Quarterly Financial Update

Summary of asset quality, portfolio risks and mitigants

As of 06/30/2024

1. What is the allocation of loans across the portfolio?

Portfolio by Program – Borrower Composition
6/30/24

Portfolio by Program	# of Loans	Aggregate Loan Balance $	% of Portfolio $	Nonaccrual* Loans #	Nonaccrual* Loans $	Nonaccrual* Loans % of Portfolio $
ROC NH Manufactured Housing Coops	129	108,018,842	57%	0	-	0.0%
Welcome Home Loans Single Family Housing	990	52,995,490	28%	32	1,738,231	3.3%
Business & Community:						
Multi-family housing	9	6,061,945	3%	0	-	0.0%
Nonprofit	9	2,837,100	1%	1	259,117	9.1%
Thrive- pilot	1	1,000	0%	0		0.0%
Childcare	4	433,174	0%	0	-	0.0%
Business Finance	37	11,250,775	6%	1	154,751	1.4%
Northern Community Investment Capital (NCIC)**	143	9,250,077	5%	8	221,402	2.4%
Total Loan Portfolio	**1,322**	**190,848,404**	**100%**	**42**	**2,373,502**	**1.2%**

*Nonaccrual Loans: when a loan is more than 90 days past due, or if it displays problems and full and timely collection of principal or interest is unlikely.
**NCIC program added January 2024

2. How is the portfolio performing?

Loan performance is improved, and past-due ratios have declined. Currently, 1.2% of our loans are on nonaccrual (nonperforming). This is down from 1.5% last year, in June 2023.

We continue to provide payment relief to borrowers-in-need on a case-by-case basis that can include continuation of payment moratoriums, loan modifications, or the addition of suspended payments to the back end of loans. We are committed to providing new loan products, patient capital, and increased technical assistance to borrowers.

Loan losses have been $101,966 during the past 12 months. We have also received $69,528 in recovery payments from loans charged-off in prior years, which translated into a net loan loss of $32,438 (0.02% of loans outstanding).

Net Loan Losses			
	12 Months Ended:		
	6/30/2022	6/30/2023	6/30/2024
Loan Losses	59,138	166,613	101,966
Recoveries	(216,857)	(61,400)	(69,528)
Net Loan Losses $	(157,719)	105,213	32,438
Net Loan Losses %	-0.08%	0.07%	0.02%

3. Where are the risks in our portfolio?

In an economic downturn, our small business and child care loans are at highest risk. Together they represent $20.9M (11%) of the total lending portfolio.

These borrowers are performing significantly well. All but 9 borrowers of the 203 Business and Community borrowers are currently paying as agreed. The single Business Finance borrower on nonaccrual is a small business that experienced very slow summer sales. We are working with the borrower to bring their loan current.

There are 8 NCIC loans (to 5 NCIC borrowers) on nonaccrual for $221,402. Each is being managed on an individual basis tailored to their specific situation.

4. What reserves do we have to cover future loan losses or other financial challenges?

We have three ways to cushion any potential borrower losses:

1. **Net Assets** available to protect investors total $56,533,278, or 25.7% of total assets, and they consist of:
   - Financing activity net assets (Equity) of $50,688,701; and
   - Unrestricted program activity net assets (operating reserves) of $5,844,577 which cover six months of our current operating budget expenses.
2. These net assets, plus **Subordinate Debt** of $11,600,000, protect our investors with a total of $68,133,278, or 30.9% of our total assets. Note that in our 40-year history, total net borrower losses have been $9,860,781 (2.1% of total lending).
3. In addition to the net assets and subordinate debt of $68,133,278, we also have an **Allowance for Credit Loss** (ACL) to cover future loan losses. Currently, based on this quarter’s portfolio review to ensure the ACL reflects any deterioration in credit quality, the ACL is set at $4,021,140 or 2.1% of loans outstanding.

Furthermore, we set aside a portion of our available lending capital so that we have the liquidity to repay investors who choose not to renew. Our **Liquidity Reserve** currently totals $14,442,211 based on the Board-approved policy to reserve 10% of our senior unsecured debt investments.

5. How have our investors been helping us?

Our investors have been strong partners in support of mission, helping to keep people in their homes, businesses open, and nonprofits strong.

While interest rates have been rising, many of our investors have shown their strong support for our mission by renewing their investments at their current or even lower rates.