Georgia Funding for CDFIs

- Holly Hunt | June 12, 2013

**Georgia's allocation**
- Allocation of $47,808,507
- Goal is to achieve better than a 10:1 leverage by 12/31/2016

**Georgia Funding for CDFIs**
- $20 million allocated to the CDFI program
- Companion loan program
- Delegated lending model
- Quick turn-around of 5-10 days
- Specifically designed to increase access to capital for Georgia's underserved small businesses
Georgia Funding For CDFIs - Statistics

As of May 31, 2013

- Enrolled Loans (#) 36
- SSBCI Investment $8,208,234
- Private Investment $42,388,571
- Jobs Created 241
- Jobs Retained 249
- Participating Lenders 20
- Counties Served 22

*(Georgia SSBCI is available to all geographical locations in Georgia)*

Georgia Funding for CDFIs – How It Works

- State vets CDFIs to be approved lenders
- CDFIs sign Program Participation Agreement with the State
- Designed for borrowers with 500 or fewer employees and target loan amounts of $100,000 to $250,000.
- State will accept subordinated collateral position behind other project lenders.
- CDFIs encouraged to offer lower interest rates on SSBCI loans, for lower blended rate to borrower.
Georgia Funding for CDFIs - How it Works (continued)

- To meet US Treasury SSBCI thresholds, CDFIs are encouraged to leverage SSBCI funds (ideally $10:$1 private/SSBCI).

- All loans will have a minimum $1:$1 public:private investment through bank participation or other private funds. Loans will be required to meet no less than a 1:1 ratio on a per loan basis.

- State will enter into performance-driven, contractual relationship with CDFIs. Participating CDFIs will earn fees for underwriting, closing, and servicing SSBCI loans, and may participate in one of two capacities:
  - Contracting Entity
  - Loan originator/servicer

Contracting Entity

- CDFI submits Borrower Certification Form, Lender Certification and Enrollment Form and CDFI credit memo to State
- State reviews and approves loan
- State forwards SSBCI funds to CDFI
- CDFI loans SSBCI funds to borrower, closing simultaneously with participating lender.
- CDFI may retain SSBCI principal loan re-payments and revolve these funds into future SSBCI projects, subject to State SSBCI regulations and approval by US Treasury. Interest may be retained by CDFI to cover administration expenses for the SSBCI program.
- All loans made with SSBCI funds must be reviewed and approved by the State following the process as indicated above (through 12/31/2016)
Loan Originator/ Servicer

- CDFI submits Borrower Certification Form, Lender Certification and Enrollment Form and CDFI credit memo to State.
- State reviews and approves loan.
- State funds SSBCI loan at 3% directly to borrower, closing simultaneously with participating bank.
- CDFI services loan, passing monthly P&I payments to the State less their servicing fee of 1% annual (1/12 of 1% monthly)

Case Sample – Building renovation & equipment for restaurant

- **Total Project Cost** $600,000
  - Private Bank Financing $440,000
  - Borrower Equity $  60,000
  - CDFI (with SSBCI funds) $100,000

**Terms:**

- Private bank – 1st lien on bldg & equip; State: second lien
- Bank interest rate: 6%; CDFI interest rate: 5%
- Contracting entity CDFIs retain and revolve interest and principal payments into new SSBCI projects.
- Originator/servicer CDFIs receive principal & interest payments and remit them to state CDFI fund.
- Both contracting entity & originator/servicer CDFIs earn fees for loan underwriting, closing and servicing.
**Case Sample – Construction or Acquisition of Building**

- **Total Project Cost** $600,000
  - **Interim Financing**
    - Private Bank Financing $300,000
    - Borrower Equity $60,000
    - CDFI (with SSBCI funds) $240,000

**Terms:**
- Private bank – 1st lien on bldg & equip; State: second lien
- Bank interest rate: 6%; CDFI interest rate: 5%
- Upon take out by SBA 504 Debenture, contracting entity CDFIs retain and revolve interest and principal payments into new SSBCI projects. *Interim Financing must be > than 90 days*
- Originator/servicer CDFIs receive principal & interest payments and remit them to state CDFI fund.
- Both contracting entity & originator/servicer CDFIs earn fees for loan underwriting, closing and servicing.

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**Georgia SSBCI - Contact Information**

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SSBCI Overview

- Created in Small Business Jobs Act of 2010 to spur up to $15 billion in lending and investing to small businesses and small manufacturers.

- Awards funds to state agencies for credit support programs.

- In 2011, Treasury awarded almost $1.5 billion to 47 states, District of Columbia, five territories and four municipalities. Funds are transferred in three disbursements, as the funds are used.
SSBCI Credit Support Programs

• Eligible types of programs:
  - Capital Access Programs (funded Reserve Account)
  - Loan Participation Programs (purchased participations or companion participations)
  - Collateral Support Programs (partial cash collateral held by lender)
  - Loan Guarantee Programs (up to 80 percent)
  - Venture Capital Programs (direct and fund-of-funds)

• Program Requirements to Leverage of Private Capital
  - Transaction: 20 percent private capital-at-risk
  - Program: 1:1 private capital at all times
  - State overall: 10:1 leverage expectation

SSBCI Allocations for Participating States
CDFI Participation in State SSBCI Programs
(Cumulative through 2012)

2,015 loans

SSBCI Funds Expended

$18.7 M

SSBCI Funds Expended to Support Loans or Investments by CDFIs
(Top 8 States, cumulative through 2012)

Washington: $8.0 M
California: $2.8 M
Georgia: $2.2 M
Pennsylvania: $1.4 M
Minnesota: $1.3 M
Michigan: $900 K
West Virginia: $760 K
Montana: $490 K
New York: $333 K

CDFI expenditures as a percentage of total:

Option A
Option B
Option C
Option D
Option E
Option F
Option G
Option H
How do CDFIs currently participate in SSBCI?

1. As a lender or investor in your state’s Approved Programs.

2. As a contracting entity, which depends on how the State designs and delivers its credit support program.

Thank you.

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