

## Case Study Primer

Opportunity Finance Network is the leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. We've prepared a real-life CDFI case study for use in multiple settings to highlight typical work in the industry that helps eliminate poverty and align capital with justice.

### **Purpose of a Case Study:**

Case studies provide students and professionals the opportunity to apply their knowledge to develop solutions for realistic, complex problems. They allow for individuals to explore real-world issues experienced in the workforce. Case studies can also be used in case competitions and case walk-throughs.

In *case competitions*, teams compete to identify solutions to problems and present in front of a panel of judges. Prizes for top teams include monetary rewards, accelerated interviews, or the opportunity to implement their solutions. A *case walkthrough* contains many of the same elements of a case competition, but is used more for instructive purposes, with facilitators assisting the teams in developing a solution.

### **Practical Uses for a Case Study:**

1. *Classroom Settings*
  - a. Challenge students to critically analyze a situation
  - b. Generate classroom discussions
  - c. Teach students about common issues in an industry or field of study
2. *Club Activities*
  - a. Provide a unique look into an industry
  - b. Foster collaborative and team-based activities
3. *Career Development*
  - a. Conduct a case walkthrough
  - b. Promote analytical skills needed in workforce

### **UpLift Solutions CDFI Case Study:**

The UpLift Solutions case study shows how a New Jersey-based CDFI designed and created a lending policy to support its newly launched lending programs, aimed at eradicating food deserts and ensuring access to fresh, affordable food in underprivileged communities.

### **Organizing Your Own Case Walkthrough or Competition**

1. *Leverage Your Connections*
  - a. School officials and campus club leaders
  - b. Co-sponsor with local businesses
2. *Bring in Local Expertise*
  - a. Contact a local CDFI to help with the case study
3. *Create Tangible Benefits*
  - a. Icebreakers, food, engaging activities
  - b. Networking with local employers



Changing lives, one community at a time.

## Case Walk-Through: UpLift Solutions, Inc.

### Organization Overview:

UpLift Solutions (UpLift) is a New Jersey-based, national nonprofit organization that provides lending and development assistance programs to underserved communities and businesses to help eradicate food deserts in America. UpLift supports food businesses, government agencies, and nonprofits to create sustainable, healthy environments for low-income, underserved communities. UpLift Solutions believes full service supermarkets in underprivileged communities can become the anchor to fulfill many community needs and ensure consistent access to fresh, affordable food while creating and maintaining local jobs. UpLift Solutions implements its programs across the country by creating entrepreneurial strategies that empower communities while benefiting all stakeholders involved.

In order to build a sustainable supermarket development model, UpLift endorses three "bottom lines:"

- Business Profitability
- Community Wellness
- Environmental Sustainability

### Current Organizational Profile:

- *Founded:* 2008
- *Type of CDFI:* Non-Depository Loan Fund
- *Target Market:* Grocery stores in underserved communities
- *Types of Lending:* Small Business
- *Loan Products:* Predevelopment, Term, Mortgage, and Community Facilities Loans
- *Asset Size:* \$790,463 (FYE 2013)
- *No. of Employees:* ~15
- *Website:* [upliftsolutions.org](http://upliftsolutions.org)

**Situation:**

UpLift Solutions has a strong history of in-depth development services to grocery stores seeking to serve customers in food desert areas. It is interested in strengthening its relationship with developers and grocery store owners by providing lending to complement its existing development services. UpLift recognizes the need and demand for grocery store financing in underserved communities and establishes a strong loan pipeline from its development services work.

By providing capital, UpLift will better position itself to become a U.S. Department of Treasury certified CDFI and have a greater impact in its community by coupling development services with unique financial products, tailored to the needs of grocery businesses.

UpLift's senior management team realized that before it could scale up the capacity of its financial services department and introduce new lending programs, it needed strong credit and lending policies and procedures in place. To date, UpLift has no loan policies or procedures.

**You have been hired as a consultant to help assist UpLift Solutions in developing its loan policies and procedures.**

**Discussion Questions:**

- 1. What initial process and steps do you propose to design and implement an appropriate loan policy for UpLift Solutions?*
- 2. What factors should you consider in underwriting a loan in the grocery store industry? What information would you need to review and understand?*
- 3. What elements, parameters, and requirements should UpLift include in a loan policy?*
- 4. How would a loan policy affect different UpLift stakeholders? Funders and investors? Potential borrowers? What specific aspects of the loan policy are relevant to them?*
- 5. As a mission-driven lender, what social impact criteria should UpLift consider in its lending?*

## **Answer Key – Discussion Topics**

### **Question #1: Actual Process Implemented by UpLift Solutions**

- UpLift hired a consultant and received technical assistance and training on the important attributes of an effective lending program.
- UpLift and its loan policy consultant spoke with people involved in grocery store lending to understand industry specific risks, opportunities, and impact.
- The consultant interviewed UpLift senior staff (CFO; lending manager) to understand the proposed loan program goals, UpLift's risk parameters, and their proposed lending products.
- UpLift reviewed loan policies drafted by the consultant to ensure the loan policies align with its mission, UpLift's risk parameters, and the needs of its community.

### **Question #2: Factors to Consider in Underwriting to the Food Industry**

Any strong loan underwriting process reviews and analyzes the five "Cs" of credit: character, collateral, capacity, capital, and conditions.

- *Character*
  - Grocery store operator and/or owner, developer (if construction)
- *Collateral*
  - Assets that the borrower can pledge as security for the loan
- *Capacity*
  - Borrower's corporate and owner's personal credit record and their ability to repay the loan (financial budget, financial analysis, and financial projections)
  - Business plan review and analysis
  - Consider loan-to-value, debt-service coverage ratios, and other financial performance ratios
- *Capital*
  - Any capital/equity the borrower intends to inject in the project to serve as financial cushion
  - Any existing or additional financing to support the project that can be subordinated to UpLift's proposed loan
- *Conditions*
  - Interest rate, terms and conditions of loan that are acceptable for both the borrower and CDFI
  - Industry and local market analysis
  - Site visit to assess grocery store layout, presentation, cleanliness, and availability of products

### **Question #3: Parameters in Loan Policy / Main Elements of Loan Policy**

#### General Loan Requirements

- *Fit with Mission*
  - How to ensure it caters to low-income communities
  - How can UpLift meet its mission with its proposed loan products offered
- *Underwriting criteria and process*
- *Community demographic information / Outcomes*

#### Loan Approval Process / Authority

- *Who approves loans?*
- *Is there a loan committee or lending staff loan approval process?*
- *What types and loan amounts go to Board of Directors for approval?*
- *How and when can loan policy exceptions be approved? By whom?*

#### Potential Concentration Limits

- *Maximum loan size*
- *Maximum loans to a borrower*
- *Maximum for a particular type of loan*

#### Loan Reporting and Credit Files

- *Adequate and timely collection of financial information to assess borrower status*
- *Regular loan monitoring and performance review of loan health and status*
- *Regular in-person borrower visits*

#### Risk Rating System and Loan Loss Reserves

- *Numerical risk rating system that relates to loan loss reserves*
- *Determine a loan loss reserve requirement for each loan or group of loans*

#### Process and Reporting for Problem or Past Due Loans

- *Implementation of special review and monitoring process for loans with past due payments or loans experiencing financial difficulties*

### **Question #4: Impact of Loan Policy on Different UpLift Stakeholders**

#### Funders/Investors

- *Investors that make loans to UpLift need to know that their loans are safe and will be repaid on time.*
- *UpLift must have procedures in place to evaluate, monitor, and mitigate the risks of its lending programs.*
- *Investors/Funders want to understand the impact of UpLift's loans to its borrowers and communities served, as well as how UpLift ensures its lending meets its mission.*

### Potential Borrowers

- *Potential borrowers want to make sure that the terms and conditions of UpLift's loans will work for them, and the borrowing process is timely and reasonable. They may consider the following factors*
  - *Terms and interest rate of loans*
  - *Maximum loan amount*
  - *Flexibility of underwriting criteria*
  - *Underwriting process*
  - *Borrower reporting requirements*
  - *Collateral pledge requirements*

### **Question #5: Social Impact Criteria to Consider**

- Job creation (full-time equivalents)
- Quality of jobs created (benefits, overtime pay, etc.)
- Fresh food accessibility
- Fresh food access in severely distressed areas
- Environmental sustainability of operations