



ANNUAL REPORT 2008



Notable Accomplishments 2008

**Pre-tax Profit Total:
\$2.7 Million**

**NMTC Allocation Award Total:
\$90 Million**

**Core Loans Funded Total:
\$24 Million**

Clearinghouse CDFI was featured
in *Newsweek* magazine for our success
and ethics in single family lending.



Corporate Office

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Northern California Office

1227 Bridge Street, Suite C
Yuba City, California 95991
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Letter to Shareholders

Dear Shareholders and Friends;

While many financial institutions faced unprecedented challenges in 2008, Clearinghouse CDFI remains strong and well capitalized. Most importantly, we continued providing much needed credit in low-income communities and for first-time homebuyers throughout California. We finished the year with record earnings and introduced a new funding mechanism — our CRA Loan Pool — that is designed to sustain our lending for many years.

We achieved strong lending volume levels in 2008 in the three primary areas of our business: Core Lending, Single Family Lending, and New Markets Tax Credit lending. In total, we financed \$92 million in loans and investments to over 240 borrowers. Our combined total asset size increased to \$262 million in 2008 and our equity position and loan loss reserves have reached new levels.

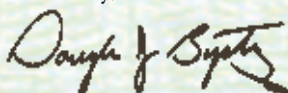
Our record pre-tax profit in 2008 was over \$2.7 million. Part of this profit was achieved by the discounted early retirement of some of our debt. For the fourth consecutive year we paid a dividend to all “Class A” shareholders, providing them a consistent annual return on their equity investment. We continue to be among the most profitable and self-sufficient CDFIs in the nation.

Clearinghouse CDFI attained national recognition in 2008 through a featured article in *Newsweek* magazine. Our successful single family lending operation was highlighted as they examined “ethical” lenders in the midst of the national mortgage meltdown.

With national economic conditions worsening, and secondary markets disappearing, we expect challenges in 2009 and beyond. Fortunately, we have never relied on the secondary markets as a source of liquidity, but the continuing market disruption may have unanticipated impacts on all lending activities. We will continue to work closely with our borrowers, addressing their needs and assisting them in responding to the economic and financial challenges they face. Thanks to the commitment of our shareholders, we believe we are well-positioned to withstand a prolonged national recession, and will continue to pursue strategic business opportunities that benefit all of our stakeholders.

We wish to thank our dedicated Board of Directors and Committees for their tireless work in 2008 on behalf of the low-income and distressed communities we serve. We also want to thank you, our shareholders and community partners, for helping make the impact that changes lives — one loan at a time.

Sincerely,



Douglas J. Bystry
President / CEO



Alan Orechwa
Chairman of the Board



Community Development Loans



Orange County Conservation Corp.
Anaheim - \$300,000. Line of credit increase to allow expansion of services.



Sacramento Valley Teen Challenge -
Yuba City - \$792,000. Acquisition loan for development of a thrift store to provide jobs & services for those in need.



18th Street Arts Center -
Santa Monica - \$515,000. Refinance to allow continued community enhancement through contemporary art and culture.

Community Development Loans



Pacific Charter School—Alameda site—Huntington Park — \$1.3 mil. Acquisition loan for development of a charter high school to serve 9th–12th grade.



Pacific Charter School—Adams site—Los Angeles — \$2.6 mil. Acquisition loan for development of a charter high school to serve 9th–12th grade.



Teen Project—Lake Forest — \$294,000. Acquisition loan for residence to provide food, shelter, and college support for emancipated youth.



California Receivership Group—Various — \$2 mil. Line of credit to address health and safety code violations.

**Total 2008 Community Development Loans Funded:
\$10,555,365**

Affordable Housing Loans



Home Ownership Made Easy -
Culver City - \$540,000. Acquisition loan to provide rental housing for individuals with developmental disabilities.



Oldtimers Housing Foundation -
Huntington Park - \$1.4 mil. Three acquisition loans for development of affordable housing for low-income families.



Housing Renaissance Fund -
Los Angeles - \$70,000. Acquisition loan to address health and safety issues.



Heritage Housing Partners -
Pasadena - \$2.1 mil. Acquisition and rehabilitation loan to relocate two historical buildings.



Riverside Housing Development Corp. -
Hemet - \$2.1 mil. Two acquisition loans for development of affordable housing to serve individuals and families.

Affordable Housing Loans



Global Premier Development, Inc. —
Colton — \$540,000. Land acquisition loan for development of affordable housing for families and individuals.



Access Community Housing
Compton — \$744,000. Two acquisition and rehabilitation loans for affordable housing to serve families.



Key Community Housing —
Greater Los Angeles — \$360,000. Acquisition loan to provide affordable rental housing for individuals with developmental disabilities.



West Bay Housing —
San Francisco Bay Area — \$556,000. Acquisition loan to provide affordable rental housing for individuals with developmental disabilities.



Colette's Children Home
Placentia — \$382,400. Acquisition loan to provide affordable rental housing for very low-income households.

**Total 2008 Affordable
Housing Loans Funded:
\$10,692,769**

Small Business Loans



Chandra Gehri Spencer (CGS) Law -
Various - \$150,000. Line of credit increase
 to provide legal assistance for families living
 in substandard housing throughout CA.



Finklestein Commercial Properties, LLC -
Yuba City - \$537,909. Land acquisition loan for an
 auto collision center providing local economic
 stimulation through sales & job creation.



Glenn Emerson -
Los Angeles/Orange Counties - \$191,200. Line of
 credit for the acquisition & rehab of for-sale
 affordable housing for first-time home buyers.

**Total 2008 Small Business
 Loans Funded:
 \$2,879,109**

New Markets Tax Credit



Pomona Fox Theatre -
 Pomona - \$9 mil. Construction to permanent loan
 for a concert and multi-function venue which will
 create 100+ jobs and stimulate business.



915 South Mateo Properties LP -
 Los Angeles - \$1.2 mil. Construction loan
 to provide workspace for artists and light
 manufacturers in the Arts District.



Leibach Consulting, LLC (L.A. Maritime Services)
 Southern California - \$850,000. Commercial
 loan for expansion of ship repair and
 inspection operations.



Carnegie Pinsco -
 Santa Ana - \$542,250. Commercial acquisition
 loan for development of business to provide
 products for individuals with disabilities.

**Total 2008 New Markets
 Tax Credit Loans Funded:
 \$11,693,250**

Single Family Loans



In 2008 Clearinghouse CDFI continued to provide safe, stable mortgage loans to hundreds of families by offering programs administered by the California Housing Finance Agency, the National Homebuyers Fund, and several Public Agencies that have Down Payment Assistance loans. By practicing sound underwriting and responsible evaluation of our loans, Clearinghouse CDFI has proven that low- and moderate-income families can indeed become homeowners without utilizing the types of programs that led to the foreclosure crisis. While many lenders dramatically curtailed their financing this past year, the Single Family Lending Department made \$56.6 million in mortgage loans to 201 families.

As part of the effort to expand our mortgage lending nationwide, Clearinghouse CDFI made its first loan outside of California in 2008. With a mortgage lending footprint that currently covers 10 states, we hope to make a greater impact by providing safe, affordable, fixed-rate loans which will help stabilize communities across the country.



The Martinez Family - San Jose, CA
"We were able to purchase our first home less than one mile from work. The commute is a breeze and we love the extra family time."



The Griffin Family - Pasadena -
"Living at Fair Oaks Court is a tremendous blessing. Learning from one another has been a rich experience."

★ Stars represent 201 loans funded in 2008.

Our Non-Profit Partner



**Affordable Housing
Clearinghouse**

Assisting Pasadena Homebuyers

Clearinghouse CDFI and Affordable Housing Clearinghouse (AHC) worked together to provide financing for the construction and sale of affordable for-sale homes in Pasadena. Clearinghouse CDFI provided a construction loan for the project, which was the first homeownership project to use New Markets Tax Credit Financing. Affordable Housing Clearinghouse assisted the homebuyers in qualifying for and obtaining acquisition loans through Clearinghouse CDFI's single-family department.

Fair Oaks Court, comprised of 44 affordable homes for low- and moderate-income households, was developed by Heritage Housing Partners (HHP) and completed in 2008. The Fair Oaks Court project was honored by *Affordable Housing Finance* magazine's Readers' Choice Awards for "Best Affordable Housing Development" of 2007–2008.

Children and Families Commission to Provide \$10 Million for Transitional Shelters

The Children and Families Commission of Orange County has allocated \$10 million to expand transitional housing projects and related services. Affordable Housing Clearinghouse was selected to lend out the funds for these projects.

Affordable Housing Clearinghouse was formed to work with housing organizations and lenders to facilitate financing and provide technical assistance for housing development. AHC hopes to leverage the Commission funds with loans from lender members and direct lending affiliate, Clearinghouse CDFI. Clearinghouse CDFI will provide technical assistance in underwriting and funding the loans.

Affordable Housing Development

Affordable Housing Clearinghouse is currently developing several affordable housing projects. This includes 22 units of multi-family rental housing in a distressed area of Riverside County. In addition, AHC is building two, for-sale affordable homes on County of Orange land located in the City of Anaheim.



Affordable Housing Clearinghouse Staff (left to right):
Janell Abarca, Ana Garibo, Trinh LeCong, and Bonnie Morris



The Toro Family - Pasadena -
"Clearinghouse was thorough and provided a loan that was within our reach. We couldn't believe it!"

Clearinghouse CDFI Staff

Douglas J. Bystry
President/CEO

Melissa DeMotte
Chief Financial Officer

Jay Harrison
Chief Investment Officer

Kristy Ollendorff
Director of Commercial Lending/Chief Credit Officer

Melissa Brown
Director of Single Family Lending

Kathy Bonney
Office Manager/Executive Assistant to CEO

Guy Krikorian
Controller

Darnell Robinson
Community Development Director

Susie Beers
Commercial Loan Coordinator

Annie Mooney
Commercial Underwriter

Nathan DeSa
Jr. Commercial Underwriter

Lundi Chea
Community Impact Analyst

Andre Ford
Community Impact Analyst

Miguel Niembro
Single Family Underwriter

Linda Peaslee
Single Family Underwriter

Warren Carnes
Funder/Document Drawer

Andrew Davis
Broker Account Manager

Loretta Schultz
Loan Servicing Manager

Aubrie Mullison
Single Family Loan Assistant

Jenna Klipfel
Staff Accountant

Alanna Rogers
Commercial Loan & Marketing Assistant

Cesar Placencia
Financial Document Specialist

Jean Swanson
Receptionist



CDFI Staff



CDFI Softball Team

Our Boards and Committees



Alan Orechwa, Chairman of the Board/ALCO Committee

Mr. Orechwa has served on the board since the inception of the CDFI. He is a Certified Public Accountant. He has been actively involved in the growth and development of the Clearinghouse CDFI and Clearinghouse NMTC.



David Levy, Secretary/ALCO Committee

Mr. Levy is a Discrimination Specialist with the Fair Housing Council of Orange County. He is a founding Board Member and liaison with the AHC and the NMTC Advisory Boards.



Susan Montoya/Treasurer/ALCO Committee

Ms. Montoya is Vice President/Corporate CRA Officer for First Bank. She is extremely active in numerous financial initiatives including protecting and informing elders on financial abuse and Get Checking — a national, second-chance checking account program.



Ray Nayar

Mr. Nayar is President of the non-profit AOF/Pacific Affordable Housing. He has over 20 years experience as a builder/developer of affordable housing.



Patricia Neal

Ms. Neal has been an active leader in housing issues for the past 20 years. She recently served as Deputy Secretary for Housing in the Business, Transportation, and Housing Agency for the State of California.



Glen Pacheco

Mr. Pacheco is Vice President of California National Bank. He is a very active Board member serving as chair of both the Asset Review Committee and the Loan Committee.



Linda Walker

Ms. Walker is Senior Vice President and CRA Compliance Officer of Guaranty Bank. She is the Founder and Board President of the Jeffries St. Learning Center, a non-profit literacy community center.



Alva Diaz

Ms. Diaz is Sr. Investment Manager-Vice President of Wells Fargo CDC. She has over 20 years of commercial banking experience serving as the asset management director for the CDC with expertise in NMTC's, LIHTC's, Equity Funds and Equity Equivalent Investments.

Board members not pictured:

Murray Zoota

Emeritus — Board Member/ALCO Committee

Margaret C. Yung

NMTC Advisory Board

Our New Markets Tax Credit Advisory Board plays a key role in project identification and marketing of our loan programs in the low-income communities they represent. Our Advisory Board has representation from each region in the state. Several NMTC loans have come from direct referrals from our Advisory Board.



NMTC Board (pictured above)

Back row: Stanley Tom, Central Valley-South. Tim Johnson, Sacramento-Northern California. Mike McCraw, San Diego/Imperial County.

Front Row: Alan Woo, Orange County. Delores Brown, Los Angeles County. Dave Levy, Board of Directors Liason

Not pictured: Andrew Michael, San Francisco Bay Area. Celina Lopez, Riverside, San Bernardino County

Asset Review Committee

Glen Pacheco, Co Chair
California National Bank

Gary Lee, Co Chair
Farmers & Merchants Bank

Rosanna Yu
United Commercial Bank

Linda Walker
Guaranty Bank

Elsa Monte
California Bank & Trust

Terry Burm
Chase

Loan Committee

Glen Pacheco, Chair
California National Bank

Alan Orechwa
Orechwa Consulting

Melody Winter Nava
Orange County Community Housing Advisory Board
Federal Reserve Bank of San Francisco

Jeff Spinelli
Farmers & Merchants Bank

Matthew Callahan
Civic Center Home Loans & Realty

Shareholders

Class A Shareholders



Class C Shareholders (non voting)

U.S. Dept. of Treasury
CDFI Fund



Shareholders

New Markets Tax Credit Investors

CHASE 

usbank
Five Star Service Guaranteed 

**WELLS
FARGO**


PACIFIC WESTERN
NATIONAL BANK

**VINEYARD
BANK**

F&M Farmers & Merchants Bank[®]

HSBC 
The world's local bank

CRA Fund

**WELLS
FARGO**

**FIRST
BANK**

HSBC 
The world's local bank

FBBH
FIRST BANK OF BEVERLY HILLS

CHASE 

 **CapitalSource Bank**

Depositors

 **CapitalSource Bank**

 **CALIFORNIA BANK
TRUST**

usbank
Five Star Service Guaranteed 

Comerica
We listen. We understand. We make it work.[®]

**WELLS
FARGO**

**CITY NATIONAL
BANK**
The way up.[®] 


HELPING PEOPLE
HELP THEMSELVES

Erich and Hannah
Sachs Foundation


**JEWISH FUNDS
FOR JUSTICE**
combining The Streisand Fund
and the Jewish Community Foundation

**FIRST
BANK**

Other Investors

 **Fannie Mae**

 **Calvert Foundation**
INVESTING IN COMMUNITIES[®]

Selected Financial Data

Clearinghouse Community Development Financial Institution Companies

Combined Balance Sheets — December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 20,815,000	\$ 17,226,000
Certificates of deposit	1,000,000	119,000
Loans receivable, net	226,602,000	203,393,000
Loans held for sale	2,277,000	1,989,000
Accrued interest receivable	1,500,000	1,336,000
Deferred taxes	1,057,000	874,000
Fixed assets, net	163,000	140,000
Other receivables and prepaid expenses	1,281,000	525,000
Other assets	179,000	211,000
Investment in other companies	7,131,000	6,358,000
TOTAL ASSETS	<u>\$ 262,005,000</u>	<u>\$ 232,171,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,662,000	\$ 659,000
Accrued interest payable	554,000	611,000
Lines of credit	13,237,000	—
Interest-bearing deposits	450,000	450,000
Non-interest-bearing deposits, stockholders	1,350,000	1,350,000
Notes payable, stockholders	49,758,000	54,883,000
Other notes payable	4,300,000	3,300,000
TOTAL LIABILITIES	<u>71,311,000</u>	<u>61,253,000</u>
STOCKHOLDERS' EQUITY		
Common stock, no par value		
Class A	4,708,000	4,694,000
Class C	3,830,000	3,830,000
Retained earnings	4,152,000	2,745,000
Controlling equity	12,690,000	11,269,000
Noncontrolling equity	178,004,000	159,649,000
TOTAL STOCKHOLDERS' EQUITY	<u>190,694,000</u>	<u>170,918,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 262,005,000</u>	<u>\$ 232,171,000</u>

Please contact our office for a complete set of our audited financials.

Selected Financial Data

Clearinghouse Community Development Financial Institution Companies

Combined Statements of Income — For the years ended December 31, 2008 and 2007

	2008	2007
INTEREST INCOME		
Interest on loans receivable	\$ 11,133,000	\$ 9,895,000
Interest-bearing deposits	349,000	609,000
Total interest income	11,482,000	10,504,000
INTEREST EXPENSE	(2,909,000)	(2,460,000)
Net interest income	8,573,000	8,044,000
PROVISION FOR LOAN LOSSES	(1,398,000)	(1,974,000)
Net interest income after provision for loan losses	7,175,000	6,070,000
NON INTEREST INCOME		
Fees and gains on sale of single-family loans	659,000	454,000
Other loan fees	203,000	106,000
Grants and other	261,000	206,000
Investment income	—	14,000
Management fees	903,000	871,000
Gain on debt extinguishment	1,197,000	—
Total non interest income	3,223,000	1,651,000
NON INTEREST EXPENSE		
Compensation and related benefits	1,815,000	1,255,000
Insurance	145,000	116,000
Professional fees	403,000	262,000
Depreciation	60,000	59,000
Rent	122,000	88,000
Charitable contributions	64,000	86,000
Historic tax credit investment amortization	343,000	—
Other expenses	467,000	390,000
Total non interest expense	3,419,000	2,256,000
Income before provision for income taxes	6,979,000	5,465,000
Provision for income taxes	1,291,000	664,000
Net income	\$ 5,688,000	\$ 4,801,000
Income allocable to noncontrolling equity	\$ 4,233,000	\$ 4,012,000
Income allocable to controlling equity	\$ 1,455,000	\$ 789,000

Please contact our office for a complete set of our audited financials.



Community Development Financial Institution

building healthy communities

creating financial strength

providing innovative solutions

funding dreams for tomorrow

A member of the
OPPORTUNITYFINANCE
NETWORK 



Our Mission

Clearinghouse CDFI provides economic opportunities and improves the quality of life for lower-income individuals and communities through innovative and affordable financing that is unavailable in the conventional market while achieving shareholder objectives.

Our Vision

At Clearinghouse CDFI we believe in providing equal access to credit in neighborhoods of all income levels and ethnicities. We spend the time and energy required to find creditworthy borrowers whose projects create assets in the community. These borrowers, because of their unique circumstances, are rejected or not even considered by traditional lenders.

Community development lending must be profitable in order to be sustained. As with conventional lenders, we carefully evaluate each applicant's ability to repay the loan. Unlike traditional lenders, we do not have predefined loan programs. We analyze each loan application individually. Every loan we make benefits the community in a measurable way.



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