Community Development Financial Institutions and the State Small Business Credit Initiative: Status Report March 2013

The State Small Business Credit Initiative (SSBCI) was created in the Small Business Jobs Act of 2010, and implemented by the Obama Administration starting in 2011. The program provided $1.5 billion in funding to strengthen state programs that support lending to small businesses and small manufacturers. In the legislation, Community Development Financial Institutions (CDFIs) are specifically listed as eligible lenders. Increasingly, state governments are looking to CDFIs as partners to deploy SSBCI funding and increase the amount of credit available to small businesses and small manufacturers in their states.

Opportunity Finance Network (OFN) is the national network of CDFIs investing in opportunities that benefit low-income, low-wealth and other disadvantaged communities across America. Our organization was an active proponent of the legislation creating the State Small Business Credit Initiative and is working with Treasury officials, state agencies and CDFIs to assure the program's success.

State agencies received the first funding allocations from the SSBCI in mid-2011, and are required under the statute to draw down their entire allocation within two years of signing their Allocation Agreement with the Treasury Department. Several states, including California, Hawaii, Indiana, Kansas, Maryland, Missouri, North Carolina, and Vermont signed allocation agreements in June 2011, and are approaching the two year deadline. States with a significant portion of their funding left to deploy risk having to return undisbursed portions of their allocation to the Treasury are looking to adopt changes that will increase their ability to deploy SSBCI funding in a timely manner. As a result, states are looking to new strategies and partners to find ways to stimulate small business lending, including partnering with CDFIs.

Under the Small Business Jobs Act, state governments were given considerable flexibility to create SSBCI programs suited to the needs of the businesses and communities in their state. With so much latitude left to the states, multiple successful models for working with CDFIs have been implemented. In some states, like California and New York, CDFIs are enrolled as eligible lenders in existing programs; in others, like Georgia and Montana, CDFIs are partnering with state agencies and banks in loan participation programs. Still other states, such as Pennsylvania and Washington, provided grant capital directly to CDFIs, which CDFIs use to lend to small businesses in the communities they serve.

Although there are many successful models for CDFIs working with the SSBCI, incomplete knowledge of CDFI operations and concern from state agencies and traditional lenders about partnering with non-depository financial institutions has created barriers to the participation for CDFIs in some states.

While variation of program types and knowledge of CDFI business practices can pose challenges to states looking to implement CDFI-focused SSBCI programs, early results show that states which have incorporated CDFIs into their strategy are having success deploying their capital, while some states that are not working as closely with CDFIs are encountering more difficulty lending their capital in a timely manner.

There are several factors contributing to the success of CDFIs as SSBCI lenders. CDFIs have the capacity and knowledge of the low- and moderate-income communities targeted in the statute, and can therefore help SSBCI funding reach underserved communities. CDFIs also often have established relationships with local banks and credit unions, small business owners, economic development agencies and typically already possess the lending infrastructure required to make SSBCI loans, allowing them to quickly provide much needed funds to small businesses.

Some CDFI-SSBCI programs, such as those in Montana and Georgia, allow CDFIs to retain and revolve interest and principal payments into new SSBCI projects, and in some cases retain the funds as equity on balance sheets after the funds are released by the state governments when the program ends in 2017. Opportunity Finance Network believes that this is a key component for success. In other states, funds may revert back to the state agencies after December 2016. Allowing participating CDFIs to retain the capital creates the opportunity for SSBCI funds to revolve indefinitely, further stimulating lending, providing more capital for businesses, and increasing SSBCI's impact in low- and moderate-income communities. The Treasury Department's CDFI Fund reports that, on average, CDFIs leverage $13 in capital from non-federal sources for every $1 of federal subsidy – an impressive track record of direct relevance to the goals and design of the SSBCI program.[1] The confluence of these factors makes CDFIs excellent partners for helping deploy SSBCI funding, particularly in distressed communities.

The following section of this report contains information on several states that are working most successfully with CDFIs. Numerous additional states are reaching out to CDFIs to encourage greater participation in their SSBCI strategy, and many states are amending their applications with Treasury to create programs that allow CDFIs to play a greater role.

For more information about this report or CDFI participation in SSBCI programs, contact Dafina Williams, Opportunity Finance Network Policy Associate via email at dwilliams@opportunityfinance.net or telephone 215.320.4318. Click here to find a CDFI operating in a specific state.

[1] "Creating Jobs and Transforming Communities: Funding for the Small Business Administration and the Community Development Financial Institutions Fund". Testimony before the Senate Appropriations Subcommittee on Financial Services and General Government. May 25, 2011. Accessed January 16, 2013.

California

California was one of the first states to have a Capital Access Program, and they have seen much success in operating the program, enrolling loans, and deploying funds. Administered through the California Pollution Control Financing Authority (CPCFA), the state supported CDFIs (including several OFN Members) through the California Capital Access Program (CalCAP) long before SSBCI funds were available.

Under California's program, when a lender's first loan is enrolled, CalCAP establishes a loss reserve account for that lender. Each time a loan is enrolled under CalCAP, premiums are paid into the loss reserve account and CalCAP matches the premiums. Certain loans can qualify for an additional premium equal to the amount of the lender premium if the loans are made to businesses within a Severely Affected Community, defined as a business located in High Unemployment Areas or Enterprise Zones are located, as defined by the state of California.

The maximum loan amount is $5 million and the maximum enrolled amount is $2.5 million. Each individual borrower is limited to a maximum $2.5 million enrolled over a three year period. Lenders set the terms and conditions of the loans, decide which loans to enroll into CalCAP, and determine the premium levels to be paid by the borrower and lender.

Any federal or state-chartered bank, savings association, certified Community Development Financial Institutions (CDFI), or credit union is eligible to participate in CalCAP. A lender must certify that it is in good standing with its regulatory body (Federal Reserve, Federal Deposit Insurance Corporation, Comptroller of Currency, Thrift Supervision, National Credit Union Administration, or state banking authority). Other lenders, such as microlenders and finance companies may also be eligible.

Of the loans enrolled in the California Capital Access Program using SSBCI funds, more than 89 percent have been made through CDFIs. As of the beginning of 2013, more than 1700 loans made through CDFIs in California were assisted with SSBCI funds. California officials state that California has supported more CAP lending loans through CDFIs than all other states combined. In 2012 alone, OFN Members 3CORE, Arcata Economic Development Corporation, CA Coastal Rural Development, Fresno CDFI, Opportunity Fund, and TMC Working Solutions enrolled 948 loans totaling nearly $10.6 million in the CalCAP program.[2]

Additional Resources
CalCAP Participating Financial Institutions
California Capital Access Program

Contact Information
CalCAP:
Nancy Trombley, Manager
California Capital Access Program
Email: ntrombley@treasurer.ca.gov
Phone: (916) 654-5610

CDFI:
Eric Weaver, Executive Director
Opportunity Fund
Email: eric@opportunityfund.org
Phone: 408-297-0204
http://www.opportunityfund.org/

[2] http://www.treasurer.ca.gov/cpcfa/calcap/sb/institutions.pdf

Georgia

Georgia Funding for CDFIs is a loan participation program in which $20 million in SSBCI funds are made available to underserved small businesses through Georgia's CDFIs. The Georgia Funding for CDFIs program allows approved CDFIs to utilize SSBCI funds to partner with banks in providing credit to underserved small businesses for eligible projects. The program is designed to provide access to capital to small businesses to create job opportunities in low-to-moderate income, minority, and other underserved communities.

Georgia's CDFI-SSBCI program helps cover the collateral shortfall many small businesses face by providing subordinated debt gap financing that leverages the bank's first lien debt. The state will accept a subordinated collateral position behind other project lenders. This allows CDFIs to make loans to businesses that would not otherwise qualify for financing. Through this bank partnership, the CDFIs plan to leverage the SSBCI funds 10:1 over the life of the program. The program is designed for borrowers with 500 or fewer employees and has target loan amounts of $100,000 to $250,000.

Approved CDFIs may participate in the Georgia Funding for CDFIs program as a loan originator/servicer, or as a contracting entity in a direct lending capacity. In the case of the contracting entity, Georgia advances SSBCI funds directly to the CDFI on a loan-by-loan basis. Upon receipt of the SSBCI funds, the CDFI immediately funds the loan to the small business. When loan principal and interest are paid back, the contracting entity CDFI may retain the funds and relend them into new SSBCI projects, subject to federal and state SSBCI regulations. Only qualified non-profit, non-depository CDFIs are able to participate as a contracting entity/direct lender.

In the case of loan originator/servicer CDFIs, the state advances SSBCI loan funds directly to the small business after the CDFI has originated and enrolled the loan. When SSBCI loan principal and interest are paid, the originator/servicer CDFI remits the funds to the State. Participation as an originator/servicer CDFI is available to qualified for-profit or non-profit, affiliated-depository CDFIs (as well as qualified non-profit, non-depository CDFIs).

The CDFIs will assist the State of Georgia by making SSBCI funds more accessible to small businesses through the following processes/benefits:

- CDFI markets the SSBCI program and recruits banks to participate in the program.
- CDFI provides potential loans to banks or vice versa.
- CDFI and bank each underwrites their portion of loans individually.
- CDFI rate will be slightly lower than bank rate for a similar product for a lower overall blended rate to borrower.
- CDFI can originate loans for working capital, equipment and machinery, real estate and other eligible activities under Treasury guidelines.
- CDFI collateral may be subordinate to bank collateral on CDFI-originated loans.
- CDFI collects data from banks and forwards reports to Department of Community Affairs (DCA) to assist DCA in meeting SSBCI Treasury reporting requirements.
- CDFI offers the staff and commercial lending expertise/history to adequately meet both the financial requirements and social mission of the SSBCI program.

CDFIs seeking participation in Georgia Funding for CDFIs will be evaluated based on their legal structure, which requires a minimum of two years as a Georgia-based corporation and certification from the CDFI Fund, and a CARS™ Rating or equivalent info, including but not limited to management capacity, business history/service area, underwriting, etc.

All CDFIs participating in the Georgia Funding for CDFIs program are responsible for monitoring enrolled loans, servicing loan payments, and submitting quarterly and annual SSBCI funding reports to the state, and earn fees for providing these services. CDFIs under either option are required to sign a Lender Program Participation Agreement upon approval as a participating lender in the Georgia Funding for CDFIs program.

Additional Resources:
Georgia SSBCI website
Direct Lending (Contracting Entity) Lender Participation Agreement
Originator/Servicer Lender Participation Agreement

Contact Information:
Georgia SSBCI:
Holly Hunt, SSBCI Program Manager
Georgia Department of Community Affairs
Email: holly.hunt@dca.ga.gov
Phone: 404-679-3144

Brian Williamson, Assistant Commissioner
Georgia Department of Community Affairs
Email: brian.williamson@dca.ga.gov
Phone: 404-679-1587

CDFI:
Grace Fricks, President and CEO
Access to Capital for Entrepreneurs
Email: fricks@aceloans.org
Phone: 706-348-6609 x208
http://www.aceloans.org/

Minnesota

Minnesota received an allocation of $15.5 million to fund the Capital Access Program, Emerging Entrepreneurs Fund (EEF), Small Business Loan Guarantee (SBLG) Program/Qualified Economic Development Loan Guarantee (QED) Program, and the Early Stage Fund.

The Emerging Entrepreneurs Fund primarily supports microenterprises and small businesses with fewer than 50 employees. The Fund will loan qualified lenders up to $5.1 million to strengthen minority enterprise development, and promote economic development in distressed Minnesota counties. The SSBCI funds for the EEF will be targeted to microenterprises and small businesses with fewer than 50 employees. This program will put a special emphasis on providing capital to underserved small business communities - especially minority owned businesses and businesses located in economically distressed areas of the state. The financial support provided should be in the form of loan participation with this financing representing up to 50 percent of total financing.

The SBLG program guarantees up to 70 percent of a loan made by non-traditional lenders like community development corporations, CDFIs and other nonprofit entities, and reduce overall financing risk for banks and credit unions. The CAP program encourages banks, credit unions and CDFIs operating in Minnesota to make loans that fall just outside the normal underwriting standards of lenders. The Early Stage Fund is a venture fund that provides additional investment in early stage businesses throughout Minnesota. .

Approved lenders, including banks, credit unions, CDFIs and others receive a lump-sum, interest-free loan from DEED. Up to 75 percent of the earned income from the program's lending activity may be used to pay for the lender's administrative costs. The remaining principle and earned income must be used for future lending. Loan terms cannot exceed 10 years, and applicants should demonstrate that the financing provided to the business will generate small business lending of at least five times DEED's contribution.

The Emerging Entrepreneurs Fund now has 13 eligible lenders, including seven CDFIs, largest number of CDFI lenders enrolled out of the four programs. In December 2012, the Minnesota Department of Employment and Economic Development (DEED) announced that it awarded $1.03 million in loans that will help small businesses create 233 jobs statewide and retain another 472 jobs. Loans distributed through the EEF Fund accounted for nearly 60 percent of the total amount of lending, providing 16 loans worth $615,000, which created 64 and retained 323.5 jobs, and leveraged $10.84 million in private capital.[3]

The Small Business Loan Guarantee program guaranteed one loan for $224,000, which retained 38 jobs and leveraged $2.23 million in private capital. The CAP program has supported 14 loans supports valued at $193,500, creating 169 and retaining 111 jobs, and leveraging $2.82 million in private capital. The CAP program and SBLG program each have only one CDFI lender: the Northland Foundation.

[3] "DEED Awards Small-Business Loans". Minnesota Department of Employment and Economic Development. December 18, 2012. Accessed January 16, 2013.
http://www.positivelyminnesota.com/Newsroom/2012_Press_Release_Archive/October_-_December_2012/Dec._18_-_DEED_Awards_Small-Business_Loans.aspx

Additional Resources:
Minnesota SSBCI Website
Emerging Entrepreneurs Lender Enrollment Form
Emerging Entrepreneurs Fund Notice of Grant Opportunity
Participating Lenders

Contact Information:
Minnesota SSBCI:
Bart Bevins
Business and Community Development Division
Minnesota Department of Employment and Economic Development
E-mail: bart.bevins@state.mn.us
Phone: 651-259-7424

CDFI:
Mary Mathews, President and CEO
Entrepreneur Fund
Email: marym@entrepreneurfund.org
Phone: 218-749-4191
www.entrepreneurfund.org

Northland Foundation
Mr. John Elden
202 West Superior Street, Suite 610
Duluth, MN 55802
Email: john@northlandfdn.org
Phone: 218-723-4040
www.northlandfdn.org

Montana

Montana received $13.1 million in SSBCI funding, which it allocated to the Office of Governor's Economic Development and Department of Commerce. Montana currently has three CDFIs enrolled in its loan participation program, including Montana CDC, a statewide CDFI Montana's program is unique because the state was the first state to commit all of its allocations. According to the Montana Board of Investments, the state processed more than 60 SSBCI loans in 2012, and, on average, SSBCI staff process one loan a week. Staff expertise has been critical to the success of the SSBCI program in Montana, as well as the state's existing close ties with the CDFI community.

In the Montana program, as in Georgia, a primary lender partners with an approved Community Development Financial Institution (CDFI) or local economic development organization with a revolving loan fund (RLF) to participate in the Montana SSBCI program. As the loans are repaid, the local economic development groups retain the SSBCI funds, which builds the CDFI's balance sheet and allows them to attract additional public and private capital to stimulate lending even further.

On the loans, the SSBCI loan interest rate is indexed to Montana Board of Investments (MBOI) posted rates and applies to the CDFI-participated portion of the loan. For loans with amortizations of 15 years or less – the interest rate is the MBOI posted rate minus 3%, plus the lender service fee which cannot exceed 0.50%. For loans with amortizations of over 15 years, the interest rate will be the MBOI posted rate minus 2%, plus the lender service fee which cannot exceed 0.50%. Interest rates will be reduced by .05% for each qualifying job created up to 2.50%; jobs paying above the Private Annual Wage receive additional interest rate reductions.

The lenders submitting an application to the CDFI/RLF who are already Approved Lenders with the Montana Board of Investments (MBOI) are required to adhere to the terms and conditions contained in their existing MBOI's Approved Lender Commercial Servicing Agreement. Lenders who are not already MBOI Approved Lenders must complete the Approved Lender Commercial Servicing Agreement prior to the submission of a Montana SSBCI application.

Additional Resources:
Montana SSBCI Website
Montana SSBCI Flowchart
List of Participating CDFI/RLFs
Montana SSBCI Loan Policy
Approved Lender Commercial Servicing Agreement
CDFI/RLF Loan Servicing Agreement

Contact Information:
Montana SSBCI:
Herbert J. C. Kulow, Senior Portfolio Manager
Montana Department of Commerce
Email: Hkulow@mt.gov
Phone: 406-444-1218

CDFI:
Dave Glaser, President
Montana Community Development Corporation
Email:Dave@mtcdc.org
Phone: 406-728-9234 x211

North Carolina

North Carolina's $27.1 million allocation of State Small Business Credit Initiative (SSBCI) funds to the state have been committed to three programs and have leveraged an additional commitment of $191.3 million in private capital for loans and investments. During the first round of funding alone, North Carolina made 260 loans and investments.[4]

North Carolina operates several programs using SSBCI funds, including the North Carolina Capital Access Program (NC-CAP) and the Loan Participation Program. The NC-CAP provides matching reserve funds for business loans that are just outside a lender's usual standards. The average NC-CAP loan is $100,000. When a loan is approved and enrolled in NC-CAP, the borrower pays a fee, which is matched with money from the program. The funds together are deposited into a reserve account held by the lender, to offset losses in case of default. Potential borrowers may apply through their local lenders. Sixty lenders across the state are participating in the NC Capital Access Program with an average loan size of $122,000, including three OFN Members: The Support Center, Natural Capital Investment Fund, Inc., and Mountain Biz Capital, Inc.

The Loan Participation Program reduces a lender's risk by purchasing up to 20 percent of a loan. The program typically assists loans of $250,000 to $5 million. Special consideration may be given for loans to businesses in underserved communities and to businesses owned by women and minorities. Potential borrowers apply through their local lenders. In addition to for-profit businesses, loans are available to charitable, religious, and nonprofit institutions for business purposes. Loans have been made to a wide range of borrowers, ranging from manufacturing plants, distribution centers, medical practices, retail and service businesses to non-profit daycares and charter schools.

Twenty-eight lenders are participating in the Loan Participation Program, with an average loan of $1.2 million. Participating lenders are located in 98 of North Carolina's 100 counties, and loans have been made in 45 counties, both rural and urban, with a special emphasis on low- to moderate-income communities. OFN Members North Carolina Community Development Initiative Capital and The Support Center are participating lenders in the program.

Additional Resources
NC-CAP information for lenders
NC-CAP lenders by county
Loan Participation Program information for lenders
Loan Participation lenders

Contact Information
North Carolina CAP Program:
Tony Johnson, Senior Director, Business Development
N.C. Rural Economic Development Center
Email: tejohnson@ncruralcenter.org
Phone: 919-250-4314

CDFI:
Shaw Canale, CEO
Mountain BizWorks
Email: shaw@mountainbizworks.org
Phone: (828) 253-2834
http://www.mountainbizworks.org/

[4] http://www.governor.state.nc.us/NewsItems/PressReleaseDetail.aspx?newsItemID=2637

Pennsylvania

Pennsylvania's SSBCI program deploys funds to partner organizations through existing programs housed in the Department of Community and Economic Development (DCED) and through the Machinery and Equipment Loan Fund (MELF). When designing its program, DCED solicited input from development partners throughout the state to determine what funding gaps currently existed for small businesses. As a result, the department determined that the best approach was to give the organizations, which interact with small businesses every day, the opportunity to apply for a portion of the funding. By partnering with the private sector to support local projects rather than using the entire funding to supplement existing state programs, the state felt the impact of job creation and private investment would be much greater.

The recipient CDFIs were all previous recipients of funding from the Pennsylvania Community Development Bank (PCD). PCD provides grant funding and liquidity financing for State Accredited CDFIs using the criteria listed in the PCD CDFI Accreditation Guidelines. The PCD Bank makes capital available for community and economic development lending and provides grants to promote the creation and expansion of CDFIs in Pennsylvania.

Pennsylvania provided more than $6.5 million in grant capital directly to five CDFIs:

- Bridgeway Capital serves businesses and nonprofits in Western Pennsylvania. The organization received $2 million in SSBCI funding to continue making entrepreneur and growth capital loans, and loans to nonprofits. The funding is projected to finance 510 loans, create nearly 2,600 jobs and attract over $97 million in private financing.
- Community First Fund serves 13 counties in central and eastern Pennsylvania. Community First received $2 million in SSBCI funding to provide loans to capitalize a small business loan program serving Community First's thirteen county market area with special focus on providing loans to underserved small businesses whose access to credit was impaired during the current credit crisis. The funding will be used to create an additional $19 million in private economic investments, and is projected to finance 246 loans and create 1,850 jobs.
- The Economic Opportunities Fund (EOF) of the Women's Opportunity Resource Center serves the five-county Philadelphia region. The organization will utilize its 12 years of economic development experience to continue providing low-income women and minorities with startup capital. EOF received $262,500 in SSBCI funding, which it will use to initiate larger loans, increase EOF's overall lending capacity to $600,000 in loans outstanding. The funding is projected to finance 39 loans and create 26 jobs.
- Northside Community Development Fund (NCDF) provides financing for small business and real estate projects on Pittsburgh's Northside. The funding will be used to make loans to underserved, low-income neighborhoods. NCDF received $250,000 in SSBCI funding, projected to finance five loans, and create 13 jobs with an average hourly wage of $11.87.
- The Progress Fund serves 39 counties in Western and Northern Pennsylvania. The organization received $2 million of SSBCI funding to continue providing start-up loans, expansion loans, lines of credit, bridge loans for rural, tourism-related projects. The funding is projected to finance 40 loans, and create 500 jobs.

Additional Resources:
Pennsylvania Small Business Credit Initiative
2012 Pennsylvania State Small Business Credit Initiative Guidelines
PCD CDFI Accreditation Guidelines

Contact Information:

Pennsylvania SSBCI:
Craig Petrasic, Program Manager
PA Department of Community Economic Development
Email: crpetrasic@pa.gov
Phone: 717-783-1109

CDFI:
Dan Betancourt,President and CEO
Community First Fund
Email: betancourt@commfirstfund.org
Phone: 717-393-2351
www.commfirstfund.org

Washington

Washington State received an allocation of $19.7 million which it will use to provide funds to underserved communities, businesses that have faced challenges securing conventional business loans during the economic downturn, and early-stage tech companies. The state has created three programs to deploy the capital, including the Craft3 Small Business Credit Initiative.

Craft3 (formerly Enterprise Cascadia), a CDFI serving Washington and Oregon received $8.72 million to support job creation, entrepreneurship and small business expansion. Craft3 is partnering with other lenders across the state to make State Small Business Credit Initiative (SSBCI) loans available to Washington businesses unable to access traditional sources of capital.

Loans amounts range from $250,000 to $5 million to Washington-based small businesses in underserved communities, Indian country and to rural entrepreneurs, women- and minority-owned businesses. Craft3 has also raised additional private capital to create a fund, and is working with the state's network of CDFIs to finance loans throughout the state. Its collaboration efforts with other CDFIs and lenders in the state will target smaller loans through a shared risk structure.

Additional Resources:

http://www.craft3.org/Invest/Government

Contact Information:

Washington SSBCI:
Jane Swanson, CAP Program Manager
Washington State Department of Commerce
Email: jane.swanson@commerce.wa.gov
Phone: 206-256-6155
Washington Small Business Credit Initiative

CDFI:
John Berdes, President & CEO
Craft3
Email: jberdes@craft3.org
Phone: 360-642-4265 x146
www.craft3.org

West Virginia

The West Virginia Capital Access Program (WVCAP) uses the state's $13.1 million allocation to fund new small business lending programs: WVCAP Seed Capital Co-Investment Fund, WVCAP Subordinated Debt Program, WVCAP Collateral Support Program, and the WVCAP Loan Guaranty Program. In January 2012, WVCAP approved several organizations as lending sources, including one CDFI, the Natural Capital Investment Fund. Natural Capital Investment Fund (NCIF) played a pivotal role in program design. Marten Jenkins, president of the Natural Capital Investment Fund, participated in designing the WVCAP and serves on the WVCAP committee that reviews and approves investment applications.

The West Virginia program invests 60 percent of its allocation in seed stage and early stage businesses. The other 40 percent provides debt funding to provide gap financing to enhance deals for companies that lack appropriate collateral or have challenging credit profiles. Funds can be used for a broad range of purposes, such as the purchase of equipment and facility expansion.

The West Virginia Department of Commerce provided $150,000 in funding to market the new WVCAP programs. In addition, the Claude Worthington Benedum Foundation provided $250,000 in grant funding to make operating and technical assistance available to borrowers. These additional resources will help promote public awareness of the WVCAP initiative and build awareness of services that will maximize economic growth. The chart on the following page shows how NCIF has structured its loan programs for the West Virginia SSBCI program.[5]

Additional Resources:

West Virginia Jobs Investment Trust
WV Development Office

Contact Information:

West Virginia SSBCI:
Keith Burdette, Executive Director
West Virginia Department of Commerce
Email: j.keith.burdette@wv.gov
Phone: 304-558-2234

CDFI:
Marten Jenkins
Natural Capital Investment Fund
Email: mjenkins@conservationfund.org
Phone: 304-876-2815

[5] http://ncifund.org/financial-products/west-virginia-capital-access-program

Product Description	Seed Capital Co-Investment Fund	Subordinated Debt Fund	Collateral Support Fund	Loan Guaranty Fund
Use of Funds	To advance intellectual capital: property development, evaluation, including in-depth analysis of market potential; conducting competitive analysis; advance proof of concepts work for scientific discovery; advance prototype design and development; other research and development needed to attract early stage venture capital financing; hiring key personnel and related activities.	To purchase equipment, facility expansion and permanent working capital	Collateral support up to 20% of loan amount for working capital loans to augment the collateral that borrower provides banks, giving lenders greater confidence and willingness to extend credit	Guarantees up to 20% of loan amount for working capital loans for providing lenders with greater confidence and willingness to make small business loans
Maximum Investment Amount	Up to $500,000 per individual company over life of investment.	Up to 50% of the borrower's requirement with a maximum loan amount of $500,000	Up to 20% of loan amount with maximum collateral support of $250,000	Up to 20% of loan amount with maximum loan guarantee amount of $250,000
Interest Rate	Market adjusted for risk (8 – 10%)	At or below prevailing market interest rates.	N/A	N/A
Term	1 to 5 years for convertible debt	Maximum loan term of 2 years (Up to 15 year amortization)	Maximum loan term of 2 years	Maximum loan term of 2 years
Fees	Reimbursement of legal fees and other customary transaction fees associated with equity investments.	1% commitment fee based on loan amount, ½ due at signing of commitment letter and balance due at loan closing; borrower pays for legal documentation fees, as incurred	2% of the loan amount with a maximum loan amount of $1.25 million, plus a documentation fee of $250 upon closing	2% of the guarantee amount with a maximum loan amount of $1.25 million, plus a documentation fee of $250 upon closing
Collateral	When applicable	Secured promissory note and UCC-1 and deed of trust in case of real estate; all lien positions fully subordinate to senior lender	N/A	N/A
Other	Seed Capital, at a minimum, will have a 100% match of non WVCAP sourced capital, i.e., for every $1 of WVCAP capital invested, another $1 of non-WVCAP capital will be invested.		Collateral support will be evidenced by a certificate of deposit placed at the financial institution providing the senior financing; all interest accruing on the account will be paid to the WVCAP program participant	100% of the guaranty amount will be held in cash in a reserved account by the originator.

Wisconsin

Wisconsin's Housing and Economic Development Agency (WHEDA) provided $3 million to the statewide Capital Access Program (CAP) program offered through the Wisconsin Business Development (WBD) in partnership with Milwaukee Economic Development Corporation (MEDC), a CDFI and OFN Member, to fund bank loan loss reserves for eligible Wisconsin lenders. The program is expected to generate more than $30 million in private capital investment in Wisconsin businesses, and those investments are expected to create or sustain approximately 6,500 jobs in the state over the next five years.

The CAP program provides access to financing for companies in the state of Wisconsin, especially start-ups and small businesses, which may not be able to obtain conventional financing. CAP is a flexible loan loss reserve program that provides lenders with a way to fund projects considered too risky for conventional lending by creating a lender-specific loan loss reserve.

Each bank participating in CAP has its own reserve to protect against losses on loans approved by the bank and enrolled in the program. The bank sets its own criteria for determining whether to make the loan, as well as determines the loan term, interest rate, fees, collateral requirements and other loan conditions, and the reserve percent for each loan. The lender along with the borrower set aside funds as a reserve, the combined total of which is matched by MEDC. The reserve amount is 3% to 7% of the loan, with a minimum contribution of 1.5% each, from bank and borrower. MEDC matches the combined contributions up to 7 percent.

If a borrower defaults, the loan loss reserve can be used to reduce the bank's loss. If the funds are not needed, they become part of a permanent reserve for future loans made by the lender through the CAP program. Loan sizes range from $1,000 to $500,000, and nonprofit and for-profit companies are eligible borrowers and can couple the program with other short-term loans and/or lines of credit.

MEDC also received a portion of the $9 million in funding provided by WHEDA to three venture debt funds to capitalize its M7 Venture Debt Fund.[6] The program is designed to provide debt financing to growth companies that create new, high-quality jobs in Wisconsin. These debt funds are intended to be complimentary to early stage equity allowing companies to access capital at predictable costs. The debt funds are expected to generate $90 million in private capital investment in Wisconsin businesses. MEDC is providing financing in seven counties: Milwaukee, Racine, Kenosha, Waukesha, Walworth, Washington, and Ozaukee.

[6] The other participating venture debt funds are Madison Development Corporation (MDC) and Wisconsin Economic Development Corporation (WEDC).

Additional Resources
Milwaukee Economic Development Corporation
MEDC Capital Access Program
M7 Venture Debt Application

Contact Information
Wisconsin Housing and Economic Development Authority
Jesse Greenlee, Emerging Business Program Manager
Email: jesse.greenlee@wheda.com
Phone: 414-227-4348

CDFI:
Marcia Theusch, Assistant Vice President
Milwaukee Economic Development Corporation
Email: marcia.theusch@medconline.com
Phone: 414-286-5839