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HOLISTIC TECHNICAL ASSISTANCE

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THE CHALLENGE

- SBA Microloan Program Requirement
- CDFI Certification Test
- SBA Community Advantage Requirement

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WHY?

- Key strategy for portfolio performance
- Aligns our work to our mission

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NEW RESEARCH

- AEO White paper – *Reimagining Technical Assistance: Shifting the Support Landscape for Main Street*
- “Trusted Guidance”
- “...available products, services and resources while creating social networks and new market opportunities”

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NEW RESEARCH

CFED White Paper: *“Finding Common Threads”*

- Time is scarce
- Finances are intimidating
- Most business owners are reactive learners
- Customization is key
- They don't know what they don't know
- A clear path keeps them on track
- Trust goes a long way

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HOLISTIC TECHNICAL ASSISTANCE

3 Principles of a holistic model

1. Long-term relationship
2. Initial evaluation focuses equally on:
 - Credit readiness
 - Business owner skill strengths/gaps
3. Long-term focus on building skills

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IN OTHER WORDS...

- From beginning to end!
- A continuum of services that help the entrepreneur build their skills.
- It isn't over 'til they're paid off and maybe not even then!



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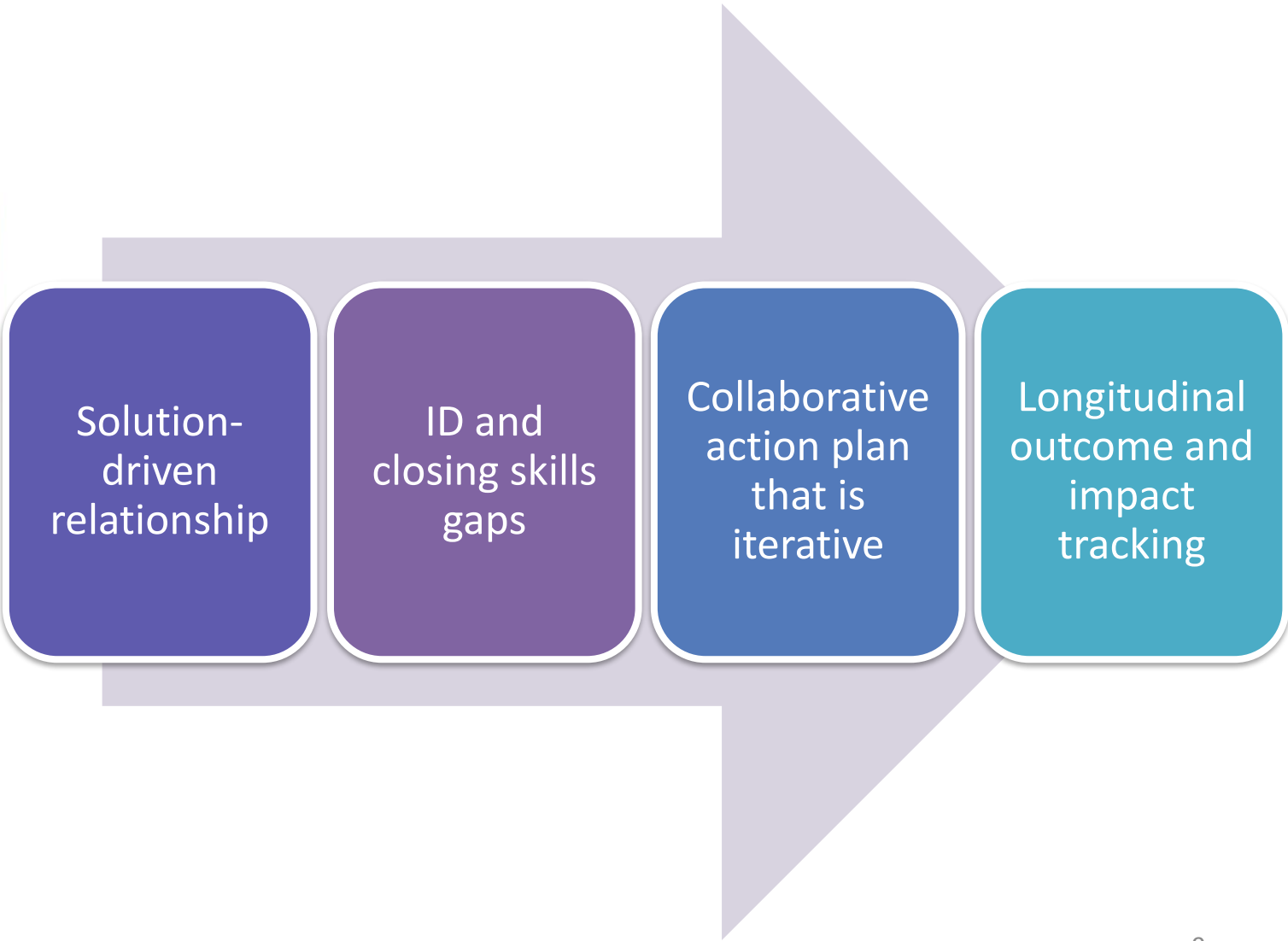
LONG-TERM GOALS

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THE THREE-LEGGED STOOL

- The trade leg
- The sales leg
- The banker leg



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WITHOUT ALL THREE, THE BUSINESS FALLS OVER...

- Loses its balance
- We must support our clients in all three key areas of their business so they have balance in their business and reach sustainability!



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EFFECTIVE PRE-LOAN ASSISTANCE

- Assess the client's *financial acumen*
- Assess the client's *business skills*
- Prepare the client for capital
- Redirect for additional support



PRE-LOAN GAP ASSESSMENT

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- Financial acumen flow chart
- Skill assessment questionnaire



HAND OFF TO THE POST-CLOSING TA STAFF

- Loan office memo
- Setting expectations for the future
- TA role
 - Providing financial statement including cash flow statement
 - Schedule first site visit



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A CLOSER LOOK AT THE POST-CLOSING RELATIONSHIP

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- How does it work?
- Relationship!



CONTINUING THE RELATIONSHIP

- Preparing for the initial site visit
- Ongoing work
 - Action Plan Template
- Financial statements including cash flow statement
- Using technology to keep in touch
- Minimize interim site visits
- Annual site visits

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A WORD ABOUT DELINQUENCIES!

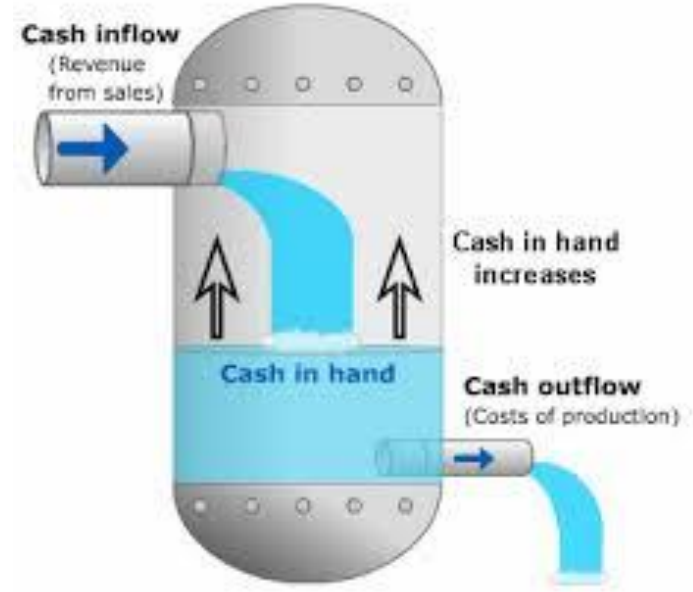
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- It's all about cash flow
- Global debt service template



TRACKING COMPLIANCE AND IMPACT

Continual contact  continual updating of:

- Jobs
- Wages (livable?)
- Stabilize/Strengthen/Expansion
- Change in revenue, credit scores
- Change in low income status

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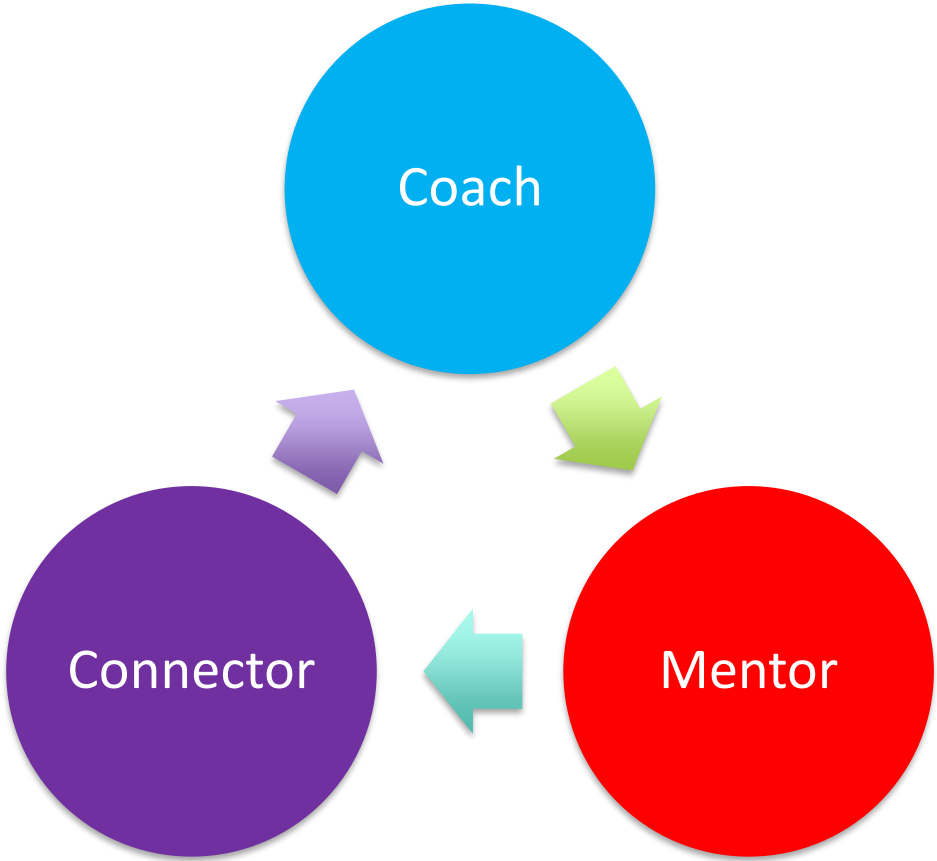
ROLE OF THE TA PROVIDER

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PROVIDER SKILLS

- Understanding of small business models
- Financial statement analysis
- Cash-flow management
- Communication/persuasive speech
- Creative problem-solving
- Sometimes “tough love”



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CDFI CASE STUDY

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- Working Solutions is a nonprofit Community Development Financial Institution.
- We provide San Francisco Bay area entrepreneurs with the capital and consultation they need to start or grow a successful business.



WHAT WE DO...

- Began lending and consulting in 2005
- Micro & Small Business Loans (\$5K - \$50K)
- Over 390 loans totaling \$9.5 million lent
- Free consulting coaching and education for the life of the loan
- Staff is fluent in English, Spanish and Cantonese

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OUR CONSULTING

- Free and individualized
- Primary focus: building financial management skills for business owners
- Access to specialized and vetted business service providers

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OUR JOURNEY OF REDISCOVERING TECHNICAL ASSISTANCE

- Growing portfolio so naturally saw some more delinquencies and troubled loans.
- Initial thoughts/solutions: hiring a collection specialist
- Did a gap analysis instead and reviewed our entire process for pre-loan and post loan TA.

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PREVIOUS MODEL

- Outsource some work to volunteers and partners
- Meet with client quarterly
- Be **responsive** to clients and provide support as requested

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OUR MODEL NOW!

- Do not outsource primary function (but do utilize support services in specific categories)
- Proactively connect with client frequently (particularly in first 2 years)
- Individualized support with primary focus aligned with our core competency (financial analysis)

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OUR MODEL NOW...

- Determined who is responsible for which pieces of the process:
 - Business Development: initial skills assessment
 - Business Lending: deep dive into assessment

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OUR MODEL NOW...

- Determined who is responsible for which pieces of the process:
 - Business Consulting: review assessments and monitor progress
 - Portfolio Management: monitoring overall portfolio performance
- Communicate specifically and often across teams

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BUSINESS CONSULTING SPECIFICS:

- Leverage pre-closing prep work
- Designate business consultant based on geography and industry
- Attend closing meeting and establish relationship early

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BUSINESS CONSULTING SPECIFICS:

- Action planning with client – including next meetings and resources needed
- Primarily 1:1 focused with some group opps
- Capitalize on relationship for great stories and impact data

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OUR FINDINGS - GENERAL

- Know your core functions and keep them in house
- Once core functions are in-house, clearly delineate staff roles
- Set staff up to track measures and outcomes in their core work, and they'll come up with best metric
- Market your work based on core functions, and your direct impact will be more clear

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OUR FINDINGS - PERSONAL

- Making the decision to evaluate ourselves, and to question our sacred cows was hard by important
- Be prepared for iterative process
- Right hires are critical to success
- Pushback is good – it means people are invested in the outcome
- Struggles – see all of the above

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Thank you!

Questions? Want to follow up?

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