REBUILDING OUR ECONOMY POST COVID-19: GUARANTEES

Panelists

Joel Smith, Native American Bank Christine Ryan, The California Endowment Teri Lovelace, LOCUS Impact Investing/Community Investment Guarantee Pool

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PANELISTS



Joel Smith, Senior Vice President & Chief Credit Officer, Native American Bank



Christine Ryan, Manager for Program Related Investments, The California Endowment



Teri Lovelace, Executive Director, Community Investment Guarantee Pool & Founder/SVP, LOCUS Impact Investing





POLLING QUESTIONS

Has your lending program used a guarantee? If you used guarantees, what type of guarantee was it? What are you most interested in hearing today?





INSIGHTS FROM A FINANCIAL INSTITUTION

- Offset Collateral Risk, Mitigate risk of loss upon default
 - Especially helpful with non-traditional collateral like Leasehold Mortgages on Trust Land
- Offset calculated risk exposure in portfolio
 - Lower Loss Reserve
 - Can provide for a much larger loan size
- Doesn't (generally) mitigate repayment risk
 - Can allow for higher portfolio expected default rate while maintaining ROE
- Liquidity/Secondary Market
 - Can come with pricing benefits for customers
- Compliance Risk
- Identity, Location, and Industry are primary determinants of program





US COMMERCIAL GUARANTY PROGRAM HIGHLIGHTS

Programs

- SBA 7(A) -75%-85%
- SBA 504 LTV Enhancement (50%)
- USDA (B&I, Community Facilities) 60%-90%
- FSA -95%
- OIEED (BIA) Indian Loan Guaranty Program-90%
 - Interest Subsidy
- OIEED Loan Insurance
- HUD Title VI Indian Housing Program

Challenges

- High Compliance Risk
- High Fees
- Collateral Requirements
- Detailed Requirements
- Processing Timeframes/ Secondary Market
 - Sparingly approved
- Need portfolio Volume
- Limited Allocation





GUARANTY EXAMPLES

- 75% SBA 7(a) Guaranty in Portland for Native entrepreneur to acquire data center
 - Lack of collateral and deal size limit
- 90% BIA Guaranty to build and permanently finance water treatment facility
 - Trust land and deal size
- BIA Insurance for Navajo Trucking Company Owner to Expand
 - Lack of track record
- 70% USDA Guaranty to support NMTC loan to build new Tribal grocery store
 - Deal Size, Trust Land





PHILANTHROPIC GUARANTEES

- As a Foundation, how does TCE think about guarantees? What are TCE's motivations and objectives for using guarantees?
- How do guarantees further TCE's commitment to racial equity?
- What are some benefits & challenges of using philanthropic guarantees (bilateral and pooled)?
- Example of using a bilateral guarantee in a multi-funder transaction: FreshWorks TCE
 & Community Vision





COMMUNITY INVESTMENT GUARANTEE POOL – A NEW PIECE OF COMMUNITY DEVELOPMENT INFRASTRUCTURE



Centralize a source of credit enhancement for intermediaries





Accelerate community investment w/o requiring current endowment liquidity



Mitigate losses by sharing them pro-rata across a pool of philanthropic investors



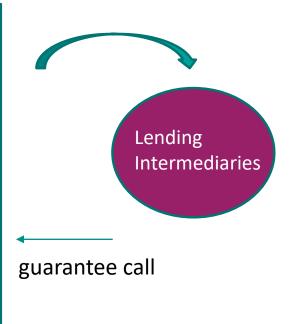


UNFUNDED GUARANTEE POOL – LEVERAGING THE BALANCE SHEET

12 guarantors*
committed \$38.1M
in unfunded
guarantee
commitments



clight places
enterprise/fund
level guarantees to
intermediaries in 3
sectors: small
business,
affordable housing
& climate







*Kresge Foundation, The California Endowment, Weingart Foundation, Phillips Foundation, Annie E. Casey Foundation, Piton Foundation, Seattle Foundation, CommonSpirit Health, Jessie Ball duPont Fund, Chan Zuckerberg Initiative & Robert Wood Johnson Foundation. Rockefeller Foundation & Hewlett Foundation providing grant support.



For more information about guarantees, please click on the following report images to access additional resources.











Global Impact Investor Network,

Scaling the Use of Guarantees in U.S. Community Investing The Kresge Foundation, Rob Manilla

Making "Cents" of Guarantees

Milken Institute,

Guaranteeing the Goals:
Adapting Public Sector
Guarantees to Unlock Blended
Financing for the U.N.
Sustainable Development Goals

The Kresge Foundation, Kimberlee Cornett

A Needed Piece of Community Development Infrastructure Mark Kramer, FSG

Foundations: Use Your Balance Sheets





Kresge Foundation video -- Power of Guarantees:

https://www.youtube.com/watch?v=x6kBZM7R Cc&t=26s

Meet CIGP video:

https://www.youtube.com/watch?v=tSnX iPhg6yA





RESOURCES -- Loan Guarantees & Selling Loans on Secondary Market, Lisa Wagner, Bluestem consulting, Inc. (Presented at Oweesta Capital Access Convening June 25-27, 2019)

Farmer Mac

https://www.farmermac.com/products-solutions/

■ HUD 184

https://www.hud.gov/program_offices/ public_indian_housing/ih/homeownershi p/184

Fannie Mae

https://www.fanniemae.com/singlefamily/become-seller-servicer

- BIA Loan Guarantee and Insurance
 https://www.bia.gov/as-ia/ieed/division-capital-investment
- USDA B&I Guarantee
 https://www.rd.usda.gov/programs-services/business-industry-loan-guarantees
- USDA FSA Guarantee

https://www.fsa.usda.gov/programs-and-services/farm-loan-programs/guaranteed-farm-loans/index

SBA

https://www.sba.gov/partners/lenders



