

# 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



Reduce complexity by building capacity to deploy and manage guarantees



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



\*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](https://www.youtube.com/watch?v=x6kBZM7R_Cc&t=26s)

# Meet CIGP video:

<https://www.youtube.com/watch?v=tSnXiPhg6yA>

## 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/homeownership/184](https://www.hud.gov/program_offices/public_indian_housing/ih/homeownership/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>