Background

About Colorado Enterprise Fund
- Statewide CDFI
- Micro and Small Business Lender
- Loans up to $250,000
- 17 Staff
- Founded 37 years ago
- In FY 2013, made 149 new loans
- ~$19 million in total assets
Community Partner Program

The Problem:
- Local community wants to encourage small businesses and provide access to capital but does not have the capacity to run a loan fund
- CDFI needs capital to grow and help with connecting to local community to deploy capital

Description and Purpose
- A stakeholder relationship with a designated community creating mutual benefit and advancing shared goals
- Geographic focus (city, county, incubator)
- May or may not include local banks
The Bargain - What they give

- Partner provides
  - Funding
  - Marketing and promotion
  - Referrals

- CDFI provides
  - Lending expertise
  - Turnkey program
  - Accountability
  - Matching funds

The Bargain - What they get

- Partner gets
  - A dedicated loan program for their community
  - Professional management - economies of scale
  - Leverage with additional funds – a bigger loan pool!

- CDFI gets
  - New source of capital
  - Local partner and vested stakeholder
  - Marketing and referrals - help with deployment
Specifics

Ideal Model:
- Grant funds for loans from public entity and/or banks
- Local bank investments into the loan pool
- Grant funds for operating
- CDFI matches local funding from its national or state-wide sources
- Marketing and referrals to help deploy capital
- Minimal involvement in underwriting by Partner
- Consistent reporting across programs

Specifics

Challenges to the CDFI
- Each community is different
- Resources vary
- How do we manage multiple funds that may have different profiles?
- Do we lose or diminish our brand identity?
- Are we better or worse off?
Specifics - Examples

- Boulder Microloan Program
  - Grant funds for loans from non-Federal City funds
  - Local bank investments into the pool
  - Grant funds for operating from CDBG
  - CDFI matches from its national or state-wide sources
  - Marketing and referrals to help deploy capital
  - Minimal involvement in underwriting
  - Reasonable reporting

Specifics - More Examples

- Arvada Microloan Program
- Longmont
- Weld County
- Rocky Mountain Innosphere (incubator)
- Colorado Springs Recovery Fund
- 3 others pending
The Bottom Line – a “Win-Win”

- Added $1.7 million in new low-cost capital
- CEF match $1.25 million
- Partner funds used for additional Federal match (CDFI Fund, SBA Microloan)
- Partners active in promoting “their” fund (locally branded); leverages resources they don’t have access to without us
- Success builds loyalty and positions for further investment
Regionalizing Revolving Loan Funds

Chuck Hurst, VP Northern Initiatives  |  June 9, 2014

Revolving Loan Funds

- Administered by the State, CDBG dollars flowed to eligible units of general local government (UGLG) to capitalize Revolving Loan Funds
  - Small cities, townships & villages less than 50,000 in population
- Primary purpose of Revolving Loan Fund Program
  - Provide Business Loans to eligible small business who meet a National Objective by creating jobs benefiting Low and Moderate income families
- Capacity Gaps at the local UGLG level
  - The federal nature of the funds require ongoing adherence with federal statutes and regulations.
  - Due diligence in utilizing funds ranges from 3 to 6 months depending on project
  - Budget constraints making deployment and admin of funds increasingly difficult.
Regionalization

Provision in CDBG Act allowed for a Regionalization of Loan Funds

- Aggregate funds through a Regional Loan Fund Manager
- Once loaned and presuming National Objective is met repayments de-federalize for future rounds of loan activity
- October 2012, Northern Initiatives applied and named Regional Revolving Loan Fund Manager for Regions 1 & 3

MI Economic Development Regions

Loans by Northern Initiatives Service Area
Within Michigan's Economic Development Regions
Key Program Highlights

- Northern Initiatives entered into agreements with 14 units of local government.
- Must meet National Objective 1 Job created for LMI families for each $20,000 loaned, 51% of jobs counted must be LMI.
- Must be loaned in community of origin.
- Once successfully revolved, de-federalized and can be loaned anywhere in region.
- MEDC representation on NI Board and community representation on loan committees.

Opportunity

- $4.8M transferred to Northern Initiatives.
- Categorized as restricted asset on balance sheet.
- NI can pair CDBG loan funds with other NI funding sources to increase probability of meeting National Objective.
- Success revolving funds = Balance Sheet event as funds become unrestricted.
- Provides NI with the ability to leverage the funds for future growth.