receivable Originations=====>									0.64%
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	1,238,850.43	1,924,402.23			
* "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 Name		Prin Bal	LnClass	Restricted Val	DeControl Val	Appr Dt	LTV	DefMaint	Val. Discount	Liquidation Val (50% App val)	Liqu Proceeds	Factor	Provision
XXXXXXXXXXXXXX		1,788,315	6.0	7,700,000	7,650,000	5/10/2022	23	-	50%	3,850,000	2,061,685	0.57%	-
XXXXXXXXXXXXXX		11,247,000	6.0	18,320,000	9,030,000	2/5/2025	61	-	50%	9,160,000	(2,087,000)	0.57%	11,896
XXXXXXXXXXXXXX		12,376,650	6.0	25,270,000	15,480,000	5/25/2021	49	-	50%	12,635,000	258,350	0.57%	-
XXXXXXXXXXXXXX		895,708	6.0	5,253,000	10,311,000	10/17/2024	17	-	50%	2,626,500	1,730,792	0.57%	-
XXXXXXXXXXXXXX		478,211	6.0	1,019,000	1,805,000	1/29/2025	47	-	50%	509,500	31,289	0.57%	-
XXXXXXXXXXXXXX		43,601	6.0	433,986	1,550,000	4/24/1996	10	-	50%	216,993	173,392	0.57%	-
XXXXXXXXXXXXXX		289,681	6.0	1,030,000	960,000	7/1/2010	28	-	50%	515,000	225,319	0.57%	-
XXXXXXXXXXXXXX		238,073	6.0	1,030,000	3,020,000	8/22/2002	23	5,700	50%	512,150	274,077	0.57%	-
XXXXXXXXXXXXXX		558,416	6.0	2,400,000	6,530,000	8/14/2003	23	-	50%	1,200,000	641,584	0.57%	-
XXXXXXXXXXXXXX		504,117	7.0	3,370,000	2,640,000	8/11/2006	15	-	50%	1,685,000	1,180,883	3.00%	-
XXXXXXXXXXXXXX		2,091,866	6.0	4,100,000	4,175,000	3/30/2012	51	-	50%	2,050,000	(41,866)	0.57%	239
XXXXXXXXXXXXXX		2,004,667	6.0	3,775,000	4,325,000	3/15/2010	53	-	50%	1,887,500	(117,167)	0.57%	668
XXXXXXXXXXXXXX	(1)	2,994,914	8.0	5,200,000	5,575,000	6/26/2009	58	-	50%	2,600,000	(394,914)	20.00%	78,983
XXXXXXXXXXXXXX		2,018,174	6.0	4,325,000	4,125,000	5/12/2011	47	-	50%	2,162,500	144,326	0.57%	-
XXXXXXXXXXXXXX		2,197,990	6.0	4,775,000	5,175,000	9/14/2010	46	-	50%	2,387,500	189,510	0.57%	-
XXXXXXXXXXXXXX		3,103,695	6.0	6,650,000	11,450,000	8/25/2009	47	-	50%	3,325,000	221,305	0.57%	-
XXXXXXXXXXXXXX		1,728,080	6.0	5,475,000	5,225,000	1/24/2009	32	-	50%	2,737,500	1,009,420	0.57%	-
XXXXXXXXXXXXXX		2,591,791	6.0	7,650,000	14,950,000	11/24/2008	34	-	50%	3,825,000	1,233,209	0.57%	-
XXXXXXXXXXXXXX		1,751,343	6.0	3,000,000	4,050,000	4/10/2009	58	-	50%	1,500,000	(251,343)	0.57%	1,433
XXXXXXXXXXXXXX		1,057,048	6.0	2,125,000	4,150,000	6/12/2009	50	-	50%	1,062,500	5,452	0.57%	-
XXXXXXXXXXXXXX		858,554	6.0	1,600,000	2,800,000	3/25/2010	54	-	50%	800,000	(58,554)	0.57%	334
XXXXXXXXXXXXXX		2,345,449	6.0	7,400,000	9,475,000	7/2/2012	32	-	50%	3,700,000	1,354,551	0.57%	-
XXXXXXXXXXXXXX		1,417,746	6.0	3,675,000	3,850,000	11/4/2009	39	-	50%	1,837,500	419,754	0.57%	-
XXXXXXXXXXXXXX		1,248,083	6.0	2,900,000	5,725,000	12/11/2009	43	-	50%	1,450,000	201,917	0.57%	-
XXXXXXXXXXXXXX		663,446	6.0	1,950,000	3,425,000	12/14/2009	34	-	50%	975,000	311,554	0.57%	-
XXXXXXXXXXXXXX		2,886,011	6.0	5,800,000	8,675,000	12/29/2009	50	-	50%	2,900,000	13,989	0.57%	-
XXXXXXXXXXXXXX		2,443,612	6.0	4,300,000	6,800,000	12/28/2009	57	-	50%	2,150,000	(293,612)	0.57%	1,674
XXXXXXXXXXXXXX		1,820,819	6.5	3,903,640	3,903,640	12/23/2009	47	-	50%	1,951,820	131,001	1.00%	-
XXXXXXXXXXXXXX		1,542,200	6.0	3,400,000	5,100,000	1/12/2010	45	-	50%	1,700,000	157,800	0.57%	-
XXXXXXXXXXXXXX		4,164,030	6.0	7,200,000	7,800,000	12/16/2009	58	-	50%	3,600,000	(564,030)	0.57%	3,215
XXXXXXXXXXXXXX		387,790	6.0	900,000	2,125,000	4/9/2010	43	-	50%	450,000	62,210	0.57%	-
XXXXXXXXXXXXXX		2,442,676	6.0	5,325,000	5,425,000	8/28/2012	46	-	50%	2,662,500	219,824	0.57%	-
XXXXXXXXXXXXXX		591,439	6.0	1,040,000	2,630,000	1/19/2012	57	-	50%	520,000	(71,439)	0.57%	407
XXXXXXXXXXXXXX		1,076,366	6.0	2,575,000	3,250,000	8/25/2010	42	-	50%	1,287,500	211,134	0.57%	-
XXXXXXXXXXXXXX		379,542	6.0	1,050,000	2,050,000	9/11/2010	36	-	50%	525,000	145,458	0.57%	-
XXXXXXXXXXXXXX		976,507	6.5	1,775,000	2,500,000	9/2/2010	55	-	50%	887,500	(89,007)	1.00%	890
XXXXXXXXXXXXXX		1,571,590	8.0	2,880,000	3,770,000	10/1/2012	55	-	50%	1,440,000	(131,590)	15.00%	19,739
XXXXXXXXXXXXXX		362,503	6.0	3,750,000	3,750,000	12/7/2010	10	-	50%	1,875,000	1,512,497	0.57%	-
XXXXXXXXXXXXXX		621,810	6.0	2,675,000	4,350,000	9/13/2012	23	-	50%	1,337,500	715,690	0.57%	-
XXXXXXXXXXXXXX		717,784	6.0	2,125,000	4,275,000	8/1/2012	34	-	50%	1,062,500	344,716	0.57%	-
XXXXXXXXXXXXXX		1,569,561	6.0	3,300,000	4,825,000	7/20/2012	48	-	50%	1,650,000	80,439	0.57%	-
XXXXXXXXXXXXXX		747,862	6.0	4,075,000	6,675,000	1/20/2011	18	-	50%	2,037,500	1,289,638	0.57%	-
XXXXXXXXXXXXXX		2,880,854	6.0	5,025,000	5,900,000	4/13/2011	57	-	50%	2,512,500	(368,354)	0.57%	2,100
XXXXXXXXXXXXXX		704,966	7.0	2,175,000	5,600,000	8/4/2011	32	-	50%	1,087,500	382,534	3.00%	-
XXXXXXXXXXXXXX		126,766	7.0	2,200,000	6,260,000	11/26/2012	6	-	50%	1,100,000	973,234	3.00%	-
XXXXXXXXXXXXXX		1,853,479	6.0	3,520,000	7,090,000	11/15/2016	53	-	50%	1,760,000	(93,479)	0.57%	533
XXXXXXXXXXXXXX		1,410,956	6.5	2,050,000	8,840,000	3/18/2021	69	-	50%	1,025,000	(385,956)	1.00%	3,860
XXXXXXXXXXXXXX		2,426,768	6.5	7,375,000	11,025,000	6/1/2020	33	-	50%	3,687,500	1,260,732	1.00%	-
XXXXXXXXXXXXXX		3,724,171	6.0	12,430,000	3,620,000	1/17/2018	30	-	50%	6,215,000	2,490,829	0.57%	-
XXXXXXXXXXXXXX		3,053,457	6.0	6,900,000	7,630,000	2/1/2018	44	-	50%	3,450,000	396,543	0.57%	-

Exhibit III: Loan Loss Provision Model

Loan Name	Prin Bal	LnClass	Restricted Val	DeControl Val	Appr Dt	LTV	DefMaint	Val. Discount	Liquidation Val (50% App val)	Liqu Proceeds	Factor	Provision
XXXXXXXXXXXXXX	610,273	6.0	4,760,000	4,760,000	2/9/2018	13	-	50%	2,380,000	1,769,727	0.57%	-
XXXXXXXXXXXXXX	1,356,455	6.0	8,575,000	8,575,000	10/11/2018	16	-	50%	4,287,500	2,931,045	0.57%	-
XXXXXXXXXXXXXX	5,261,326	7.0	19,000,000	10,070,000	11/3/2022	28	-	50%	9,500,000	4,238,674	3.00%	-
XXXXXXXXXXXXXX	5,448,736	6.5	8,775,000	5,350,000	10/1/2018	62	-	50%	4,387,500	(1,061,236)	1.00%	10,612
XXXXXXXXXXXXXX	1,961,086	6.0	3,550,000	5,630,000	10/18/2018	55	-	50%	1,775,000	(186,086)	0.57%	1,061
XXXXXXXXXXXXXX	1,982,301	6.0	4,920,000	4,920,000	9/28/2018	40	-	50%	2,460,000	477,699	0.57%	-
XXXXXXXXXXXXXX	1,877,372	6.0	3,275,000	5,075,000	11/14/2018	57	-	50%	1,637,500	(239,872)	0.57%	1,367
XXXXXXXXXXXXXX	3,304,001	6.5	18,200,000	16,800,000	12/12/2018	18	-	50%	9,100,000	5,795,999	1.00%	-
XXXXXXXXXXXXXX	2,392,296	6.0	3,130,000	3,130,000	4/25/2019	76	-	50%	1,565,000	(827,296)	0.57%	4,716
XXXXXXXXXXXXXX	1,108,077	6.0	3,930,000	3,930,000	12/27/2018	28	-	50%	1,965,000	856,923	0.57%	-
XXXXXXXXXXXXXX	3,018,862	6.0	8,500,000	8,700,000	1/29/2019	36	-	50%	4,250,000	1,231,138	0.57%	-
XXXXXXXXXXXXXX	1,620,640	6.5	3,575,000	4,250,000	1/10/2019	45	-	50%	1,787,500	166,860	1.00%	-
XXXXXXXXXXXXXX	5,494,229	6.0	8,975,000	7,425,000	2/1/2019	61	-	50%	4,487,500	(1,006,729)	0.57%	5,738
XXXXXXXXXXXXXX	1,911,757	6.0	4,625,000	4,625,000	1/18/2019	41	-	50%	2,312,500	400,743	0.57%	-
XXXXXXXXXXXXXX	2,114,159	6.5	5,380,000	5,740,000	3/3/2019	39	-	50%	2,690,000	575,841	1.00%	-
XXXXXXXXXXXXXX	4,131,997	6.0	6,800,000	8,850,000	2/14/2019	61	-	50%	3,400,000	(731,997)	0.57%	4,172
XXXXXXXXXXXXXX	1,715,898	6.0	7,750,000	1,500,000	3/4/2019	22	-	50%	3,875,000	2,159,102	0.57%	-
XXXXXXXXXXXXXX	6,712,313	6.0	8,370,000	5,470,000	7/24/2019	80	2,000	50%	4,184,000	(2,528,313)	0.57%	14,411
XXXXXXXXXXXXXX	9,087,068	6.0	14,430,000	15,180,000	1/13/2020	63	-	50%	7,215,000	(1,872,068)	0.57%	10,671
XXXXXXXXXXXXXX	511,476	6.0	1,670,000	7,000,000	7/11/2019	31	1,750	50%	834,125	322,649	0.57%	-
XXXXXXXXXXXXXX	2,458,531	6.0	9,080,000	4,920,000	8/13/2019	27	-	50%	4,540,000	2,081,469	0.57%	-
XXXXXXXXXXXXXX	2,237,250	6.5	6,700,000	7,500,000	10/20/2022	33	-	50%	3,350,000	1,112,750	1.00%	-
XXXXXXXXXXXXXX	674,727	6.0	2,930,000	5,410,000	9/7/2019	23	-	50%	1,465,000	790,273	0.57%	-
XXXXXXXXXXXXXX	3,895,376	6.5	8,050,000	8,150,000	1/10/2020	48	-	50%	4,025,000	129,624	1.00%	-
XXXXXXXXXXXXXX	742,680	6.0	1,300,000	1,870,000	12/30/2019	57	21,400	50%	639,300	(103,380)	0.57%	589
XXXXXXXXXXXXXX	3,427,445	6.0	4,475,000	6,725,000	2/17/2020	77	-	50%	2,237,500	(1,189,945)	0.57%	6,783
XXXXXXXXXXXXXX	257,983	6.0	2,990,000	1,250,000	2/24/2022	9	-	50%	1,495,000	1,237,017	0.57%	-
XXXXXXXXXXXXXX	1,023,664	6.0	3,360,000	2,830,000	7/7/2023	30	-	50%	1,680,000	656,336	0.57%	-
XXXXXXXXXXXXXX	3,179,087	6.0	5,650,000	6,590,000	2/25/2020	56	-	50%	2,825,000	(354,087)	0.57%	2,018
XXXXXXXXXXXXXX	2,467,390	6.0	3,680,000	7,410,000	2/10/2020	67	-	50%	1,840,000	(627,390)	0.57%	3,576
XXXXXXXXXXXXXX	3,168,127	6.0	6,800,000	4,400,000	2/16/2020	47	7,500	50%	3,396,250	228,123	0.57%	-
XXXXXXXXXXXXXX	4,325,339	6.0	5,850,000	8,800,000	2/17/2020	57	-	50%	2,925,000	(1,400,339)	0.57%	7,982
XXXXXXXXXXXXXX	1,364,935	6.0	3,680,000	5,260,000	2/27/2020	37	-	50%	1,840,000	475,065	0.57%	-
XXXXXXXXXXXXXX	1,136,251	7.0	3,700,000	6,100,000	3/19/2020	31	-	50%	1,850,000	713,749	3.00%	-
XXXXXXXXXXXXXX	3,792,622	6.0	10,800,000	10,890,000	8/9/2020	35	-	50%	5,400,000	1,607,378	0.57%	-
XXXXXXXXXXXXXX	7,754,103	6.0	17,550,000	16,000,000	10/14/2020	44	-	50%	8,775,000	1,020,897	0.57%	-
XXXXXXXXXXXXXX	8,266,459	8.0	12,320,000	12,420,000	10/30/2020	67	-	50%	6,160,000	(2,106,459)	15.00%	315,969
XXXXXXXXXXXXXX	840,717	6.0	2,770,000	3,330,000	12/23/2020	30	-	50%	1,385,000	544,283	0.57%	-
XXXXXXXXXXXXXX	2,046,279	7.0	2,550,000	7,750,000	4/19/2019	80	-	50%	1,275,000	(771,279)	3.00%	23,138
XXXXXXXXXXXXXX	1,965,055	6.0	2,760,000	4,330,000	5/23/2024	71	-	50%	1,380,000	(585,055)	0.57%	3,335
XXXXXXXXXXXXXX	2,688,056	6.0	4,720,000	4,380,000	3/5/2021	57	-	50%	2,360,000	(328,056)	0.57%	1,870
XXXXXXXXXXXXXX	2,967,117	6.5	6,360,000	6,360,000	1/17/2021	47	-	50%	3,180,000	212,883	1.00%	-
XXXXXXXXXXXXXX	2,946,609	6.0	7,350,000	5,550,000	9/1/2023	40	-	50%	3,675,000	728,391	0.57%	-
XXXXXXXXXXXXXX	5,008,441	6.0	6,850,000	5,500,000	1/13/2021	73	-	50%	3,425,000	(1,583,441)	0.57%	9,026
XXXXXXXXXXXXXX	9,743,100	6.0	19,460,000	14,000,000	2/15/2021	50	-	50%	9,730,000	(13,100)	0.57%	75
XXXXXXXXXXXXXX	8,209,843	6.0	13,200,000	8,620,000	9/13/2024	62	-	50%	6,600,000	(1,609,843)	0.57%	9,176
XXXXXXXXXXXXXX	6,093,982	6.0	14,450,000	15,875,000	11/21/2022	42	-	50%	7,225,000	1,131,018	0.57%	-
XXXXXXXXXXXXXX	3,796,964	6.0	5,220,000	16,200,000	2/26/2021	73	-	50%	2,610,000	(1,186,964)	0.57%	6,766
XXXXXXXXXXXXXX	3,733,008	6.0	5,300,000	9,350,000	3/31/2021	70	-	50%	2,650,000	(1,083,008)	0.57%	6,173

Exhibit III: Loan Loss Provision Model

Loan Name	Prin Bal	LnClass	Restricted Val	DeControl Val	Appr Dt	LTV	DefMaint	Val. Discount	Liquidation Val (50% App val)	Liqu Proceeds	Factor	Provision
XXXXXXXXXXXXXX	7,763,997	6.0	10,675,000	13,025,000	2/19/2021	73	-	50%	5,337,500	(2,426,497)	0.57%	13,831
XXXXXXXXXXXXXX	4,395,711	6.0	8,760,000	6,160,000	12/16/2024	50	-	50%	4,380,000	(15,711)	0.57%	90
XXXXXXXXXXXXXX	18,320,844	6.0	23,050,000	37,040,000	6/12/2021	79	-	50%	11,525,000	(6,795,844)	0.57%	38,736
XXXXXXXXXXXXXX	7,497,332	6.0	10,425,000	13,450,000	7/16/2021	72	-	50%	5,212,500	(2,284,832)	0.57%	13,024
XXXXXXXXXXXXXX	5,496,813	6.0	7,980,000	9,780,000	8/7/2021	69	-	50%	3,990,000	(1,506,813)	0.57%	8,589
XXXXXXXXXXXXXX	1,786,058	6.0	3,610,000	6,770,000	9/20/2021	49	2,000	50%	1,804,000	17,942	0.57%	-
XXXXXXXXXXXXXX	6,348,510	6.0	8,550,000	13,450,000	11/1/2021	74	-	50%	4,275,000	(2,073,510)	0.57%	11,819
XXXXXXXXXXXXXX	9,027,972	6.0	14,350,000	14,100,000	10/20/2021	63	-	50%	7,175,000	(1,852,972)	0.57%	10,562
XXXXXXXXXXXXXX	4,844,382	6.0	7,120,000	10,610,000	11/15/2021	68	-	50%	3,560,000	(1,284,382)	0.57%	7,321
XXXXXXXXXXXXXX	7,389,072	6.0	9,730,000	13,880,000	9/27/2021	76	-	50%	4,865,000	(2,524,072)	0.57%	14,387
XXXXXXXXXXXXXX	3,150,647	6.0	5,450,000	8,450,000	9/10/2024	58	-	50%	2,725,000	(425,647)	0.57%	2,426
XXXXXXXXXXXXXX	4,485,559	6.0	6,200,000	8,500,000	12/29/2021	72	-	50%	3,100,000	(1,385,559)	0.57%	7,898
XXXXXXXXXXXXXX	3,234,450	6.0	7,710,000	3,860,000	10/23/2024	42	-	50%	3,855,000	620,550	0.57%	-
XXXXXXXXXXXXXX	14,057,824	6.0	21,100,000	19,170,000	4/29/2025	67	-	50%	10,550,000	(3,507,824)	0.57%	19,995
XXXXXXXXXXXXXX	13,514,532	6.0	21,300,000	9,400,000	2/1/2022	63	-	50%	10,650,000	(2,864,532)	0.57%	16,328
XXXXXXXXXXXXXX	4,872,777	6.0	6,120,000	4,260,000	7/9/2024	80	-	50%	3,060,000	(1,812,777)	0.57%	10,333
XXXXXXXXXXXXXX	2,361,732	6.0	5,340,000	3,350,000	2/1/2022	44	-	50%	2,670,000	308,268	0.57%	-
XXXXXXXXXXXXXX	4,166,711	6.0	7,050,000	9,450,000	6/20/2024	59	-	50%	3,525,000	(641,711)	0.57%	3,658
XXXXXXXXXXXXXX	12,950,000	6.0	19,230,000	13,910,000	3/4/2022	67	-	50%	9,615,000	(3,335,000)	0.57%	19,010
XXXXXXXXXXXXXX	13,464,248	6.0	21,510,000	11,160,000	5/1/2022	63	-	50%	10,755,000	(2,709,248)	0.57%	15,443
XXXXXXXXXXXXXX	5,159,034	6.0	6,540,000	8,280,000	7/15/2022	79	-	50%	3,270,000	(1,889,034)	0.57%	10,767
XXXXXXXXXXXXXX	5,310,636	6.0	11,700,000	8,130,000	10/25/2022	45	-	50%	5,850,000	539,364	0.57%	-
XXXXXXXXXXXXXX	1,302,755	6.0	3,025,000	11,500,000	12/30/2024	43	-	50%	1,512,500	209,745	0.57%	-
XXXXXXXXXXXXXX	4,480,000	6.0	7,800,000	6,500,000	6/19/2025	57	-	50%	3,900,000	(580,000)	0.57%	3,306
XXXXXXXXXXXXXX	4,497,234	6.0	8,070,000	8,560,000	4/9/2023	56	-	50%	4,035,000	(462,234)	0.57%	2,635
XXXXXXXXXXXXXX	6,823,523	6.0	22,900,000	13,400,000	8/28/2023	30	-	50%	11,450,000	4,626,477	0.57%	-
XXXXXXXXXXXXXX	116,671	6.0	1,050,000	3,290,000	9/4/2010	11	-	50%	525,000	408,329	0.57%	-
XXXXXXXXXXXXXX	-	6.0	1,050,000	3,290,000	9/4/2010	-	-	50%	525,000	525,000	0.57%	-
XXXXXXXXXXXXXX	1,817,657	6.0	4,560,000	10,400,000	1/7/2011	40	-	50%	2,280,000	462,343	0.57%	-
XXXXXXXXXXXXXX	-	6.0	4,560,000	10,400,000	1/7/2011	-	-	50%	2,280,000	2,280,000	0.57%	-
XXXXXXXXXXXXXX	5,143,814	6.0	10,150,000	11,100,000	5/29/2018	51	-	50%	5,075,000	(68,814)	0.57%	392
XXXXXXXXXXXXXX	-	6.0	10,150,000	11,100,000	5/29/2018	-	-	50%	5,075,000	5,075,000	0.57%	-
XXXXXXXXXXXXXX	4,814,500	6.0	7,590,000	7,590,000	10/15/2019	63	-	50%	3,795,000	(1,019,500)	0.57%	5,811
XXXXXXXXXXXXXX	-	6.0	7,590,000	7,590,000	10/15/2019	-	-	50%	3,795,000	3,795,000	0.57%	-
XXXXXXXXXXXXXX	3,584,247	8.0	5,575,000	10,425,000	5/4/2021	64	-	50%	2,787,500	(796,747)	15.00%	119,512
XXXXXXXXXXXXXX	-	8.0	5,575,000	10,425,000	5/4/2021	-	-	50%	2,787,500	2,787,500	0.00%	-
XXXXXXXXXXXXXX	3,657,112	7.0	10,125,000	10,125,000	1/3/2018	36	-	50%	5,062,500	1,405,388	3.00%	-
XXXXXXXXXXXXXX	-	7.0	10,125,000	10,125,000	1/3/2018	-	-	50%	5,062,500	5,062,500	3.00%	-
XXXXXXXXXXXXXX	7,669,183	6.0	12,300,000	19,900,000	7/14/2023	62	-	50%	6,150,000	(1,519,183)	0.57%	8,659
XXXXXXXXXXXXXX	-	6.0	12,300,000	19,900,000	7/14/2023	-	-	50%	6,150,000	6,150,000	0.57%	-
XXXXXXXXXXXXXX	3,537,548	6.0	8,960,000	13,750,000	9/10/2019	39	-	50%	4,480,000	942,452	0.57%	-
XXXXXXXXXXXXXX	-	6.0	8,960,000	13,750,000	9/10/2019	-	-	50%	4,480,000	4,480,000	0.57%	-
XXXXXXXXXXXXXX	3,981,668	6.0	6,700,000	6,280,000	10/5/2020	59	-	50%	3,350,000	(631,668)	0.57%	3,601
XXXXXXXXXXXXXX	-	6.0	6,700,000	6,280,000	10/5/2020	-	-	50%	3,350,000	3,350,000	0.57%	-
XXXXXXXXXXXXXX	1,738,077	6.0	3,850,000	3,340,000	2/18/2022	45	-	50%	1,925,000	186,923	0.57%	-
XXXXXXXXXXXXXX	-	6.0	3,850,000	3,340,000	2/18/2022	-	-	50%	1,925,000	1,925,000	0.57%	-
XXXXXXXXXXXXXX	14,903,682	6.0	20,900,000	19,400,000	11/7/2024	71	-	50%	10,450,000	(4,453,682)	0.57%	25,386
XXXXXXXXXXXXXX	-	6.0	20,900,000	19,400,000	11/7/2024	-	-	50%	10,450,000	10,450,000	0.57%	-
XXXXXXXXXXXXXX	7,996,844	7.0	16,000,000	13,850,000	5/10/2023	50	11,000	50%	7,994,500	(2,344)	3.00%	70
XXXXXXXXXXXXXX	5,191,001	6.0	10,000,000	7,000,000	7/19/2022	52	-	50%	5,000,000	(191,001)	0.57%	1,089
XXXXXXXXXXXXXX	5,662,259	6.0	9,430,000	17,700,000	10/13/2023	60	-	50%	4,715,000	(947,259)	0.57%	5,399
XXXXXXXXXXXXXX	3,655,185	6.0	13,100,000	3,680,000	10/16/2024	28	-	50%	6,550,000	2,894,815	0.57%	-
XXXXXXXXXXXXXX	5,993,970	6.0	12,800,000	6,125,000	8/18/2022	47	500	50%	6,399,750	405,780	0.57%	-
												975,268
Special Provision	514,973,373									Total Classified Loans		5.9%

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

Loan Name	Fund Dt	Prin Bal	Rate	LnClass	LstRevEnd Dt	3-Year Average NOI	Cap Rate	Capitalized Value	DefMaint	Estimated Value	LTV	Liquidation Value: Quick Sale Adjustment 10% Discount	Worst Case Loss	
XXXXXXXXXXXX	12/21/2009	2,994,914	5.00	8	05/25	-108,033	8%	(1,350,413)	-	-			2,994,914	
XXXXXXXXXXXX	(1) 11/8/2012	1,571,590	7.00	8	06/25	13,791	8%	172,388	-	172,388	912%	155,149	157,159	
XXXXXXXXXXXX	1/17/2024	8,266,459	4.20	8	07/25	159,019	8%	1,987,738	-	1,987,738	416%	1,788,964	6,477,495	
XXXXXXXXXXXX	8/18/2021	3,584,247	5.36	8	06/25	82,469	8%	1,030,867	-	1,030,867	348%	927,780	2,656,467	
XXXXXXXXXXXX	(1) 4/1/2008	504,117	6.95	7	04/25	-14,365	8%	(179,563)	-	-			50,412	
XXXXXXXXXXXX	(1) 4/9/2014	704,966	6.70	7	04/25	13,355	8%	166,933	-	166,933	422%	150,240	70,497	
XXXXXXXXXXXX	3/3/2016	126,766	4.75	7	03/25	-5,950	9%	(66,107)	-	-			126,766	
XXXXXXXXXXXX	4/25/2023	5,261,326	6.65	7	04/25	520,160	8%	6,501,994	-	6,501,994	81%	5,851,794	-	
XXXXXXXXXXXX	1/26/2023	1,136,251	4.10	7	07/25	23,830	9%	264,772	-	264,772	429%	238,295	897,956	
XXXXXXXXXXXX	10/28/2020	2,046,279	5.15	7	07/25	93,096	8%	1,163,696	-	1,163,696	176%	1,047,326	998,952	
XXXXXXXXXXXX	11/10/2020	3,657,112	5.26	7	05/25	205,989	8%	2,574,867	-	2,574,867	142%	2,317,380	1,339,732	
XXXXXXXXXXXX	1/4/2024	7,996,844	5.73	7	07/25	481,483	8%	6,018,538	11,000	6,007,538	133%	5,406,784	799,684	
										37,850,870		TOTAL		16,570,034
loans: losses capped at 10% of loan balance.												Allowance for pass rated loans		316,343
												Worst Case Loss Expectation		16,886,377

Appendix

CCRC Operating Variance Report



California Community Reinvestment Corporation

CCRC 2024 Portfolio Variance Analysis

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9-17-2025



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1. Executive Summary

This report presents a variance analysis of operating performance across CCRC’s housing portfolio, with a focus on post-conversion trends. By comparing actual financial results to trended projections, we identify meaningful deviations in both income and expense patterns over time.

While most properties remain on a net-positive trajectory, with DSCRs above 1.0, a subset has shown signs of financial stress driven by rising costs, stagnant revenues, or both. We observe clear regional and structural patterns that help explain these outcomes.

These insights allow us to segment the portfolio by performance profile, surface emerging risks, and inform forward-looking strategy. They support ongoing efforts to refine underwriting practices, enhance risk management, and engage more proactively with sponsors, investors and government partners on targeted preservation initiatives.

Table 1 summarizes key drivers of underperformance in the three regions with the highest concentration and likelihood of underperforming properties.

Table 1: Key Drivers of Underperformance

	Bay Area	LA/Orange	Central Valley
Income factors			
High vacancy	<input checked="" type="checkbox"/>		
High bad debt ratio <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Low rent growth	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Top expense factors			
Utilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Maint./repair	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Insurance <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Security	<input checked="" type="checkbox"/>		
Office cost		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Indicates our assessment that the risk is likely transitory or stabilizing

2. Methodology

To evaluate operating performance across CCRC’s portfolio, we use a variance analysis rather than tracking income and expenses on a more traditional per-unit basis. The variance approach provides a clearer understanding of performance drivers because it accounts for changes in portfolio composition and product type over time.

Although our portfolio is uniformly composed of affordable housing properties in California, product subtypes have shifted in recent years. For example, over the past five years, the share of supportive

housing properties in the portfolio increased significantly. Supportive housing properties have materially different cost structures from traditional affordable housing, particularly for service-related expenses, maintenance and repair, security, and operating subsidies.

A simple per-unit trend analysis would obscure these nuances, making it difficult to separate portfolio-mix effects from broader market or regulatory influences such as inflation, eviction moratoriums, or changes in subsidy levels. In contrast, a variance analysis—comparing actual results to trended underwriting projections prepared at the time of permanent conversion—helps us interpret the factors driving deviations in income and expense patterns and distinguish product-mix effects from market forces.

3. Operating Data Source

We reviewed operating data for 297 properties, representing approximately 70% of CCRC’s servicing portfolio. The data were accessed on March 18, 2025. To ensure reliable trend analysis, properties with fewer than two years of operating data were excluded. The included properties have operating histories ranging from 2 years to more than 20 years, with an average of 8 years.

Annual operating data was obtained from RealINSIGHT, CCRC’s asset management system, which tracks over 70 standardized income and expense categories. For each property, the dataset includes the original conversion underwriting as a baseline, followed by audited financials for each year of operation.

4. Portfolio Overview

Properties are grouped by both geographic region¹ and performance category, defined as:

- **Well-performing:** most recent DSCR \geq 1.0
- **Underperforming:** most recent DSCR $<$ 1.0

Table 2: Performance Category Summary

	Under Performing	Well Performing	All
Years since Conversion	7.9	8	8
Number of Properties	76	221	297
Total Units	4,621	14,242	18,863
Average Size (units)	61	64	64

Three regions, LA/Orange, Bay Area, and Central Valley, account for over 80% of underperforming properties

¹ Defined by counties; see appendix

Table 3: Regional Performance Summary

Region	# of All Properties	% of All	# of Underperforming Properties	% of Underperforming	# of PSH Properties	High Risk Area
LA/Orange	103	35%	36	47%	19	⚠
Bay Area	70	24%	18	24%	14	⚠
Central Coast	39	13%	4	5%	3	
San Diego	31	10%	1	1%	2	
Central Valley	18	6%	7	9%		⚠
Inland Empire	16	5%	5	7%		
Northern CA	12	4%	2	3%	1	
Sacramento	8	3%	3	4%		
Total	297	100%	76	100%	39	

Table 2 summarizes performance categories. In total 76 of 297 properties (26%) are underperforming based on DSCR. While underperformance appears in all regions, three regions stand out for their disproportionate share of underperforming assets:

- **LA/Orange:** 35% of total properties but 47% of underperformers
- **Bay Area:** 24% of both total and underperformers
- **Central Valley:** 6% of properties but 9% of underperformers

5. Variance Analysis Methodology

To better understand regional performance trends, we applied a variance analysis framework that compares actual operating results against projected benchmarks. This approach allows us to normalize differences in income restrictions and years in operation, making cross-property comparisons more meaningful.

Definition: Variance is defined as the percentage difference between actual performance and projected performance since conversion.

Underwriting Assumptions

Current underwriting practices use annual growth rates of 2% for income and 3% for expenses across all properties. These serve as baseline projections. For example, if a property converted in 2019, we would project a 10.4% increase in income and a 15.9% increase in expenses by 2024 (five years of compounded growth). We then measure how actual performance compares to these benchmarks.

Portfolio Case Example

The example below illustrates our methodology as applied to a single property.

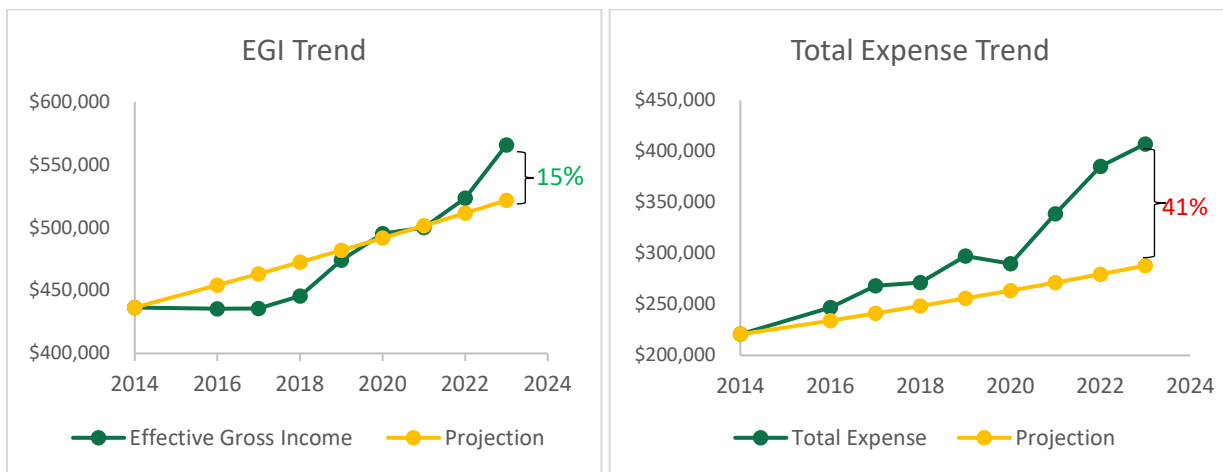


Property: 44-unit Family Housing development in Koreatown, Los Angeles
Recent DSCR: 0.98
Year of Conversion: 2014

In this example, audited financials were available from 2016 to 2023. Figure 1 shows that the property had a positive income variance of 15%, indicating actual income exceeded our projected income by that amount.

However, consistent with broader portfolio trends, the property experienced elevated expense variance of 41%, driven by inflationary pressures and rising operating costs. As a result, its DSCR declined from 1.16 (in 2014) to 0.98 (in 2023) despite the income gains.

Figure 1: The Serrano Apartments, Variance Trend 2014 – 2023



Regional Mapping

To pinpoint drivers of underperformance, we compare underperforming properties with well-performing properties in the same region, analyzing both effective gross income (EGI) and expense variance.

Figure 2: Average Expense Variance by Region

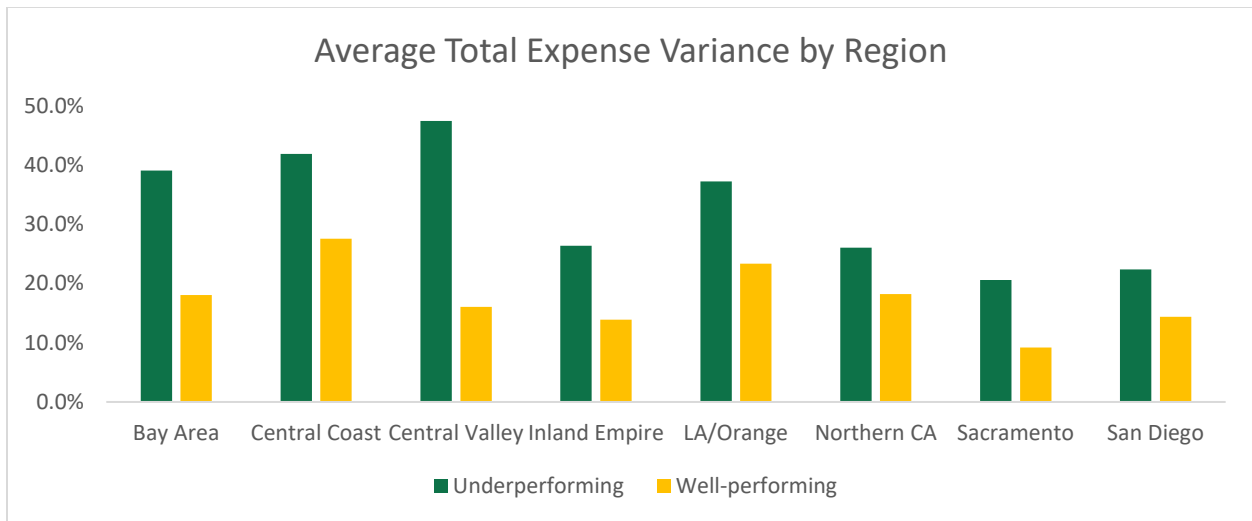
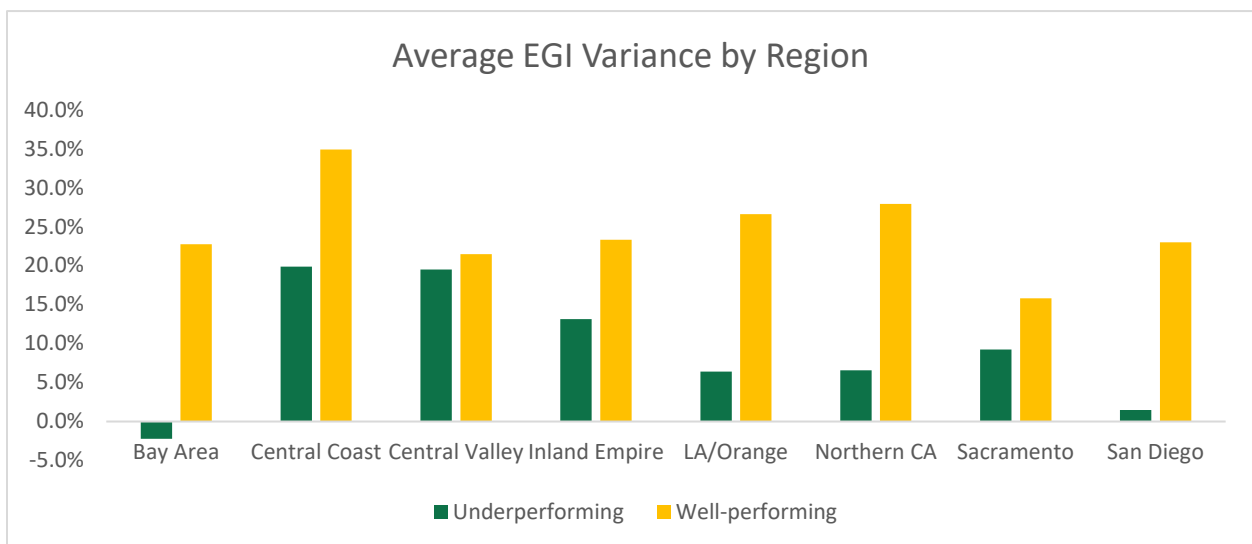


Figure 3: Average EGI Variance by Region



Note: Effective Gross Income (EGI) reflects net rental income after vacancy and bad debt.

Figure 3 shows significant EGI variance gap between well-performers and underperformers. In LA/Orange, for example, well-performing properties achieved an average EGI variance of 26.6%, versus 6.4% for underperformers—a roughly fourfold difference. Figure 2 shows that underperformers have higher expense variances, but compared to EGI variance, the difference is less severe (37.3% for underperformers vs 23.3% for well-performers).

Implication to Underwriting

Across 297 properties reviewed, EGI increased by approximately 4% per year on average and expenses grew by 6% per year, roughly twice the 2%/3% increases assumed in underwriting. Had we assumed 4% for income and 6% for expenses, forecasts would have more closely aligned with actual performance.

Regional Characteristics

The three high-risk regions (LA/Orange, Bay Area, Central Valley) account for 80% of underperformers. In these regions, underperformers show at least a 10% variance gap in either expense or income compared to well performers.

Table 4: Underperformance Pattern by Region

Region	Expense Challenge	Income Challenge
Bay Area	☑	☑
LA/Orange	☑	☑
Central Valley	☑	

Other regions with fewer properties lack sufficient data points for meaningful comparisons. For instance, in San Diego, only one of the 31 properties is underperforming.

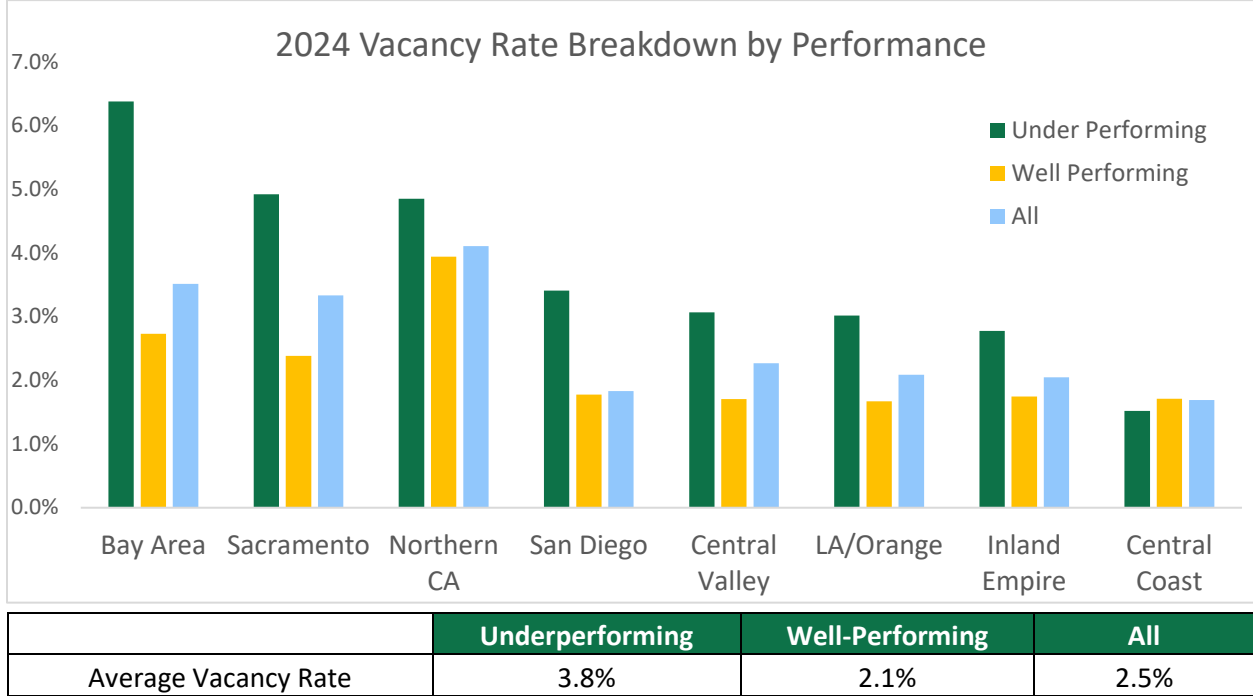
6. Income Driver Breakdown

As noted above, EGI variance was positive in all regions, meaning actual EGI exceeded underwriting projections. Underperformance, therefore, was less about absolute EGI levels and more about whether EGI growth was sufficient to offset rising expenses.

To understand why EGI kept up with expense growth in some cases but not in others, we examined the discrete components of EGI: gross potential income, vacancy, and bad debt. We conclude that *bad debt and rent growth* are the primary contributors to the income gap.

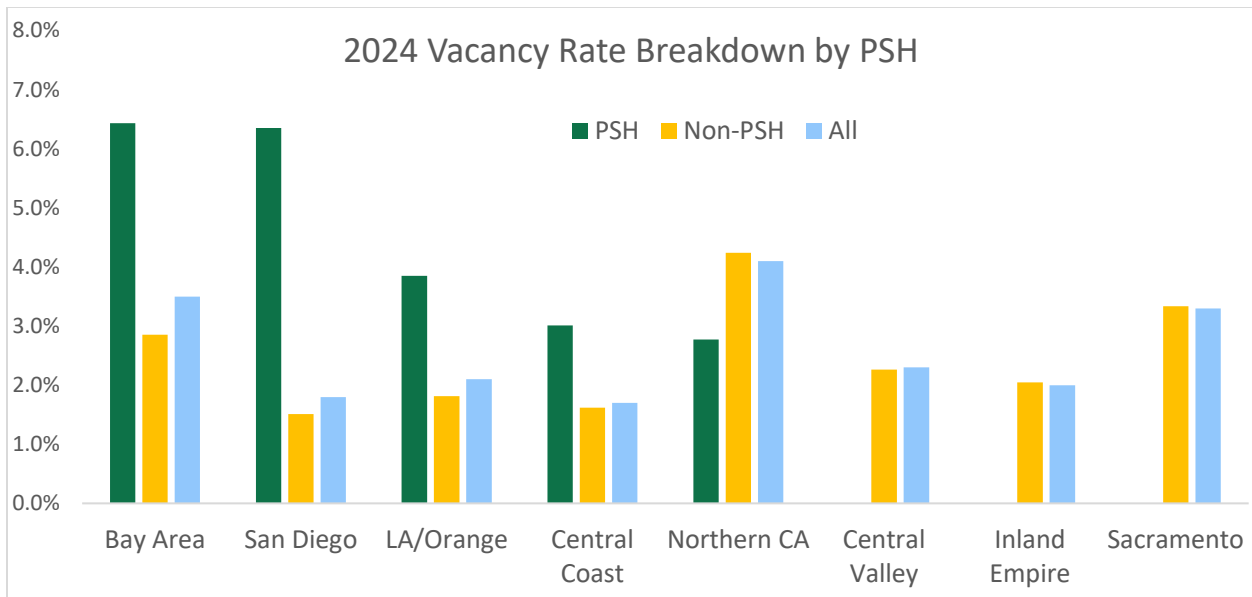
Vacancy

Figure 4: 2024 Vacancy Rate by Performance



In 2024, our portfolio had an average vacancy rate of 2.5%, well below the standard underwriting assumption of 5%. According to Figure 4, The LA/Orange region, which contains CCRC's largest concentration of loans, had a vacancy rate around 2.1%, consistent with the portfolio average. The Bay Area is the only region where the underperformers exceed the 5% benchmark. This suggests that vacancy loss isn't a primary driver of underperformance, in most regions.

Figure 5: 2024 Vacancy Rate Breakdown by PSH Status



Properties in our portfolio with Permanent Supportive Housing (PSH) units are typically mixed tenancy, with a blend of PSH and non-PSH units. For these properties, we typically apply a 10% vacancy rate to PSH units and a 5% vacancy rate to non-PSH units. Resulting in an average blended underwritten vacancy of 6.4% for PSH properties. ²

Figure 5 shows that vacancy rates at PSH properties are typically higher than those at non-PSH properties, supporting the policy of applying elevated vacancy assumptions to PSH units. Except in Northern California, PSH vacancies ranged from two to four times those of non-PSH peers.

Bad Debt

Table 5: Average Bad Debt as % of GPI in 2024

Group	# of Property	Property (≥ 1% Bad Debt)	%	Bad Debt as % of GPI
Underperforming	76	37	49%	3.6%
Well-Performing	221	51	23%	0.8%

² See Appendix for PSH Definition

Figure 6: Bad Debt as % of GPI by Performance

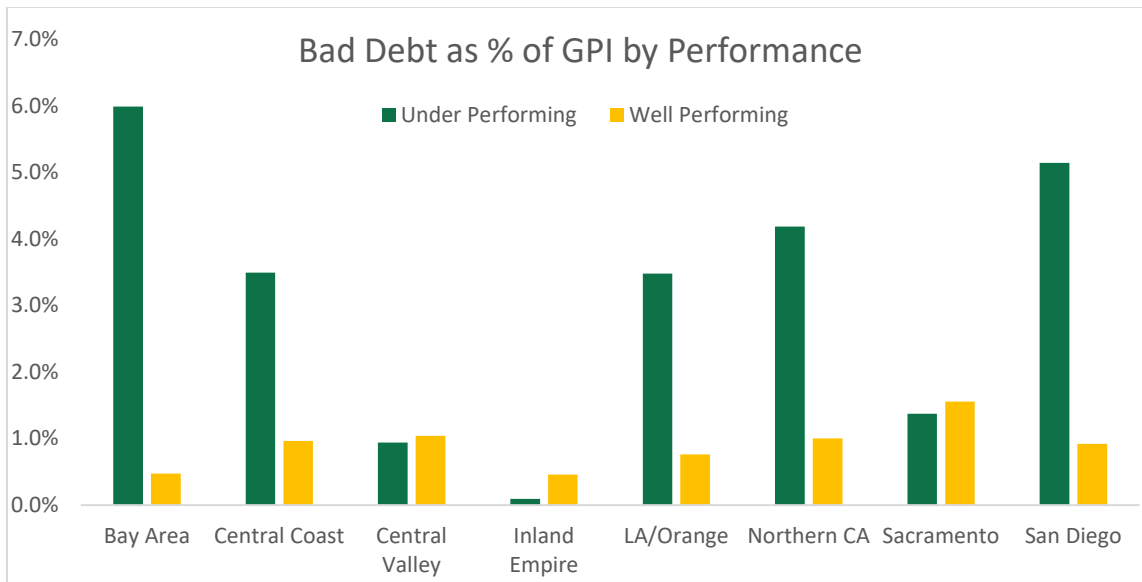
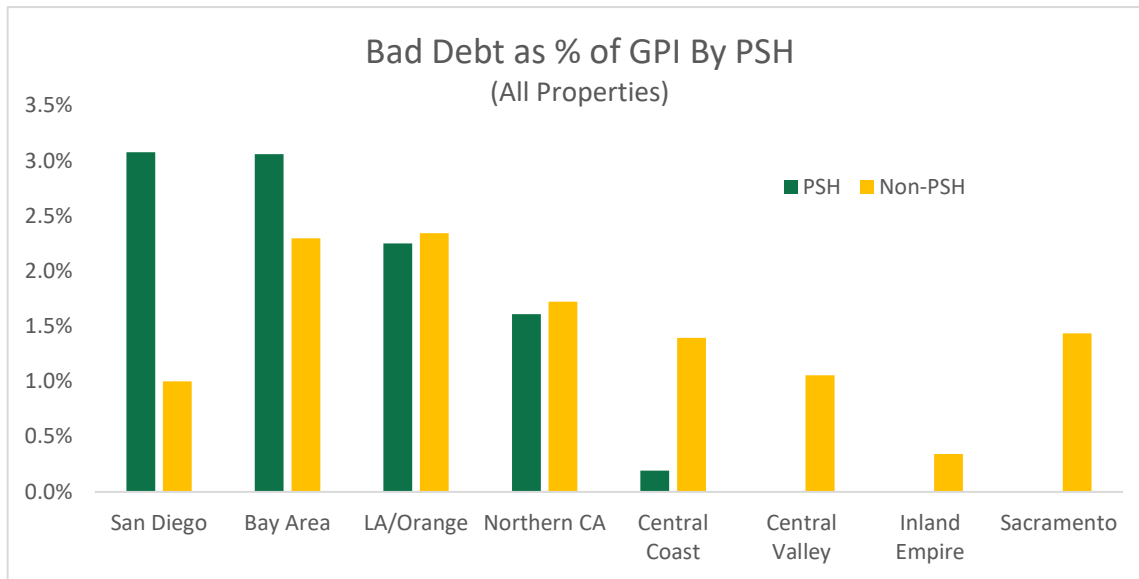


Figure 7: Bad Debt as % of GPI by PSH Status



*Note: Gross Potential Income (GPI) reflects rental income assuming no vacancies or bad debt.
Bad Debt reflects rental arrears that have since been deemed uncollectable.*

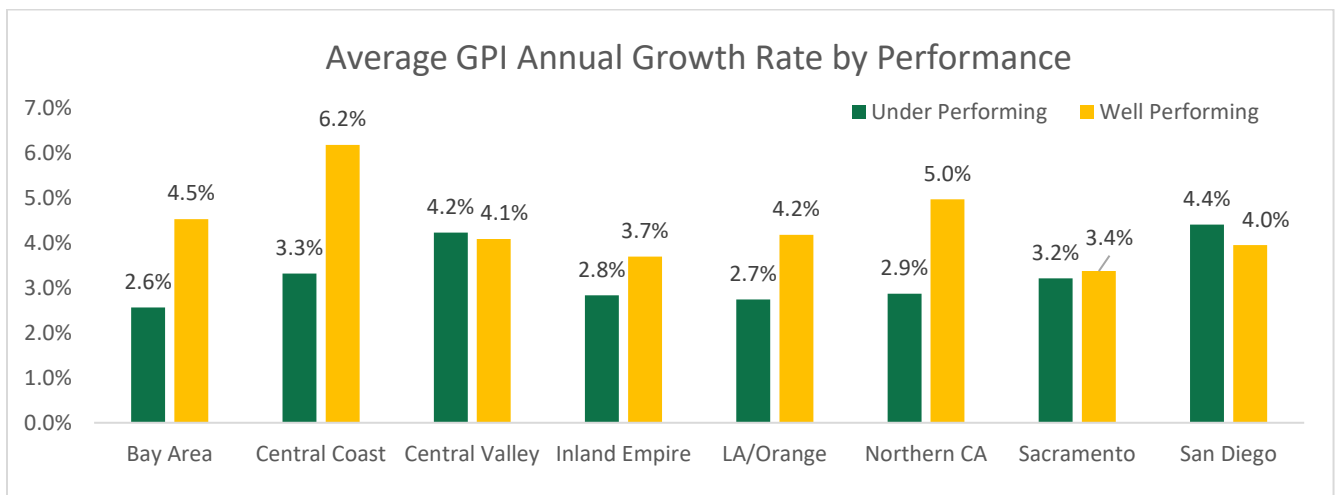
Figure 6 shows that in most regions, bad debt impacts underperformers more than well-performers. Table 5 shows that on average, underperformers lost about 3.6% of GPI to bad debt versus 0.8% for well-performers—over four times as much. We typically do not explicitly underwrite bad debt; instead, we imbed bad debt within the vacancy assumption.

Historically, bad debt had only a minimal impact on financial performance. However, in recent years it has grown more material, largely due to pandemic-era eviction moratoriums that limited enforcement of rent payment obligations. As these protections expire and tenant payment patterns normalize, we expect bad debt levels to decline substantially.

According to Figure 7, PSH properties do not appear to exhibit systematically higher bad debt, likely due to vouchers and other subsidy support.

Rent Growth

Figure 8: Average GPI Annual Growth Rate by Performance

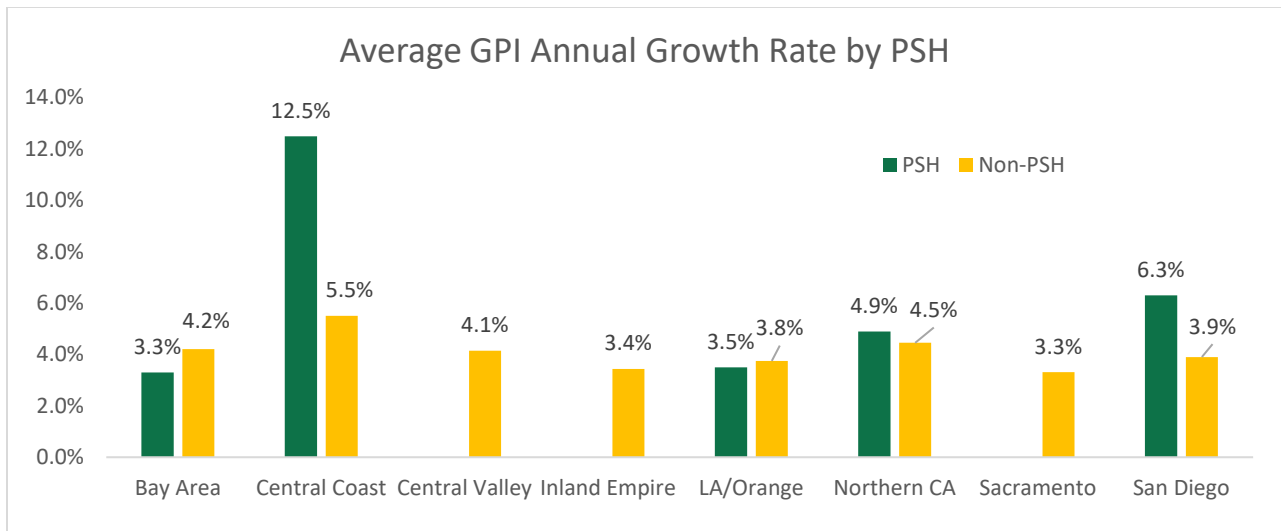


Note: Gross Potential Income (GPI) captures the maximum possible rental income before vacancy or bad debt, making it a direct proxy for rent levels charged.

Figure 8 shows well-performers achieved notably higher rent growth in regions such as the Bay Area, LA/Orange, Central Coast, and Northern California. On average, rents at well-performers grew by about 4.5% per year, compared with 2.9% for underperformers. Due to compounding, this 1.6 percentage-point difference translates to roughly 16% higher income over an eight-year period—enough to materially affect DSCR. The 4.5% annual rent growth among well-performing properties aligns with Novogradac’s findings³, which report a 5.6% statewide annual rent increase in California since 2016.

³ Novogradac 2024 LIHTC Income and Operating Expenses Report

Figure 9: Average GPI Annual Growth Rate by PSH Status



PSH properties show mixed GPI growth trends across regions (Figure 9). In the Bay Area and LA/Orange, PSH properties exhibit slightly lower rent growth than non-PSH peers, while the Central Coast and San Diego show significantly stronger GPI growth among PSH properties.

Summary

The following chart illustrates how vacancy and bad debt have offset rent growth among underperformers.

Figure 10: GPI Growth vs. Vacancy and Bad Debt (Underperforming Properties)

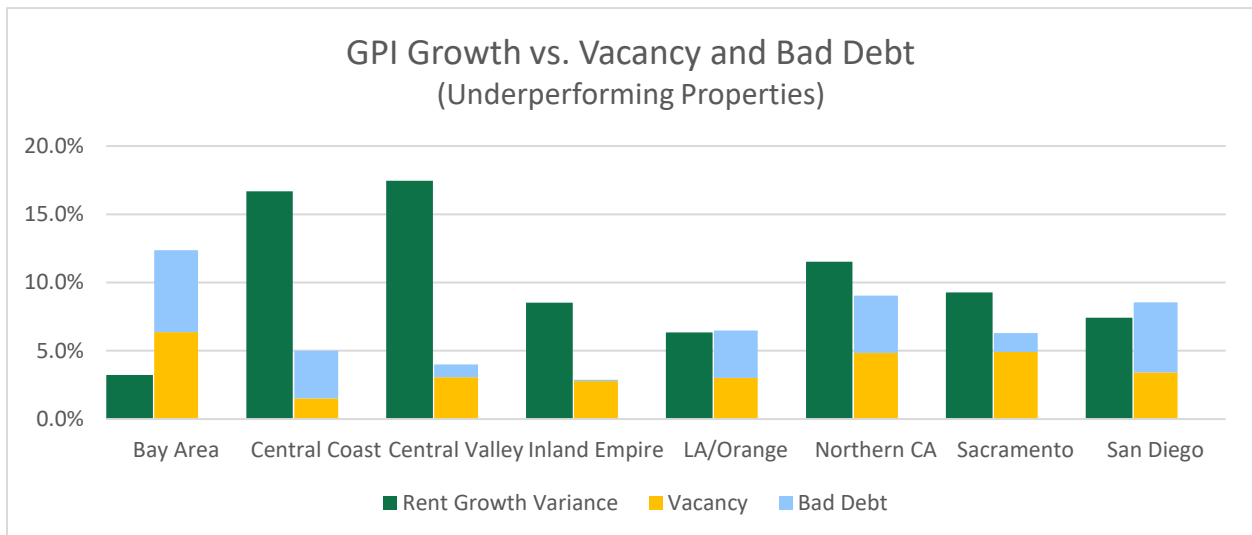


Figure 10 decomposes EGI variance into three core drivers: rent growth, vacancy, and bad debt. As we discussed earlier, bad debt is included in our 5% vacancy assumption. Therefore, if actual Vacancy and Bad Debt (+) add to more than 5%, it will erode GPI and lead to a lower EGI Variance.

Figure 11: Average EGI Variance (Underperforming Properties)

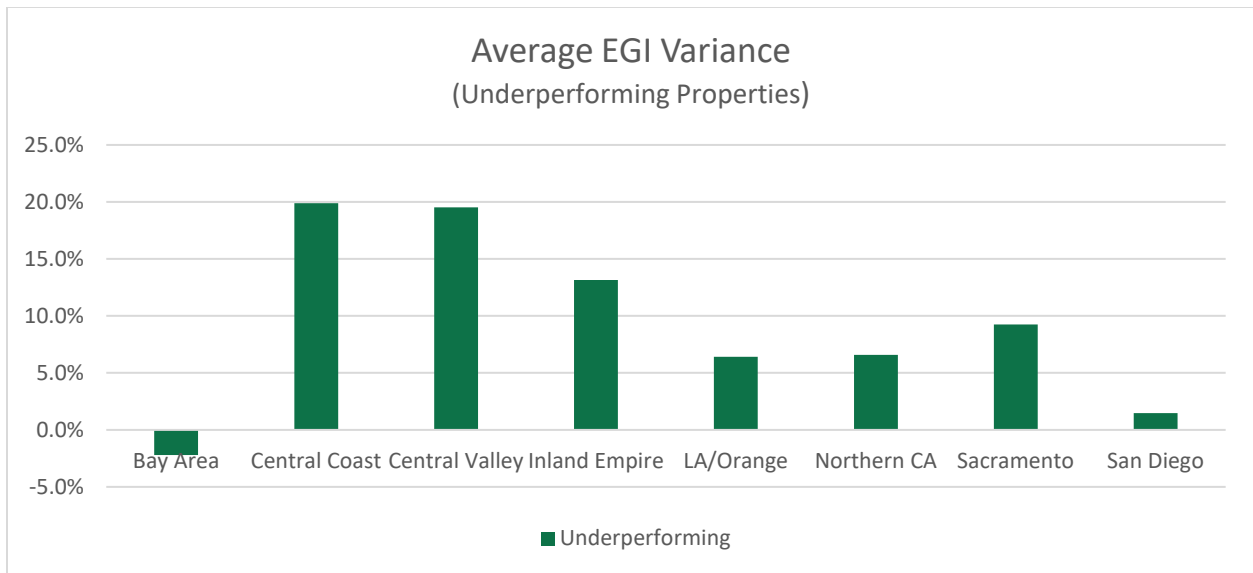
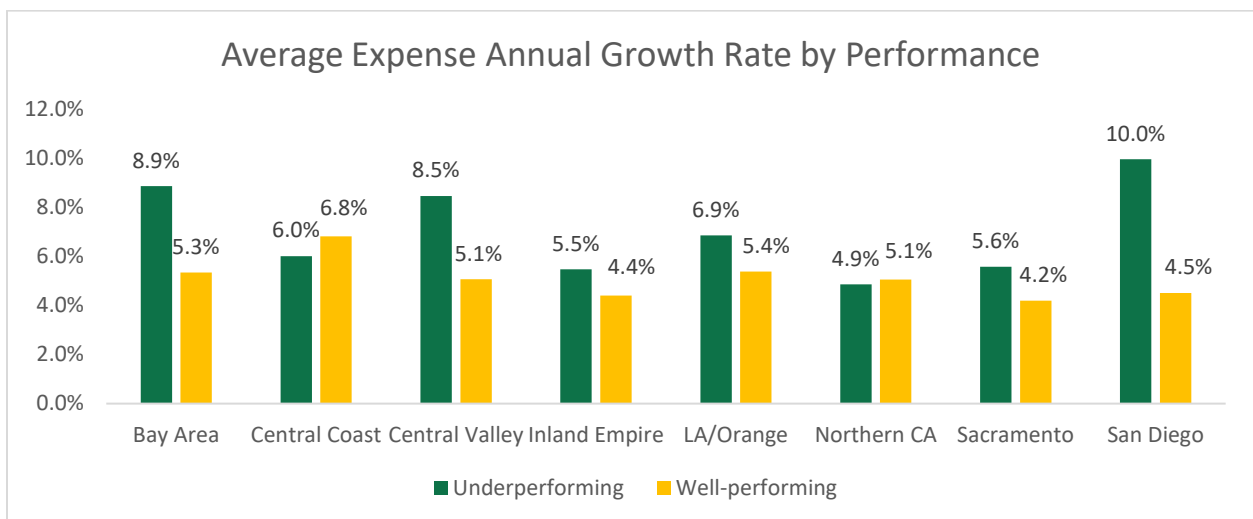


Figure 11 presents EGI as the net outcome of the GPI trends shown in Figure 10. In the Bay Area, for example, EGI variance is -2.2% despite a positive 3.2% GPI variance. This reflects a combination of limited rent growth and drag from Vacancy + Bad Debt (together about 12%). By contrast, Central Valley shows strong EGI Variance due to relatively low vacancy and bad debt levels.

7. Expense Driver Breakdown

Overview

Figure 12: Average Total Expense Annual Growth Rate



Across most regions, underperforming properties show faster expense growth than well-performers. Even a 1% annual difference compounds into substantial cost gaps over time. For example, in LA/Orange, a 1.5% annual growth differential results in a 18% higher expense level over eight years.

The Bay Area and Central Valley stand out as particularly expense-burdened regions, both in absolute growth rates and in the underperformer/well-performer gap.

Novogradac reported a 6.6% annual growth rate⁴ for operating expenses in California since 2016. Within our portfolio, underperformers averaged 7.1% annual growth, well-performers 5.3%, and the overall portfolio 5.8%.

High Impact Expense Categories

Now we rank common high impact expense items among **underperforming properties** in the three high-risk areas.

Table 6: High Impact Expense Category (Underperforming Properties): Variance over Conversion Projections.

Line Item Operating Cost Variance	Bay Area	LA/Orange	Central Valley
<i>Total Utilities</i>	12.0%	8.4%	5.1%
<i>Maint./Repair</i>	6.5%	10.1%	16.6%
<i>Prop & Liability Ins</i>	6.0%	6.8%	5.7%
<i>3rd Party Security</i>	2.4%	1.1%	0.4%
<i>Main & Janitor</i>	2.0%	1.4%	1.4%
<i>Salary: Ast Mgr./Leasing</i>	1.8%	0.2%	0.0%
<i>Office Costs</i>	1.4%	2.5%	3.5%
<i>Other</i>	6.2%	6.1%	15.2%
Total Expenses Variance	38.3%	36.4%	47.5%
Average Years of Operation	6	8	7

These properties range from 2 – 20 years of operation

All line items’ variance adds up to the total expense variance. E.g. a utilities variance of 12% in the Bay Area means it has increased total expense by 12% over projection

Across all three regions, **Utilities, Maintenance & Repair, and Property & Liability Insurance** consistently emerge as the top three drivers of expense variance, accounting for approximately 60–70% share of expense variance among underperformers (Table 6). In the Bay area, total expenses are on average 38.3% higher than projected, with utilities alone accounting for 12% of the increase beyond projections.

⁴ Novogradac 2024 LIHTC Income and Operating Expenses Report

Security Costs

In the **Bay Area**, security costs stand out as an unexpected contributor to expense variance. However, this issue affects a relatively small number of properties. Eleven out of seventy properties in this region spent more than 2% of GPI on security, averaging \$140,000 per property (range: \$30,000-\$350,000)—and in increase of roughly 112% from underwriting levels.

Office Costs

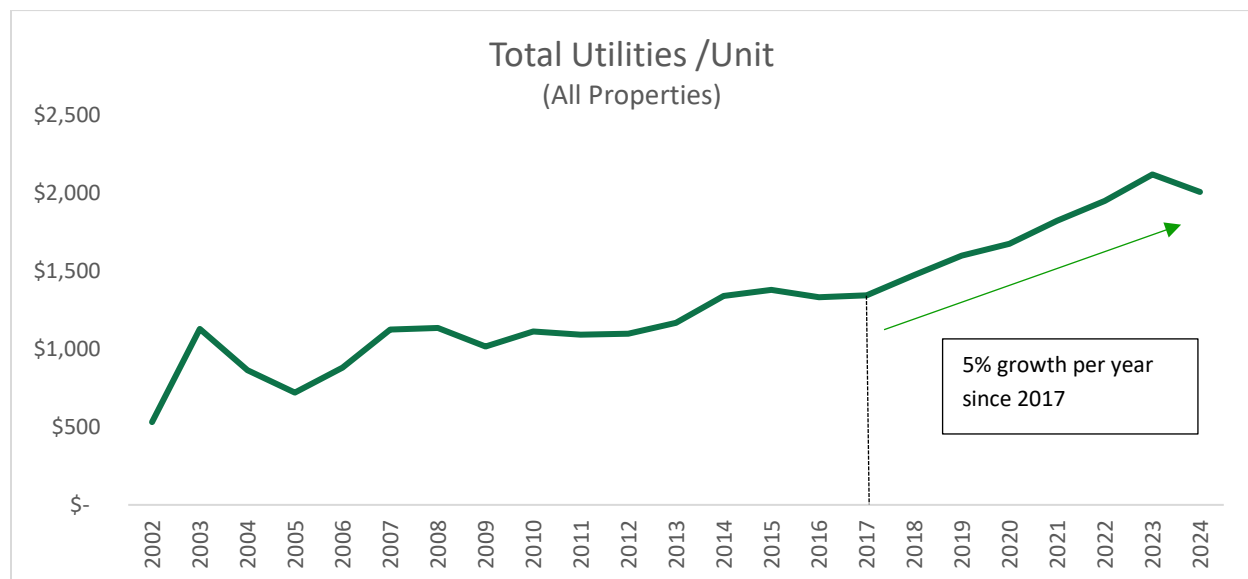
In LA/Orange and Central Valley, office expenses show unusually high variance, suggesting heightened administrative expense growth at the property level (Table 7). This category encompasses multiple line items (e.g. salaries, benefits, supplies, management fees and technology services). Additional analysis will be required to disaggregate these components and identify the principal drivers of the increases, but early indications suggest that salaries—a significant line item within this category—area key contributor, especially in high-cost labor markets such as the Bay Area and Los Angeles.

Table 7: Office Expense per Unit by Region (Underperforming Properties)

	Conversion	Now	Change
Bay Area	\$487	\$692	42%
Central Valley	\$157	\$387	147%
LA/Orange	\$325	\$594	83%

Utilities

Figure 13: Average Total Utilities Expense / Unit



Average utility costs per unit have grown modestly and steadily portfolio-wide (Figure 13), but with significant variation at the regional level. In the Bay Area, utilities represent the largest single driver of expense variance, significantly outpacing the other two regions (Table 8). Primary cost pressures come from water and sewer, and trash, which have seen the steepest increases (Figure 14). Electricity--

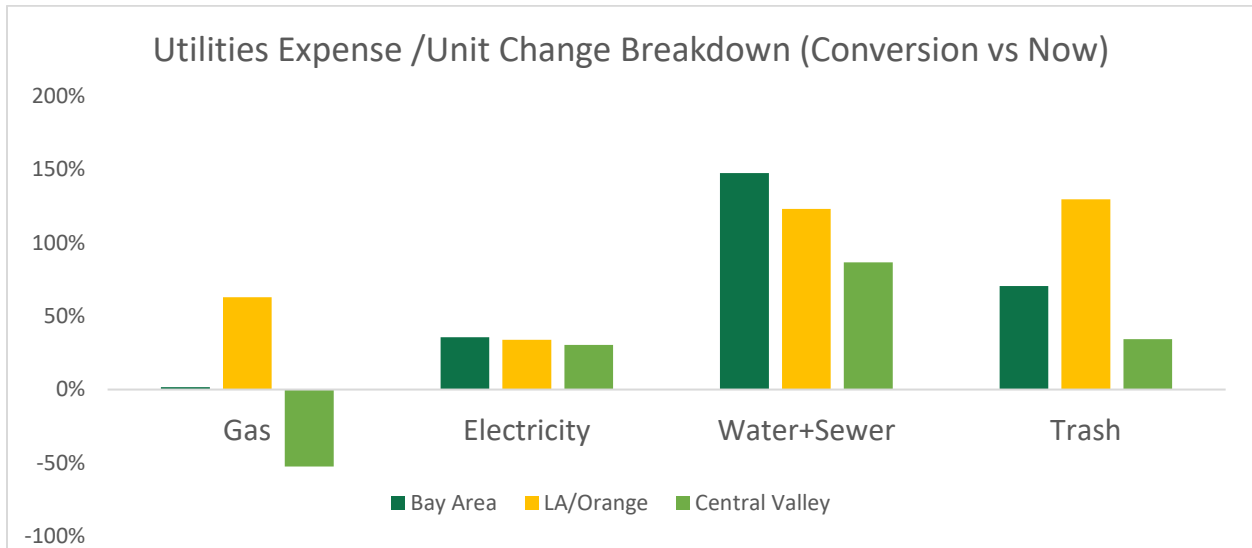
typically limited to common areas since tenant usage is billed directly--has grown more in line with general inflation. The Installation of solar panel for many properties in our portfolio also contributed to electricity usage saving. Gas spending is flat to negative In the Bay Area and Central Valley (suggesting reduced usage), but remains elevated in LA/Orange, pointing to operational differences or higher consumption.

Table 8: Average Utilities Expense / Unit (Underperforming Properties)

	Conversion	Now	Change
Bay Area	\$2,311	\$4,383	90%
Central Valley	\$933	\$1,420	52%
LA/Orange	\$1,278	\$2,386	87%

Table 8 shows that, on average, Bay Area properties have significantly higher utilities expense per unit compared with the other two regions. Figure 14 illustrates the growth of individual utility categories since conversion, highlighting that tenant-driven utilities such as gas, water/sewer, and trash exhibit the greatest regional differences.

Figure 14: Utilities Expense % Change Breakdown



Primary cost pressures come from water and sewer, and trash, which have seen the steepest increases (Figure 14). **Electricity**--typically limited to common areas since tenant usage is billed directly--has grown more in line with general inflation. The Installation of solar panels for many properties in our portfolio also contributed to electricity usage saving. **Gas** spending is flat to negative In the Bay Area and Central Valley (suggesting reduced usage), but remains elevated in LA/Orange, pointing to operational

differences or higher consumption. **Water & Sewer** experienced the highest rate of increase. Since water usage is mostly tenant-driven but property-paid, issues like leaky fixtures and inefficient consumption habits can significantly drive up costs.

Property Insurance

Between 2019 and 2024, average insurance cost per unit increased by roughly 150%, rising from about \$400 to \$1,000 per unit (Figure 15). Underperformers experienced about twice the annual insurance-cost growth of well-performers (Table 8). Well-performing properties in the Central Valley saw the lowest insurance-cost growth among the three focus regions.

PSH properties were underwritten with higher insurance costs and remain more expensive to insure despite being newer assets (Table 9). Looking ahead to 2025 and beyond, PSH insurance costs may face further increases as insurers apply higher risk assessments to this asset type.

Figure 15: Average Property Insurance Expense / Unit

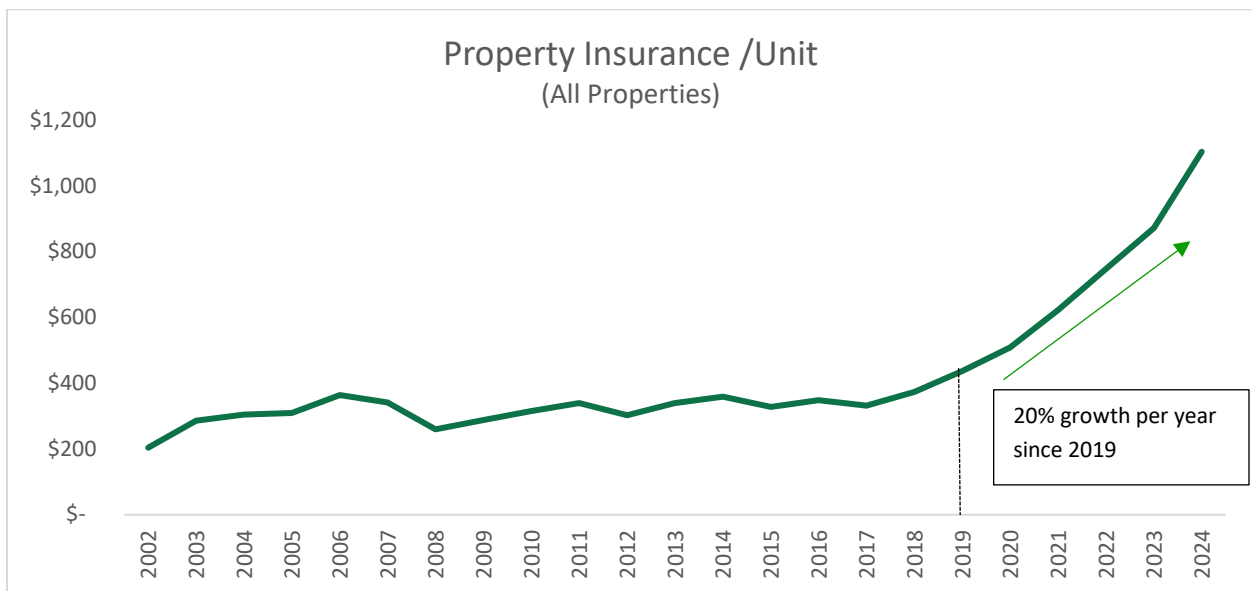


Table 9: Property Insurance Expense / Unit in 2024

	<i>Underperforming</i>	<i>Annual Growth Rate</i>	<i>Well-Performing</i>	<i>Annual Growth Rate</i>
<i>Bay Area</i>	\$2096	17%	\$796	10%
<i>Central Valley</i>	\$693	12%	\$419	4%
<i>LA/Orange</i>	\$1038	21%	\$821	12%
Total		19%		10%

Table 10: Property Insurance Expense / Unit (PSH VS Non-PSH)

	Non PSH	PSH
Conversion	\$397	\$622
Now	\$936	\$1,003
Yrs of Operation	9	4

Maintenance and Repair

Figure 16: Average Maintenance and Repair Expense / Unit

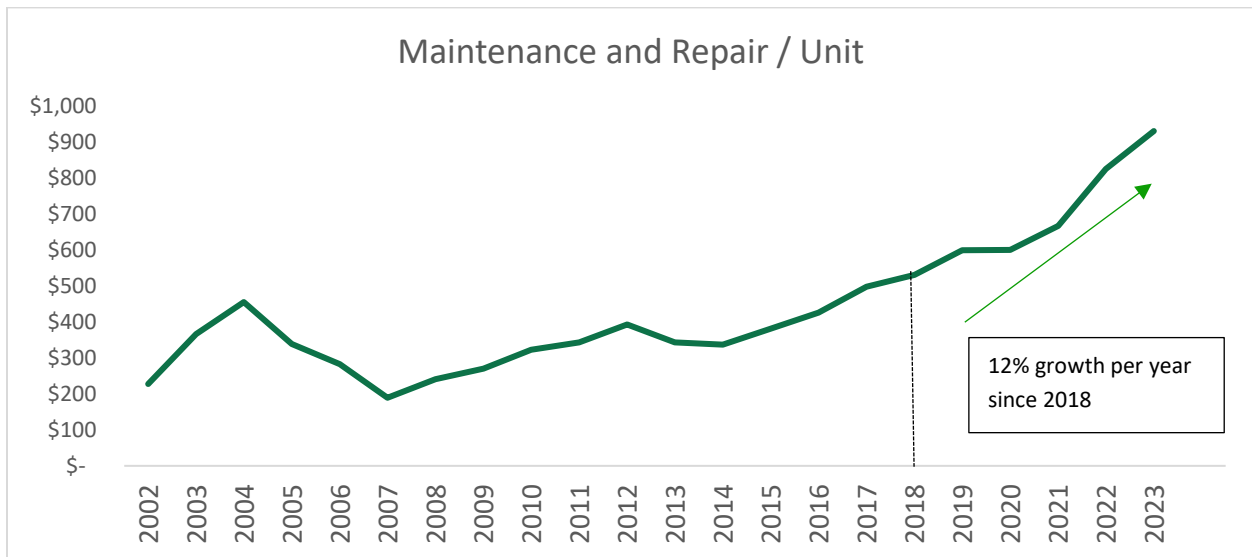


Table 11: Maintenance and Repair / Unit

	Underperforming	Well-Performing	Non-PSH	PSH	All
Bay Area	\$1,217	\$874	\$996	\$830	\$963
Central Valley	\$1,240	\$904	\$1,035		\$1035
LA/Orange	\$1,315	\$949	\$1,075	\$1,084	\$1077

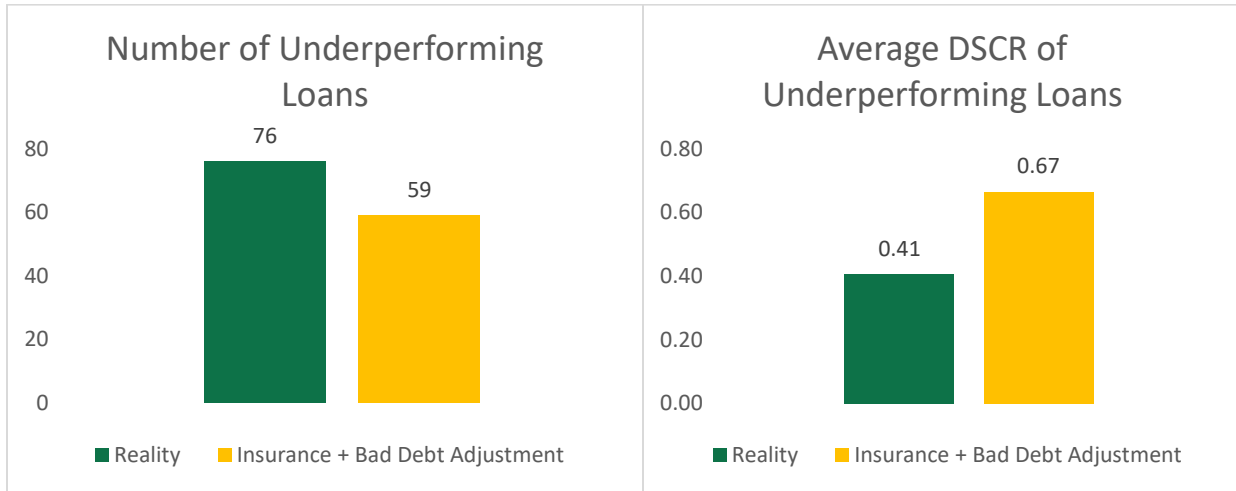
Please note that references to 'Maintenance and Repair' in this section refer solely to the designated line item, and should not be confused with the summary figure 'Total Maintenance and Repair'.

Maintenance and repair costs per unit are 30–40% higher among underperformers than well-performers. In the Bay Area, PSH properties show slightly lower maintenance costs than non-PSH, while in LA/Orange, they are roughly equal—despite being newer on average. This pattern suggests that PSH properties may experience higher wear and tear. As with Office costs, further disaggregation will clarify the specific drivers within the broader Maintenance & Repair category.

8. Future Scenario Analysis

We believe the elevated bad debt levels are likely temporary and expect them to revert to historic norms. While we have less certainty regarding property insurance costs, we are hopeful they will stabilize and decline significantly. Accordingly, we modeled a scenario to assess the impact on our portfolio if both factors improve. Specifically, the scenario assumes a 95% reduction in bad debt and a 20% reduction in property insurance costs relative to the amounts reported in the 2024 financial statements, holding all other factors constant.

Figure 16: Scenario Analysis



Under these assumptions, the number of underperforming loans would fall from 76 to 59, and average DSCR would increase from 0.41 to 0.67 (Figure 16).

9. Conclusion & Recommendations

Table 12: Key Drivers of Underperformance

	Bay Area	LA/Orange	Central Valley
Income factors			
High vacancy	<input checked="" type="checkbox"/>		
High bad debt ratio <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Low rent growth	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Top expense factors			
Utilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Maint./repair	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Insurance <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Security	<input checked="" type="checkbox"/>		
Office cost		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Indicates our assessment that the risk is likely transitory or stabilizing

Our analysis identifies differences in the key drivers of underperformance and highlights income and expense line items underestimated in their potential to escalate. Some findings--such as rising insurance costs--were expected. Others were unexpected; for example, the Bay Area exhibits both the highest average vacancy rates and unusually high tenant-driven utilities (water/sewer). Office costs also show significant variance, suggesting the administrative burden of operating these properties has been underestimated.

Implications for Underwriting

- Incorporate elevated expense assumptions into sensitivity testing and stress scenarios.
- Consider stress testing scenarios that apply 4% and 6% income and expense escalators.

In future reports, we plan to further disaggregate composite expense categories to pinpoint specific drivers. For example, office costs could be separated into staff-related expenses versus technology or service contracts.

On the income side, our analysis highlights how bad debt and stagnant rent growth are undermining effective gross income. As a next step, we plan to investigate whether higher vacancies in mixed-tenancy PSH properties are concentrated in PSH-designated units and whether the presence of PSH units in mixed-tenancy properties is affecting occupancy in non-PSH units. We also aim to assess the influence of tenant acuity levels and the role of local agencies in administering coordinated entry systems.

We will also explore whether stagnant rent growth reflects sponsor decisions or external constraints, such as regulatory limitations tied to government loan programs.

By diagnosing these operating challenges in greater detail, we will be better positioned to engage government agencies, lending institutions, and other affordable housing stakeholders with evidence-based recommendations—strengthening CCRC’s role in advancing policies and practices that support the long-term sustainability of affordable housing operations.

10. Appendix

Region Definition

<u>County</u>	<u>Region</u>	<u>County</u>	<u>Region</u>	<u>County</u>	<u>Region</u>
Alameda	Bay Area	Inyo	Central Valley	Monterey	Central Coast
Alpine	Sacramento	Kern	Central Valley	Napa	Bay Area Northern
Amador	Sacramento	Kings	Central Valley	Nevada	CA
Butte	Northern CA	Lake	Northern CA	Orange	LA/Orange Northern
Calaveras	Sacramento	Lassen	Northern CA	Placer	CA Northern
Colusa	Northern CA	Los Angeles	LA/Orange	Plumas	CA Inland
Contra Costa	Northern CA	Madera	Central Valley	Riverside	Empire
Del Norte	Northern CA	Marin	Bay Area	Sacramento	Sacramento Central
El Dorado	Sacramento	Mariposa	Central Valley	San Benito	Valley Inland
Fresno	Central Valley	Mendocino	Northern CA	San Bernardino	Empire
Glenn	Northern CA	Merced	Central Valley	San Diego	San Diego
Humboldt	Northern CA	Modoc	Northern CA	San Francisco	Bay Area Central
Imperial	San Diego	Mono	Central Valley	San Joaquin	Valley
<u>County</u>	<u>Region</u>	<u>County</u>	<u>Region</u>	<u>County</u>	<u>Region</u>
San Luis Obispo	Central Coast	Trinity	Northern CA	Sierra	Northern CA Northern
San Mateo	Bay Area	Tulare	Central Valley	Siskiyou	CA
Santa Barbara	Central Coast	Tuolumne	Central Valley	Solano	Bay Area
Santa Clara	Bay Area	Ventura	Central Coast	Sonoma	Bay Area Central
Santa Cruz	Central Coast	Yolo	Sacramento	Stanislaus	Valley
Shasta	Northern CA	Yuba	Sacramento	Sutter	Sacramento Northern
				Tehama	CA

Permanent Supportive Housing (PSH) Definition

Permanent Supportive Housing (PSH) provides long-term affordable housing linked with supportive services. CCRC classifies a property as PSH if it includes at least one unit with regulatory restrictions serving populations such as individuals experiencing homelessness, persons with disabilities, transition-age youth, or those with special needs.

Utility Cost / Unit Breakdown (Underperformers)

		Gas	Electricity	Water+Sewer	Trash
Bay Area	Conversion	\$280	\$384	\$998	\$650
	Now	\$284	\$521	\$2,469	\$1,108
LA/Orange	Conversion	\$207	\$386	\$479	\$206
	Now	\$337	\$517	\$1,069	\$474
Central Valley	Conversion	\$81	\$186	\$464	\$203
	Now	\$38	\$242	\$865	\$272

Insurance Cost /Unit (All Properties)

