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OCTOBER 14–17, 2014 • THE SHERATON DOWNTOWN DENVER, COLORADO

# Investing in Small CDFI's: *An Art Not a Science*

Thursday, October 16

4:15 p.m. – 5:30 p.m.

## Facilitator

- **Inez Long**
  - *President/CEO– BBIF Florida*

## Discussion Panelists

- **Sarah Bennet**
  - *Senior Vice President/Investment Manager – Wells Fargo*
- **Nikki Foster**
  - *Program Officer - Northwest Area Foundation*
- **Alec Gorynski**
  - *Senior Director – First National Bank*

# 2014 OPPORTUNITY FINANCE NETWORK CONFERENCE

	Grant	Program Related Investment (PRI)	Equity Equivalent Investment (EQ2)	Loan Consortia	Loan Portfolio Purchase
<b>Description</b>	<ul style="list-style-type: none"> <li>Funds that support an organization's operations or lending programs.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term funds that support an organization's lending programs.</li> <li>May involve the potential return of the capital within a specific time frame.</li> <li>Made by a Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Long-term funds that support an organization's lending programs. Full repayment is expected.</li> <li>Made by a Bank</li> </ul>	<ul style="list-style-type: none"> <li>Loan funds capitalized by multiple partner financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>Capital provided to a CDFI/CDC through the purchase or assignment of all or a portion of its loan receivables</li> </ul>
<b>Structure</b>	<ul style="list-style-type: none"> <li>Direct equity investment with no repayment requirements or term.</li> </ul>	<ul style="list-style-type: none"> <li>Customized</li> <li>Repayable to the investor at a specified maturity date (varies)</li> <li>Below market rate; 1-3% is a typical range</li> </ul>	<ul style="list-style-type: none"> <li>Direct recourse to the non-profit</li> <li>Long term, typically 10-12 years</li> <li>Low fixed interest rates (2-3%)</li> <li>Interest only payments/Principal due upon maturity</li> <li>Subordinated to senior debt providers</li> </ul>	<ul style="list-style-type: none"> <li>Financed incrementally as loans are made by the loan fund</li> <li>Investors own a portion of each loan originated by the loan fund;</li> <li>Rates and terms vary based on loan type of market conditions</li> <li>Principal and interest repaid to the investor as the loan fund is repaid by the borrower</li> </ul>	<ul style="list-style-type: none"> <li>Investor purchases loan receivables, including principal, interest, and some fees</li> <li>Investment is collateralized by the loans themselves</li> <li>CDFI/CDC continues to service the loan, repays investor as loan payments are made</li> <li>Terms and rates vary</li> </ul>
<b>Uses</b>	<ul style="list-style-type: none"> <li>Open ended and can support operations or direct program delivery. Funders will generally have specific use requirements and/or limitations</li> </ul>	<ul style="list-style-type: none"> <li>Lending capital for consumers, small businesses, or other development entities (housing or commercial real estate);</li> <li>Housing development</li> <li>Capital projects</li> </ul>	<ul style="list-style-type: none"> <li>Lending capital for small businesses loans, 2<sup>nd</sup> mortgages, and affordable housing and community facility loans</li> </ul>	<ul style="list-style-type: none"> <li>Lending capital for consumers, small businesses, or other development entities (housing or commercial real estate)</li> </ul>	<ul style="list-style-type: none"> <li>Additional lending capital</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>No repayment</li> </ul>	<ul style="list-style-type: none"> <li>Access to capital at a lower rate than a loan; money is recycled in the community</li> </ul>	<ul style="list-style-type: none"> <li>Access to capital at a lower rate than a loan; money is recycled in the community</li> </ul>	<ul style="list-style-type: none"> <li>No need to continuously fundraise</li> </ul>	<ul style="list-style-type: none"> <li>Repayment is [mostly] guaranteed</li> </ul>
<b>Considerations</b>		<ul style="list-style-type: none"> <li>Funds must be repaid</li> </ul>	<ul style="list-style-type: none"> <li>Funds must be repaid</li> </ul>		<ul style="list-style-type: none"> <li>Some investors will only purchase loans at a discount, will cost the CDFI money;</li> <li>Poorly performing loans will need to be considered</li> </ul>