



Wisconsin Health and Educational
Facilities Authority

Capital Comments

A QUARTERLY NEWSLETTER

WHEFA.COM

DECEMBER 2008

WHEFA Announces Its 12th Annual Workshop

“Insights Into Capital Finance”, a one day Workshop hosted by WHEFA, will be held on Monday, March 23, 2009 at the Country Springs Hotel in Waukesha, Wisconsin. This Workshop is designed for financial executives of all Wisconsin tax-exempt healthcare and educational institutions, as well as other financial professionals who assist in the financing process. Sessions will address the needs of the first time borrower and the seasoned issuer alike.

This will be a free, casual attire Workshop presented in the hopes of improving statewide knowledge about the capital financing process. Invitations will be sent out at the end of January 2009. If you have not received an invitation for this event by early February, please contact WHEFA.

Financing Spotlight: The Village at Manor Park/ Trinity Health Services

On September 30, 2008, WHEFA and a select financing team successfully completed a \$24,500,000 bond issue for The Village at Manor Park/Trinity Health Services (the “Corporation”). The plan of finance included the issuance of federally tax-exempt revenue bonds with a variable

interest rate (initially monthly) and an initial true interest cost of 4.96%. This is the first time WHEFA issued bonds on behalf of the Corporation.

The Village at Manor Park has been a provider of healthcare services exclusively for older adults since 1925. The Village at Manor Park is the corporate name for a family of senior retirement communities and health care services owned and operated by a single not-for-profit Christian based company. The Corporation is an independent healthcare system with medical and residential facilities at several locations and currently manages a total of 1,038 senior-care units.

The proceeds of the Series 2008 Bonds will be used to refinance interim taxable debt the Corporation incurred with respect to the acquisition, construction, renovation, remodeling and equipping of their continuing care retirement community in Milwaukee. The proceeds will also finance the renovation, remodeling and equipping of their existing continuing care retirement communities in Milwaukee and West Allis.

The Series 2008 Bonds were issued pursuant to a financing agreement and secured by a revenue pledge and a first mortgage on certain facilities of the Corporation.

MB Financial Bank, Illinois, was the sole lender and the bonds were sold as a

variable rate (initially monthly), private placement with a 2038 final maturity. This was WHEFA’s first financing with MB Financial Bank. Other financing team members included: Quarles & Brady LLP as Bond Counsel; Drinker Biddle Reath, PA as Borrower’s Counsel; and Burns & Pinelli, IL as Lender’s Counsel. No Bond Trustee was required under this financing and the Corporation will make their debt service payments directly to the Lender.

If you have any questions, or would like additional information, please feel free to contact WHEFA.

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Interest Rates (as of 11/03/08)

	<u>Current</u>	<u>Three Months Ago</u>	<u>One Year Ago</u>
Tax-Exempt Variable Rate (Weekly Reset)	1.896%	2.868%	3.291%
Bank Prime Rate	4.000%	5.000%	7.500%
10 Year Treasury Note	3.920%	3.950%	4.300%
25 Year Revenue Bond (Long-Term, Tax-Exempt Rate)	6.020%	5.200%	4.730%

Recently Completed Financings

<u>Date</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount</u>	<u>Structure</u>
09/04/08	Felician Services, Inc.	Construction, Equipment, Renovation	\$20,000,000	Variable Rate, Letter of Credit, Public Placement
09/04/08	The Medical College of Wisconsin, Inc. - Series B	Refinancing	\$67,500,000	Variable Rate, Letter of Credit, Public Placement
09/30/08	The Village at Manor Park/ Trinity Health Services	Acquisition, Construction, Equipment, Renovation	\$24,500,000	Variable Rate, Unrated, Private Placement
10/01/08	Marquette University, Series B1-B2	Construction, Equipment, Renovation, Refinancing	\$50,560,000	Variable Rate, Letter of Credit, Public Placement
11/06/08	Mount Mary College	Refinancing	\$ 6,410,000	Variable Rate, Letter of Credit, Public Placement

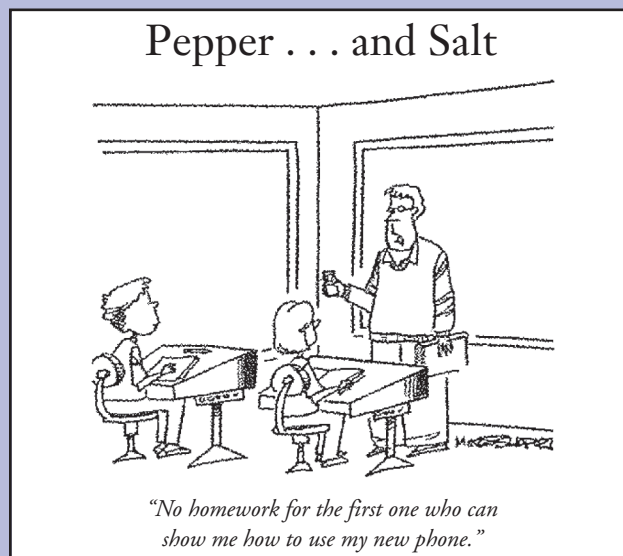
Briefly Noted

- ... As the implementation of new Municipal Securities Rulemaking Board (MSRB) central repository for continuing disclosure prepares to go operational, two NRMSIR's claim anticompetitive benefits. Some public officials think that the EMMA system better fits under the SEC than the MSRB. *(Source: The Bond Buyer; 09/25/08)*
- ... An annual survey of incoming freshmen at Beloit College reveals an interesting snapshot of how 19 year old Americans view the world. Consider that for them –
 - GPS satellite navigation systems have always been available.
 - Coke and Pepsi have always used recycled plastic bottles.
 - Gas stations have never fixed flats, but most serve cappuccino.
 - Electronic filing of tax returns has always been an option.
 - All have had a relative – or known about a friend's relative – who died comfortably at home with hospice.
 - WWW has never stood for World Wide Wrestling.
 - Clarence Thomas has always sat on the Supreme Court.
- IBM has never made typewriters.
- Employers have always been able to do credit checks on employees.
- Caller ID has always been available on phones.
- The Green Bay Packers (almost) always had the same starting quarterback.
- Soft drink refills have always been free.
- The Hubble Space Telescope has always been eavesdropping on the heavens.
- There have always been charter schools. *(Source: The Associated Press; 08/19/08)*
- ... The nine largest US banks hold 50% of the nation's bank deposits. *(Source: MSN Money; 10/16/08)*
- ... Scientists have found an efficient way to make red blood cells from human embryonic stem cells, a step toward making transfusion supplies in the laboratory. *(Source: The Associated Press; 08/20/08)*
- ... Health insurance premiums rose 5% this year as the percent of workers with high deductible coverage of \$1,000 or more jumped to 18% from 12%. *(Source: USA Today; 10/01/08)*
- ... Since July 1, 2008, a landfill in South Carolina, which had been serving 36 states, stopped receiving radioactive materials. These materials are now piling up in hospitals and research facilities awaiting a new disposal plan. Most medical waste can be stored until its radioactivity subsides within a few years. The concern is such materials may get lost, or worse stolen, and turned into dirty bombs. *(Source: Pittsburgh Post Gazette; 10/01/08)*
- ... 78% of NCAA Division 1 athletes who entered college between 1998 and 2001 graduated within six years of enrolling. *(Source: The Chronicle of Higher Education; 10/24/08)*
- ... Under the U.S progressive tax formula, in which the wealthy pay higher tax rates, the richest 5% of Americans now pay well over half of all federal income taxes. *(Source: The Associated Press; 10/23/08)*
- ... Colleges and universities are now ranked on a global basis by services in England and China. American institutions comprise 14 and 17 of the top 20 in the respective rankings. *(Source: The Chronicle of Higher Education; 10/17/08)*

Briefly Noted

Continued from page 2

- ... One in five middle-aged workers stopped contributing to their retirement plans in the last year, and one in three has considered delaying retirement, according to a recent AARP survey. (Source: *The Wall Street Journal*; 10/07/08)
- ... In a new study measuring blood pressure and cholesterol levels, half of the overweight people tested in a normal range. At the same time, 25% of normal weight people tested above the recommended levels for these two tests. (Source: *The Associated Press*; 08/12/08)
- ... Many of our nation's most prestigious medical schools have or are considering eliminating grades for first year medical students. The move is seen to eliminate competition and rather encourage teamwork. (Source: *The Associated Press*; 09/09/08)
- ... The average American family spends 7% of its income on food. Those at the poverty line spend as much as 30%. (Source: *AARP*; September 2008)
- ... First year enrollment at the nation's medical schools in 2008 increased 2% to more than 18,000 students, the highest enrollment in history. At the same time, the number of clinical rotations in teaching hospitals and residency positions is not keeping pace in all areas of the country, thus forcing many med students to move to complete their training. (Source: *The Chronicle of Higher Education*; 10/24/08)
- ... The elimination of many team sports at our nation's colleges & universities will have an impact in our dominance in the Olympic Games in future years. (Source: *The Wall Street Journal*; 09/15/08)
- ... Older men, starting at age 40 and certainly over 55, are faced with a greater chance of fathering children with mental illnesses. (Source: *The Associated Press*; 09/15/08)
- ... Freshman students at Ripon College in Wisconsin receive a free bicycle to keep and use on campus if they pledge to leave their car at home. (Source: *Milwaukee Journal Sentinel*; 09/15/08)
- ... Major colleges and universities are establishing tutorial programs and building special academic service buildings to assure their student athletes make the grade. Since 1997, budgets for academic services for athletes have more than doubled on average. (Source: *The Chronicle of Higher Education*; 09/05/08)
- ... A recent 15 year study of 9,000 people showed that married couples who stayed married built up nearly twice the net worth of single persons. (Source: *MSN Money*; 08/28/08)
- ... 30 minutes of playing Nintendo's Wii boxing burns 216 calories, about 50 calories more than brisk walking. 30 minutes of Wii tennis burns about 160 calories. (Source: *Milwaukee Journal Sentinel*; 09/01/08)
- ... The U.S. Census Bureau estimates that:
 - 7.3 million Americans are working more than one job.
 - 10.6 million Americans are self-employed workers.
 - Home health aides are the fastest growing job, with a projected increase of 56% from 2002 to 2014.
 - More than 4.5 million Americans work from home.
 - 15% of American workers are eligible for employer assistance with child care.
 (Source: *Milwaukee Journal Sentinel*; 09/01/08)
- ... A study by DPC Data indicates that more than 50% of municipal bonds sold between 1996 and 2005 have one or more years of disclosure delinquency and that 25% are missing 3 or more years of disclosure. (Source: *The Bond Buyer*; 09/03/08)
- ... Like a chronic disease spreading through the body, our world's oceans now have over 400 dead zones, areas with too little oxygen to support life. This is double the number reported by the United Nations two years ago. (Source: *The Associated Press*; 08/15/08)
- ... Charitable giving declined in the first quarter in 2008 compared to the same period a year earlier. A 2.1% increase in revenue per donor was more than offset by a 4% decline in the number of total donors. (Source: *First Research*; 08/18/08)
- ... Of the 10,500 Olympians who competed in Beijing, 42% were female, the highest percentage ever. That's up from 34% at the 1996 Atlanta Games. (Source: *The Wall Street Journal*; 08/22/08)
- ... In response to higher gas prices, more than 100 school districts in 17 states have gone to holding classes only four days a week. (Source: *TIME*; 08/25/08)



Source: The Wall Street Journal

Briefly Noted

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... Scientists working to help astronauts regain balance after extended flights in zero gravity have found a way to use the technology to help the elderly avoid catastrophic falls. An “iShoe” insole contains sensors that read how well a person is balancing. The point is to gather information for doctors and to get people to a specialist before they fall. (Source: *The Associated Press*; 08/01/08)

... The passage of the Higher Education Act this summer will nearly double the maximum amount of Pell Grants by 2014. The Act also simplifies the application form. (Source: *Washington Post*; 08/01/08)

... The U.S. Energy Department has launched its EnergySmart Hospitals initiative, which aims to improve energy efficiency in existing hospitals by 20% and by 30% in new construction. The Energy Department estimates the annual power bill for the nation’s 8,000 hospitals equals more than \$5 billion. (Source: *Modern Healthcare*; 07/28/08)

... Federal government departments and agencies own and operate over 642,000 vehicles. Operating costs for 2007 were \$3.4 billion. (Source: *The Associated Press*; 08/01/08)

Ratios for Continuing Care Retirement Communities

As of the date of the printing of this newsletter, Fitch Ratings had not released their data on the 2007 Median Ratios for Continuing Care Retirement Communities (CCRCs). Once the ratios for CCRCs become available, it will be posted on the WHEFA website (www.whefa.com).

Ratios for Private Colleges & Universities

Standard & Poor’s has released data on financial ratios for its rated private colleges and universities for fiscal year 2007. They continue to use a broad spectrum of financial and demand ratios in determining both a rating and the outlook for college and university bond financings. The following medians are based on a sample size of private colleges and universities. The financial ratios are compiled from fiscal year 2007.

RATING CATEGORY (Medians Used)

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>
Sample Size	15	40	74	79
Tuition (%)	24.5	47.1	65.7	73.8
Grants & Contracts (%)	17.5	2.3	1.9	1.6
Investment & Endowment Income (%)	13.6	12.0	5.0	1.9
Financial Aid Burden (%) *	10.6	15.4	18.8	19.9
Total Outstanding Debt (\$000s)	539,406	203,814	82,932	38,351
Current Debt Service Burden (%) *	3.7	4.1	4.4	4.4
Cash & Investments to Operations (%) *	1043.5	438.8	177.0	75.3
Cash & Investments to Debt (%) *	1034.4	576.1	281.6	143.6
Unrestricted Resources to Debt (%) *	467.2	299.8	154.2	64.8
Net Tuition (\$) per FTE	20,671	21,742	17,860	14,630
Total Adjusted Operating Revenue (\$) per FTE	139,071	69,367	40,469	28,900
Unrestricted Resources (\$) per FTE	549,770	164,724	45,010	11,462

* Definitions

Financial Aid Burden (%) – Total financial aid costs/total operating expenses

Current Debt Service Burden (%) – Current debt service/total operating expenses

Cash & Investments to Operations (%) – Total cash and investments/total operating expenses

Cash & Investments to Debt (%) – Total cash and investments/total debt

Unrestricted Resources to Debt (%) – Unrestricted resources/total debt

To receive a complete listing of the ratios, please contact Standard & Poor’s at (212) 438-2079 or go to www.standardandpoors.com. (Source: *Standard & Poor’s Public Finance*; July 10, 2008)

Outlook & Medians for Healthcare

Moody's Investors Service has recently released data on Fiscal Year 2007 Not-for-Profit Hospital Medians for both the not-for-profit hospitals and healthcare systems. The medians are based on an analysis of audited fiscal year 2007 financial statements for 410 free-standing hospitals and single-state healthcare systems and 16 multi-state healthcare systems, representing 94% of Moody's publicly-rated portfolio that are eligible to be included in the medians. The median rating for the sector remains A3.

MEDIANS BY BROAD RANGE CATEGORY, 2007

	All Ratings	Aa	A	Baa	Below Baa
Median Sample Size	410	51	196	132	31
Operating Margin *	2.1%	3.9%	2.6%	0.7%	-1.6%
Excess Margin *	4.9%	7.8%	5.6%	3.1%	-0.3%
Maximum Annual Debt Service Coverage (x) *	3.9	5.9	4.7	2.9	1.8
Cash on Hand (Days) *	156.6	248.6	180.0	112.3	55.7
Cushion Ratio (x) *	14.2	27.4	17.1	9.5	4.9
Debt-to-Capitalization *	38.6%	30.6%	35.3%	47.3%	58.1%

MEDIANS FISCAL YEARS 2003-2007

	2003	2004	2005	2006	2007
Sample Size	16	16	16	16	16
Operating Margin *	2.7%	2.9%	2.7%	3.3%	3.4%
Excess Margin *	5.0%	5.4%	6.3%	6.1%	6.7%
Maximum Annual Debt Service Coverage (x) *	4.8	5.0	5.2	5.5	5.7
Cash on Hand (Days) *	167.9	181.1	191.1	182.8	193.9
Cushion Ratio (x) *	16.6	18.6	21.7	21.0	23.2
Debt-to-Capitalization *	39.7%	35.8%	34.1%	31.7%	32.9%

* Definitions

Operating Margin (%) – (total operating revenue – total operating expenses) / total operating revenue

Excess Margin (%) – (total operating revenue – total operating expenses + nonoperating income) / (total operating revenue + non operating income)

Maximum Annual Debt Service Coverage (x) – net revenue available for debt service / estimated future peak principal payments and interest expense

Cash on Hand (days) – (unrestricted cash and investments x 365) / (total operating expenses – depreciation and amortization expenses)

Cushion Ratio (x) – unrestricted cash and investments / estimated future peak debt service

Debt-to-Capitalization (%) – (long-term debt + short-term debt) / (long-term debt + short-term debt + unrestricted fund balance)

To receive a complete copy of this report, please contact Moody's at (212) 553-4431 or go to www.moody.com. (Source: *Moody's Investors Service – Not-for-Profit Hospital Medians for Fiscal Year 2007; August 2008*)

The following report was written for the National Association of Health & Educational Facilities Finance Authorities (NAHEFFA) and is being included in this copy of the WHEFA Newsletter.

Washington Advocacy Report By Charles A. Samuels Mintz Levin November 5, 2008

Washington is dominated by the election and the financial crisis. Now the election is over and the transition begins. We still are mired in financial crisis.

The New Administration

Before the present financial circumstances, I would say one cannot predict from either the Democratic or Republican team whether tax-exempt bonds, particularly for healthcare and education, will be treated favorably. The present circumstances obviously make any conventional predictions less reliable. Senator McCain has not been particularly favorable to tax-exempt bonds during his professional career and Governor Palin's record is unclear. President-Elect Obama has had little time to develop a record in this area and Senator Biden's views are not well-defined. Some take comfort from Mrs. Obama's experience in health care but it is

unclear how involved she will be on health care and financings.

In any case, policy which affects tax-exempt bonds is almost never made by the White House and almost always made by the Treasury Department, usually at levels well below the Secretary of Treasury. The key position is Assistant Secretary for Tax Policy. At this point it is unknown, and probably will for several months be unknown, who will fill that key post. But we may hear about Secretary of Treasury by the time you read this. Because of the financial crisis affecting state and local governments, there may be more White House participation than usual.

Washington Advocacy Report

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Tax-exempt bonds, however, like all financial instruments, are in the mix now due to the financial meltdown.

Financial Meltdown

Congress has passed massive financial crisis legislation and perhaps by the time you read this may be on the way to passing another economic stimulus bill. Most of the pieces of the financial rescue package do not appear to directly affect or apply to tax-exempt bonds, such as the government purchases of commercial paper or troubled assets. But the liquidity and credit crisis affecting bonds is assisted by the general stimulation of economy and loosening of credit. One area where tax-exempt bonds have been directly affected is the new federal guarantee for certain money market funds which, through a significant lobbying effort, has been extended to tax-exempt money market funds. The approach seems to have shifted from buying bad assets to direct investments of capital. In the next year, the financial regulatory system may be revamped, including derivatives, with undoubted, if unknown, consequences for bonds.

Other Congressional Action

Congress is jumping in with an unprecedented welter of hearings that directly or indirectly affect bonds. It is not business as usual. There have already been hearings on bond insurance, credit ratings and tax-exempt bonds in general. We had a recent House Ways and Means hearing on the overall financial crisis, including a panel on municipal bonds.

Before the credit crunch hit municipal bonds, we were delighted Congress enacted legislation that allows Federal Home Loan Banks and their members to provide letters of credit backing bond financings, especially for small institutions, without running afoul of the “federal guarantee” prohibition. We are hopeful, and it is extremely important, this provision generates actual deals across the country so we can argue in a year’s time that it should be extended. Interested institutions should contact their state authorities as well as the banks to see how these programs might assist them.

Similarly, Senate (S. 3518) and House (H.R. 6333) legislation has been introduced to liberalize the “bank deductibility” rules. Under existing law, banks are economically “disincented” from purchasing tax-exempt bonds except from small issuers who in total issue no more than \$10,000,000 dollars per year. This obviously excludes virtually all statewide authorities and works to the disadvantage of small charities and governments. The legislation not only increases this “small issuer” exemption from ten to 30 million dollars but also allows an election so the exemption can be applied at the conduit borrower or institution level not just at the issuer level. This legislation would be a tremendous benefit to smaller healthcare and educational institutions which seek private placements with the bank- across-the- street versus Wall Street.

Bank deductibility reform may have new life, not just through the new legislation but, through Congress’s and the Federal Reserve Chairman’s support of a second economic stimulus package. In addition, there is some interest in allowing an additional advance refunding, perhaps for a limited period of time, as part of the effort to deal with disruptions in the tax-exempt bond marketplace.

Disclosure

Prior to the financial meltdown, there was great concern about SEC Chairman Cox’s support for revising or repealing the “Tower Amendment” that essentially prohibits the SEC from regulating bond issuers. In the short run, the SEC, the Congress and other parts of government are diverted from this issue. It can be expected, however, this issue will arise again and the question will be is it still justified, particularly for conduit financings, to maintain the present regulatory exemption. The argument for municipal and 501(c)(3) bonds is that there is an incredibly low default rate as compared to the corporate sector, no new regulatory burdens are needed, dealers are directly regulated and issuers under the securities laws are subject to the antifraud provisions.

Meanwhile, NAHEFFA supports the Municipal Securities Rulemaking Board’s (MSRB) new EMMA (electronic

municipal market access) system. This new electronic system would be one-stop shopping for submission of disclosures by charitable institutions, for example, and requires a SEC rule change. NAHEFFA does believe there needs to be care to ensure that the system is suitable for conduit financing.

Charitable Issues Still on Agenda

Meanwhile, the overall issue of whether hospitals and universities are fulfilling their proper charitable role continues and can be expected to be at least discussed in the next Congress and Administration. The role of hospitals in charitable and broader community benefits is subject to state and local action, media reports, studies, and criticism, particularly from Senator Grassley of Iowa. The Congressional Budget Office is presently examining the interaction between university endowments and eligibility for tax-exempt bonds. There is a push for a minimum 5% use of endowments per year in light of increases in tuition and other costs. However, all of these proposals may be affected by the financial crisis. For example, colleges in particular have been hard hit by the market turmoil, are increasingly dipping into endowments and argue this proves the need for prudent use of reserves in good years.

New Federal Home Loan Bank Legislation – Designed to Increase Capital Access

Background

President Bush signed a Housing bill into law which contains authority for Federal Home Loan Banks (FHLBs) to back-up local banks in guaranteeing tax-exempt bonds. Technically, this revision to the Internal Revenue Code is an additional exemption to the “federal guarantee” ban. The provision is aimed at smaller, non-rated deals but can be used by any sized transaction.

With banks and bond insurers faltering, borrowers have been met with higher debt prices and more restrictive lenders. The disruption of the bond insurance market triggered massive restructuring among tax-exempt borrowers in a tight credit market, increasing demand for bank letters of credit

New Federal Home Loan Bank Legislation – Designed to Increase Capital Access

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as an alternative to insurance. This law unlocks a new source of credit enhancement. Among those that may gain are borrowers squeezed out by the current crisis and small borrowers that have been unable to obtain bond insurance or credit ratings needed to issue affordable tax-exempt bonds.

The FHLBs typically provide low-cost loans to more than 8,000 member banks, credit unions, savings and loans and others to finance housing. Now the 12 FHLBs – which carry ratings of AA or AAA may extend their credit strength to member banks that guarantee tax-exempt bonds.

With the collapse of the auction rate market and the uncertainty surrounding whether bond insurance will rebound, tax-exempt bonds continue to need credit enhancement. The FHLBs give borrowers another option at a time when financing choices are limited and demand for capital continues to grow. This new authority allows a borrower to work with their community bank, which prior to this legislation might not have been possible since many small, community banks are unrated or carry ratings below the minimum rating required to successfully sell and remarket tax-exempt bonds. The authority, however, is limited to “original issuances” which occur before the end of 2010, though letters of credit issued under the provision may be renewed after the law sunsets.

The Mechanics

Under the new program, a borrower may ask a financially qualified FHLB member bank for a direct pay letter of credit which the appropriate FHLB office will confirm with the issuance of its own confirming credit facility. The FHLB guarantees payment to bond investors should the initial member bank fail.

The economics of the transaction are such that the FHLB does not assess the risks of specific deals, but rather its focus is the credit strength of the member bank. The member bank that issues the letter of credit

does so after its sole credit assessment and negotiations with the borrower. (Sources: *Searching for Approval, Modern Healthcare, August 4, 2008*; *FHLB Letters of Credit to Guarantee Tax Exempt Bonds, Stern Brothers & Co., October 2008 Bulletin*; *Washington Advocacy Report, By Charles A. Samuels and Patrick D. Mara, Mintz Levin/ML Strategies, August 11, 2008*)

Community Development Financial Institutions – Another Source of Capital

A community development financial institution (CDFI) is an organization that provides loans and financial services to underserved communities. CDFIs were created to bridge the lending gap between low and moderate income neighborhoods and mainstream financial institutions.

Nationwide, over 1,000 CDFIs serve economically distressed communities by providing credit, capital and financial services that are often unavailable from mainstream financial institutions. CDFIs have loaned and invested billions in our nation’s most distressed communities. In addition, their loans and investments have leveraged billions more dollars from the private sector for development activities in low wealth communities across the country.

While CDFIs share a common mission of community development, they have a variety of structures and development lending goals. Some CDFIs are organized as community development banks, while others come in the form of community development credit unions, loan funds, or venture capital funds. All are market-driven, locally-controlled, private-sector organizations. CDFIs receive their money from banks, corporations, foundations, individuals, governments, and faith-based institutions. The single largest funding source for CDFIs is the CDFI Fund, a program of the U.S. Department of Treasury. The CDFI Fund certifies CDFIs and awards them resources through a competitive application process.

CDFIs must provide matching funds from private or nonfederal sources in order to receive some types of CDFI Fund awards. 2006 saw the eleventh round of funding for the CDFI Fund, which was awarded

more than \$800 million to community organizations and financial institutions. CDFIs have a successful track record. For example, at the end of fiscal year 2005, the loan loss ratio for all certified CDFIs was only 0.3 percent, or \$6,799,247 out of \$2,711,161,088 in total outstanding loans.

In addition to providing direct support for CDFIs, the CDFI Fund conducts two programs designed to promote private sector investment in CDFIs. The first is the Bank Enterprise Awards Program, which encourages bank-CDFI partnerships by providing cash awards to banks that invest in CDFIs. As of 2002, banks had received more than \$179 million in awards. The second is New Markets Tax Credit (NMTC) Program, which provides tax-credits to private companies that invest in specialized organizations called community development entities, or CDEs. All certified CDFIs are classified as CDEs and are therefore eligible for NMTC investments.

The origins of CDFIs date back several decades. CDFIs arose out of the necessity to secure financing for the grassroots economic development efforts of community development corporations (CDCs). ShoreBank in Chicago, which was founded in 1973, is often cited as one of the earliest CDFIs. The growth of the CDFI field accelerated in the 1990s, spurred by two events. The first was the establishment of the CDFI Fund in 1994. The second event occurred in 1995, when the Community Reinvestment Act (CRA) was revised. The CRA requires depository institutions to meet the credit needs of their entire communities, including low- and moderate-income neighborhoods. Under the revised rules, banks could get CRA credit for lending to and investing in CDFIs. There are now approximately 800 certified CDFIs across the U.S., according to the CDFI Fund, plus many additional CDFIs that have not sought or received certification. (Sources: *Community Dividend, Published by the Community Affairs Department of the Federal Reserve Bank of Minneapolis, June 3, 2008*; *CDFI Coalition Website, <http://www.cdfi.org/>*)

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Holiday Greetings from WHEFA

In lieu of holiday cards this year, WHEFA has decided to make monetary donations to three service organizations in the Waukesha/Milwaukee area. The money normally spent on cards and postage has been given to these groups in order to help them assist those individuals and families less fortunate.

Please accept our sincere wishes for a happy holiday season. May all of you be safe and may 2009 bring much happiness to you and your families.

