

## State Small Business Credit Initiative

*Opportunity Finance Network  
June 10, 2014*



### 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.





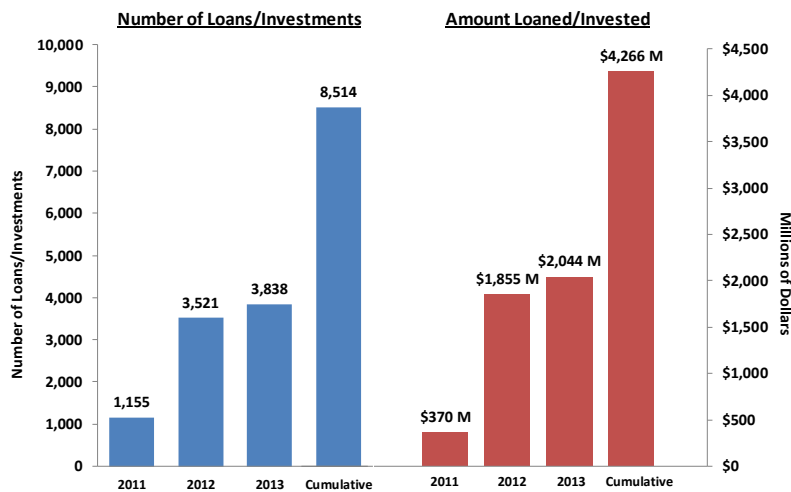
## SSBCI Credit Support Programs

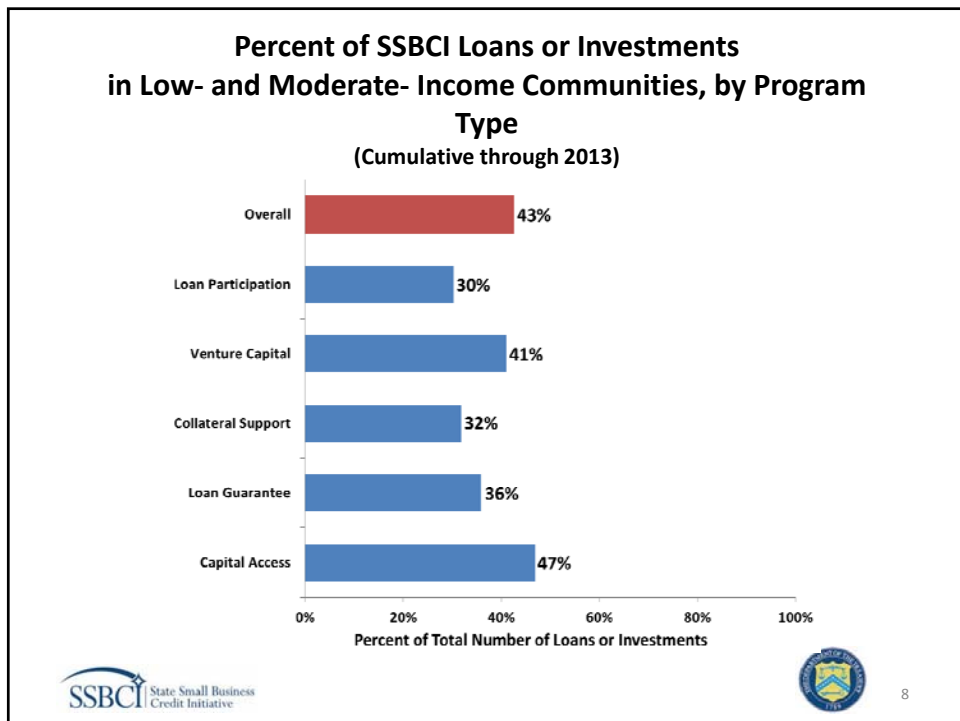
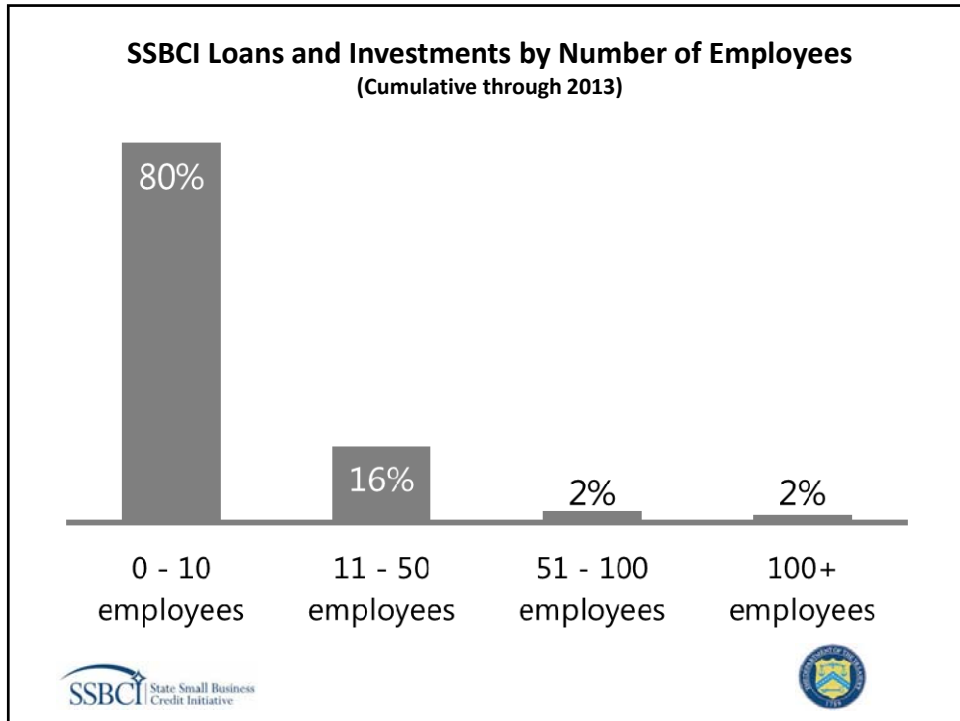
- **Eligible programs:**
  - Capital Access Programs (funded Reserve Account for a portfolio)
  - Loan Participation Programs (purchased participations or companion loans)
  - Collateral Support Programs (partial cash collateral for a loan)
  - Loan Guarantee Programs (up to 80 percent)
  - Venture Capital Programs (direct investments and fund-of-funds)
  
- **Program Requirements for Private Capital Leverage**
  - **Transaction:** 20 percent private capital-at-risk
  - **Program:** 1:1 private capital at all times
  - **State overall:** 10:1 leverage expectation

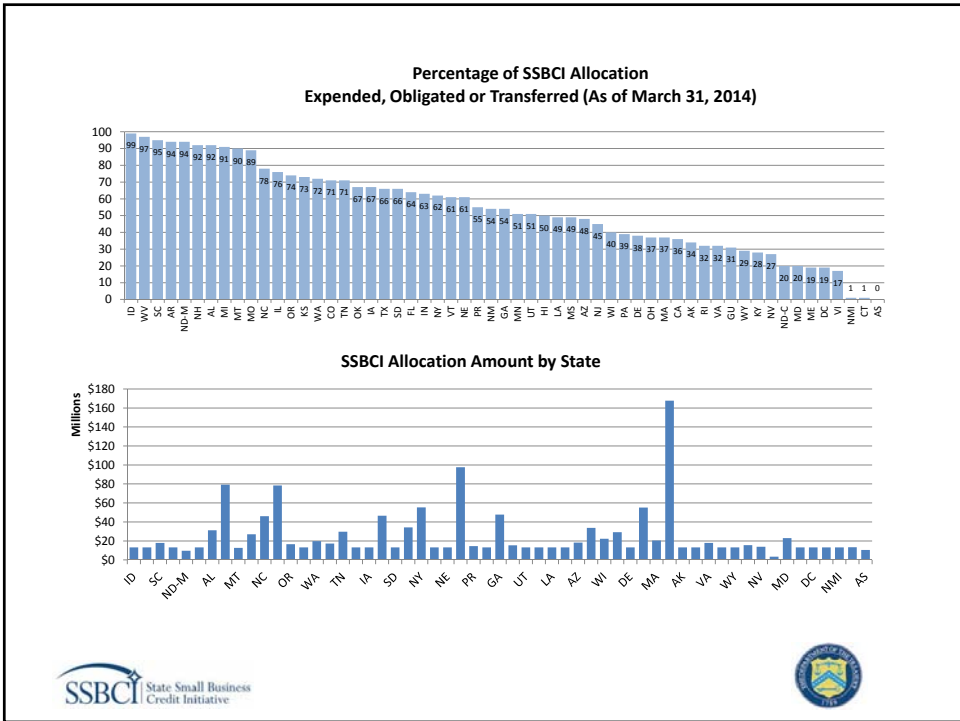
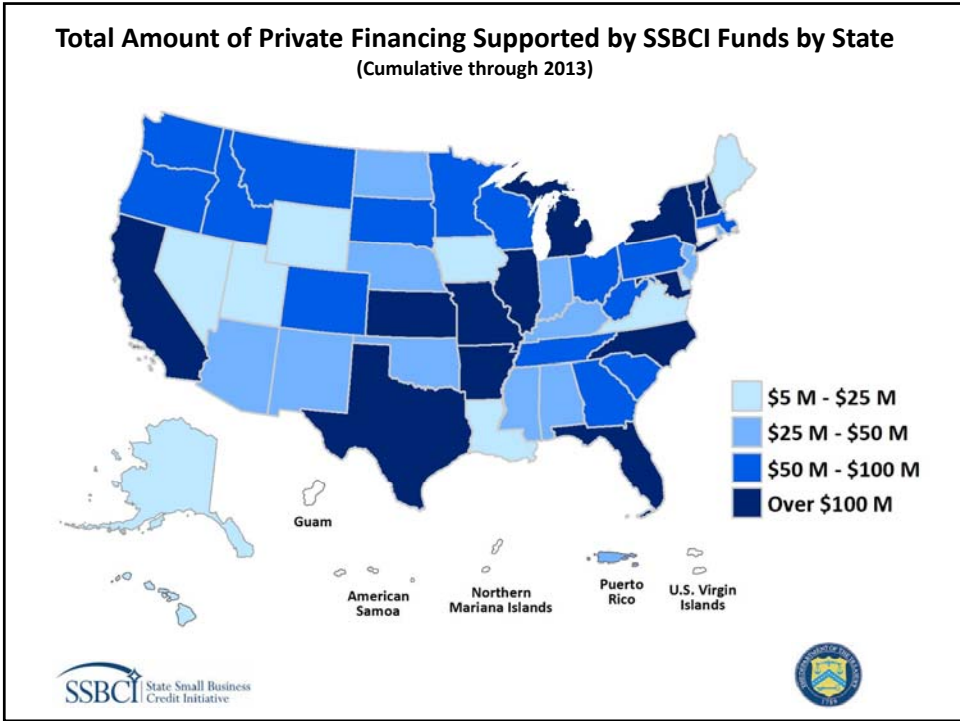


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### Number of Loans or Investments and Total Amount of Private Financing Supported (2011, 2012, 2013, and Cumulative)







### Top 15 Largest SSBCI Lenders, by Number of Loans (Cumulative through 2013)

Rank	Lender	Number of Loans	Amount Loaned	Average Amount Loaned
1	Opportunity Fund (CA)	2470	\$23,630,396	\$9,567
2	Huntington National Bank (IN, KY, MI, OH)	323	\$109,370,620	\$338,609
3	Murphy Bank (CA)	279	\$15,660,013	\$56,129
4	Renaissance Economic Development Corporation (NY)	220	\$5,527,000	\$25,123
5	Accion San Diego (CA)	199	\$3,174,477	\$15,952
6	Pacific Enterprise Bank (CA)	143	\$56,336,851	\$393,964
7	Trade Credit Guaranty Corporation (GA)	102	\$16,472,000	\$161,490
8	TMC Development Working Solutions (CA)	88	\$1,355,307	\$15,401
9	Branch Banking & Trust Company (NC, VA)	82	\$12,378,256	\$158,696
10	First Citizens Bank & Trust Company (NC, VA)	68	\$3,986,822	\$58,630
11	Fresno Community Development Financial Institution (CA)	66	\$2,004,306	\$30,368
12	Mutual Federal Savings (MA)	60	\$2,258,700	\$37,645
13	Business Outreach Center Capital Corporation (NY)	59	\$1,567,229	\$26,563
13	Independent Bank (MI)	59	\$3,033,705	\$51,419
14	NewBridge Bank (NC)	58	\$38,173,391	\$658,162
14	Oakland BDC (CA)	58	\$1,187,000	\$20,466
15	Chemical Bank (MI)	53	\$3,892,801	\$73,449
	<b>TOTAL</b>	<b>4,387</b>	<b>\$300,008,874</b>	<b>\$68,386</b>



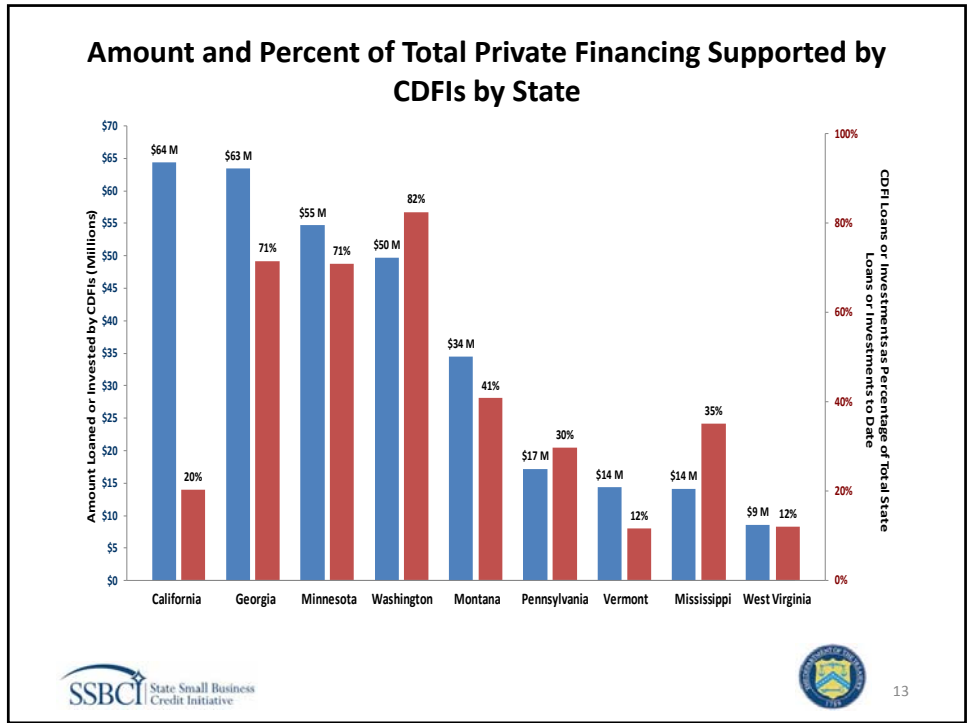
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### Top 15 Largest SSBCI Lenders, by Dollar Amount Loaned (Cumulative through 2013)

Rank	Lender	Number of Loans	Amount Loaned	Average Amount Loaned
1	Huntington National Bank (IN, MI, OH)	323	\$109,370,620	\$338,609
2	Fifth Third Bank (MI, OH)	48	\$74,433,317	\$1,550,694
3	Pacific Enterprise Bank (CA)	143	\$56,336,851	\$393,964
4	Craft3 Capital Corporation (WA)	14	\$49,743,484	\$3,553,106
5	Citizens Bank (MI)	4	\$46,513,000	\$11,628,250
6	mBank (MI)	5	\$45,078,237	\$9,015,647
7	Massachusetts Business Development Corporation (MA)	7	\$42,323,000	\$6,046,143
8	NewBridge Bank (NC)	58	\$38,173,391	\$658,162
9	Village Bank and Trust of Illinois	8	\$36,191,713	\$4,523,964
10	Bank of New Hampshire (NH)	7	\$32,312,712	\$4,616,102
11	Great Falls Development Authority (MT)	2	\$31,442,078	\$15,721,039
12	Amarillo National Bank (KS)	3	\$30,685,569	\$10,228,523
13	Access to Capital for Entrepreneurs (GA)	15	\$28,132,635	\$1,875,509
14	The Palmetto Bank (SC)	35	\$25,869,389	\$739,125
15	Home Federal Bank (ID, SD)	8	\$25,802,000	\$3,225,250
	<b>TOTAL</b>	<b>680</b>	<b>\$672,407,996</b>	<b>\$988,835</b>



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**Thank you.**

**Clifton Kellogg**  
[Clifton.kellogg@treasury.gov](mailto:Clifton.kellogg@treasury.gov)  
 202-622-8917

SSBCI State Small Business Credit Initiative

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*and our*  
**CDFIs: Key to SSBCI<sup>1</sup> Success**

 Bob Isaacson | June 10, 2014

Lead Sponsor



## SSBCI – Customize to State’s Needs

 Minnesota allocated \$15 million in SSBCI funds to four programs

- Angel Loan Fund (\$6.7 million)
- Emerging Entrepreneur Fund (\$6.3 million)
- Small Business Loan Guarantee Program (\$2.0 million)
- Capital Access Program (\$500,000)

 Steady Obligation/Disbursement Since 2012

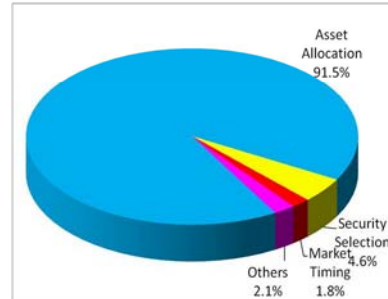
- Angel Loan Fund (\$3.0 million)
- Emerging Entrepreneur Fund (\$3.9 million)
- Small Business Loan Guarantee Program (\$1.4 million)
- Capital Access Program (\$200,000)



## A Balanced (Loan) Portfolio

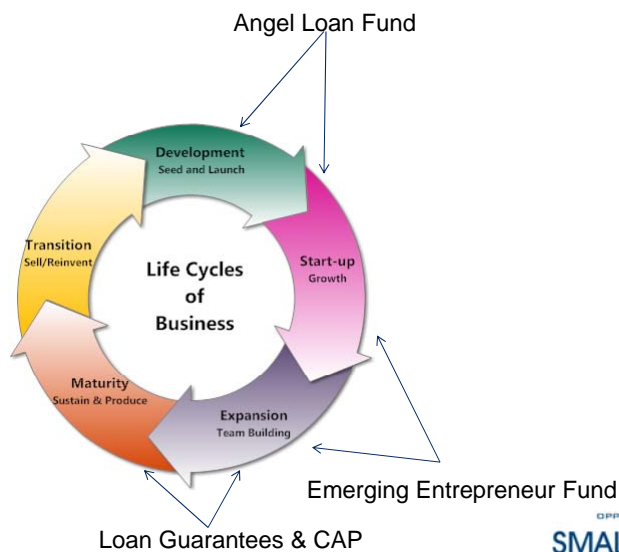
Ensuring Performance....like investments!

- Nothing guaranteed
- Most returns in any portfolio determined by asset allocation
- Market timing, stock selection less important



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## Minnesota's SSBCI Portfolio



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## Key Metrics

- Leverage
  - Minnesota close to 20:1
- Low-to-moderate income areas
  - Minnesota 80%+
- Women and minority-owned businesses
  - Many success stories

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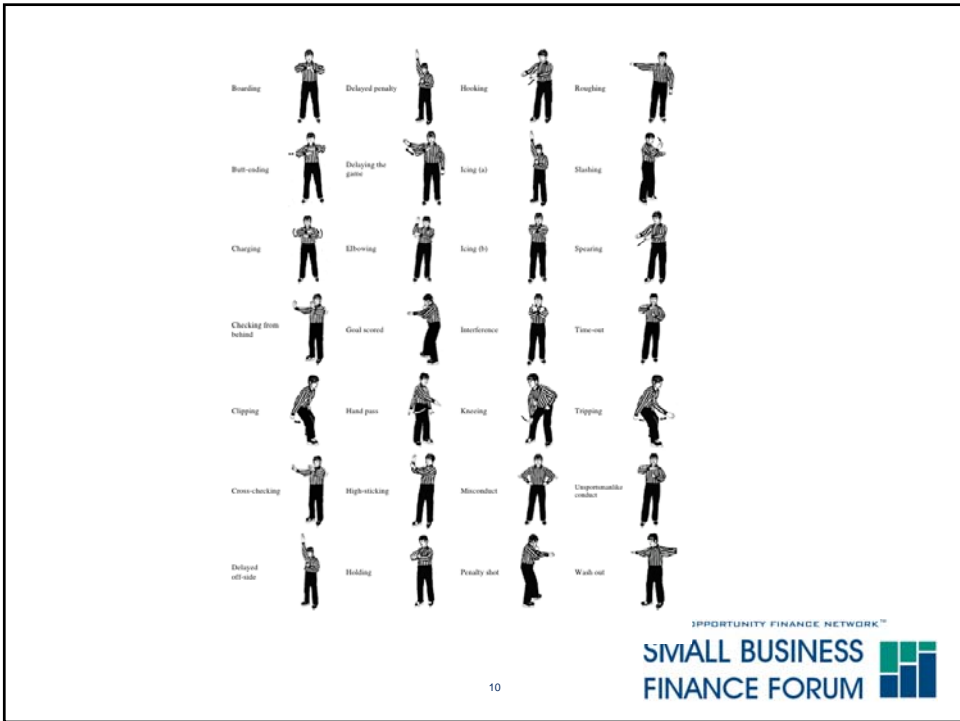
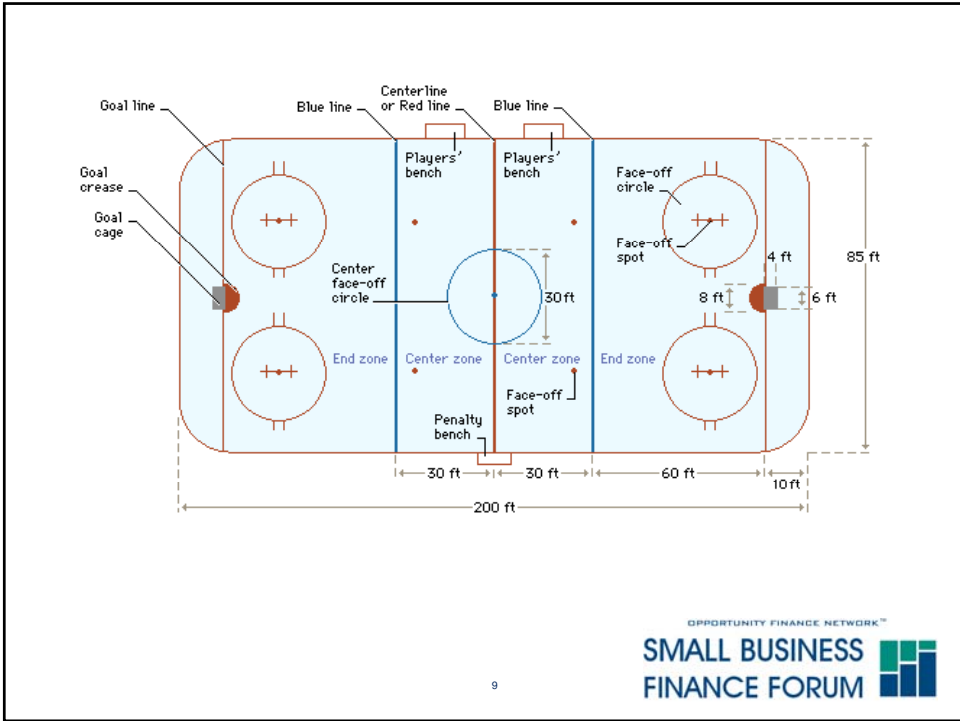
## Success stories

- Cowgirl Tuff
  - Western clothing for women
  - Launched in 1999 in rural Minnesota
  - \$80K, 14:1 leverage
- MN Child Care Academy
  - Second child care facility in Twin Cities with emphasis on Somali community
  - Somali immigrant entrepreneur
  - \$25K, 2:1 leverage
- Metropolitan Transportation Network
  - School bus services with some focus on kids with behavior issues
  - Ethiopian immigrant; rec'd several entrepreneur awards
  - \$125K, 36:1 leverage

**Common Links – Unique Niche and  
the SSBCI Lender was a CDFI**

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## CDFIs have Inherent Advantage

- Know and understand
  - Government guidelines
  - LMI expectations
  - Women- and minority-owned
  - Small business orientation

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## Cultivating the Advantage

- Raise awareness
- Communicate goals
- Shared vision
  - Provide capital to populations and markets that otherwise lack them
- Help with bank CRA requirements
- Identify current/future needs and show how CDFI can provide solution

*"Go to where the puck will be"*

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## Contact Me!

Bob Isaacson  
Director, Business Finance  
MN Dept. of Employment and  
Economic Development  
651-259-7458  
Bob.Isaacson@state.mn.us



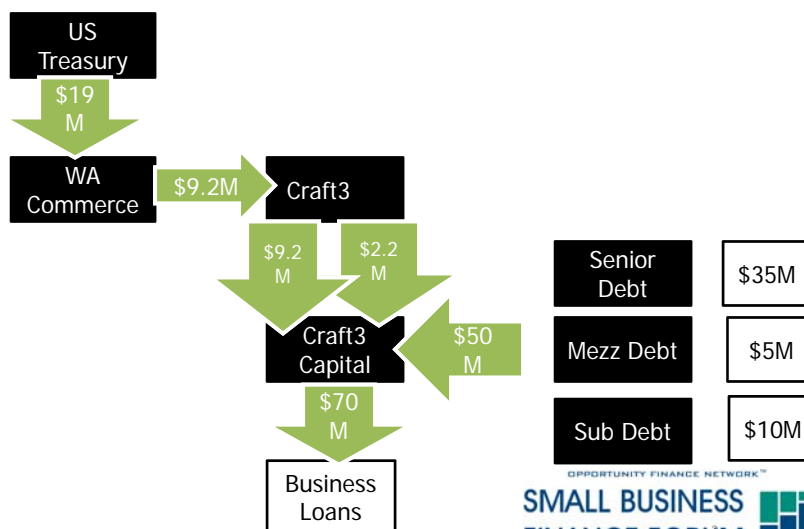
# CRAFT3 AND SSBCI IN WASHINGTON STATE

 JOHN BERDES | JUNE 10, 2014

Lead Sponsor



## Structure



## LENDING OUTPUTS TO DATE

- \$22M lent
- 19 borrowers
- 32% women and minority ownership
- 56% rural enterprises
- 638 jobs

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## Key Points

- Off Balance Sheet Leverage
  - Senior financing from Wells Fargo syndicate has very limited recourse to the assets of (parent) Craft3
- Institutional Level Partnership with State Government
  - Craft3 as the strategic lending partner of a state jurisdiction
- New Customer Segment
  - Serving historically strong firms hurt in the Great Recession
- Enabling Larger Transactions (e.g. growth)
  - Lending limit of \$5M (125% more than Craft3)
- Increasing Earned Revenues at Craft3
  - Intercompany billings cover fixed operating costs over a larger capital base

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