

# SMALL BUSINESS FINANCE FORUM



## Funding Options for the SBA Community Advantage Program

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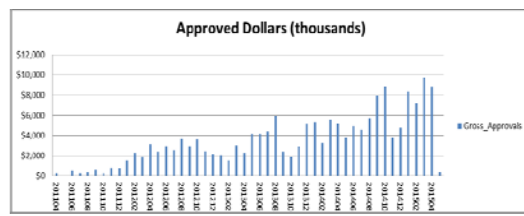
## Agenda

- Moderator – Chuck Evans, Prudent Lenders
- Program Structure:
  - Lending options:
    - Sarah Bennet – Wells Fargo
    - Cristina Shaprio – Goldman Sachs
    - Katya Shirley – Bank of America
  - CDC/CDFI Perspective
    - Robert Villarreal – CDC Small Business
    - Sarah Fitzgerald – Montana CDC

# Community Advantage Performance

FY2011 - May 05, 2015 Regional Comparison

Region	Lender Applications	Lenders Approved	Active Lenders	# Loans Approved	Gross \$ Loans Approved	# Loans Disbursed	Gross \$ Loans Disbursed
1(CT,MA,ME,NH,RI,VT)	15	12	8	76	10,933,200	59	8,155,200
2(NJ,NY,PR)	8	7	4	255	33,663,900	177	23,772,700
3(DC,DE,MD,PA,VA,WV)	16	11	8	47	6,803,200	26	3,714,200
4(AL,FL,GA,KY,MS,NC,SC,TN)	13	13	13	79	11,296,600	49	7,479,500
5(IL,IN,MI,MN,OH,WI)	23	18	13	190	24,536,000	104	14,934,900
6(AZ,CA,GA,HI,NV)	5	6	4	144	13,818,600	113	10,871,400
7(AA,KS,MO,NE)	1	1	0	0	-	0	-
8(CO,MT,ND,SD,UT,WV)	6	6	6	60	8,601,100	48	6,980,400
9(AZ,CA,GA,HI,NV)	15	13	9	466	60,505,500	354	47,396,000
10(AK,ID,OR,WA)	5	5	2	21	3,817,800	14	2,864,500
All Regions	107	92	67	1,133	173,975,900	944	126,168,800



Portfolio Characteristics	
Gross Loans Approved	1,233
# of Loans Disbursed	845
Average \$ Loan Size	131,035
Average SBPS	176
Gross Active Balance*	92,664,982
Current Balance*	89,885,637
Noncurrent Balance*	2,779,345

- 92 Community Advantage lenders approved
- \$173,975,900 Community Advantage loans approved.



## Community Advantage Approvals by Dollars Loaned FY 2011-FY 2015 YTD ( May 04, 2015)

Community Advantage (CA) Lender	State	# CA Loans Approved	\$ CA Loans Approved
EMPIRE ST. CERT. DEVEL CORP	NY	171	22,640,300
CDC SMALL BUSINESS FINANCE COR	CA	164	20,720,000
OBDC SMALL BUSINESS FINANCE	CA	129	16,665,600
VALLEY ECONOMIC DEVEL CORP.	CA	115	16,560,000
EASTERN MAINE DEVEL CORP	ME	53	8,685,000
REGIONAL BUS. ASSISTANCE CORP.	NJ	60	7,868,500
GROWTH CAPITAL CORPORATION	OH	60	7,265,500
ACCION TEXAS, INC.	TX	52	6,114,300
PEOPLEFUND	TX	81	5,981,000
NORTHERN ECONOMIC INITIATIVE C	MI	24	4,037,800
SHOREBANK ENTER. GROUP PACIFIC	WA	20	3,777,000
CDC SMALL BUS. FINAN CORP.	CA	30	3,640,600
MONTANA COMMUN. DEVEL CORP.	MT	29	3,447,500
MOUNTAIN W. SMALL BUS. FINAN	UT	19	3,276,100
BLACK BUS. INVEST FUND OF CENT	FL	16	3,159,900
WISCONSIN WOMEN'S BUS. INITIAT	WI	33	2,854,100
FIRST STATE COMMUNITY LOAN FUN	DE	21	2,710,000
UNION CNTY ECONOMIC DEVEL CORP	NJ	18	2,595,100
NORTH CAROLINA MINORITY SUPPOR	NC	24	2,593,200
BUSINESS DEVEL FINAN CORP	AZ	14	2,306,000
MILWAUKEE ECONOMIC DEVEL CORP	WI	12	2,047,900
PCR SMALL BUSINESS DEVELOPMENT	CA	17	2,030,000
KENTUCKY HIGHLANDS INVEST CORP	KY	7	1,650,000
TRIFUND FINANCIAL SERVICES INC	AL	9	1,637,800
FINANCE FUND CAP. CORP.	OH	8	1,630,000
REGIONAL DEVEL FUNDING CORP	PA	7	1,385,000
WEST CENTRAL PARTNERSHIP, INC.	OH	12	1,104,200
MORTGAGE CAP. DEVEL CORP	CA	6	1,050,000
SOMERCOR 504, INC.	IL	7	1,025,000
HOPE ENTERPRISE CORPORATION	MS	6	856,500
PACE FINANCE CORPORATION	CA	7	820,000
NEIGHBORHOOD DEVEL CENTER	MN	5	800,000
WESTERN MASSACHUSETTS ENTER. F	MA	6	776,000
LINCOLN OPPORTUNITY FUND, LLC	WI	5	691,500

## Community Advantage Approvals by Dollars Loaned FY 2011-FY 2015 YTD ( May 04, 2015) cont...

Community Advantage (CA) Lender	State	# CA Loans Approved	\$ CA Loans Approved
DAKOTA CERT. DEVEL CO	ND	5	662,800
INITIATIVE FOUNDATION	MN	4	625,000
COLORADO ENTERPRISE FUND	CO	4	609,800
BUSINESS FINANCE GROUP, INC.	VA	5	592,700
PRINCE GEORGE'S CNTY FINAN SER	MD	4	580,000
FRESNO COMMUN DEVEL FINAN INST	CA	10	538,300
ACCION CHICAGO, INC.	IL	9	525,600
SMALL BUS. ASSISTANCE CORP	GA	4	< 500,000
NORTHERN COMMUN INVEST CORP	VT	5	< 500,000
APPALACHIAN COMMUN ENTERPRISES	GA	4	< 500,000
COLORADO LENDING SOURCE, LTD.	CO	2	< 500,000
SOUTH EASTERN ECONOMIC DEVEL C	MA	6	< 500,000
FLAGSHIP ENTERPRISE CENTER, IN	IN	2	< 500,000
GULFCOAST BUSINESS FINANCE, IN	FL	4	< 500,000
COASTAL ENTERPRISES INC.	ME	2	< 500,000
WASHINGTON CNTY COUNCIL ON ECO	PA	1	< 500,000
GULF COAST RENAISSANCE CORP.	MS	1	< 500,000
MOUNTAIN BIZCAPITAL, INC.	NC	2	< 500,000
FIRST SECURITY BANK	MT	1	< 500,000
SOUTHEAST KENTUCKY ECONOMIC DE	KY	2	< 500,000
CONNECTICUT COMMUN INVEST CORP	CT	1	< 500,000
CAPITAL CERT. DEVEL CORP.	TX	1	< 500,000
RICHMOND ECONOMIC DEVEL CORP	VA	2	< 500,000
LOCAL INITIATIVES SUPPORT CORP	NY	1	< 500,000
DORCHESTER BAY ECONOMIC DEVEL	MA	1	< 500,000
THE PROGRESS FUND	PA	1	< 500,000
FIRST ST. COMMUN LOAN FUND	DE	1	< 500,000
SOUTHERN DALLAS DEVEL CORP	TX	1	< 500,000
VERMONT COMMUN LOAN FUNDS INC.	VT	1	< 500,000
WEST CENT. DEVEL CORP	OH	1	< 500,000
GULFCOAST BUS. FINANCE INC.	FL	1	< 500,000
EVERGREEN BUSINESS CAPITAL	WA	1	< 500,000
HOPE FCU	MS	1	< 500,000
<b>All Lenders</b>		<b>1,338</b>	<b>173,975,900</b>

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Wells Fargo  
Sarah Bennet

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OPPORTUNITY FINANCE NETWORK





Wells Fargo's signature product- the EQ2

- Unsecured, subordinate, 10-year financing priced at 2%
- Critical to CA lenders: Providing support for the unguaranteed portion of the portfolio

Gallup's recent report sponsored by Wells Fargo

- Lending to Diverse Segments
  - 4 Point Action Plan and what it means for CA lenders

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### Goldman Sachs

- Cristina Shapiro | June 30, 2015

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## Goldman Sachs *10,000 Small Businesses*

- Since 2012, Goldman Sachs has worked with CDFIs and CDCs that administer the SBA 7(a) Community Advantage Program
  - Currently, 15 of the GS capital partners are CA lenders
  - 7 of the GS capital partners are capitalized via GS to explicitly make CA loans

### Typical Goldman Sachs Facility

<b>Advances</b>	100% of both guaranteed and unguaranteed portion of SBA loan
<b>Term</b>	~5 to 7 years
<b>Rate</b>	Preference for variable rate (L+ XX% or P+XX%)
<b>Grant Support</b>	GS provides eligible capital partners with grants to support both loan loss reserve and operating capacity



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### Bank of America

- Katya Shirley | June 30, 2015



## Bank of America: Community Advantage Solutions

- Program Components:
  - Operating Support
  - Loan Capital
  - Referral Relationships
  - Technical Assistance
- The Commitment:
  - Achieve new loan volume of 100 loans per CDFI per year, on average, totaling \$100 million by 2017
- Participants:
  - A group of eight leading Community Advantage lenders selected into the program that launched in June 2014



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### Key Product – Community Advantage Warehouse LOC:

- Alignment with our program goal of producing high volume of CA loans due to revolving structure, short warehousing period and enabling access to secondary markets.
- \$2 million LOC allows to originate loans in excess of \$10 million per year.
- Low cost capital
- SBA guaranteed notes are trading at above 10% premiums to CDFI
- Flexible underwriting by CDFI Lending due to security pledge of government guaranteed notes



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## CDC SMALL BUSINESS FINANCE GROWTH PLAN SUMMARY

*Making a Difference...one job...one small business...one community at a time*

- Robert Villarreal & Susan Lamping |  
June 29, 2015

Lead Sponsor



## CDC Small Business Finance Community Advantage Loan Program

- [Ritual Tavern](#)
  - SBA Microloan
  - CDFI Loan
  - Community Advantage



## CDC Small Business Finance Community Advantage Loan Program

- CA Partners
  - Bank of America
    - PRI
    - LOC
- Goldman Sachs
  - Term Loan
- US Bank
  - Patient Capital Loan



## Community Advantage Economics

- AVERAGE DIRECT LABOR COSTS TO PRODUCE A LOAN (based on CDC's annual cost study): \$2,400
- Average capacity pp: 50-60 loans/year
- CDC Fees collected from Borrower: \$500 – \$2,500
- ALLOWABLE INTEREST RATE CHARGED TO BORROWER: P + 6%, CDC Average: P + 3.5%





Economics of SBA CA Lending without staff or outsourced costs						
	Prudent Lenders SBA Community Advantage		Prudent Lenders SBA Community Advantage			
	Originate & Sell CA Loans	Originate & Portfolio CA Loans	Originate & Sell CA Loans	Originate & Portfolio CA Loans		
Annual Volume			10 loans	10 loans		
Loan Size	\$150,000	\$150,000	\$150,000	\$150,000		
Total Volume			\$1,500,000	\$1,500,000		
Loan Term	10 yrs					
Premium	\$110,000		\$110,000			
SBA Premium Received	\$0.00		\$0.00			
Net Premium to Bank	\$110,000		\$110,000			
Guaranteed Portion	85%	\$127,500	\$127,500	\$1,275,000		
Non-Guaranteed Portion	15%	\$22,500	\$22,500	\$225,000		
Prime Rate	3.25%	3.25%	3.25%	3.25%		
Rate Spread for Loan	4.25%	4.25%	4.25%	4.25%		
Loan Rate	7.50%	7.50%	7.50%	7.50%		
Cost of Funds	2.00%					
Net Interest Margin	5.50%	\$1,250	\$0,250	\$12,375		
Loan Loss Provision - Guaranteed	3.00%	(\$3,000)	(\$3,000)	(\$30,000)		
Loan Loss Provision - Unguaranteed	3.00%	(\$3,375)	(\$3,375)	(\$33,375)		
Premium Received	\$12,375		\$12,375			
Annual Servicing Income from Coban	2.50%	\$3,380		\$33,875		
Annual Guarantee Fee Payment to Coban	0.50%		(\$600)	(\$6,000)		
Lender Packaging Fee Income	\$2,200	\$2,200	\$25,000	\$25,000		
<b>Income</b>	<b>\$14,725</b>	<b>\$8,962</b>	<b>\$147,250</b>	<b>\$51,370</b>		
Subsequent Years	Year One		Year Three		Year Five	Year Five
	Prudent Lenders		Prudent Lenders		Prudent Lenders	
	Sell	Portfolio	Sell	Portfolio	Sell	Portfolio
Guaranteed Balance	\$118,599	\$118,599	\$109,000	\$109,000	\$98,671	\$98,671
Unguaranteed Balance	\$30,529	\$30,529	\$10,257	\$10,257	\$17,433	\$17,433
	\$149,128	\$149,128	\$119,257	\$119,257	\$116,104	\$116,104
Subsequent Years Net Interest Margin	5.50%	\$1,351	\$7,074	\$1,058	\$7,053	\$6,385
Annual Servicing Income from Coban	2.50%	\$2,965		\$2,725		\$2,388
Annual Guarantee Fee Payment to Coban	0.50%		(\$607)		(\$567)	(\$495)
Subsequent Years Profit	\$4,316	\$7,057	\$3,783	\$6,467	\$3,694	\$5,272
Five Year Income to Lender - 1 Loan	\$29,087	\$33,586				
Five Year Income to Lender - 10 Loans	\$290,867	\$335,862				



Prudent Lenders  
 Chuck Evans  
 President & CEO  
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## Montana Community Development Corporation

### Dollars into Difference

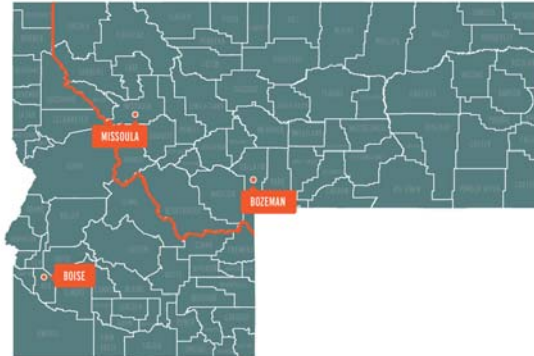
### Sarah Fitzgerald

Lead Sponsor

**10,000**  
small  
businesses

## Montana CDC

- Established 1986
- \$25 million CDFI loan fund
- \$5-7 million per year in lending
- Montana and Idaho



## Montana CDC Services

- Small business loans
- New Markets Tax Credits
- Consulting



Brad Bernhart, Earlywood Designs—Red Lodge, Montana

## Community Advantage

- First CA loan in January 2012
- 28 CA loans totaling nearly \$4 million
- \$109,000 average loan size (all lending)
- 50 per year by 2017



David Stark, Bitterroot Gymnastics—Missoula, Montana

## Nova Café



Serena Rundberg, Nova Café—Bozeman, Montana

## Katabatic Brewing



Brice and LaNette Jones, Katabatic Brewing—Livingston, Montana

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Questions?

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