

2010 Annual Report



Community Development Financial Institution



2010 Financial Highlights:

New Markets Tax Credit Transactions:
\$107.7 Million

Communities at Work Funds Recipient:
\$13 Million

CDFI Fund Financial Assistance Grant:
\$750,000

Pre-Tax Profit Total:
\$3.8 Million

building healthy communities
creating financial strength
providing innovative solutions
funding dreams for tomorrow

Corporate Office

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Dear Shareholders & Friends:

2010 will be remembered as a remarkable year for Clearinghouse CDFI. We attained our eleventh consecutive year of profitability while reaching a new record-level in corporate earnings. The impact of our loans improved the lives of tens of thousands of families. Amendments to our credit agreements allowed us to raise new debt capital more efficiently and economically. We are very optimistic about the future given our sustained growth and profitability while operating in this difficult and unpredictable financial environment.

Our total loan production in 2010 exceeded any previous year, due in large part to our record level funding of New Markets Tax Credit loans. We funded a total of \$137,612,490 benefiting over 65 different borrowers through our Core, New Markets Tax Credit, and Single Family loans. New Markets Tax Credit loans in 2010 exceeded \$105 million, the highest level ever.

Our parent corporation pre-tax profit was over \$3.8 million, representing a 7% increase over 2009. For the sixth consecutive year, we paid a dividend to all "Class A" shareholders providing a consistent and reliable return on their equity investment. Debt that was borrowed as part of our first private placement offering (PPO), was completely repaid in 2010 and \$9 million in debt from our second PPO was repaid early in 2011. We continue to exceed all of our long-term projections and goals related to the on-going early retirement of capital debt borrowed from our shareholders.

A great amount of effort was expended in 2010 that ultimately resulted in Clearinghouse CDFI becoming the first non-depository CDFI ever to borrow from a Federal Home Loan Bank (FHLB). This historic accomplishment provides us an immediate source of competitively-priced capital and allows us to participate in the many FHLB affordable housing programs. We expect our groundbreaking achievement will open the doors for other CDFIs throughout the country to benefit from this new and most valuable source of liquidity.

We remain one of the strongest, well capitalized, CDFIs in the nation. We are excited about new lending opportunities within our Core and New Markets Tax Credit lending efforts, including small business lending programs and upper-tier leveraged lending. We will continue to seek loans that create jobs, provide affordable housing, and foster economic growth in the low-income and distressed communities we serve.

We wish to thank all of our shareholders and community partners for their strong support in 2010. With the ongoing support of our Board of Directors, hard-working committees, and dedicated staff, we will continue to make a meaningful difference throughout our service area - one loan at a time.

Sincerely,



Douglas J. Bystry
President / CEO



Alan Orechwa
Chairman of the Board



Community Development

Partnership to Uplift Communities

\$2,960,000 - Los Angeles, CA

Partnership to Uplift Communities used a Clearinghouse CDFI loan to relocate their charter school from a temporary site to a new spacious facility. This allowed them to expand and increase student enrollment for their charter school serving low-income students.



Merced County Community Action Agency

\$1,219,750 - Merced, CA

This acquisition loan allowed a non-profit in Central California to further its mission to combat poverty. Services include childcare, meals and other provisions benefiting the homeless population.



**Loan
Dollars at Work
\$10,329,750**

Community Development

California Human Development Corporation

\$800,000 - Santa Rosa, CA

California Human Development Corporation received an acquisition loan to establish an affordable residential drug and alcohol treatment facility. A safe and supportive service-enriched environment now benefits up to 40 women.



Good Shepherd Ministries, International

\$900,000 - Calimesa, CA

Clearinghouse CDFI provided permanent facilities financing for this faith-based nonprofit to expand their training programs and missionary efforts worldwide.



Affordable Housing



Community Housing Resources, Inc.
\$325,000 - Anaheim, CA



Key Community Housing
\$336,000 - Whittier, CA



2010 Affordable Housing Loans

Clearinghouse CDFI provided acquisition and rehabilitation financing for each of these nonprofit housing developers specializing in housing for individuals with developmental disabilities. These homes allow individuals with disabilities to live in a home-like setting within the community of their choice.



Hallmark Community Services
\$1,157,840 - Hayward, CA



Home Ownership for Personal Empowerment, Inc. \$843,910 - Southern CA



Loan Dollars at Work
\$15,152,620

Affordable Housing

Clearinghouse CDFI Meets Special Housing Needs Throughout California

In 2010, Clearinghouse CDFI had the unique opportunity to satisfy critical, yet unmet, affordable housing needs for individuals with developmental disabilities.

The State of California began actively relocating individuals with developmental disabilities from larger, institutionalized centers to smaller, service-enriched single family homes in the community. Nonprofit housing developers needed acquisition and rehabilitation financing for single family homes to meet this demand.

Since 2009, Clearinghouse CDFI has funded 18 loans totaling \$11.4 million to create 110 housing units for these low-income individuals. The State has determined that these new homes not only provide much healthier living environments for individuals with developmental disabilities, but are also significantly less expensive to operate and maintain. Clearinghouse CDFI is honored to be a key component in this progressive movement.



New Markets Tax Credits

New Markets Tax Credit Program

The New Markets Tax Credit (NMTC) program is a CDFI Fund initiative, designed to provide low-interest rate financing for projects in low-income and economically distressed communities. The cornerstone of this program is the equity provided by investors, who in return receive federal tax credits. This financing structure allows for investments in projects that otherwise would not be possible.

The community impact of NMTC financed projects is long-term in nature, as the project must remain operating for a minimum of seven years. Community impact is realized through permanent job creation, increased tax revenue, renewed economic opportunity and revitalization of blighted and underserved areas.

Lancaster Promenade II

\$19,500,000 - Lancaster, CA

Lancaster Promenade II is the second phase of the redevelopment of downtown Lancaster. Phase II features a beautifully remodeled pedestrian-oriented promenade, renovated retail space, and the addition of a movie theater, restaurant and café. As a result of the redevelopment, this formerly blighted area of Lancaster has been transformed into a vibrant social and commercial hub. It exemplifies downtown revitalization and the economic benefit created through New Markets Tax Credit financing.



NMTC
Dollars at Work
\$105,546,000

New Markets Tax Credits

Habitat for Humanity

\$25,000,000 - CA

This NMTC transaction provided four Habitat for Humanity affiliates with funds, allowing them to build 112 affordable, for-sale houses throughout California. All houses are built at reduced costs through the use of NMTC equity, donated materials and volunteer labor. These homes are then sold at prices affordable to households earning between 30% and 60% of area median income.



Imagine 26 Partners, LLC

\$8,900,000 - El Centro, CA

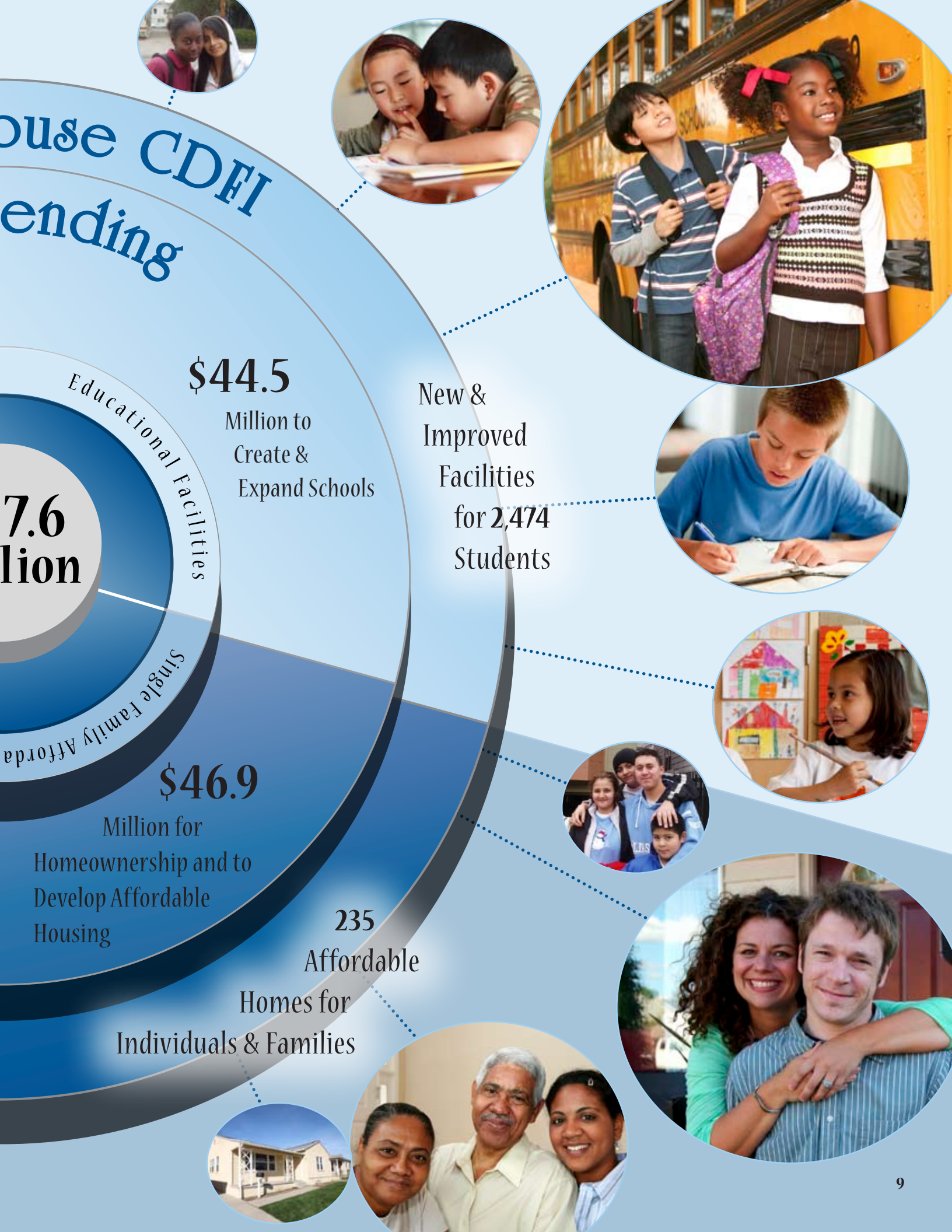
Imagine 26 Partners converted a vacant, blighted retail center into a new charter school using an NMTC and leveraged loan provided by Clearinghouse CDFI. This community, with historically underperforming schools, now has a state-of-the-art school offering a dual language program for 834 students grades K-8.

Funded Total:

\$131,028,370 Core + NMTC
+ **6,584,120** Single Family Mortgages

Grand Total
\$137,612,490





House CDFI
ending

\$7.6 billion

Single Family Affordable

\$44.5

Million to
Create &
Expand Schools

New &
Improved
Facilities
for 2,474
Students

\$46.9

Million for
Homeownership and to
Develop Affordable
Housing

235
Affordable
Homes for
Individuals & Families

Federal Home Loan Bank Membership

First CDFI in the Nation to Borrow

Clearinghouse CDFI became the first non-depository CDFI in the nation to borrow from a Federal Home Loan Bank. This achievement came after the Federal Housing Finance Agency (FHFA) implemented provisions in 2010 allowing for CDFIs to become members. Membership offers us low-cost borrowings and access to the affordable housing programs available only to FHLB members.

"Clearinghouse CDFI will be able to use Bank products and services to achieve its community finance mission," said Dean Schultz, President and Chief Executive Officer of the FHLB of San Francisco. Bank membership will also allow Clearinghouse CDFI to better manage liquidity and offer more competitive rates to our community development borrowers and affordable housing providers.

Purchase / Rehab / Resale

Clearinghouse CDFI began this community revitalization program to stabilize communities that have suffered from foreclosures and abandonment. In partnership with our nonprofit affiliate, Affordable Housing Clearinghouse, we purchased and sold 15 homes to low- or moderate-income families. The homes purchased were bank owned REOs or distressed properties. By rehabilitating these homes to livable condition, we are stabilizing communities throughout California.

Before

After



Los Angeles, CA

Before

After



Stanton, CA

Before

After



Tustin, CA



After

Our Nonprofit Partner

AFFORDABLE HOUSING



Clearinghouse

Affordable Housing Clearinghouse Contribution

Affordable Housing Clearinghouse recently celebrated its 20th Year Anniversary. This nonprofit housing organization has outlasted many of its founding lending institutions. AHC currently has 22 lender members and is expected to continue growing and providing valuable services.



Activity / Production

AHC provides financing for affordable housing and homeownership. In addition, AHC assists low- and moderate-income potential home buyers in Southern California through homebuyer education classes.

As the County of Orange Mortgage Assistance Program Administrator, AHC provided \$1.2 million in down payment assistance to qualified first time home buyers and empowered 30 families to realize their dream of homeownership.

AHC continues to develop affordable housing projects. In partnership with Mary Erickson Community Housing Corp., 22 units of multi-family rental housing are currently under construction in a distressed area of Riverside County.

City of Huntington Beach First Time Home Buyer Down Payment Assistance Program

The City of Huntington Beach awarded AHC a contract to administer \$1.5 million in down payment assistance to first time home buyers who purchase homes in the City of Huntington Beach. Since the program began in 2009, AHC has allocated over \$1.4 million and expects to continue the program in 2011.

National Stabilization Program I (NSP)

AHC was awarded \$568,000 in NSP I Funds with the County of Orange. AHC utilizes these funds to create jobs and grow local economies by providing communities with resources to purchase and rehabilitate foreclosed homes and convert them to affordable housing. To date, AHC has purchased and rehabilitated several homes and provided families the opportunity to become first time home owners.

REO Joint Venture Program

AHC and Clearinghouse CDFI have recently partnered in a community revitalization program. Foreclosed properties are acquired, rehabilitated and resold to families who could not otherwise achieve their dream of homeownership. The effectiveness of the program prompted an increase in property acquisition in blighted neighborhoods, creating new housing opportunities for families.

Clearinghouse CDFI Staff



Alanna Smith
Marketing
Production Manager



Amanda Virrey
Commercial Loan Assistant



Annie Mooney
Commercial Underwriter/
SoCal Community Outreach



Cesar Plascencia
Administrative Assistant



Chris McMartin
Commercial Underwriter



Darnell Robinson
Community
Development Director



Douglas J. Bystry
President / CEO



Guy Krikorian
Controller



Jay Harrison
Chief Investment Officer



Jean Swanson
Receptionist



Jessica Bradford
Staff Accountant



Julie Jongsma
Senior Accountant



Kathy Bonney
Office MGR / Executive
Assistant to CEO & CIO



Ken Kowalczyk
Special Assets Consultant



Kristy Ollendorff
Director of Lending /
Chief Credit Officer



Linda Peaslee
New Markets Tax
Credit Coordinator



Loretta Schultz
Loan Servicing Manager



Lundi Chea
NMTC Accounting /
Compliance Manager



Marilyn Stone
Loan Servicing Specialist



Melissa Brown
Director of
Strategic Initiatives



Melissa DeMotte
Chief Financial Officer



Nathan DeSa
Commercial Underwriter



Sara Clark
Community Impact Analyst



Susie Beers
Commercial Loan Coordinator

Boards & Committees



Alan Orechwa, Chairman of the Board

Mr. Orechwa has served on the Board since the inception of the CDFI. He is a certified public accountant and has been actively involved in the growth and development of Clearinghouse CDFI.



David Levy, Secretary

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



Susan Montoya, Treasurer

Ms. Montoya is Vice President/Corporate CRA Officer for First Bank. She is active in numerous financial and community initiatives.



Ray Nayar

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



Alva Diaz

Ms. Diaz is Senior Vice President of Wells Fargo Community Lending and Investing, Capital Preservation Team. She has over 20 years of commercial banking experience.



Patricia Neal

Ms. Neal is an active leader in housing issues. She is President of Neal Estate Inc., a real estate advisory firm and recently served as Deputy Secretary for Housing in the Business, Transportation, and Housing Agency.



Glen Pacheco

Mr. Pacheco is Vice President of US Bank. He is a very active Board Member serving as Chair of both the Asset Review Committee and the Loan Committee.



Terrin Enssle

Ms. Enssle is responsible for the Treasury function for Opus Bank. She is experienced in corporate finance, cash management, strategic planning and financial analysis.



J. Chris Walsh

Mr. Walsh is President of Sunwest Bank with 32 years in the banking industry. He oversees all banking activities, focusing on development of new and existing client relationships in Southern California.



Erica Opstad

Ms. Opstad is the Vice President and Manager for the Office of Corporate Citizenship and Financial Education at U.S. Bank.



NMTC Advisory Board (pictured above)

Left to Right: Alan Woo, Orange County. Tim Johnson, Sacramento-Northern California. Delores Brown, Los Angeles County. Stanley Tom, Central Valley-South. Mike McCraw, San Diego/Imperial County. David Levy, Board of Directors Liaison. Anne Griffith, San Francisco Bay Area. Dr. Raymond Turner, Inland Empire.

Loan Committee

Glen Pacheco, Chair
US Bank

Alan Orechwa
Jr. Achievement

Wesley Wolf
Wolf & Company, Inc.

Waheed Karim
US Bank

Melody Winter Nava
Orange County
Community Housing
Advisory Board

Laura Green
Sunwest Bank

Jeff Spinelli
Farmers &
Merchants Bank

Asset Review Committee

Glen Pacheco, Chair
US Bank

Noelle Noy
Wells Fargo

Elsa Monte
Sunwest Bank

Sean Birney
JP Morgan Chase Bank

ALCO Committee

Alan Orechwa
Jr. Achievement

David Levy
Fair Housing Council of
Orange County

Susan Montoya
First Bank

Terrin Enssle
Opus Bank

Douglas J. Bystry
Clearinghouse CDFI

Melissa DeMotte
Clearinghouse CDFI

Not Pictured:
Murray Zoota, Emeritus - Board Member

Shareholders

Class A Shareholders



Class C Shareholders (non voting)

U.S. Dept. of Treasury
CDFI Fund



Shareholders

New Markets Tax Credit Investors



CRA Investment Fund



Depositors



Erich and Hannah
Sachs Foundation



Other Investors



Financials

Clearinghouse Community Development Financial Institution Companies

Combined Balance Sheets

December 31, 2010 and 2009

ASSETS	2010	2009
Cash and cash equivalents	\$ 40,131,000	23,046,000
Certificates of deposit	1,000,000	250,000
Loans receivable, net	384,887,000	278,211,000
Loans held for sale	-	1,695,000
Accrued interest receivable	1,325,000	1,567,000
Deferred taxes	1,581,000	1,460,000
Fixed assets, net	122,000	136,000
Other real estate owned	469,000	1,236,000
Investment in foreclosed single family properties	1,260,000	-
Other receivables and prepaid expenses	1,698,000	1,534,000
Other assets	407,000	496,000
Investment in other companies	11,680,000	12,987,000
TOTAL ASSETS	\$ 444,560,000	\$ 322,618,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,538,000	\$ 2,973,000
Accrued interest payable	476,000	544,000
Lines of credit	3,828,000	9,851,000
Interest-bearing deposits	750,000	450,000
Non-interest-bearing deposits, stockholders	2,150,000	2,150,000
Notes payable, Class A stockholders	46,900,000	51,758,000
Other notes payable	11,800,000	4,300,000
TOTAL LIABILITIES	68,442,000	72,026,000
STOCKHOLDERS' EQUITY		
Common stock, no par value		
Class A	5,730,000	5,460,000
Class C	3,580,000	3,580,000
Retained earnings	5,953,000	5,133,000
Total controlling equity	15,263,000	14,173,000
Total noncontrolling equity	360,855,000	236,419,000
TOTAL STOCKHOLDERS' EQUITY	376,118,000	250,592,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 444,560,000	\$ 322,618,000

Financials

Clearinghouse Community Development Financial Institution Companies

Combined Statements of Income

For the years ended December 31, 2010 and 2009

	2010	2009
INTEREST INCOME		
Interest on loans receivable	\$ 15,437,000	\$ 12,164,000
Interest-bearing deposits	123,000	159,000
Total Interest income	15,550,000	12,323,000
INTEREST EXPENSE	(2,405,000)	(2,437,000)
Net interest income	13,155,000	9,886,000
PROVISION FOR LOAN LOSSES	(1,608,000)	(3,154,000)
Net interest income after provision for loan losses	11,547,000	6,732,000
NON INTEREST INCOME		
Fees and gains on sale of single-family loans	98,000	119,000
Other loan fees	390,000	263,000
Grants and other	773,000	1,074,000
Investment Income	33,000	-
Income from investment in foreclosed single family properties	85,000	-
Management fees	1,004,000	872,000
Sponsor fees	259,000	1,351,000
Gain on debt extinguishment	-	843,000
Total non interest income	2,642,000	4,522,000
NON INTEREST EXPENSE		
Compensation and related benefits	2,628,000	2,223,000
Insurance	208,000	185,000
Investment loss	1,307,000	377,000
Organization & start up costs	-	150,000
Professional fees	482,000	512,000
Depreciation and amortization	139,000	87,000
Rent	186,000	151,000
Charitable contributions	99,000	73,000
Historic tax credit investment amortization	-	731,000
Loss on sale of other real estate	8,000	-
Other expenses	525,000	505,000
Total non interest expense	5,582,000	5,094,000
Income before provision for income taxes	8,607,000	6,160,000
Provision for income taxes	1,436,000	1,352,000
Net income	\$ 7,171,000	\$ 4,808,000
Income allocable to noncontrolling equity	\$ 6,293,000	\$ 3,771,000
Income allocable to controlling equity	\$ 878,000	\$ 1,037,000



Community Development Financial Institution



Special
Thanks to
Our Premier
Sponsors!



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