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.
How do CDFIs currently participate in SSBCI?

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

2. As a contracting entity. Some states signed contracts with CDFIs to deliver SSBCI credit support:
   - Minnesota
   - Georgia
   - Pennsylvania
   - Montana
   - Washington

SSBCI Allocations for Participating States
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

Number of Loans or Investments and Total Amount of Private Financing Supported
SSBCI Loans and Investments by Number of Employees
(Cumulative through 2013)

- 80% for 0 - 10 employees
- 16% for 11 - 50 employees
- 2% for 51 - 100 employees
- 2% for 100+ employees

Percent of SSBCI Loans or Investments in Low- and Moderate- Income Communities, by Program Type
(Cumulative through 2013)

- Overall: 43%
- Loan Participation: 30%
- Venture Capital: 41%
- Collateral Support: 32%
- Loan Guarantee: 36%
- Capital Access: 47%

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

<table>
<thead>
<tr>
<th>Rank</th>
<th>Lender</th>
<th>Number of Loans</th>
<th>Amount loaned</th>
<th>Average Amount Loaned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Opportunity Fund (CA)</td>
<td>2420</td>
<td>$283,830,396</td>
<td>$9,617</td>
</tr>
<tr>
<td>2</td>
<td>Huntington National Bank (PA, KY, MI, OH)</td>
<td>313</td>
<td>$210,376,623</td>
<td>$338,659</td>
</tr>
<tr>
<td>3</td>
<td>Murphy Bank (CA)</td>
<td>279</td>
<td>$15,600,013</td>
<td>$55,126</td>
</tr>
<tr>
<td>4</td>
<td>Renaissance Economic Development Corporation (WA)</td>
<td>246</td>
<td>$6,977,990</td>
<td>$54,133</td>
</tr>
<tr>
<td>5</td>
<td>Action San Diego (CA)</td>
<td>199</td>
<td>$3,721,472</td>
<td>$15,592</td>
</tr>
<tr>
<td>6</td>
<td>Pacific Enterprise Bank (CA)</td>
<td>143</td>
<td>$96,130,801</td>
<td>$669,984</td>
</tr>
<tr>
<td>7</td>
<td>TruSco Credit Guaranty Corporation (GA)</td>
<td>136</td>
<td>$16,670,000</td>
<td>$3,161,990</td>
</tr>
<tr>
<td>8</td>
<td>TMC Development Working Solutions (CA)</td>
<td>88</td>
<td>$1,005,807</td>
<td>$15,241</td>
</tr>
<tr>
<td>9</td>
<td>Branch Banking &amp; Trust Company (NC, VA)</td>
<td>82</td>
<td>$12,378,250</td>
<td>$156,696</td>
</tr>
<tr>
<td>10</td>
<td>First Citizens Bank &amp; Trust Company (NC, VA)</td>
<td>68</td>
<td>$3,986,822</td>
<td>$58,600</td>
</tr>
<tr>
<td>11</td>
<td>Fresno Community Development Financial Institution (CA)</td>
<td>66</td>
<td>$2,004,806</td>
<td>$30,168</td>
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<tr>
<td>12</td>
<td>Mutual Federal Savings (MA)</td>
<td>60</td>
<td>$2,258,790</td>
<td>$37,645</td>
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<tr>
<td>13</td>
<td>Business Outreach Center Capital Corporation (NY)</td>
<td>57</td>
<td>$2,057,232</td>
<td>$35,565</td>
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<tr>
<td>14</td>
<td>Independent Bank (MI)</td>
<td>59</td>
<td>$3,031,095</td>
<td>$50,429</td>
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<tr>
<td>15</td>
<td>NewBridge Bank (NC)</td>
<td>58</td>
<td>$38,173,393</td>
<td>$658,162</td>
</tr>
<tr>
<td></td>
<td>Oakland EDC (CA)</td>
<td>58</td>
<td>$1,361,700</td>
<td>$20,466</td>
</tr>
<tr>
<td></td>
<td>Chemical Bank (MI)</td>
<td>53</td>
<td>$3,092,801</td>
<td>$72,449</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>4,387</strong></td>
<td><strong>$100,068,874</strong></td>
<td><strong>$48,386</strong></td>
</tr>
</tbody>
</table>

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

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<tr>
<th>Rank</th>
<th>Lender</th>
<th>Number of Loans</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Huntington National Bank (PA, KY, MI, OH)</td>
<td>323</td>
<td>$109,376,623</td>
<td>$338,659</td>
</tr>
<tr>
<td>2</td>
<td>Fifth Third Bank (MI, OH)</td>
<td>148</td>
<td>$74,431,317</td>
<td>$1,550,694</td>
</tr>
<tr>
<td>3</td>
<td>Pacific Enterprise Bank (CA)</td>
<td>143</td>
<td>$56,336,851</td>
<td>$393,984</td>
</tr>
<tr>
<td>4</td>
<td>CarCare31 Capital Corporation (WA)</td>
<td>14</td>
<td>$49,743,484</td>
<td>$3,553,106</td>
</tr>
<tr>
<td>5</td>
<td>Citizens Bank (MI)</td>
<td>4</td>
<td>$46,516,000</td>
<td>$11,628,150</td>
</tr>
<tr>
<td>6</td>
<td>mBank (MI)</td>
<td>5</td>
<td>$45,078,137</td>
<td>$9,015,847</td>
</tr>
<tr>
<td>7</td>
<td>Massachusetts Business Development Corporation (MA)</td>
<td>7</td>
<td>$42,332,000</td>
<td>$6,046,143</td>
</tr>
<tr>
<td>8</td>
<td>NewBridge Bank (NC)</td>
<td>58</td>
<td>$38,173,191</td>
<td>$658,162</td>
</tr>
<tr>
<td>9</td>
<td>Village Bank and Trust of Illinois</td>
<td>8</td>
<td>$36,191,713</td>
<td>$4,523,944</td>
</tr>
<tr>
<td>10</td>
<td>Bank of New Hampshire (NH)</td>
<td>7</td>
<td>$32,312,712</td>
<td>$4,616,102</td>
</tr>
<tr>
<td>11</td>
<td>Great Falls Development Authority (MT)</td>
<td>2</td>
<td>$31,442,678</td>
<td>$15,721,339</td>
</tr>
<tr>
<td>12</td>
<td>Amarillo National Bank (TX)</td>
<td>3</td>
<td>$10,685,169</td>
<td>$3,562,323</td>
</tr>
<tr>
<td>13</td>
<td>Access to Capital for Entrepreneurs (GA)</td>
<td>15</td>
<td>$20,132,645</td>
<td>$1,341,700</td>
</tr>
<tr>
<td>14</td>
<td>The Palmetto Bank (SC)</td>
<td>55</td>
<td>$25,869,389</td>
<td>$739,212</td>
</tr>
<tr>
<td>15</td>
<td>Home Federal Bank (CI, SD)</td>
<td>8</td>
<td>$25,802,000</td>
<td>$3,128,250</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>680</strong></td>
<td><strong>$872,407,996</strong></td>
<td><strong>$988,835</strong></td>
</tr>
</tbody>
</table>
Amount and Percent of Total Private Financing Supported by CDFIs by State

- Amount and Percent of Total Private Financing Supported by CDFIs by State

Thank you.

Clifton Kellogg
Clifton.kellogg@treasury.gov
202-622-8917
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

Minnesota’s SSBCI Portfolio

- Angel Loan Fund
- Emerging Entrepreneur Fund
- Loan Guarantees & CAP
Key Metrics

- Leverage
  - Minnesota close to 20:1

- Low-to-moderate income areas
  - Minnesota 80% +

- Women and minority-owned businesses
  - Many success stories

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*
Why CDFIs?

- Familiarity with CDFIs
  - Urban Initiative Fund
  - Minnesota Initiative Foundations
  - Used some CDFI certification standards in lender evaluation

- Community Development orientation
  - Understand the challenges

- CDFIs have familiarity with federal government
  - SSBCI guidelines can be intimidating
CDFIs have Inherent Advantage

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

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”
Contact Me!

Bob Isaacson
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MN Dept. of Employment and Economic Development
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Bob.Isaacson@state.mn.us
CRAFT3 AND SSBCI IN WASHINGTON STATE

JOHN BERDES | JUNE 10, 2014

Structure

US Treasury
$19 M

WA Commerce
$9.2 M

Craft3
$9.2 M
$2.2 M

Craft3 Capital
$70 M

Business Loans
$50 M

Senior Debt
$35M

Mezz Debt
$5M

Sub Debt
$10M

SMALL BUSINESS FINANCE FORUM
LENDING OUTPUTS TO DATE

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

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