



June 12-14  
Pacific Grove, California  
[nativecdficonvening.org](http://nativecdficonvening.org)

# 2018 Native CDFI Capital Access Convening

*Bringing Native CDFIs, Funders, and  
Investors Together to Bring Capital to  
Native Communities*





# Oweesta Convening

## Building Blocks of a Capitalization Plan

June 13, 2018

Barbara Eckblad



# AGENDA



- ✓ Review current capitalization strategies
- ✓ Best Practices for Capitalization Concepts
- ✓ Capitalization Framework
- ✓ Wrap-up and Next Steps



# INTRODUCTIONS



***Who's in our session?***

# CURRENT CAPITALIZATION STRATEGIES



- ✓ Historical Plan and Process
- ✓ Staff Roles
- ✓ Board and Committee Roles

# STRATEGIC DIRECTION



## Next Steps for Funding Mission

Challenges for funding



# CDFI CAPITALIZATION BEST PRACTICES



# CDFI CAPITALIZATION BEST PRACTICES



## CDFI Strategic Plan

- ✓ Minimum of 3 years
- ✓ Maximum of 5 years
- ✓ *Vision of 10 years*
- ✓ Re-cast at year 2 and year 4



# CDFI CAPITALIZATION BEST PRACTICES



## CDFI Strategic Goals

- ✓ **Deployment**
  - # loans
  - \$ loans
- ✓ **Financial**
  - Change in Net Assets
  - Self-sufficiency
  - Leverage
- ✓ **Impact**
  - Jobs
  - Business Assisted
- ✓ **Capitalization**
  - Lending Capital
  - LLR Capital
  - Operating Capital

# CDFI CAPITALIZATION BEST PRACTICES



**Capitalization Plan**

**...HOW DOES IT WORK?**

# CDFI CAPITALIZATION BEST PRACTICES



## Capital Needed

- ✓ Lending Capital
- ✓ Loan Loss Reserve Capital
- ✓ Operating Capital
- ✓ Unrestricted Funds

# CDFI CAPITALIZATION FRAMEWORK



## STEP ONE

### 2018 – 2020 Deployment Goals

DEPLOYMENT GOALS							
Activity		2018		2019		2020	Total Capital Needed
		Amount		Amount		Amount	Amount
Micro Loans	#	25		35		45	105
	\$	\$800,000		\$1,120,000		\$1,440,000	\$3,360,000
Average Size							
	\$	\$32,000		\$32,000		\$32,000	

# CDFI CAPITALIZATION FRAMEWORK



## STEP TWO

*How much lending capital do we need?*

Lending Capital Projections Chart				
Loan Portfolio	2018	2019	2020	Total Capital Needed
Existing Portfolio	\$ 835,264	\$ 1,209,627	\$ 1,560,450	
Return of Capital	\$ 275,637	\$ 399,177	\$ 514,949	
Net Existing Portfolio/FYE	\$ 559,627	\$ 810,450	\$ 1,045,502	
New Capital Deployed	\$ 650,000	\$ 750,000	\$ 1,440,000	
Return of Capital	\$ 275,637	\$ 399,177	\$ 514,949	
Net Capital Needed	\$ 374,363	\$ 350,823	\$ 925,051	\$ 1,650,238
Total Outstanding Portfolio	\$ 1,209,627	\$ 1,560,450	\$ 2,485,502	

**Assumptions:**  
 36 month run rate  
 2017 Portfolio Balance

# CDFI CAPITALIZATION FRAMEWORK



## Capital Needed

- ✓ Lending Capital
- ✓ Loan Loss Reserve Capital
- ✓ Operating Capital
- ✓ Unrestricted Funds

# CDFI CAPITALIZATION FRAMEWORK



## STEP THREE

*How much Loan Loss Reserve capital do we need?*

<b>Loan Loss Reserve Projections Chart</b>			
Loan Portfolio	2018	2019	2020
Total Outstanding Portfolio	\$ 1,209,627	\$ 1,560,450	\$ 2,485,502
Total LLR Needed	\$ 181,444	\$ 234,068	\$ 372,825
Existing LLR	\$ 150,000	\$ 181,444	\$ 234,068
Net LLR Funding Needed	\$ 31,444	\$ 52,623	\$ 138,758

**Assumptions:**

15% LLR requirement of SBA

# CDFI CAPITALIZATION FRAMEWORK



## Capital Needed

- ✓ Lending Capital
- ✓ Loan Loss Reserve Capital
- ✓ Operating Capital
- ✓ Unrestricted Funds



# CDFI CAPITALIZATION FRAMEWORK



## STEP FOUR

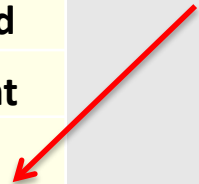
*How much operating capital do we need?*

*OR*

*How much added staff capacity do we need to deploy 105 loans?*

### DEPLOYMENT GOALS

Activity		2018	2019	2020	Total Capital Needed
		Amount	Amount	Amount	Amount
Micro Loans	#	25	35	45	105
	\$	\$800,000	\$1,120,000	\$1,440,000	\$3,360,000
Average Size					
	\$	\$32,000	\$32,000	\$32,000	



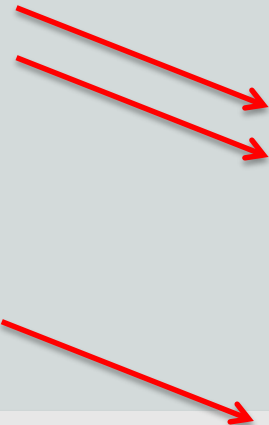
# CDFI CAPITALIZATION FRAMEWORK



## STEP FIVE

*Building our financial projections.*

3-Year Financial Projections			
BALANCE SHEET	Projections		
	2018	2019	2020
<b>Assets</b>			
Unrestricted cash and cash equivalents	\$0	\$0	\$0
Other Current Assets	\$0	\$0	\$0
<b>Total Current Assets</b>	\$0	\$0	\$0
Gross Loans Receivables	\$0	\$0	\$0
Less: Loan Loss Reserve	\$0	\$0	\$0
<b>Total Net Loans Receivables</b>	\$0	\$0	\$0
Fixed Assets	\$0	\$0	\$0
Other Assets	\$0	\$0	\$0
<b>Total Assets</b>	\$0	\$0	\$0
<b>Liabilities</b>			
Current Liabilities	\$0	\$0	\$0
Loan Term Liabilities - Due to Investors	\$0	\$0	\$0
<b>Total Liabilities</b>	\$0	\$0	\$0
<b>Net Assets</b>			
Unrestricted Net Assets	\$0	\$0	\$0
Permanently Restricted Net Assets	\$0	\$0	\$0
Change in Net Assets	\$0	\$0	\$0
<b>Total Equity</b>	\$0	\$0	\$0
<b>Total Liabilities &amp; Equity</b>	\$0	\$0	\$0



# CDFI CAPITALIZATION FRAMEWORK



## STEP FIVE

*Building our financial projections.*

INCOME STATEMENT				
<b>Income</b>				
Loan Interest Income		\$0	\$0	\$0
Fee Income		\$0	\$0	\$0
Grants and Contributions		\$0	\$0	\$0
Investment Income		\$0	\$0	\$0
Miscellaneous Income		\$0	\$0	\$0
<b>Total Income</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Expenses</b>				
SG & A		\$0	\$0	\$0
Interest Expense		\$0	\$0	\$0
Loan Loss Reserve Expense		\$0	\$0	\$0
<b>Total Expenses</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Income</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# CDFI CAPITALIZATION FRAMEWORK



**Let's put it together...**

**Capital Needed**

- ✓ Lending Capital
- ✓ Loan Loss Reserve Capital
- ✓ Operating Capital
- ✓ Unrestricted Funds

# CDFI CAPITALIZATION FRAMEWORK



## STEP SIX

*Build our capitalization strategy.*

Capitalization Plan			
FUNDING PROSPECTS	2018	2019	2020
<b>Grant/Operating Funds Needed</b>			
Eg. Government			
Eg. Foundations			
Eg. Earned Income			
Eg. Banks			
<b>Total Grant/Operating Funds Prospects</b>			
<b>Total Grant/LLR Needed</b>			
<b>Total Grant/LLR Prospects</b>			
<b>Capital Investments Needed</b>			
<b>Capital Investments Prospects</b>			
<b>TOTAL FUNDING PROSPECTS</b>			



# CDFI CAPITALIZATION FRAMEWORK



## STEP SEVEN

*Build our “Ask” materials.*

- ✓ Investment Prospectus
- ✓ Offering Memorandum
- ✓ PowerPoint Presentation

# CDFI CAPITALIZATION FRAMEWORK



## STEP SEVEN

### Investment Prospectus Table of Content

- ✓ OFFERING MEMORANDUM
- ✓ MISSION DESCRIPTION AND HISTORY
- ✓ EXECUTIVE SUMMARY
- ✓ CURRENT CAPITAL STRUCTURE
- ✓ FINANCIAL INFORMATION
- ✓ BOARD OF DIRECTORS
- ✓ KEY PERSONNEL
- ✓ IMPACT INFORMATION

# CDFI CAPITALIZATION FRAMEWORK



## STEP SEVEN

## Offering Memorandum

20XX Investment Pool - proposed

<i>Investment Partner</i>	<i>New Capital Source</i>	<i>Rate</i>	<i>Maturity</i>
Equity			
Organization #2			
capital			
Loan Loss Reserve contribution			
Operating grant			
Organization #3			
Organization #4			
Organization #5			
Organization #6			
TOTAL Portfolio Capital Investment			



# CDFI CAPITALIZATION FRAMEWORK



## STEP SEVEN

### **Power Point Presentation** (maximum 20 slides)

- ✓ Mission
- ✓ History
- ✓ Impact
- ✓ Leverage
- ✓ Portfolio Performance
- ✓ Loan Profile
- ✓ Client Profile (s)
- ✓ Capital Need
- ✓ Capitalization Plan
- ✓ Specific Ask
- ✓ Organization's Commitment
- ✓ Thank You!

# CDFI CAPITALIZATION FRAMEWORK



## STEP EIGHT

*Determine roles and responsibilities.*

**Staff**

**Develop**

**Lead**

**Board**

**Inform**

**Support**

**Partner**

# LET'S REVIEW



Review current capitalization strategies

Best Practices for Capitalization Concepts

Capitalization Framework

Wrap-up and Next Steps

# QUESTIONS

