

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*





Federal Granting and Lending Programs:

A Discussion about the SBA Microlender Program and USDA Rural Development



SESSION PURPOSE:



- Representatives from **USDA Rural Development** and **U.S. Small Business Administration** will discuss **low interest loan and grant programs** – including how to locate more detailed information on Native CDFI eligibility, application process, loan terms/conditions, compliance reporting.
- **Two NCDFI representatives** share insights, experience and advice for working effectively with both the **USDA RD** and **US SBA Microloan Program**.



SESSION GOALS:



- **Share information to help understand if and when these Federal USDA & SBA programs may be a fit with your NCDFI operations/missions –**
- **NCDFI perspectives on working productively with USDA RD and US SBA Microloan Programs –**
- **Leave with sufficient information, contact information, resources to facilitate a follow-up deeper dive into understanding USDA RD Programs and the SBA Microlending Programs...**



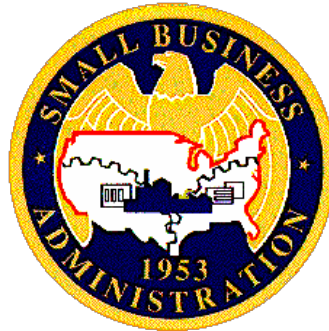
PRESENTATION APPROACH



- ~20 minutes – **Kay Mardon**, Lender Relations Specialist, Fresno District Office, U.S. Small Business Administration
- ~10 minutes – **Gary Mejchar**, Project Manager First American Capital Corp Milwaukee, WI – Experience with SBA Microloan Program
- ~20 minutes – **Tedd Buelow**, National Native American Coordinator, USDA-RD Denver, CO – Intermediary Relending, Rural Business Development, Rural Micro-entrepreneur Assistance Programs
- ~10 minutes – **Ted Piccolo**, Executive Director Northwest Native Development Fund Coulee Dam, WA – Experience with USDA-RD/SBA
- ~30 minutes – Open **Q&A/Discussion**



Introduction to the Office of Economic Opportunity - Microloan Program



U. S. Small Business Administration – www.SBA.gov

Agenda

1. Office of Economic Opportunity Programs
2. Microloan Program - How it works
3. Program Highlights – Statistics - FY2010 – FY2017
4. Resources / Contacts
5. Microloan Program – Application Process

Office of Economic Opportunity (OEO)

Community Advantage (CA)

- Loan Guaranty – up to \$250K – Non-profit Lenders

Intermediary Lending Pilot Program (ILPP)

- Direct Loans – up to \$200K – Non-profit Lenders

Microloan Program

- Direct Loans – up to \$50K – Non-profit Lenders
- Technical Assistance Grants

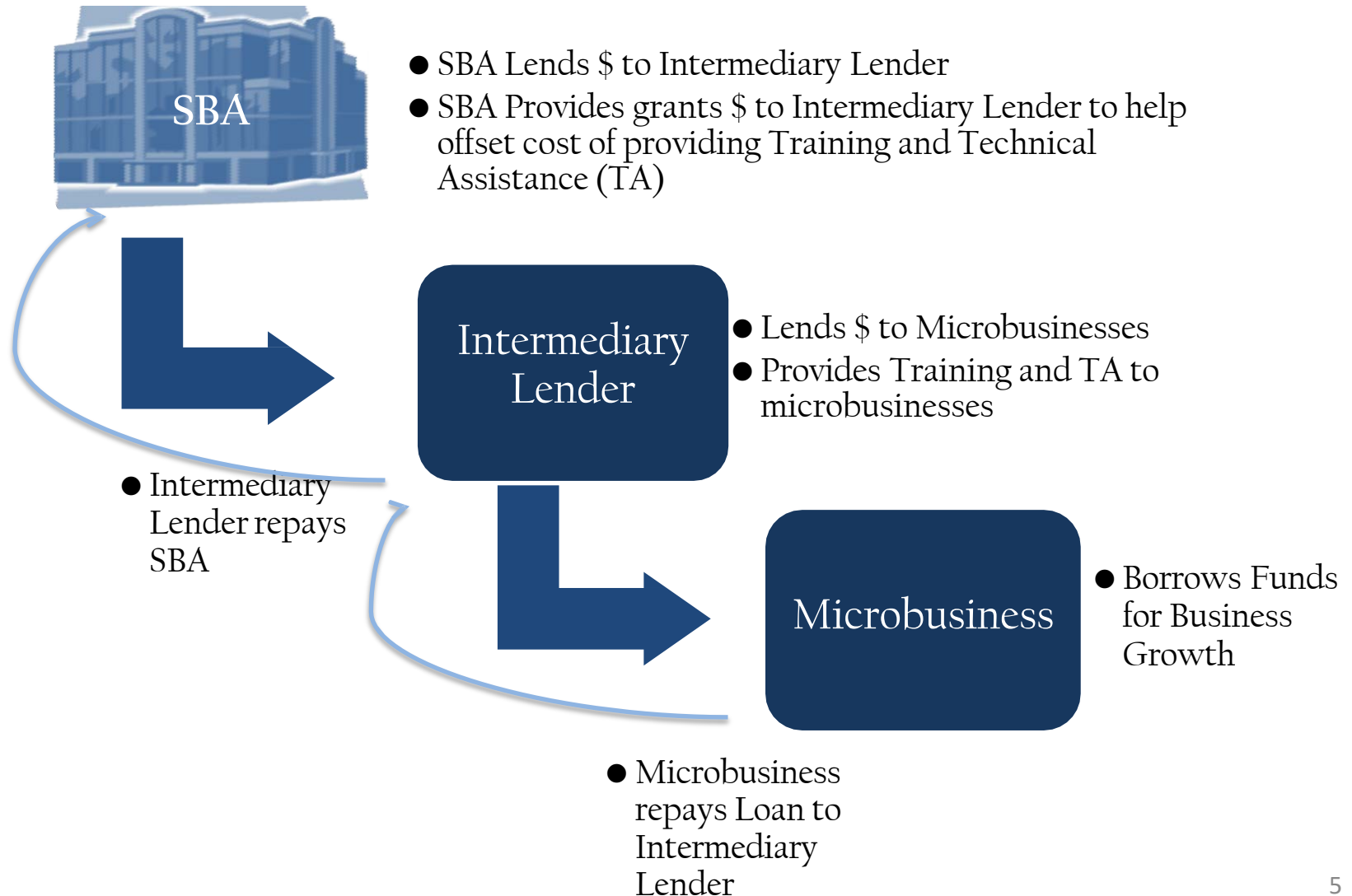
PRIME Grant Program

- Grants up to \$250K
- Technical Assistance
- Capacity Building
- Research and Development

Microloan Program

- The Microloan Program was created to assist women, low income, minority, veteran entrepreneurs, and others in obtaining small amounts of business capital, along with business-based training and technical assistance.
- Microloans must be made to for-profit businesses. Non-profit child care businesses are also eligible.

How the Microloan Program Works



How the Microloan Program Works

SBA Loans to Intermediary Lenders

Max. Borrowing

- \$750,000 (1st loan)
- \$2,500,000 (subsequent loans)
- \$5,000,000 (Maximum Program Debt Outstanding)

Maturity

- 10 Years from Date of Note

Interest Rate

- 5 year T-Bill Rate less 2% for average microloan size under \$10,000; otherwise less 1.25%

Collateral

- Intermediary's Microloan Revolving Fund, Loan Loss Reserve Fund, and Microloan Notes

Matching Funds

- 15% of Loan Disbursements must be matched with non-borrowed, non-Federal funds

Use of Proceeds

- To make direct, short term, fixed rate loans of \$50,000 or less

How the Microloan Program Works

Loans from Intermediary to Microbusiness

Loan Amount

- Up to \$50,000

Maturity

- Up to 6 years (72 months)

Interest Rate

- Fixed rate, up to:
 - Cost of Funds + 8.50% (if microloan is \$10,000 or less)
 - Cost of Funds + 7.75% (if microloan is above \$10,000)

Use of Proceeds

- To make loans for supplies, furniture, fixtures, materials, equipment, or working capital

Collateral

- Required at Intermediary's discretion – flexibility in structuring loan

Underwriting/Servicing

- Decisions made by Intermediary - not SBA
- According to Intermediary's policies and procedures

How the Microloan Program Works

Technical Assistance Grants

SBA provides Grant funding to Intermediary Lenders who in turn provide free business training and Technical Assistance to their microbusiness clients.

- Intermediary provides ongoing training and technical assistance to microbusinesses (minimum 50% for post-loan TA)
- Grant dollars help defray the cost of providing training and technical assistance to micro borrowers and potential micro borrowers.
- Grant Amount up to 25% of Intermediary's outstanding debt to SBA.
- 25% matching funds required

Microloan Program Highlights

Active Intermediary
Lenders
(Current)

- 150 (Approx.)

SBA Loans Disbursed to
Micro-Lenders
(Historical)

- \$541 Million (as of 05/08/18)

Microloans Closed
(Historical)

- 71,700 Loans Closed
- \$893 Million Funded to Micro Businesses
- \$12,443 (Avg. Microloan Size)

Jobs Created/Retained
(Historical)

- Created – 103,648
- Retained – 154,913

Program Highlights

Current Year / Past 5 FY Comparison

Microloans Closed

	<u>FY2017</u>	<u>FY2012 – 2017 Average</u>
● Number Closed	4,986	4,467
● Dollars Closed	\$69,211,996	\$58,742,246

Underserved Market Indicators

	<u>FY2017</u>	<u>FY2012 – 2017 Average</u>
● Start Ups	37.75%	42.597%
● Women-Owned	46.67%	49.38%
● Hispanic	16.61%	22.13%
● African American	32.87%	29.81%

Jobs Data

	<u>FY2017</u>	<u>FY2012 – 2017 Average</u>
● Jobs Created	6,737	6,477
● Jobs Retained	11,936	10,511

Microloan Data

	<u>FY2017</u>	<u>FY2012 – 2017 Average</u>
● Average Size	\$13,881	\$13,147
● Average Interest Rate	7.56%	7.63%
● Months Average Term	39 Months	38 months

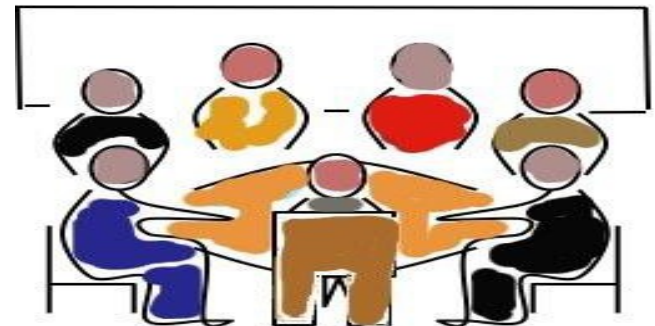
Microloan Program Resources / Contacts

- URL for SBA Microloan Webpage
 - <https://www.sba.gov/partners/lenders/microloan-program>
- List of Active Intermediary Lenders
 - Found at the bottom of the Microloan Webpage
 - <https://www.sba.gov/partners/lenders/microloan-program/list-lenders>
- Microloan Program SOP (52 00 B effective 7/1/2018)
 - <https://www.sba.gov/sites/default/files/2018-05/Microloan%20SOP%2052%2000%20B.pdf>
- Daniel Upham, Chief, Microenterprise Development Division
 - Daniel.upham@SBA.gov
 - 202-205-7001

SBA Microloan Program Application Process

WHAT DOES SBA LOOK AT IN A NEW APPLICATION?

- Eligibility
 - Non-Profit
 - At least 1 Year Direct Lending & Loan Servicing Experience
 - At least 1 Year In-house Technical Assistance Experience
- Qualification
 - Personnel – Relevant Micro-lending Experience
 - Lending – Experience
 - Training / TA Experience
 - Financial Strength/Stability



SBA Microloan Program Application Process (Cont'd.)

WHAT'S REQUIRED IN THE APPLICATION?

- 1 - cover sheet.xls
- 2 - SBA 1081.pdf
- 3- Lending History Chart.xls
- 4 - Cost of Lending Calculation.xls
- 5 - Item 10 Chart.xls
- 6 - Cert. of Contracts sbal711.pdf
- 7- Disclosure of Lobbying Activities sfillin.pdf
- 8 - Debarment sbal623.pdf
- 9 - Resolution of the Board of Directors sbal60.pdf
- 10 -Security Agreement SBA1059.pdf
- 11 - Microloan SOP 52 00 (FINAL).pdf

SBA Microloan Program Application Process (Cont'd.)

WHERE DO I GET THE APPLICATION ZIP FILE?

- From the Local SBA District Office
 - <https://www.sba.gov/tools/local-assistance/districtoffices>

WHERE DO I DELIVER COMPLETED APP.?

- To the Local SBA District Office

WHAT HAPPENS NEXT?

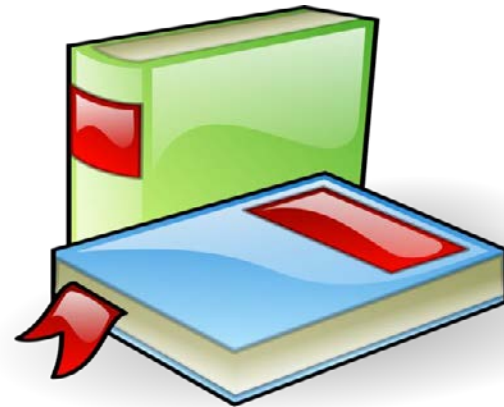
- SBA District Office reviews for Completeness / Delivers to HQ
- HQ Reviews for Eligibility and Qualification / Makes Final Decision

Application Process (Cont'd.) - Cover Sheet

1	Applicant's signed statement giving SBA permission to obtain additional information regarding applicant's relationship with creditors, other federal agencies, or other entities as necessary to evaluate this application.
2	A copy of applicant's IRS tax exempt certificate, Conflict of Interest Policy, and a Certificate of Good Standing from the Secretary of State.
3	A complete copy of the applicant's Mission Statement, Articles of Incorporation, and Bylaws, as amended.
4	An organizational chart with explanation.
5	A list of corporate officers and directors with a resume and Form 1081 for each individual listed.
6	A list of personnel instrumental to the microlending operation (current and proposed) with a resume and a Form 1081 for each individual listed.
7	Copies of the Applicant's year end audited financial statements for the last three years. If application is submitted after July 1 of any given year, also submit Year to Date balance sheets. Also, include a separate schedule of non-federal sources of funding, and funds received, for the period covered by the financial statements.
8	Completed charts, suggested formats attached, regarding client demographics, lending activities, technical assistance (TA) activities, and delivery costs. Also include a set of loan policies and procedures.
9	A map of the current area of operation.
10	A description of the applicant's current service area detailing the following: <ul style="list-style-type: none"> a. identification of urban, rural, and/or distressed areas (see definition) within the service area. b. characteristics of the area's small business community with analysis of micro-level financial and technical assistance needs. c. charts, suggested formats attached, regarding economic, unemployment, and poverty characteristics.
11	A 6-10 page narrative detailing microlending and TA programming provided to date and planned uses of the subject funds for changes or expansion of the applicant's current activities. Include information regarding: <ul style="list-style-type: none"> a. any planned geographic expansion (provide expanded maps and appropriate charts) b. a description of current microenterprise activities and any lending and TA expansion/enhancement plans subject to approval of this application. c. current and planned integration of internal TA programming with other community resources.
12	Signed forms (provided) as follows: <ul style="list-style-type: none"> a. Certification for Contracts, Grants, Loans and Cooperative Agreements (SBA Temp Form 1711) b. Disclosure of Lobbying Activities (SF LLL) c. Certification Regarding Debarment, Suspension, and other Responsibility Matters - Primary Covered Transactions (SBA Temp Form 1623) d. Compensation Agreement (SBA Form 159) e. Resolution of the Board of Directors (SBA Form 160) f. Security Agreement

APPLICATION RULES

1. Read the Microloan Program SOP
2. Give clear description of current lending and TA programs
3. Follow the directions / Cover Sheet carefully
4. Only deliver a complete application
5. Use the Lending History and TA History templates provided



Questions and Point of Contact



The FACC SBA Microloan Program Case Study



- **Investment to become a NCDFI SBA Microlender and ROI – 3 FTE**
Loan Deployment/Servicing, TA Delivery, Compliance Reporting, Matching Funds
- **SBA Microlending performance to date –** Reducing dependency on grants by using less vulnerable debt programs
- **SBA Microloan Program Resources/Relationships –** Office of Economic Opportunity: Webinars, Training, Financial Analyst Support
- **High-level overview of SBA Microlending Program moving parts:**
 - Monthly MPERS (online portfolio updates)
 - Performance requirements – Lending Limits/Loan Production/Charge offs
 - Quarterly MRF/LLRF Bank Account Reconciliation Reports
 - Quarterly SBA TA Reimbursement Workbook
 - Monthly P&I Payments – ten year term



Monthly MPERS* Report

*Microloan Program Electronic Reporting System



Lender Id:	55052071	Location Id:	447150
Lender Name:	First American Capital Corp.		
Address:	10710 W Scharles Ave		
City:	Hales Corners	State:	WI
Phone Number:	414-604-2044	Fax Number:	414-433-2953
Program Start Dt:	04/12/2007	Program End Dt:	
Cumulative Net Default Rate:	8.79%	Total Dollars Loaned :	\$1,344,172.92
SBA Loan Number: 41008050-01 Retrieve			

Page Number 1 of 1.

Microloans for SBA Loan # 41008050-01											
TOTALS: 53	18	0	0	0	0	29	6	\$137,721.85	2	2	
Loan Seq #	Borrowers	0 to 30	31 to 60	61 to 90	91 to 120	over 120/ Def	PIF	CO	Outstanding Principal Balance	No Chg	No Change Comment
60447	[REDACTED]	30 ●	60 ○	90 ○	120 ○	DEF ○	PIF ○	CO ○	\$12,947.40	<input type="checkbox"/>	
65452	[REDACTED]	30 ●	60 ○	90 ○	120 ○	DEF ○	PIF ○	CO ○	\$1,145.34	<input type="checkbox"/>	
66105	[REDACTED]	30 ●	60 ○	90 ○	120 ○	DEF ○	PIF ○	CO ○	\$3,707.76	<input type="checkbox"/>	
63241	[REDACTED]	30 ●	60 ○	90 ○	120 ○	DEF ○	PIF ○	CO ○	\$6,150.34	<input type="checkbox"/>	
68487	[REDACTED]	30 ●	60 ○	90 ○	120 ○	DEF ○	PIF ○	CO ○	\$3,780.60	<input type="checkbox"/>	



Quarterly MRF/LLRF Bank Account Reconciliation Reports



YEAR	FY2016	U.S. SMALL BUSINESS ADMINISTRATION			
Quarterly Report		MICROLOAN PROGRAM			
As of:	3/31/2016				
COMBINED MRF & LLRF STATUS REPORTS					
ATTACH:	3 MONTHS BANK STATEMENTS FOR THE MRF ACCOUNT				
	3 MONTHS BANK STATEMENTS FOR THE LLRF ACCOUNT				
	Evidence of SBA's prior written approval for any amounts noted as "Other Disbursements."				
Name of Insured Depository Institution:					
Location of Institution:					
SBA Loan Number:		4100805001	Bank Account #:		
MRF RECONCILIATION					
	DESCRIPTION		DOLLAR AMOUNT	REMARKS	
1	BALANCE FROM PREVIOUS QUARTER		159,340.89	Bank Stmt @	1/1/2016
2	Deposits to MRF account - Source: SBA _____		0.00		
	Borrowers <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> LLRF <input type="checkbox"/> Other <input type="checkbox"/>		5,433.97	Borrowers' repayments, Interest	
3	Less: Disbursements to Microloan Borrowers		(20,700.00)	Two loan closings - \$10K & \$10,700	
4	Less: Funds disbursed to LLRF account		0.00		
5	Less: Repayment to SBA		(8,910.93)	3 mos. @ \$2,970.31/MO	
6	Less: Other disbursements*		(0.42)	Bank svc chgs \$0.14	
7	BALANCE, END OF QUARTER		135,163.51	Bank Stmt	3/31/2016
*Subject to SBA's Prior Written Approval					



Quarterly MRF/LLRF Bank Account Reconciliation Reports



LLRF RECONCILIATION				
SBA Loan Number: 4100805001		Bank Account #: [REDACTED]		
	DESCRIPTION	DOLLAR AMOUNT	REMARKS	
1	BALANCE, BEGINNING OF QUARTER	18,594.36	Bank Stmtnt Bal @ 1/1/2016	
2	Deposit to LLRF account - Source FCP Foundation			
	Borrow ers Interest X LLRF X Other	0.92	Interest earned	
3	Less: Disbursements to MRF account	0.00		
4	Less: Other Disbursements*	0.00		
5	BALANCE, END OF QUARTER	18,595.28	Bank Stmtnt Bal @ 3/31/2016	
6	*Total outstanding balance of microloans this quarter (total of column #9 of microloan portfolio status report)	82,277.12	Seven (7)* active loans at 3/31/2016	
			\$82,277.12 x 15% = \$ 12,341.57	
			LLRF Excess (shortage): \$ 6,253.71	
Comments: *				
Name of Intermediary Lender: First American Capital Corporation				
Street Address: 10809 West Lincoln Ave., Suite 102				
City: West Allis, WI 53227				
Reported By: Craig Anderson, Ex Dir			Signature: 4/22/2016	
Print Name and Title				



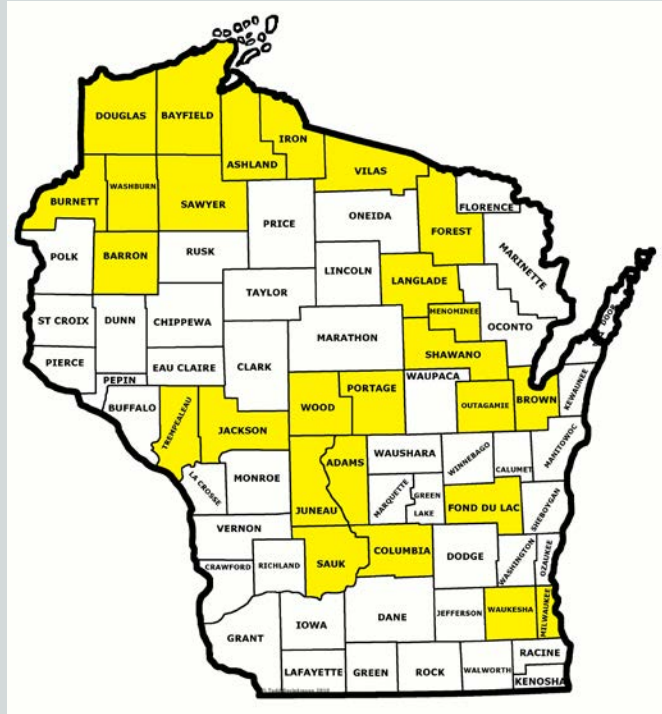
Quarterly SBA TA Reimbursement Workbook



-see workbook demonstration-



FACC Microloan Underserved Target Market





United States
Department of
Agriculture

Rural Development



USDA Rural Development

Relending Programs & Native CDFIs

June 12, 2018

Infrastructure ✦ Partnerships ✦ Innovation

Rural Business Development Grant (RBDG) Basics

- RBDG is a grant program that supports:
 - **Capitalize a revolving loan fund**
 - Technical Assistance
 - Feasibility Studies
 - Purchase of Real Estate (Business incubator)
 - Purchase of Equipment
- All assistance to a business is **indirect**
- Assistance must be provided to a “Small and Emerging Business”
 - *“Any private business which will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues”*



www.rd.usda.gov/programs-services/rural-business-development-grants

RBDG Good to Know

- Grants are capped at \$500,000 (not statutory)
 - Average tribal grant last year was ~ \$97k
 - One \$500k tribal grant was awarded last year
 - Regular program grants are more competitive & smaller
- Matching funds are not required
- Leveraged funding is a scoring criteria
 - This makes a huge difference in the regular program
 - Not as critical with tribal funding
- Must assist businesses in rural areas of 50,000 or less
- Enterprise and Opportunity type projects
- **FY 18 Tribal Funds: \$3.75 million**
- FY 18 Regular Program: \$29.5 million
- All FY 18 Applications were due April 30th



www.rd.usda.gov/programs-services/rural-business-development-grants

Intermediary Relending Program (IRP) - Basics

- Direct loan made to Intermediary
- Terms: 30 years 1% fixed interest rate
 - 3 year deferral period is available
- Max loan: Up to \$2 million for the first financing
 - Up to \$1 million at a time thereafter
 - Total aggregate debt cannot exceed \$15 million
- Loan funds are relent to businesses (Ultimate Recipients)
 - Terms of loans are negotiated between parties
 - Initial round is concurred on by Rural Development (Agency)
 - Administrative review only
 - Agency does **not** underwrite files
- The spread between the rate charged the Intermediary (1%) and that charged to the Ultimate Recipients is used to help pay administrative costs



www.rd.usda.gov/programs-services/intermediary-relending-program

IRP – Good to Know

- Max loan to ultimate recipient: \$250,000 or **75 percent** of the total cost of the ultimate recipient's project for which the loan is being made, whichever is less
 - Portfolio: No more than 25 percent of an IRP loan may be used for loans to ultimate recipients that exceed \$150,000. This limit does not apply to revolved funds
- Loans to ultimate recipients must be for community development or businesses in areas of 50,000 or less
- Applications are accepted quarterly
- **FY 18 Tribal Funds: \$2.4 million**
- FY 18 Regular Program: \$11.8 million



www.rd.usda.gov/programs-services/intermediary-re lending-program

Rural Microentrepreneur Assistance Program (RMAP) - Basics

- The revolving loan fund portion of this program works like the IRP with the following differences:
 - Max loan to intermediary is \$500,000 (min loan = \$50,000)
 - Max loan to Ultimate Recipients is \$50,000
 - Total aggregate debt to MDO is capped at \$2.5 million
 - Ultimate Recipient must be “microenterprise” defined as a business with a max of 10 employees
- Max term to intermediary is 20 years with an interest rate of 2%
- Loan Funds are awarded in conjunction with a grant (up to \$205,000 annually)
- The grant will fund technical assistance and pay administrative costs (15% matching funds requirement)
- Must assist microenterprises in rural areas of 50,000 or less



www.rd.usda.gov/programs-services/rural-microentrepreneur-assistance-program

RMAP – Good to Know

What terms are required on loans to ultimate recipients?

- Up to \$50,000
- Fixed interest rate
- Limited to 75 percent of project cost

How may funds be used?

- Microlenders may make microloans for qualified business activities and expenses including, but not limited to:
 - Working capital
 - Debt refinancing
 - Purchase equipment and supplies
 - Improve real estate
- No Tribal specific funding
- FY 18: **\$7.5 million** for loans and **\$2.2 million** for grants
- Applications are accepted on an ongoing basis



www.rd.usda.gov/programs-services/rural-microentrepreneur-assistance-program

Innovation – Native CDFI Homeownership Relending Pilot



Announced May 31, 2018

www.usda.gov/media/press-releases/2018/05/31/usda-announces-pilot-program-increase-homeownership-opportunities



United States
Department of
Agriculture

Rural Development



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www.rd.usda.gov

USDA Rural Development is committed to the future of rural communities.

The NNDF SBA and USDA-RD IRP Case Study – Ted Piccolo



Q&A – Open Discussion

