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COMMUNITY DEVELOPMENT EQUITY INVESTMENT FUNDS

**Community Economic Development Toolkit
by
California Community Economic Development
Association (CCEDA)**

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Disclaimer

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COMMUNITY DEVELOPMENT (EQUITY) INVESTMENT/LENDING FUNDS

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COMMUNITY DEVELOPMENT (EQUITY) INVESTMENT/LENDING FUNDS

Use of this Guide

The Community Development Lending and Investment Entity Guide is intended for use by community development organizations for the following purposes:

1. Organizations wanting to learn about Equity Investment Funds
2. Organizations creating alternative lending and investment programs
3. Organizations seeking services and capital from loan funds

NOTE: For purposes of this guide, focus will be on business lending/investment (to start, expand or invest in business development) and to a lesser degree on personal loans (home, auto or educational loans). This is one of five guides that discuss the following categories of lending and investment activities:

1. *Community Development Loan Funds (CDLFs): This broad category includes all loan funds that are not Credit Unions or Equity Investment funds. The information in this section includes the steps and considerations for starting a loan fund.*
2. *Microloan Funds: This is a sub-category of loan that focuses a fund on smaller loans, primarily for startup financing.*
3. *Credit Unions: This is a federal/state designation for a lending institution that meets certain capital requirements, operating guidelines and management systems.*
4. *Equity Investment Funds: Funds that provide equity investment (versus loans) into community development activities.*
5. *Community Development Financial Institutions (CDFIs): This is a Federal US Treasury designation based on organizational and lending standards that allows loan funds access to US Treasury grants through the CDFI Fund (includes most CDLFs, Microloan funds and Credit Unions).*

Organizations interested in expanding access to capital for underserved communities have focused on various forms of loan and investment funds. This guide is focused on Equity Investment Funds. These funds target capital to specific businesses and development but take the form of equity versus debt. We will use the terms “equity investment funds” and “loan/equity fund” as synonyms because in the world of community development finance, the line between equity and debt is broader than traditional private sector debt and equity. In many cases, equity has taken on many qualities found in traditional debt as well as debt having equity like qualities. Primarily driven by affordable low- income housing tax credit (LIHTC) requirements in the late 1980’s, local governments through housing and community development divisions provided financing needed for multi-family rental development.

In the past, local governments would make grants to the project that firmly fit the definition of equity; there were a few requirements (deed restrictions, development agreements), but they clearly were not loans with set interest and repayment periods. Because of IRS-related LIHTC

interpretations, these grants needed to look more like loans. This enabled the financing to be included in the project's eligible basis, the measure that determines the amount of LIHTCs allocated to the project. (The more project basis results in more credits sold to investors, generating more equity into the project).

To decrease the cash flow burden and to ensure project rents remained affordable to low- and moderate-income individuals or families, the "loan" had very low interest rates, extended terms and in most cases, payment was deferred until maturity, or paid only if there were excess cash flow.

Early bank underwriters that specialized in financing LIHTC projects initially considered all of this financing as part of the project's equity, but as time has passed will now value the below market features of the financing against a market rate loan, with the difference being valued as "equity".

Paralleling this trend, most local government financing through CDBG or tax increments have included these features for other non-housing commercial and industrial financing, i.e., a loan with very favorable terms.

Many community development organizations that receive grants through the public or private sector for equity funds have also created equity investments with very favorable terms or require "zero" interest. The degree of the financing looking like equity versus debt is typically driven by market conditions bounded by the goals of the community development organization (job creation, physical improvement) and guided by what the economic conditions are to entice a business to locate or expand in any given market.

Many of these forms of "loan-like" investment funds can be eligible to become certified Community Development Financial Institutions (CDFIs). This federal certification allows loan and investment access to a wider menu of grants and programs designed to bring capital to low-income and underserved communities.

It is important to note that lending entities must keep loan and equity/investment pools separate. Each will have its own set of lending policies and guidelines and are for very different uses. Loans will typically be guided by loan to value (LTV) and debt coverage service (DCS) ratios, while equity/investment funds will take the next level of risk and be subordinate to the conventionally structured loan. They will accept higher risk (LTV and DSC ratios) if structured as a loan.

CDFIs are becoming the standard nomenclature categorizing all community development lending and investment entities (though not all such entities have obtained the official US Treasury designation, most have and will apply for the CDFI designation because it represents a recognizable industry standard). The Opportunity Finance Network is the association representing all types of lending institutions and has broadly categorized all lending institutions as CDFIs and subcategorized lending and investment institutions as follows:

"As with mainstream lenders, a variety of institutions has emerged to serve the broad range of needs in emerging domestic markets. Although they share a common vision of expanding economic opportunity and improving the quality of life for low-income people

and communities, the four CDFI sectors – banks, credit unions, loan funds, and venture capital (VC) funds – are characterized by different business models and legal structures”:

- 1. Community Development Banks: Community development banks provide capital to rebuild economically distressed communities through targeted lending and investing. They are for-profit corporations with community representation on their boards of directors. Depending on their individual charter, such banks are regulated by some combination of the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and state banking agencies. Their deposits are insured by FDIC.*
- 2. Community Development Credit Unions: Community development credit unions (CDCUs) promote ownership of assets and savings and provide affordable credit and retail financial services to low-income people, often with special outreach to minority communities. They are nonprofit financial cooperatives owned by their members. Credit unions are regulated by the National Credit Union Administration (NCUA), an independent federal agency, by state agencies, or both. In most institutions, deposits are also insured by NCUA.*
- 3. Community Development Loan Funds: Community development loan funds (CDLFs) provide financing and development services to businesses, organizations, and individuals in low-income communities. There are four main types of loan funds: microenterprise, small business, housing, and community service organizations. Each is defined by the client served, though many loan funds serve more than one type of client in a single institution. CDLFs tend to be nonprofit and governed by boards of directors with community representation.*
- 4. Community Development Venture Capital Funds: Community development venture capital (CDVC) funds provide equity and debt-with-equity-features for small and medium-sized businesses in distressed communities. They can be either for-profit or nonprofit and include community representation.*

The companion “Community Development Financial Institutions (CDFI) Guide” also touches on many aspects of loan/equity funds and should be reviewed. The CDFI Guide, however, is usually the next step for established loan funds. We also recommend reviewing the “Business Technical Assistance Guide”, since the two community development activities work hand in hand.

Systemic social trends and the potential of a sustained economic downturn in the wake of the COVID-19 pandemic have created barriers to connecting low-income people and economically distressed communities to flexible sources of credit. This economic landscape has resulted in commercial financial institutions relying more on community loan funds as the mechanism to better serve niche market needs. Financial institutions now invest and lend more aggressively to financially sound and stable loan funds. Loan funds have built a strong reputation by understanding local credit nuances and needs, resulting in sound lending and strong loan portfolios

Loan/investment funds come in many sizes and focus on a myriad of community development credit needs. This guide will focus on investment funds. Investment funds are integrated with training and business technical assistance programs. Together these resources enhance and support the small business industry, a very important part of community development and

stabilization. Business programs, services and loan and investment funds are usually managed by the same organization that provides comprehensive business assistance. Loan/investment funds, however, can stand alone and become a centralized funding mechanism in partnership with other local and regional business support programs and organizations.

For successful loan/investment funds, the CDFI designation is very important and allows lending programs to grow dramatically. Most foundation and corporate grants and investments from financial institutions look for the CDFI designation before grant or investment discussions begin. CDFIs have been a very successful mechanism for financial institutions to meet lending and investment measures required by the Community Reinvestment Act (CRA) and enforced by banking regulators. A high CRA rating is needed if the institution has plans to expand in the future.

The CDFI designation is determined through a certification process conferred by the CDFI Fund of the Department of Treasury. The designation is for financial institutions (and lending programs including community loan funds) and allows access to Treasury programs and investments.

NOTE: Because the CDFI designation is so important, it will be referred to throughout this guide and will be summarized at the end. The “Community Development Financial Institutions Guide” should be referred to for details on the CDFI Fund and its programs.

Equity funds play an integral role in a community economic development strategy. Loan/investment funds bring capital to underserved markets that include business finance (startup, micro, nonprofit, small and business expansion), real estate development finance (affordable housing, commercial and office, community facilities and industrial) and personal finance (auto, home or personal). Capital enhances economic stability while creating jobs and opportunities for community residents. Creation of personal and community assets is a key to building and strengthening communities. These funds also bring communities a higher level of technical expertise in business and finance, increasing the potential for sustained community stability and growth.

Financial institutions have become more effective in meeting customer demands in low-income and disadvantaged communities through channels created by loan funds. Financially successful funds generate income to cover organizational operating and overhead expenses and can bring additional income to support other community credit needs, such as business technical assistance programs and expansion of lending services (such as auto loans, microloans, home or business loans). A stronger and financially viable lending business enhances the overall success and longevity of your community development organization while supporting community credit needs.

Loan/investment funds play a very important role in community development (revitalization and stabilization). The effects are substantial and include:

For the Organization:

1. Generates additional income for the program
2. Supports and allows for the creation of complementary programs, services and projects
3. Expands staff capacity and capabilities by attracting and retaining experienced professionals in business finance and development.

For the community:

1. Increases access to capital
2. Increased access-related resources such as training and technical assistance in the areas of finance and business development
3. Creates personal and community assets
4. Enhances the local economy by supporting important segments of the economic infrastructure, including business, residential and industrial sectors
5. Provides a needed funding resource that, if structured as a loan, can fill funding gaps, and if structured as true equity, can justify more debt.

Successful lending efforts (and ancillary financial programs) results in economically stronger communities, stronger workforces, more informed and capable businesses and tenants, and ultimately a stronger and more inclusive economy.

COMMUNITY DEVELOPMENT LOAN/INVESTMENT FUNDS

The general category of community development loan/investment funds includes many types of funds created to meet specific market needs and concerns. There is an extensive network of lending entities throughout the country developed by and through various funding sources. These include:

1. **Economic Development Loan Funds:** Often managed by local governments, these loan funds are capitalized by various federal funding sources that include Community Development Block Grants (CDBG) and Economic Development Administration (EDA) Grants. The early forms of CDBG, EDA and tax increment-funded entities were usually programs within the redevelopment or community development agency, but could be a separate lending enterprise. Other government-supported efforts include those by the Small Business Administration (SBA) in the form of Small Business Investment Companies (SBIC). Most of these entities are created and managed by local government (or strongly related entities) and are used to support major inner-city revitalization and improvement efforts.
2. The second major category is the private, non-profit loan funds operated by community development organizations used to finance affordable housing, non-profit facilities, local business and industry, and other projects targeted to low-income distressed communities. Capital for these funds comes from both the public and private sector. This category of loan funds is the focus of this guide.

According to the Opportunity Finance Network, “Community development loan funds (CDLFs) provide financing and development services to businesses, organizations, and individuals in low-income communities. [Loan and investment funds] are defined by the client served, though many loan funds serve more than one type of client in a single institution. CDLFs tend to be nonprofit and governed by boards of directors with community representation.”

CDLFs are not regulated entities and deposits or investments into funds are not guaranteed; however most adhere to a standard created by two major entities. The first is a federal program through the Community Development Financial Institution (CDFI) Fund. The Fund has established guidelines to become a CDFI (and be eligible for program grants). The second has been established by the Opportunity Finance Network (OFN). OFN is a non-profit association whose membership requires that prospective members meet performance standards that are appropriate for their particular operating context.

OFN standards are based on:

1. **Mission and Impact:** The primary mission of community development is to have a positive and sustained impact on people living in underserved communities.
 2. **Finance Led Strategy:** Lending activity history of over two years, be a non-governmental entity and provide affordable, responsible financial products and provide financial services.
 3. **Commitment to Performance:** Meet certain loan and risk management policies and procedures, have audited statements and meet certain capital and portfolio ratios and requirements.
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4. Support OFN's Mission (to ensure that low-income, low-wealth and other disadvantaged people and communities have access to affordable, responsible financial products and services).

OFN also provides extensive technical assistance and access to information and data to assist in starting, operating and managing loan funds.

Lending and Investment Program Feasibility Concepts: Operating a loan or investment fund is a business. Funds can generate income for organizations if they are operated properly and have the right level of activity. Key management terms and concepts include:

1. **Cost of Funds:** Your loan pool may include various sources of grants and investment funds. Some will come in at different interest rates. The blended rate is the average rate for your loan pool. If you received all grants the rate would be "0" but if you received an investment or loan, the rate might be 2-5%.
 2. **Interest Rate Spread:** The spread is the differential between cost of funds and what the rate of return is for your funds (the average interest rate you are charging).
 3. **Breakeven:** This is the minimum rate (above the cost of funds) you need to charge to cover your expenses.
 4. **Fund Expenses and Overhead:** Expenses include business operations (loan and portfolio management), business management and marketing, and office and staff costs. These are expenses that should be paid from the income derived from the "interest rate spread". If your income does not cover expenses, you will need to secure ongoing funding for operations.
 5. **Loan Loss:** This is the expected rate of losses in bad loans. All funds have provisions for loan losses and the more aggressive the fund is (willing to take more lending risks), the greater the losses could be. Successful funds estimate loan losses well below 5% (which at one time was a standard commercial lending loss expectation).
 6. **Loan Loss Reserve:** Loan loss reserves are funds set aside that may be needed to repay any loans or investments made to your fund. If your fund consists of a mix of loans, investments and grants, and a portion (or majority) of the bad loan needed to be repaid to a lender or investor, you would draw the funds from a loan loss reserve. If one loan went bad and your fund lost \$25,000, you would need to tap into the reserve to repay the lender or investor. The riskier your lending is or if you have had historically high loan losses, you would need a higher loan loss reserve. High loan loss reserves do not benefit your fund since they are dollars that are set aside and are not "working" as outstanding loans or generating interest income. In financial institutions and in larger funds, loans in portfolio are rated. Those with greater risk or in various stages of distress (late payments) will have a higher percentage set aside for potential loan losses.
 7. **Feasibility:** Income needs to exceed expenses. The larger the lending pool (and level of funding you have out to borrowers), the greater your potential returns are. Similarly, smaller sized funds have a more difficult time generating income to cover expenses. Smaller loans have greater relative operating costs because handling and processing costs for each transaction is about the same, whether the loan is for \$500 or \$5,000,000.
 8. **Partnership Agreements:** If structured as equity, partnership agreements will include
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requirements such as possible repayment, the number or types of jobs created (preferential hiring of local residents), or may include the level of input into project management.

Startup or Expansion

The following section will discuss various strategies and steps that should be considered if you are a startup loan/investment fund or if you are expanding to gain CDFI designation. We will look at the following:

1. Start-up loan fund:
 - A. As a new fund
 - B. Through a partnership
2. Existing, slightly experienced loan fund
3. Existing, experienced loan fund

Startup: Starting a loan/investment fund is very difficult due to costs. Funding is needed for business operations and the loan fund. A lending track record is needed to attract financing or to become eligible for a technical assistance grant through the CDFI Fund.

The following is a suggested guide for organizations that have clearly identified needs and strong support to create a fund. Support from your organization and board is critical. The fund should be targeted to a specific market segment: micro businesses, small businesses, affordable housing or consumer financing. There are two potential ways of becoming a CDLF, one starting from scratch and one through partnerships.

Strategy 1: New Fund (If your plans call for the creation of a new fund or startup). A significant amount of funding and predevelopment work is needed for developing the business plan, marketing and management plans. Consider applying for a CDFI Technical Assistance Grant. You will also need funding for operations and the loan fund. If this is the case, consider the following steps:

1. Fund Initiation: Secure seed funds to allow for staff or consultant assistance for the following: (funding could be lower if your staff has the time to conduct the preliminary research)
 - A. Concept Paper: Creation of a one-to two-page summary that includes a high-level description of your organization, needs, size, management, and potential resources available for the business and fund.
 - B. Community Support: Obtain support from entities that represent your target market
 - C. Public and Private Sector Support: Identify support from government and corporate entities that represent your target market
 - D. Identify potential sources for predevelopment funds
 - E. Seek grants (or plan to self-finance).
 2. GO/NO GO: The information researched above will allow you to develop the concept paper. This will allow your organization to decide if the creation of a loan fund makes sense and is feasible.
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Securing predevelopment funds will be essential especially if you are trying to create a large fund. The concept paper will be the basis of the business and marketing plan.

Determination of the scope, size, and direction of your loan fund should provide a good indication of feasibility. Sources of initial capital are secured through foundation and corporate grants and, in some instances, from local government programs, especially if there is a targeted market with tremendous needs.

Financial institutions often provide corporate grants to penetrate markets by effectively partnering with community organizations that represent and serve these communities. You must make the case, present the need, and indicate how your organization's role will enhance the effort. (See Development Tips at the end of the Guide.)

Your organization must assess how the proposed program costs will benefit the overall economic development strategy of the community and organization while assessing impacts to individual CED projects and programs. The creation of a loan fund offers substantial benefits to the community and its economic wellbeing.

3. Pre-development Activities:
 - A. Business Plan/Market Analysis: Conduct a market analysis and develop a business plan for the fund.
 - B. Management Plan:
 - 1.) Fund Management: Included are the documents that define lending parameters, lending guidelines, and requirements for the application process.
 - 2.) Loan Management: Included are the loan management functions (loan approval process, closing, documentation) and loan management (billing/collections) process.
 - 3.) Portfolio Management: This will include guidelines and standards on risk management (loan loss tolerance, reserves and risk rating of loans).
 4. Board: Creation of the Board of Directors is a very important step that builds the foundation for a successful loan fund.
 - A. Proper balance between mission (helping improve distressed communities) and risk (lending guidelines and requirements) is maintained by board representation.
 - B. Fundraising: Fundraising is a critical need for loan funds, so having representatives from entities that either fund/invest in loan funds or are in peer industries that can support loan fund activities is critical.
 - C. Management: Expertise in lending, business or law provides the necessary input and oversight of lending activities and overall success.
 5. Loan Committee: The loan committee should in many ways mirror the balance of the Board of Directors but have focus on management issues. The committee must have members versed in understanding of the lending guidelines and policies of the fund. Experienced lenders can typically be recruited from financial institutions that invest or lend into the fund.
 6. Start Up Lending Activities
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7. Application for a CDFI Certification. Once you receive certification, you are eligible to apply for a Technical Assistance Grant (to conduct or upgrade your business plan) or for a Financial Assistance Award (grant for your loan pool). *NOTE: The more experience you have with lending, the greater the possibility of receiving a grant.*

Strategy 2: Partnership: If there are other loan funds or CDFIs operating in your area (or nearby), you may want to consider partnerships that will leverage their expertise with your understanding of local needs. This strategy allows you to build capacity and expertise and maintain a goal of creating your own loan fund (and potentially obtain CDFI certification at a later date). Some of the strategies include:

1. Expansion of Service Area: If it is possible, an existing loan fund or CDFI could expand its coverage area to include your geography. You could become a marketing arm for their products and services and possibly provide space, coordinate meetings, or provide language services.
2. Creation of a Dedicated Fund: If there is significant interest and resources for creating a fund, you may want to consider creating one and having the CDFI or neighboring loan fund manage it. There are significant ongoing expenses for operations and all “backroom” operations (loan servicing and management). Your organization could participate in developing the lending guidelines and standards, or possibly be on the loan committee for the fund. This intermediary step allows you to gain experience that you will need if you create your own fund.

The partnership structure is important if you are considering operating a small loan fund or providing smaller loans. Remember, the management and handling costs for a small loan are the same as for larger loans. In addition, the larger the loan pool (and the greater the amount of funded loans), the more interest income generated for operations and management. For these smaller pools, it may be financially wise to have another institution service and manage your loan fund. Another strategy to lowering operating costs is to partner with other organizations that could handle marketing, training and technical assistance.

Existing slightly experienced loan fund: If your organization has some experience in lending or wants to build a lending track record, you can immediately apply to become a Certified Development Entity (CDE) through the US Treasury’s CDFI Fund. Although the definition focuses on New Markets Tax Credits, a CDE’s activities meet CDFI standards and provide an established certified lending track record for organizations. As a CDE you will be able to apply for CDFI certification and a Technical Assistance Award. The process to become a CDE is straightforward and relatively simple.

As defined on the CDFI website, a CDE is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in Low-Income Communities (LICs). Benefits of being certified as a CDE include being able to apply to the CDFI Fund to receive a New Markets Tax Credit (NMTC) allocation to offer its investors in exchange for equity investments in the CDE and/or its subsidiaries; or to receive loans or investments from other CDEs that have received NMTC allocations.

The Office of Community Services (OCS) Community Economic Development Grants can be used by organizations as an equity investment into a business entity, whether it is a startup or expansion. Typically, these investments are designed to create jobs and can have repayment requirements. Community development organizations have used this strategy over many years, obtaining a number of grants that are recycled to create more investment and jobs.

Existing or experienced loan fund: If you are currently operating a loan fund, you should consider applying to the CDFI Fund for certification. The certification process is straightforward (check at www.CDFIfund.gov). Once you receive certification, you are eligible to apply for a Technical Assistance Award to allow you to create the business, marketing and management plans for your CDFI. You can also apply for a Financial Assistance Award that provides capital for your new or expanded loan fund.

Development Tip: Manage Expenses: Managing your income and expenses is essential for your long-term survival.

1. Partnerships with other related lending entities allow you to expand your market and cut down on your own expenses in the areas of marketing, loan processing and loan management.
2. Loan losses decrease the size of your loan pool and lower your potential income
3. Reserves impact your business success. These funds must be set aside and do not generate income.
4. Your lending guidelines and approvals also impact your success. The greater the risks your fund incurs, the greater the potential losses.
5. The expenses for marketing, processing and managing a small loan are the same as expenses for a larger loan.
6. Partnering and sharing of loan management and portfolio management functions are an excellent means of managing and reducing expenses.
7. If you already have loan processing and management experience, you may want to market this capacity and generate additional income by managing funds for partner organizations.

COMMUNITY DEVELOPMENT EQUITY INVESTMENT FUNDS

Economic improvement in low-income communities cannot be solved by debt alone. Equity is the primary ingredient that attracts and secures debt resources for community development projects and programs. The following section begins with traditional equity sources and the evolution of newer equity products and resources. This guide will discuss various forms of equity, their sources and use in the context of community development organizations. *Note: The end of this document includes more details on funding sources. We are highlighting the ones below as they are used for equity in community economic development projects.*

This guide is for use by organizations:

1. Seeking to understand equity and the various forms it takes
2. Seeking sources of equity for their projects
3. Seeking sources of equity for their investment fund

Specifically, we will discuss:

1. Traditional use of public sector equity
2. Use of public sector tax incentives
3. Newer sources of public sector equity
4. Private sector equity
5. Community development organizations and investment funds

Traditional use of public sector equity: Community Development Block Grants (CDBG) and tax increment financing represent the main federal sources of direct grants that have supported development in economically distressed communities. These grant funds were typically used for land assemblage and related project development costs. Through a development agreement, the land would be the equity provided by local government to support the financial success of the project. These funds were augmented with additional grant equity to ensure the project would remain economically viable and attract conventional debt.

“Public/private ventures” became the term that best describes the symbiotic relationship between equity (from public sector sources) and debt (from the private sector).

The public investment was equity and took various equity/debt like forms. This equity could be structured like a loan, but was subordinate to the conventional debt provider (lender). This subordination and other favorable concessions allowed conventional lenders to view the public investment as equity. Some favorable terms include structuring the investment as a loan, however repaid only if there was excess cash flow or interest payments would be reduced and/or deferred as long as the project met certain community development goals.

Both CDBG and tax increment financing are great sources for equity-type financing needed to fill the financing gap between conventional debt and equity. Locating a source to fill a financing gap is the number one challenge experienced by community development organizations developing projects in the distressed communities or neighborhoods they serve.

Other traditional sources of investment equity come through the Small Business Administration, specifically the Small Business Investment Company (SBIC) program. This entity uses capital and loan guarantees from the government to make equity and debt investments into businesses. It is regulated by the Small Business Administration and is eligible to sell notes or stock to the SBA to leverage private capital. SBICs are typically private sector but are closely tied to local public sector entities (through board membership or other financial support).

The Economic Development Administration (EDA) provides a significant amount of grant funds for community development projects that create jobs. Once focused on infrastructure (roads, sewer and utilities), EDA has expanded its efforts to invest in job creating projects such as shopping centers, business incubators and job creating service facilities. EDA matches local funding. In most cases, EDA has not subordinated to a conventional lender, creating the need to use non-traditional sources of debt.

Use of public sector tax incentives: With the advent of Low Income Affordable Housing Tax Credits in 1986, a direct connection between the investor community and community development was established. Through this program, the treasury allocates tax credits to states based on a per capita rate. States subsequently allocate credits to projects based on their established criteria and focus (more senior versus family housing or units with specific amenities such as more bedrooms or community facilities). Once the project receives the credits, they are sold to investors (primarily financial institutions). The value of credits is equal to the eligible basis of the project. The investor takes the credits to offset income over a 10-year period.

This investment becomes project equity through a limited partnership agreement where the investor is the 99.99% limited partner and the developer (in many cases a non-profit development entity) becomes a .01% managing general partner. After a 15-year compliance period, the equity remains in the project and the limited partner is bought out for a nominal fee. This equity could represent as much as 80% of the development costs for the project, creating substantial credit support for banks and financial institutions to provide debt.

The Community Renewal Tax Relief Act of 2000 introduced New Markets Tax Credits (NMTCs) as a tool to support non-housing community development businesses and commercial real estate development activities. NMTC is a smaller credit that generates only 18-25% of the project costs. NMTCs are allocated to intermediate entities called Community Development Entities (CDEs) which in turn allocate the credits to projects. The investor purchases the credits and uses them over a five-year period while the compliance period remains at seven years.

These two tax-based programs have been instrumental in attracting private equity investment for community development projects in low-income communities. In many cases, these successful programs spurred interest and a better understanding of these underserved markets. Additionally, conventional lending institutions understood the necessary ingredients of successful projects which have resulted in other innovative equity type investments for community development (discussed in the next sections).

More recently, the federal government has initiated the Opportunity Zones program intended to spur development in and around low-income Census tracts across the United States. These are investment

opportunities (specifically economic development projects which reward long-term investors with significant breaks on capital gains tax liabilities) intended to benefit both the investors and the communities where the projects are located, the latter with access to affordable housing, new businesses and entrepreneurial opportunities, and enhanced public services.

While a wide array of projects benefitting communities in need are possible through Opportunity Zone financing, only a handful of projects have been driven by Community Development Corporations and other economic development organizations. LISC has developed a Playbook that provides a step-by-step process for CDCs and other community development partners to envision, design and implement Opportunity Zone projects that serve those who live and work in the designated communities. The Playbook is designed for leaders of CDCs and CDFIs, local and state government officials and non-governmental organizations that work on economic development and revitalization.

Newer sources/uses of public sector equity: The early use of public sector funds took the form of grants and evolved into “debt like equity” where funding was structured as a loan but payments were made based on available cash flow (or the interest payment was reduced and/or deferred).

These adjustments were made to adhere to the requirements of Low Income Housing Tax Credits (by the Internal Revenue Service), but have proven to be an effective means for local governments to be repaid if the project remains economically viable.

Another evolution in funding has come through the Department of Health and Human Services, Office of Community Service’s Community Economic Development (CED) Grants. Many of the early grants were used as direct project equity by the applicant community development organization. Projects must create jobs. Grants are as high as \$800,000. Projects generally include social ventures or commercial real estate development projects.

More experienced community development lending organizations use the grants as equity investments to attract or grow job creating businesses in their communities. Many are structured as “debt like equity” and are subordinate to the debt provider but structured to be repaid. This repayment allows funds to revolve to another business investment. Any interest income is used to pay for management and organizational expenses. Over the years, these investment funds have grown substantially, creating significant positive economic impact in communities.

Private sector equity: Over the last 30 years, loan funds and CDFIs have grown in popularity due to their success in lending in markets perceived by conventional lenders as being risky. At the same time, the Community Reinvestment Act (CRA) created pressure for financial institutions to lend and invest in all markets they serve.

Early bank investments into loan funds took the form of grants, but while credit needs grew, grants were limited. CDFIs became more successful and sophisticated, enabling banks to better underwrite and measure success and allowing financial institutions to make more loans and equity investments into loan funds and CDFIs. CRA focused their analysis in three areas: lending, investment and services, thus adding incentives for more lending and investment into

loan and investment funds (CDFIs).

From the perspective of financial institutions, funding to CDFI's originates from three different sources from within their organizations:

1. Grants: Grants come through the organization's foundation or directly from the corporation.
2. Loans: Loans originate through the institution's lending unit (it will be structured as a loan and is subject to underwriting standards and guidelines that limit loans based on debt/equity, leverage ratios and loan loss requirements.)
3. Equity Investments: a separate source of funds for equity type investments that are not limited by lending guidelines, and therefore have flexibility on the rates and terms of their investment. Most institutions will have investment guidelines for their product and will have favorable (low) rates.

Grants and equity investments into CDFIs have the most flexibility for CDFIs. CDFIs can use funds as a loan or an equity product. Equity-type products allow lenders to structure financing which can address project financing gaps with the use nontraditional lending parameters; however, the risk for repayment increases. If your source of funds is not a grant and must be repaid, you will need to use your funds conservatively.

Other than banks and other financial institutions, foundations make equity-type investments into community loan and investment funds through Program Related Investments (PRIs).

“The evolution of corporate civic alliances and the emergence of new economic development initiatives have been influenced by the emergence of several trends. First, there has been a significant increase over the last several years in socially responsible investing – from the advent of socially conscious mutual funds at many of the major brokerage houses to a significant increase in individual investments in these funds. Second, venture philanthropy has become an accepted, expanding phenomenon, as shown by the increase in grants and Program Related Investments made by foundations to increase nonprofit capacities to obtain and manage funding. Third, corporations have also intensified their philanthropic efforts, particularly over the late 1990s when the economy was more robust, as evident in the fact that many Fortune 500 companies have created subsidiaries focused on providing management expertise to non-profit leaders as well as making monetary investments in these organizations.

These efforts, coupled with an always-strong private sector profit motive, have led business leaders to embrace the potential of double bottom line investing – the notion that businesses can do well and do good at the same time.” – Amy Hozier, 2003

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)

Microlending programs, most CDLFs and credit unions are eligible entities under the CDFI program. *NOTE: (Please refer to the Community Development Financial Institution (CDFIs) Guide for specific details).*

The key programs include CDFI Certification, Technical Assistance (TA) Awards and the Financial Assistance (FA) Awards. These programs are designed to enable CDFIs to leverage private capital to meet the demand for affordable financial products and services in economically distressed communities.

The mission of the Community Development Financial Institutions Fund is to expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States. The CDFI Fund has several programs that enhances access to capital. Upon receiving certification, CDFI's are eligible to compete for technical assistance grants, capital grants, New Markets Tax Credits as well as other targeted incentive programs.

The CDFI designation allows lending programs access to compete for CDFI resources, but these resources are in very high demand. Since the start of the program in 1994, the competitive bar has risen dramatically. Organizations receiving grants generally have significant experience in operating a successful loan fund or conducting lending activities. Therefore, we highly recommend that organizations closely study the application guidelines found at www.cdfifund.gov.

CDFI PROGRAM BENEFITS

CDFI Financial Assistance and Technical Assistance Award Categories:

1. Financial Assistance (FA): This award is a generally a grant that can be used to improve organizational systems and as seed capital (or expansion capital) for your loan fund at 0% interest. Certified CDFIs may also receive awards in the form of loans, equity investments, deposits and insured credit union shares. To be eligible for an FA award, a CDFI must be certified by the CDFI Fund before it applies for the award. Prospective applicants that are not yet certified must submit a separate certification application to be considered for FA during a funding round.
2. Technical Assistance (TA): Both certified and non-certified CDFIs are eligible to apply for TA awards. Non-certified CDFI's may apply for TA (not both) to build organizational capacity. However, non-certified organizations must be able to become certified within two years after receiving a TA award. The TA awards will cover expenses needed to build the capacity of organizations to become eligible for CDFI designation. This award also supports your organization towards building systems and capacity to apply for the Financial Assistance Awards. If you have not been certified, TA could help you get certified. These funds do not require matching funds.

Summary Steps to Becoming a CDFI: To gain CDFI designation the steps are relatively simple. The work is in the planning and application process.

Process:

1. Technical Assistance to developing the organization and program structure
2. Obtain Community Development Entity (CDE) designation
3. Financing participation /partnership (strategy to gain experience)
4. Application for Technical Assistance Awards
5. Developing the CDFI organizational and program structure
6. Apply for CDFI status
7. Request for CDFI funding
8. Other investments and matches
9. Make loans
10. Manage loans

OTHER NOTES:

Service Gaps: One criticism of CDFI lending programs has been the “uneven landscape” that results in gaps in service. Most effective CDFIs operate in small geographies (communities, cities and counties) while larger entities might serve states or multi-state areas. Some of the larger lending institutions may be national but they may not serve all communities with the same lending products.

Some communities are served by CDFIs with lending products that do not meet local needs. Many CDFIs serve only one segment of lending activity such as businesses, real estate or personal, which may not match with needed credit service in a given area.

This issue presents an opportunity for a CDFI to expand or for a new CDFI to emerge, especially if there is need and interest amongst the residents and constituency affected by the lack of capital.

SOURCES OF FUNDS

1. Federal, State and Local

a. Small Business Administration

- i. Microloan Program: Funds to nonprofit community-based microloan development organizations (MDOs) with loans up to \$50,000. The average loan is about \$13,000.
- ii. Program for Investment in Micro-entrepreneurs (PRIME): In 2020, there were 30 grants totaling \$5.5 million. Grants up to \$250,000 can be awarded to help low-income entrepreneurs gain access to capital and assist them in establishing and expanding small businesses.
- iii. Community Advantage Program: The Community Advantage Program is a three-year pilot program that allows MDOs and other mission-oriented lenders that target underserved populations to access the SBA 7(a) program (with loans up to \$250,000).
- iv. The 7(a) Loan Program includes financial help for businesses. The program's special requirements are: loan proceeds may be used to establish a new business or to assist in the acquisition, operation, or expansion of an existing business. Funds are available for loans to businesses that handle exports to foreign countries and for other very specific purposes:
 1. Export Loan Programs
 2. Community Advantage Approved Lenders: Pre-approved organizations.
 3. Express & Pilot Programs: Streamlined expedited loan procedures for specific target borrowers.
 4. Veterans Advantage Loans
 5. Cap Lines
- v. The 504 Loan Program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. 504 loans are made available through Certified Development Companies (CDCs), which are SBA's community-based partners. 504 Loans are typically structured with SBA providing 40% of the total project costs, a participating lender covering up to 50% of the total project costs, and the borrower contributing 10% of the project costs. In special circumstances, a borrower may be required to contribute up to 20% of the total project costs.

b. Department of Treasury: CDFI Fund

- i. CDFI Certification: Certification Program for loan funds to become eligible to apply for CDFI programs.

Technical Assistance: Grants allow certified CDFIs and established entities seeking to become certified to build their capacity to provide affordable financial products and services to low-income communities and families. Grants may be used for a wide range of purposes including equipment, materials, or supplies; for consulting or contracting services; to

- pay the salaries and benefits of certain personnel; and/or to train staff or board members. The CDFI Fund makes awards of up to \$125,000
- ii. **Financial Assistance:** Awards of up to \$2 million are made to certified CDFIs under the FA component of the CDFI Program. A CDFI may use the award for financing capital, loan loss reserves, capital reserves, or operations. FA awards are made in the form of equity investments, loans, deposits, or grants, and the CDFI is required to match its FA award dollar-for-dollar with non-federal funds of the same type as the award itself.
 - iii. **Other Programs:** Other CDFI Fund programs include:
 1. **Bank Enterprise Award (BEA):** This program provides financial incentives to institutions to expand investments in CDFIs and to increase lending, investment, and service activities within economically distressed communities over a specific time period.
 2. **Capital Magnet Fund (CMF):** provide competitively awarded grants to CDFIs and qualified nonprofit housing organizations. CMF awards can be used to finance affordable housing activities as well as related economic development activities and community service facilities. Awardees will be able to utilize financing tools such as loan loss reserves, loan funds, risk-sharing loans, and loan guarantees to produce eligible activities whose aggregate costs are at least ten times the size of the award amount.
 3. **CDFI Bond Guarantee Program:** This makes debt available to CDFIs from the Federal Financing Bank. The loans provide long-term capital that injects substantial investments into America's most distressed communities.
 4. **New Markets Tax Credits:** The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return. This is in exchange for making equity investments in businesses and commercial projects that creates jobs in low-income communities. *NOTE: The NMTC program has become a very important tool for Community Economic Development. Please review the separate Guide on New Markets Tax Credits for more details.*
 5. **Native American CDFI Assistance Program (NACA):** Focused program supporting activities for Native American communities
 6. **Certification for Community Development Entities (CDE):** Benefits of being certified as a CDE include being able to apply to the CDFI Fund to receive a New Markets Tax Credit (NMTC) allocation.
- c. **United States Department of Agriculture:**
 - i. **Rural Microentrepreneur Assistance Program (RMAP):** Maximum loan: \$500,000. Low interest, 20-year loans with 2-year deferral of payments, to capitalize a revolving microloan fund. The microlender must establish & maintain a 5% loss reserve from their own funds. Loan proceeds are to be used
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- for relending as fixed rate microloans (\leq \$50,000) to rural microentrepreneurs.
- ii. RMAP Technical Assistance Grants: (\$205,000 maximum size) to allow a microlender to provide technical assistance to their microloan borrowers. They can pay administrative expenses of the microlender, but not more than 10% of the grant. A minimum 15% match of funds requested is required.
- d. Health and Human Services, Office of Community Services, Community Economic Development: Community Economic Development Grants: discretionary grant funds to Community Development Corporations (CDC) for well-planned, financially viable, and innovative projects to enhance job creation and business development for low-income individuals. Up to \$800,000 is available for projects that include revolving loan funds, real estate development and business startup and expansion.
 - e. Department of Housing and Urban Development:
 - i. Community Development Block Grants (CDBG): Microloan funding is an eligible activity under the CDBG program. Use of funds is determined by citizens input into the CDBG process by the participating jurisdiction (local or state government). Many jurisdictions have allocated funds for MDO support and all types of small business activities.
 - ii. Community Service Block Grants (CSBG): Loan funds are also supported through CSBG funding through eligible state and local jurisdictions. Most of the local jurisdictions are community action agencies or a local government affiliate that determines use of CSBG funds.
2. Foundations and Private Sector:
- a. Grants: Foundations have been a strong supporter of microenterprise lending and development. Most of the support is conducted on a relationship basis.
 - b. Investments: To a great degree, banks and financial institutions have made equity type investments into loan funds, primarily CDFIs. They have also actively provided deposits in credit unions. Program Related Investments have been made by larger national foundations in the past and focused on specific industry support.

DEVELOPMENT TIPS

Consider what community needs are and design the lending or investment activity appropriately. Consider what resources you have or can access to help determine size and scope of your program. Some key development tips to remember include:

1. If you are starting a new fund, do the initial investigative research and concept paper to determine if the project is feasible. The concept paper will also be your case statement to present to potential funding and resource partners. As you gather data, your concept paper should be continually updated. This information will become the basis of your business plan.
 2. Instead of starting your own fund, consider partnerships to bring the resource to your community or to create a specialized fund that can be managed by an existing CDFI or loan fund. This may be an intermediary step for you to gain experience if you later want to create and manage your own fund.
 3. Become a Community Development Entity (CDE) and get CDFI Certification. This is especially true if your organization has a lending program.
 4. The CDFI designation allows you to apply for CDFI Fund resources, including grants. These grants are very competitive. It is important to build your capacity and track record.
 5. Once you get a CDFI designation make sure conventional lending institutions are part of your planning/development process. Enlist them as supporters (on your board, advisory board or project committee). Remember, conventional financial markets have realized the importance and successes of CDFIs and seek CDFIs to place investments.
 6. Your Board of Directors and loan committee are very important to the growth and success of your loan fund.
 - a. Board: Creation of the Board of Directors is a very important step that builds the foundation for a successful loan fund.
 - i. Proper balance between mission (helping improve distressed communities) and risk (lending guidelines and requirements) is maintained by board representation.
 - ii. Fundraising: Fundraising is a vital need for loan funds. Having representatives from entities that either fund/invest in loan funds or are in peer industries that can support loan fund activities is critical.
 - iii. Management: Expertise in lending, business or law provides the necessary input and oversight of lending activities and overall success.
 - b. Loan Committee: The loan committee should in many ways mirror the balance of the board of directors but have focus on management issues. The committee must have members versed in understanding of the lending guidelines and policies of the fund. Experienced lenders can typically be recruited from financial institutions that invest or lend into the fund.
 7. Manage Expenses: Managing your income and expenses is essential for your long-term survival.
 - a. Partnerships with other related lending entities allow you to expand your market and cut down on your own expenses in the areas of marketing, loan processing and loan management.
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- b. Loan losses decrease the size of your loan pool and lower your potential income.
 - c. Reserves impact your business success. These are funds set aside that do not generate income.
 - d. Your lending guidelines and approvals also impact your success. The greater the risks your fund incurs, the greater the potential you face for losses.
 - e. The expenses for marketing, processing and managing a small loan are the same as expenses for a larger loan.
 - f. Partnering and sharing of loan management and portfolio management functions are an excellent means of managing and reducing expenses.
 - g. If you already have loan processing and management experience, you may want to market this capacity and generate additional income by managing funds for partner organizations.
8. **Additional Capital:** The CDFI Financial Assistance Award is a grant that can start your lending program, but you should look at it as an opportunity to locate additional matching funds to expand your loan pool.

It is important to determine who in the marketplace has interest in supporting your lending activities. Your board, advisory board, or project committee should have members who represent financial institutions, local businesses and corporations, and local government and community leaders. They can become your spokesperson(s) and can convene meetings with their peers to market interest in your fund.

Engagement and discussions with the banking regulators – Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of Currency (OCC) and Federal Reserve Bank (FRB) – regarding your fund are very important activities. These institutions can be an important resource for knowing who might be interested in supporting lending activities or are interested in your community. They are also great resources for convening meetings with financial leaders to generate interest in your fund.

9. **Equity Investment:** As noted in the equity investment section, one of the best sources for equity investment capital is through the Department of Health and Human Services, Office of Community Services, Community Economic Development Grants. Organizations can invest grant proceeds as equity into a new business or (preferably) an expanding business that will meet job creation requirements. The investment can be designed as equity with repayment requirements. Any principal repayment could again be recycled into businesses and interest used to pay for fund management and operating expenses.

FINAL NOTE

Community development loan funds can specialize in specific markets and services. Becoming a loan fund is not easy and requires a strong commitment from the organization and the members of the development team. With experience, the natural progression is to gain CDFI certification and access its many resources. With this added capacity, organizations can become equity investors or can expand their services to the entire community by creating a credit union. The goal can be accomplished with the support of the community, local government and interested financial institutions. It is most important to have staff dedicated to the project and, if they do not have the expertise, locate resources to support and guide the effort.

This document is intended to be a guide that outlines some of the key issues and identifies possible solutions and steps. It is not intended to be your source since every project has its own issues, concerns and peculiarities and its own unique solutions. The document is not intended to encourage any organization into project development but only to lay out some of the key steps and issues once the decision is made to proceed.

APPENDIX A - FOR MORE INFORMATION

Resources Websites:

Opportunity Finance Network: (www.ofn.org) Opportunity Finance Network (OFN) is a national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America.

OFN Members are performance-oriented, responsible investors that finance community businesses, sparking job growth in the areas that need it most, and delivering both sound financial returns and real changes for people and communities.

OFN has originated more than \$74.2 billion in financing in urban, rural, and Native communities through 2018, creating or maintaining over 1.5 million jobs, starting or expanding 419,000 businesses and supporting development or rehabilitation of more than 2.1 million housing units.

Coalition of Community Development Financial Institutions (CDFI Coalition): (www.CDFI.org) Formed in 1992 as a policy development and advocacy initiative, the Coalition of Community Development Financial Institutions (CDFI Coalition) is the lead national organization in the United States promoting the work of community development financial institutions (CDFIs). Through its member organizations, the Coalition represents CDFIs working in all 50 states and the District of Columbia.

This national network of CDFIs includes community development loan funds, community development banks, community development credit unions, microenterprise lenders, community development corporations and community development venture capital funds. The CDFI Coalition coordinates industry-wide initiatives to increase the availability of capital, credit and financial services to low-income communities across the nation.

Community Development Financial Institutions Fund: (www.cdfifund.gov) Through monetary awards and the allocation of tax credits, the CDFI Fund helps promote access to capital and local economic growth in urban and rural low-income communities across the nation.

Through its various programs, the CDFI Fund enables locally based organizations to further goals such as: economic development (job creation, business development, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic banking services to underserved communities and financial literacy training).

California Association for Micro Enterprise Opportunity (CAMEO): (www.microbiz.org) CAMEO's mission is to grow a thriving ecosystem of support for underserved entrepreneurs. CAMEO's member organizations provide entrepreneurs with small business financing such as loans and credit, technical assistance and business management training.

As California's statewide Micro Enterprise association, CAMEO is the voice for Micro Enterprise in California. CAMEO expands resources and building capacity for its member organizations – over 160 lenders, training programs, job creators, agencies and individuals dedicated to furthering Micro Enterprise development in California.

National Community Reinvestment Fund (CRF, USA): (www.crfusa.com): Community Reinvestment Fund, USA (CRF) helps change the lives of people living in economically distressed communities across the country. CRF supplies capital to local community development lenders so they can meet goals like these:

- Grow small businesses
- Increase affordable housing
- Create and preserve jobs
- Build child care centers
- Develop community facilities

At the same time, CRF enables financial institutions, socially-motivated investors, and accredited individuals to reach their social investment goals.

CRF operates the leading national secondary market for community and economic development loans – a market CRF pioneered. CRF purchases economic development and affordable housing loans from community development lenders. We then pool them into asset-backed debt securities and New Markets Tax Credit (NMTC) investment funds, which are privately placed with institutional investors.

Local Initiatives Support Corporation (LISC): (www.lisc.org). Together with residents and partners, LISC forges resilient and inclusive communities of opportunity across America. LISC's strategies include strengthening existing alliances while building new alliances to increase impact on the progress of people and places; equip talent in underinvested communities with the skills and credentials to compete successfully for income and wealth opportunities; and invest in businesses, housing and other community infrastructure to catalyze economic, health, safety and educational mobility for individuals and communities.

LISC's role as a non-profit CDFI is to provide capital to projects in low-income and disadvantaged communities at affordable rates. This capital is offered to local nonprofit developers, small businesses and other service providers who may not be able to get credit in the conventional marketplace. LISC provides loans and equity (the latter through its investment companies) to a range of community projects, investing a total of \$22 billion in communities across the United States.

LISC has created a [playbook](#), targeted to community partners, that aims to lay out possible trajectories and best practices for the range of Opportunity Zone actors.

FOR MORE INFORMATION: *Websites, Organizational Examples*

National Specialized Fund:

Low Income Investment Fund (LIIF): (www.liif.org) LIIF is a CDFI that provides innovative

capital solutions providing fundamental supports for low-income people to fully participate in the American economy. LIIF invests in projects that have high social value but may not be able to access the services offered by traditional financial institutions. LIIF offers a wide range of products, including community capital loans, New Markets Tax Credits, grants and technical assistance. LIIF's mission-driven approach combined with its market and industry knowledge have distinguished it as a CDFI that creates flexible, affordable financing benefits for community organizations and investors.

Capital Impact Partners: (www.capitalimpact.org) As a national nonprofit organization and a certified CDFI, Capital Impact Partners helps people break barriers to success. Capital Impact Partners has a 35-year history investing \$2.5 billion in communities and delivering strategic planning, social innovation programs and capacity building that creates social change and delivers financial impact. Capital Impact is dedicated to delivering both the capital and the commitment that help people build strong, vibrant communities of opportunity.

Regional CDFIs:

Clearinghouse CDFI: (www.clearinghousecdfi.com): provides economic opportunities and improves the quality of life for lower-income individuals and communities through innovative and affordable financing that is unavailable in the conventional market. CCDFI offers both short- and long-term permanent, fixed-rate mortgages from three to 30 years fully amortizing. CCDFI finances loans for affordable housing, community facilities, small businesses, commercial real estate and tribal lending.

CCDFI believes that creditworthy borrowers whose projects create assets in the community deserve to be considered for financing. CCDFI is available to finance these projects when a borrower's unique circumstances don't fit the criteria for traditional lenders, analyzing every loan application individually with consideration for its potential impact and measurable community benefit.

CCDFI has funded \$1.9 billion in loans and equity investments since its inception in 1996. These investments have served 640,000 families and 1.9 million clients, created 21,500 jobs and 9,000 units of affordable housing as well as student and shelter housing and allowed 13,000 patients to receive access to health care annually.

Coastal Enterprises Inc. (www.ceimaine.org) integrates financing, business and industry expertise and policy solutions to help grow good jobs, environmentally sustainable enterprises and shared prosperity in Maine and other rural regions. CEI envisions a world in which communities are economically and environmentally healthy, enabling all people, especially those with low incomes unable to access financing from traditional sources, to reach their full potential.

CEI and its subsidiaries offer business and project financing for a wide range of purposes, including working capital, equipment purchases, facilities expansion, construction and real estate development. Since 1979, CEI has provided \$1.39 billion to 2,831 businesses, natural resource industries, community facilities and affordable housing in Maine and throughout rural America.

Equity Investment:

See Coastal Enterprises (above)

Northwest Side Community Development Corporation (NWSCDC): (www.nwscdc.org):

Throughout its history, NWSCDC has been recognized for leading the transformation of the Northwest side of Milwaukee, innovating and adapting to changes in the community and economic development landscape. The innovation, along with continuity of management and a strong board of directors, has allowed NWSCDC to thrive in the face of adversity.

In the late 1990s the CDC board and management developed and began to implement a new business model for community economic development. The new model emphasizes leveraging partnerships and collaborating in business creation and real estate transactions rather than owning and managing property. With this new model the CDC has pioneered efforts to partner with large businesses such as DRS Power and Controls Technologies. As a result of the new collaborative strategy, the CDC has lent over \$11 million to several major catalytic projects on the Northwest Side, creating over 1,100 jobs.

Community Based Funds:

Access Plus Capital (formerly Fresno Community Development Financial Institution)

(accesspluscapital.com) supports the needs of small, diverse and underserved businesses to 'access' capital, plus the services they provide to the small businesses, including the training and resources to help them grow. Over the last decade, the organization has grown from providing capital in one county to helping more than 500+ businesses in a 14-county region surrounding Fresno. Access Plus Capital offers financing and training services for small businesses and entrepreneurs in Central California. Since its inception in 2009, its multilingual staff has lent over \$20 million to hundreds of entrepreneurs helping them realize their dreams by starting and growing their small business.

People Incorporated of Virginia (www.peopleinc.net) provides opportunities for economically disadvantaged people in a 13-county region of rural Virginia to reach their goals in order to enhance their lives, their families and their communities. As a CDFI, People Incorporated offers financial assistance microenterprise loans, business training and technical services to help start or expand businesses, which in turn creates jobs. CDBG funding loaned out by People Incorporated has consisted of seven projects over the past 18 years.

People Incorporated also supports individual development accounts to help people save for their first home purchase, a loan fund for high-impact businesses supported through New Markets Tax Credits and a revolving loan fund for businesses and nonprofits. These projects have resulted in 19 new businesses, 12 business expansions and 80 jobs created and retained.