Reinvestment Fund, Inc.
Total Loans Receivable Portfolio Risk Rating
At December 31

Risk Rating	2018	2019
1	$ 2,613,523	$ 4,311,726
2	259,092,257	227,786,814
3	170,103,858	186,498,680
4	14,048,136	4,402,691
5	4,981,274	455,000
6		220,000
Total	$ 450,839,048	$ 423,674,911

- Risk ratings of “Risk grade - 1” are used for loans that have committed sources of repayment and are in strong financial condition. These loans also have strong collateral coverage, with loan to value ratios of <70%. They are performing and are expected to continue to meet all the terms and conditions set forth in the original loan documentation.

- Risk ratings of “Risk grade - 2” are used for loans in satisfactory financial condition which may have a few unmet terms from committed repayment sources. These loans also have adequate collateral coverage of <80%. Borrowers in this classification generally exhibit a low level of credit risk, as demonstrated by project operations, guarantor net worth and liquidity or borrower payment history.

- Risk ratings of “Risk grade - 3” are used for loans in satisfactory but not yet stabilized financial condition and may require a higher degree of regular, careful attention. Early stage loans with this rating may be in higher risk phases of deployment and construction. Later stage borrowers with this rating may be exhibiting weaker balance sheets or inconsistent project cash flow coverage. Loans may have weaker collateral coverage, with loan to value ratios of >80%. Borrowers in this classification generally exhibit a higher level of credit risk in one or more areas,but are do not expose the Organization to sufficient risk to warrant adverse classification.

- Risk ratings of “Risk grade - 4” are loans that do not presently expose the Organization to a significant degree of risk, but have identified weaknesses/deficiencies deserving management’s closer attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the asset or in the Organization’s credit position at some future date. No loss of principal or interest is envisioned. Borrower is experiencing adverse operating trends, which potentially could impair their ability to service debt. This category may include credits with inadequate loan collateral, tight profitability upon completion of construction, and legal or management conflicts in the operating team.

- Risk ratings of “Risk grade - 5” are assigned to loans where a material deficiency has been identified and the repayment capacity of the obligor or the collateral security is no longer assumed sufficient to satisfy the borrower’s obligation to the Organization. Loans with this rating are characterized by the loss of a significant repayment source, borrower bankruptcy or other significant impairment to the project. Recovery from secondary sources and other workout measures are indicated at this rating.

- Risk ratings of “Risk grade - 6” are assigned to loans which have all the weaknesses inherent in those classified “Risk grade - 5” with the added characteristic that the weakness makes the collection or liquidation in full, on the basis of current existing facts, conditions, and values, improbable. The borrower's recent performance indicates an inability to repay the debt and recovery from secondary sources is uncertain and may be pending Loss is likely, but because of certain important and reasonably specific pending factors, a full write-off is deferred.