CDFI FUNDING SOURCES FOR CED/CED-HFFI PROJECTS

October 22, 2015

Operator: Please stand by, we're about to begin. Good day and welcome to the CDFI Funding Sources for CED/CED-HFFI Projects conference call. Today's conference is being recorded. If you'd like to ask a question over the phone at any time during the call please press Star, "1". At this time I would like to turn the conference over to Mathew Lee. Please go ahead sir.

Matthew Lee: Hi everyone. Welcome to the CDFI HFFI Webinar. It's 1:00 pm, or 1:07 pm Eastern Time, 11:07 Pacific Time; so good morning to everyone West of Mountain Time and good afternoon to everyone on the East. We have over 100 people registered for our convening and it looks like there's a diverse group here of community development stakeholders from CDFI's and community development organizations; some of which are current perspective CED grantees. And the group also includes some government agencies and beyond, so thank you all for joining us.

My name is Matthew Lee and you'll be hearing my voice moderating over the next hour. I am the Founder and Managing Partner of HomeGrown Advisors; which is a network of development experts providing technical assistance to prospective and current CED-HFFI grantees at the forefront of community development initiatives across the United States.

What brings us together today is the motivation to make our communities stronger. And we're fortunate to have three community development financial experts joining us today. Each of whom will share their unique perspectives on CDFI HFFI funding.

And before we get started though I'd like to thank the Office of Community Service for providing the resources to organize and hosting this event. And we're lucky also to have Karen Harris from OCS joining us. And she'd like to say a few words to kick off the conversation. Karen?

Karen Harris: Thank you Matthew. I'm going to hold on a minute, my computer is crashing. Okay, we go - thank you very much Matthew and thank you to everyone who has taken the time out of their busy day and your schedule to join the Webinar. As we bring you some information, hopefully that will be very useful for you, for CDFI funding for your CED and your CED-HFFI projects through the Office of Community Services.

So the Office of Community Services is very pleased to convene this Webinar. And this Webinar features a great panel of experts that are going to discuss the CDFI's or the Community Development Financing Institutions. And how they can serve and supplement funding as a supplemental funding opportunity for community development or for healthy foods focused activities.

As many of you on the call may know, Community of Economic Development programs or the CED program is a federal grant program funding community development corporations that address the economic needs for lower income individuals and their families through the creation of sustainable businesses and employment opportunities.

We hope today that this presentation will provide some interesting information relevant for current and future CED grantees; as well as other organizations that have joined us today and that are engaged in community development projects.

Again I want to say welcome and thank you for joining us. And please enjoy the presentation.

And now I'm going to turn it back over to Matthew.

Matthew Lee: Thanks Karen. I'm sure many of you have experienced the access to affordable financial products and services. It's important for economically sound community development projects. And at least1/4 of American households don't have a bank account or rely on expensive alternatives to capital. So we're lucky to have CED support and support of CDFIs to help fill these gaps for alternative financial products.

And building in the capacity of CDFIs to catalyze the revitalization of our communities' here; since1994 the CDFI fund has awarded about $1.9 billion to CDFIs, community development organizations and financial institutions. And in 2015 the Healthy Food Financing Initiative serves as a supplemental funding opportunity through CDFIs for Healthy Food-focus financing activities.

So you'll be hearing from three experts over the next 45 minutes. Each of whom have unique perspectives and approaches from their organizations and their past experiences, all at different stages of the CDFI HFFI funding ecosystem. So hopefully these different perspectives demonstrate that there are various pathways to play a role as CDFI in your community.

So just a little bit about our panelists today; we'll be first be hearing from Cassandra Archibald who is the Senior Vice President of Financial Services at the Opportunity Finance Network; which is a membership based model. A really unique model that has close to 250 CDFI members from around the country. And OFN plays an integral role in the CDFI fund program.

We'll next be hearing from Keri McCrorey and she's the Community Service Director at the East Missouri Action Agency. And Keri will be talking about her community's SEED$ fund which has found alternative funding sources to the CDFI fund which I'm personally interested in hearing more about their approach.

And then lastly we'll be hearing from Catherine Howard. And Catherine is the Director of Strategic Initiatives at the Northern California Community Loan Fund. Catherine is a pioneer in California around funding healthy food projects. And she has worked at both the national and regional CDFIs, both as a practitioner and a board member.

And she's going to talk about NCCLF's new Food Enterprise Lending Program, which like SEED$ is capitalized through alternative sources of capital to the CDFI HFFI Fund Program.

So before we get started just a few words here on the Webinar format. So we'll each be hearing about 15 minutes each from each panelist. And at any time any of the participants on the call can ask a question. So in order to do that you just press Star, "1" and you'll be put into a queue. And at the end those questions will be opened up.

If we don't get to those questions or if you'd like to send a question in over email, you can send a question at ocsregistrar@icfi.com and you can also submit a question on the Live Meeting format, the platform on the Q&A section.

Okay so let's get started. So we'll start off first with Cassandra and Cassandra the virtual floor is all yours.

Cassandra Archibald: Great. Thank you Matthew. Thank you to the Office of Community Services and HomeGrown Advisors. OFN is very proud to have the opportunity to participate in this Webinar and to work with fellow experts in financing projects that increase access to healthy foods.

First a little bit about OFN. As Matthew was saying OFN is the leading national network of Community Development Financial Institutions or CDFIs, to invest in opportunities that benefit low-income, low-wealth and other disadvantaged communities across America.

OFN's mission is to align capital with justice. We believe that justice is not just the absence of oppression but also the presence of opportunity and access to responsible and affordable financial products is an essential ingredient for opportunity to exist in communities.

Our strategic plan focuses on leading CDFIs and their partners to ensure that low-income, low-wealth people in communities have access to affordable financial products and services; which begs the question, what is the CDFI.

CDFIs are financial intermediaries. They operate between sources of capital, those could be investors and depositors and uses of capital which would be borrowers and customers. You might be wondering how CDFI's differ from more traditional lenders. CDFI's generally lend to borrowers who do not have access to main-stream financial services.

They generally don't fit a scorecard. They might be perceived as too risky to lend to. So investors who serve as a source of capital have a motivation; generally it's based in mission, policy, or regulatory requirements such as CRA or the Community Reinvestment Act.

And investors look for returns that are related to outcomes in justice. Currently there are about 1000 CDFIs that exist in the United States. They're concentrated in credit unions with $44.6 billion in total assets. Second is banks, at $37.7 billion. It's followed by loan funds at $14.7 billion and lastly venture capital funds at $2.4 billion.

((Inaudible)) capital is part of the long-term solution to alleviate poverty and to build healthy communities. And to that end CDFIs strive to become a permanent capital resource in their communities. And CDFIs have a mission to serve the geographies they exist in. So they're not part of a program that can come and go at the whim of a funder or the government. And this means that when CDFIs make loans they need to be repaid.

So CDFIs can't avoid risk when they're lending into a project but they have to find a way to manage it.

Here are some of the products that CDFIs offer. And you'll notice that for most part they offer all the same products as commercial lenders. But CFDIs aren't regulated by the government the way commercial banks are. So they have some flexibility around how they structure their loans. And they don't have to adhere strictly to certain ratios such as loan-to-value or debt service coverage when they make their credit decisions.

In addition you'll notice that they also offer technical assistance and training and advocacy as part of the services that they offer.

This image simply illustrates the fact that CDFIs can be found anywhere in the United States. The screen shot was taken from OFN's Website and our Website contains the search tool where you can search for a CDFI in your geography, based on specific criteria including the types of lending that the CDFI does.

So here are just - here are some resources to help you locate a CDFI in your area. There's a search tool on the U.S. Treasury Website. And again there's a search tool on OFN's Website. Both of the Websites offer great information about the CDFI industry and community development in general in addition to these (birch) functions.

Some examples of transactions in the Healthy Foods arena that CDFIs have financed are given here. These examples show that CDFIs have an array of financing tools from straight debt including construction loans and bridge financing to market tax credit financing.

In the first example on the left the reinvestment fund provided equipment loans and fitout financing to help fund a new, full-sized supermarket in Newark, New Jersey. The second transaction in the middle financed the first non-profit grocery store in the United States. The project required a complex array of financing tools from a number of lending partners.

And this included the use of new market tax credits and bridge financing to fundraise sources.

The last example is the transaction that financed the relocation and expansion of a farmers' market in Flint, Michigan. This project is part of a larger redevelopment in that area which improved access to healthy foods and high quality health care.

So you can see that there's a good deal of variety in the tools that are available to finance projects as well as variety among the project types that CDFIs will finance.

So the next couple slides just show you where you can find some resources; where you can, you know, these resources just provided deep dive on how the projects are underwritten by lenders and how they're structured.

The CDFI Fund Website contains the resource bank with Webinars and training materials on how to finance healthy food projects. So you can see on this screen shot that you have access to course material, case studies, mapping tools that help you analyze market data. And well just a rich variety of resources to help you understand how to go about financing your project.

The Website also has a Webinar archive. These Webinars speak to various topics about financing your project including how to analyze your target market, how to put together a loan application and how to attract financing for example. But these are just some examples. There are a wide variety of Webinars that are given on the Website.

And here is my contact information. Thanks again to Lara and Matthew for inviting OFN to participate. I welcome any questions or inquiries that you might have. And at this point I'll hand off to my presentation partner, Keri McCrorey.

Keri McCrorey: Well thank you Cassandra. As Cassandra said my name is Keri McCrorey and I'm the Community Services Director at East Missouri Action Agency. And we are a community action agency in Southeast Missouri. And my role in the SEED$ organization is I just oversee the project and it's called the South East Economic Development Fund, commonly referred to as SEED$.

So my first thing I want to do is like I'm going to talk about why and how we got where we're at and then I'm going to talk about where we're at now; our successes.

So each year - first of all let me give you a landscape of our eight county service area. We have a very small county with a population of 10,000 up to our largest county which has a population of about 68,000. And our poverty rates range from 11% to 24% in our service area.

So every year under the Community Action Agency - or every three years - we are charged with completing a community needs assessment. And there is also that assessment always identifies the lack of jobs as a major issue in our area. One of the things that we did was we really took a hard look at our community needs assessment.

And out of that really came the SEED$ organization. You can move to Slide 2 now. The leadership team at EMAA started brainstorming about other ways than our traditional services and how we can make an impact on creating jobs in our communities. And additionally we wanted to become a better and more prominent player in economic development.

We knew that small businesses in our area were struggling and, you know, even closing. We also knew that access to capital was extremely hard to find with the current state of our economy in our eight-county area.

So we decided that we would research deeper into the needs of the small businesses and see if there was a role that we could play in helping them access capital as well as assist them with their development services. Thus the reason why SEED$ was created was in response to our desire to take a more active role in helping micro and small business grow and create jobs in our rural community.

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So three years ago the vision of SEED$ was born. We have been working since that time to provide capital to our local small businesses, assist with training and technical assistance. And also provide access to resources.

The first thing that we did we reached out to the revolving loans sign, small business development world and we tried to learn as much as we possibly could. The first thing we learned was that we really needed some professional help from the experts in the CDFI world.

So we sought out consultants to help us better understand the delicate intricacies of the small business development services and the revolving loan funds in addition to CDFI. We really wanted to know if what we were proposing was even feasible in our area. And so we ended up hiring a consulting firm and that has proven to be the best thing we could have done.

We worked closely with our consultants. The first suggestion was to complete a market scan and which we completed that scan. And we found out that local businesses was actually having trouble accessing the Small Business Development Center that serviced our eight county area because it was nearly 90 miles away.

There were also very few alternative lenders in our service area, particularly those for loans of less than $50,000. And we also learned that there was amble opportunity to build and develop strong partnerships in our communities with regard to helping small businesses and accessing that capital.

So one of the things we did was we conducted focus groups. One of those were with small businesses to find out their needs and expectations of an organization such as SEED$. And we also met with local bankers, industrial development authorities, Chamber of Commerce members to find out what they thought the needs were.

So after we completed the market scan and the focus group meeting it was clear that SEED$ and EMAA needed to become a player and figure out how to address the gaps. What was really important to us though is we wanted to lay a very strong foundation to achieve the goals that we had in mind.

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So under the advisement of our consultants we created an advisory board. And this board helped us create our legal entity the EMAA Leadership Team and Board felt strongly about creating a separate entity that was - so our identities were separate from EMAA and SEED$.

EMAA has traditionally provided services to low income families and we thought the businesses in the community itself would see SEED$ in a different light and that was really important to us. So we developed the SEED$ as a 501(c)3 non-profit organization. And then we moved into developing a mission.

The financing entity was created. We determined our target market and we started talking about what development services should be provided based on the identified needs from our focus group. Once the legal aspects of the organization was in place and what development services we were going to provide we began to market the program to other organizations who had expressed those partnerships during our market scan.

Those organizations included local community banks, again Chamber of Commerce. We had some private foundations, USDA and the local community college. So we focused our initial efforts around small business development services. That's where we started. And we started providing those services long before we started providing any loan activity.

We have moved into the loan activity now and we have moved quickly into the capital building piece. Next slide.

On our first ask to a local community bank they offered us $25,000 donation to help us build the program. And additionally the local industrial development authority donated $36,000. And most recently we've received in operating and capital funds from the USDA Rural Business Opportunity Grant, the RMAT program, the Rural Business Development Grant and with two private - actually one private - the Iron County Economic Partnership - it is a foundation and also the Washington County Industrial Development Authority.

We've created a portfolio with nearly $1 million in capital over the course of two years - about two years. And to date we have closed four loans, our first loan being in February of this year. We have assisted over 100 small businesses with our development services.

As you can see we're not a Community Economic Development grantee, we do expect to apply in the future for those funds and we are working on our application to become a certified CDFI and hope to be able to tap into the U.S. Treasury Funds under the CDFI fund.

And we continue to look for capital sources as well as operating funds for our program.

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My presentation was short, but I want to thank you for your time today and if I can be of any assistance you may contact me at any time. I've also listed my colleague Janey Radford there. She's our Small Business Development Coach. She would be willing to help answer any questions you might have.

You can also check out our Facebook page at Southeast Economic Development Fund and our Website at www.semodevelopment.org.

And again I thank you and thanks to Lara and Matthew for asking us to participate in this. And so I'm going to hand this over to Catherine Howard from the Northern California Community Loan Fund.

Catherine Howard: Great. Thank you very much. Hi everyone. My name is Catherine Howard and I'm the Director of Strategic Initiatives at NCCLF where among other things I've worked on launching our food systems lending program over the last year.

I was also previously the Fund Manager of the California Fresh Works Fund where I oversaw about $54 million of investments into Healthy Foods Financing Project in California. Oops, let me get these slide on the right way.

So NCCLF is a 28 year old regional CDFI that serves Northern and Central California; which is an area that spans basically from Bakersfield in the south up to the Oregon border. And we do a variety of things with a focus on lending and (end up) consulting and technical assistance.

Our approach to community development is to match capital and support to the community organizations that can have positive impact in their local areas.

So NCCLF has historically been a loan fund that lends to non-profits for traditional community development work, mostly real estate lending for projects like affordable housing and social services. But in our last strategic planning process we wanted to explore new ways to engage with needs, particularly in the rural and agricultural focused communities we serve in the Central Valley and the Central Coast of California.

This has been a really big change for us since we are now doing business lending and working with for profit companies, both things that we had never done before. The planning for that change and putting in place systems and partnerships were a hugely important part of our process. We knew we didn't have all the expertise we needed in house for this new line of business so some of our key first steps were to engage with experienced players.

And this has included setting up an advisory committee and creating one ((inaudible)); one advisory was a relationship with people who have relevant experience to help guide us. We've also created partnerships with other lenders where we can complement one another and at the same time NCCLF can learn from their expertise.

We've contracted with technical assistance and business development groups that have helped us build a book of contacts and given us a good place to refer clients for additional help should they need technical assistance. And in addition we engaged with our Board in a way that made clear that this was a very new program for us that would have a different client profile than what they were used to and would likely be iterative in its development and execution; which I think has been really important.

To underscore this we actually had a board-designated separate loan pool from our general lending assets just for our (food) work which was really a first step for NCCLF. We have traditionally been a blind pool that's only been one pool.

So that was a really important step for us to be able to even engage in this new line of work and to, you know, to communicate to our Board and all of our stakeholders that we understood that this was a new line of work and was going to be iterative in terms of our process.

So we also wanted to get real clear on what we wanted to - why we wanted to get into food and lending. Because of the unique characteristics of our region we didn't just want to focus on retail. Many organizations that are involved in Healthy Food Financing really focus on retail and that's been a primary focus of the program in general, including at the federal level.

But instead NCCLF is working across the food value chain with a focus on three impacts; asset building, so creating employment and income opportunities for low income people so they can build their assets; contributing to a resilient (biz) system so project that either have environmental stewardship or are locally based and contribute to local economies.

And then also retail and increasing access to health equals really appropriate (biz) for low income households.

So how has this shown up as lending for us? So we launched this program this year and to date we've done eight (biz) related loans and expect that we'll complete two more by the end of the year.

So I want to walk you through some so you get a sense of the breadth of the work that we're doing. So one of our first partnerships that we developed with a co-lending relationship was another CDFI that is in our region; their name is California Farm Link.

And Farm Link has decades of experience providing key aid to small farmers and emerging farmers and developed a lending program several years ago. So we did agree to partner with them to co-lend as a mutually beneficial relationship. We have learned a ton from them on underwriting small farms and producers.

And because Farm Link is a relatively small CDFI the capital that we've brought to the relationship has allowed them to stretch their balance sheet to make more loans and to provide bigger loans. So here's an example of both a farmer and producer loan that we did with them to Bucio Organic Farms. You can see where ((inaudible)) Bucio there.

One of the types of problems that small farmers like Rigoberto Bucio run into and one of the reasons why CDFIs are so important in this area is because typically very small farmers are looking for financing that's relatively low dollar amount, is not necessarily something that's interesting to do with traditional lenders.

Or in particularly here in California we have a number of small farmers or former farm workers who may not have full legal immigration status and therefore lenders cannot access the guaranteed programs that they would be otherwise able to access for other farmers. And so those folks are frequently left out of the, you know, the lending environment.

So in this case we provided financing to Rigoberto so that he could use it for his preseason expenses - basically buying seeds and things of that nature. And he was doing some work around diversifying his farmed crop; which the goal was to increase his total net income, falling in line with our mission goal.

So this is a different kind of loan that we did. So, one of the challenges working in rural communities when considering access, is that many small communities have insufficient population to support a full grocery store. So at NCCLF we've been exploring alternative ways to increase access to fresh, healthy foods in rural areas. And one of the obvious outlets is school.

Many of California's school districts are focusing on increasing the amount of produce they serve with an emphasis on local purchasing. So this works out nicely for us. So the loan that we made this year to Ag Link fits many of our desired impacts. Ag Link is essentially acts as an aggregator and distributor, facilitating large industrial buyers or institutional buyers like school districts to buy from small farms and producers.

So this increases the amount of fresh, healthy food that the institutions like the school districts can serve while supporting resilient local economy by buying local. So our loan in this case helped Ag Link build adequate cold storage and buy equipment to support the increased capacity.

And over the life of the loan they expect 100% increase in school district buyers, to be able to work with many, many more farmers and producers as sellers. And they also expect to create at least eight new jobs in a very small rural community.

So this is an example of kind of how this food work has fit in with maybe our more traditional work at NCCLF. So with the launch of our food work and an increase in our outreach and partnerships in the food world we've also come across opportunities like the Yellow Food Banks that are more like our traditional line of social service business but with a food component.

The particularly nice thing about this project is that what we've done is help the Yellow Food Bank expand its space and they've created a new commercial teaching kitchen. So while they are doing traditional work like food banks do and distributing food they are also - have a component of their work that involves bringing local health produce to the food bank.

And now they are taking that one step further and actually providing nutria education to the community and cooking classes to people who are using their services and the general community.

And then finally we've been able to support a more traditional retail type project in a shopping center with a market that is an anchor tenant in an area of Casa Robles where there are no stores. So this is an area that was built out relatively recently in the small town of Paso Robles. There are over 300 units of new housing, most of it affordable with people with - who are low income.

And there's really just no shopping there at all. And so we were approached to provide a leverage loan and an operative bridge loan for the retail shopping center. And this is something that we would normally not have done and we wouldn't even have considered before this year. But because it is anchored by a grocery store, a Latino grocery store that is going to do a big expansion in this area, we were able to take a look at this project and ((inaudible)).

So about our capitalization of our food fund; we are a certified CDFI. We have received FA awards many times but we have not yet applied for an HHFI grant. This is for a couple of reasons and been intentional ones for a couple of reasons.

First of all 75% of funding from the HHFI has historically had to been used for a retail work and we knew when we were getting into this process that we would likely not be doing most of our work in retail. And so we wanted to be able to launch, take a look at what we were doing and then kind of reconvene and determine whether or not HHFI funding through the CDFI fund was the right type of source for us.

Secondly having worked with this source in the past I knew that the grant application really requires a very strong pipeline of transactions and since we were just getting into the business we didn't feel like we had a strong enough pipeline of transactions. Instead we have partnered with various funders interested in food system work for base capital for our fund.

And so you can see here JP Morgan Chase did a (Refresh Covort) Grant, Citibank also provided us a grant. We've also dedicated a proportion of our own net office to our (pre)fund. So we were in a healthy position with our net assets and were able to ((inaudible)) with some of our internal capital specifically for this fund.

And then and I think most importantly for us long term; we take a lot of individual investments. So people can individually invest in NCCLF. We also have a lot of foundations and other mission-driven organizations who invest in us. And we have recently updated our prospectus with our securities permit - actually just got approved yesterday - so that we can add investors to our Food Fund.

And because there's such an interest in healthy food and food access particularly here in California but I really think across the country, we know that there is a real interest out there from both individuals, foundations and other organizations in investing in this type of work and activity. So we feel like this is going to be a strong way for us to be able to build capital for the project.

So finally in conclusion as you are thinking about your projects and whether you want to be doing - helping food financing work some of the lessons that we have learned is to really, you know, not be hemmed in by what are the specifics around the HFFI program but to identify unmet needs in your geographic area.

So, you know, we are working in retail but we're also working across the food value chain. We have found that partnerships are really essential and that goes, you know, from everything to learning about how to do this work to building a book of business to just getting the right contacts in the right places.

And then consider many possible capital sources based on the type of lending that you want to do and considering whether or not you want to provide things like technical assistance or grants or other things to support the work that you are doing.

And with that I think I will hand this over to Matthew. And thank you very much.

Matthew Lee: Yes, thank you Catherine. So just for now there's, you know, if anyone has any questions I'm just going to pause for some space. Press pound, "1" and you can get into the queue for questions. And, you know, I'll start and Catherine, you know, I had a question for you and I was curious because, you know, your breadth of experience in financing Healthy Food Projects.

I was wondering if you could talk a little bit more about the types of products that are different say between a retail financing and other assets or businesses in the value chain. And, you know, one example I looked at - I was looking at your presentations with farmers and, you know, as you know there's - farmer's typically don't own their land particularly minority farmers.

And they're on a leased land and operating in really low margins with - and a lot of times a lot of lost harvests and incredible amounts of risk. So what types of products or what's your approach there? Do you have any thoughts you'd like to share on kind of your approach at NCCLF to support those farmers?

Catherine Howard: Yes. So, sure. So I can kind of talk about the different types of products that we do across the value chain and then specifically around farmers.

So one of the things that I've learned from doing this work for a number of years is in retail, you know, if you're looking at retail that there's actually - at least here in California - often times retailers actually don't own their properties either. And so what they're really looking for is equipment financing, working capital, things like TIs, you know, TI financing to build out this base.

And, you know, the money to basically to help their projects move. You know, whether that's buying inventory or, you know, smoothing out their cash flows and things of that nature.

With small farms and I really want to credit that California Farm Link who has been really integral to us learning this - I mean I think really the key has been - or for the most part what we've seen and Matthew you're right, you know, the small farmers typically don't own their land.

And so the needs that we've seen have really been twofold; to a certain extent some equipment financing. And then really things like working capital for (produce) season. And what's key with that working capital is you really identified all the big risks, right. So it's very low margin particularly with organic farmers.

They can often times be in a place where they're, you know, because they aren't using chemicals pests can come in a really decimate some of their crops. They may not be able to access crop insurance.

And so getting to know the farmers well and I think this is one of the things that Farm Link does really well and is teaching us a lot about; but getting to know the farmers well, getting to know kind of what's the total intention of what they're intending to produce in terms of their crop and sort of, you know, making allowances for potential for loss; and then also being able to be really flexible around the payment structure.

So, you know, farmers are not going to be able to pay you back starting in month one and on an amortized schedule. They're typically going to use your money, do a lot of work, wait for a long time for things to grow and then harvest what they can.

And so that and depending on all the things - everything from the water to soil to the past to, you know, what the market is and how much the market is paying for their crop at the time that they are harvesting, their cash flow is, you know, it's unlikely to be exactly what they thought it was going to be.

And so being able to meet those types of borrowers with payment plans that allow them to meet their cash flow needs and that may require doing some extensions - is really important.

Matthew Lee: So some flexibility with your partners. And then so just a different question to and this is more towards Cassandra. Cassandra we have a large group on the phone right now that's mostly non-profits.

And there's community action agencies as well on the phone. And a lot of times the size of the project doesn't qualify for say a new market tax credit; which is also available through the CDFI Fund Program.

And so I was wondering if you could talk a little bit about how a non-profit that is on the phone who is maybe interested in starting a CDFI or some sort of revolving loan fund like SEED would approach OFN and what resources you could help provide as support.

Cassandra Archibald: Sure. It's a timely question because OFN has just completed the development of a capacity building series that speaks to that. In addition to that OFN has training on an annual basis in partnership with the Carsey Institute that's just on that topic - how to start a CDFI.

And so OFN is, you know, a leadership network of CDFIs. One of the services that we provide is that kind of training and technical assistance around best practices in the field and how to get started. So we definitely have those resources available.

And then you sort of touched on this question Matthew but, you know, I don't know if this is exactly what you were asking but you mentioned if you're a small non-profit and you're interested in financing a project.

So a little different from, you know, developing a loan fund but I just wanted to echo Catherine's words about the importance of partnerships. And also the importance of having many funding sources with varying degrees of subsidy.

All of these projects require a lot of subsidized sources in addition to straight debt. Especially, you know, for the smaller projects that can't use a tax credit subsidy.

Matthew Lee: Yes. And, you know, I'm curious too just to that point if Keri you could talk a little bit about - that your financing sources. I know that you're in a rural area and there's a lot of federal funds moving in that direction to support projects in rural development.

I was wondering if you could talk a little bit about, you know, sort of alternatives, you know, to the CDFI Fund and that you were able to access and that Cassandra's alluding to. Could you talk a little bit about how you're funded?

Keri McCrorey: Sure. Well we have really received a lot of support from our local community banks particularly with their CRA credits. And we have developed a really strong relationship with USDA Rural Development in creating not only the loan funds but the small business development services.

And one of the things that we - one other funding sources really those industrial development authorities in these smaller communities - they have a hard time attracting large industries because of the population size or whatever reason. So they have some funds available that they've also, you know, been willing to provide to us.

And of course we used our Community Service Block Grant funds to help development program pay for all of the creation of the entity and also provide some of the services through our Small Business Development Services; help pay for the staff cost and those things for our operating funds.

We did tap into a large pool in our private foundation with that Iron County Economic Development Fund. They are a private foundation sitting on a lot of money and they're trying to create economic development in their county there. So they saw what we were doing and in partnership with the, you know, we've recently received $400,000 from them.

So we really worked closely with our local resources. And to try to develop those partnerships so we can help each other.

Matthew Lee: Great. And then so - this question just came in. If a CDC - and this is for everyone, all the panelists. If a CDC was interested in obtaining loan funds from a CDFI what kinds of requirements would be expected of the CDC and their proposed project?

Cassandra do you want to take that or?

Catherine Howard: I can do that, this is ((inaudible)).

Matthew Lee: This is Catherine?

(Crosstalk)

Cassandra Archibald: Catherine do you want to start?

Matthew Lee: Yes, Catherine...

Catherine Howard: If Cassandra wants to start I can...

(Crosstalk)

Cassie Archibald: No - I actually think it's more to you Catherine and so I think that's fine - you go ahead.

Catherine Howard: Okay. So if a CDC was interested in working on a project that was Healthy Food related in some way I think there's - I mean there's some basic things that we always look at, you know, kind of no matter what the type of project is, right.

And so there's the kind of the three C's of credit; the collateral, the cash flow and actually I'm - oh and the character of the organization. I'm like what's the third one.

So we would look at, you know, we would - basically what we would start with is taking a look at what's the purpose of your project. Is there a need for it and how are you benefiting people. And I think that mission-driven lenders that's really key for most CDFIs, is what's the mission benefit, what's the community benefit.

And then really the question is, you know, are you capable of doing the project. And so do you have the right staff component. You know, if you're getting into a food financing project - or a Healthy Food project have you ever worked in that area before. If not how are you supplementing your staff so that you can really, you know, bring an informed view to your project?

You know, obviously we look at things like past financial statements for your organization. And then we look at cash flow statements. It's really important that you've thought through whatever the project is and what the productions look like; and how it's going to be able to repay the loan.

And then, you know, and capacity - I just really, I can't understate it. I think that a lot of non-profits want to do a lot of things. And they're really good at doing a lot of different things and just really being able to grow down on what your capacity to execute in whatever form that it is.

So, you know, whether that's putting together a food bank, you know, like a food bank and they are going to be doing I mean this nutrition program and a culinary kitchen or whether that's, you know, an organization that's trying to act as an aggregator for different farmers.

You know, it's really about can you do what you said you're going to do and how do you - do you have the financial and staff resources to make that happen.

And then, you know, there's a lot of in-depth things around credit that I don't need to get into here but those are really the big buckets.

Matthew Lee: And Cassandra is there anything you wanted to add?

Cassandra Archibald: Yes, just a couple things. I agree with everything that Catherine said. One thing I'd like to add is just to expand upon what I mentioned earlier and that is that in these projects in particular the one thing that really stands out when you compare them to, you know, other projects that non-profits need financing for that operating margins are just extremely, extremely thin.

And so again, you know, the focus, you know, is on, you know, all of those credit pieces that all lenders have to think about. But the structure and funding sources of the transaction are very critical because there has to be some low-cost funding sources to make the debt service work.

The other thing that I want to just draw everybody's attention to is on one of the slides that I presented about a screen shot from the CDFI Fund's Website. There are resources there that give you an insight into how lenders will evaluate your project and anybody that's looking into that would definitely benefit from taking a look at, you know, the material that's given there.

Matthew Lee: Thanks Cassandra.

Catherine Howard: I would also just add one final thing which is if you're thinking about a project and you know that you're going to need financing around it, engage sooner rather than later with central lenders so that you can get a sense of what they need and they can get a sense of what you're doing. And, you know, you may need to be making changes along the way.

So the sooner you're having conversations and particularly CDFIs - this is what we do.

We're really good an engaging deeply with our clients and customers and getting to know and understand them. And so I would not say, you know, don't try to put together an entire full package that you think is really great and then call a lender.

You know, have a conversation early.

Matthew Lee: Yes, I think just to echo what you're saying Catherine and this came up in the previous Webinar we had in September is reaching out early, talking to your local CDFI, accessing the OFN Website and finding who's available and what CDFIs are close by to you.

And oftentimes if the CDFI you're in touch with early on as Catherine mentioned - if they can't-don't have a financial product that meets what you're looking for either they have some sort of technical assistance to support your work to get you to that point to meet the requirements or the expensive relationships among the different CDFIs and partnerships to hand off those relationships and interest is available.

So the sooner you reach out to your local CDFIs, the better. So it looks like our time is short. And just want to thank everyone's time for joining us today. And I'd just like to remind everyone this conversation is recorded so - and it's going to be posted on the OCS Website. So if you'd like to share this with your friends or refer back to it including the materials that will be found online.

And I also encourage everyone to keep checking your inboxes and checking back in OCS's Website for future Webinars. This is actually the second part of a two-part series, a financial series. The first was Integrated Finance and that recording is up online and that talks about all different types of financing beyond public sources and private sources and finding an integrated capital approach.

So I would highly recommend checking that out. And so until next time thank you everyone for your time. And thanks to panelists for all your time as well.

Operator: Thank you for your participation. This does conclude today's call.

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