June 12–14
Pacific Grove, California
nativecdficonvening.org

2018 Native CDFI Capital Access Convening

Bringing Native CDFIs, Funders, and Investors Together to Bring Capital to Native Communities
Advanced Capitalization Strategies

Pacific Grove, California
Your Presenters

• Lisa Wagner, Bluestem Consulting

• In this session you will learn how to develop an appropriate, balance sheet-driven capitalization strategy for your CDFI. This will include evaluation of where you stand now, aligning capitalization with your strategic goals, understanding what types of capital are available, and overcoming existing capitalization challenges.
Session Goals

• Key components of a capitalization strategy
Capitalization Strategy

- A plan to build the right balance sheet

**ASSETS**
- Op Cash
- Lending Cash
- Loans Rec
- LLR

**LIABILITIES**
- Loan capital debt

**NET ASSETS**
- Net income
- Loan capital grants
Process

Org Assessment / Market research → Strategic Planning → Financial Projections → Capitalization Planning
Considerations

• Appropriate level of debt for your CDFI
• Cost of capital
• Projected growth
• Addition of new products or services
• Need for reserves and liquidity
• Diversification of funding sources
• Other financial targets

➢ Capital strategies are driven by your strategic plan
What’s the right level of debt?
How are CDFI’s capitalized?

Source: 2016 OFN Side by Side
Learn the Lingo
Debt Strategies

- Foundation PRI
- Bank EQ2
- Bank Senior Debt
- CDFI Intermediary
- Religious institutions
- Government debt

- Institutional investors
- Individuals
- Capital pools
- Bonds
- Line of credit
Sources of CDFI Debt Capital

- Individuals: 39%
- Religious Institutions: 21%
- Foundations: 11%
- Corporations: 7%
- Federal Gov’t: 5%
- State/Local Gov’t: 5%
- Banks/Credit Unions: 4%
- 2%: unknown source
- 3%: unknown source
- 3%: unknown source
- 4%: unknown source
- 1%: unknown source

Average cost of funds: 2.3%
Average term: 108 months

Source: OFN FY2016 Side-by-Side
Net Asset Strategies

- Earned revenue
  - Contracts for service
- Grants/contributions
- Sale of loans
  - Community Reinvestment Fund http://www.crfusa.com
  - Impact Community Capital http://www.impactcapital.net
  - Community Development Trust http://www.cdt.biz/whatwedo.htm
- Crowdfunding
Other Strategies

- Loan participations
- Credit enhancements
- Capital campaign

➢ Consider Aeris rating (or prep)
Overcoming Challenges

- Inability to scale
- Low self-sufficiency rate
- Size of investment needed
- Others?