

Funding Opportunities for Native CDFIs in Rural Communities

April 28, 2016

NATIVE CDFI NETWORK

Welcome to Our Webinar

- Keep Background Noise to a Minimum
 - Mute and Unmute Functions
- Interacting With Presenters
 - Chat Function
 - Q&A Time Reserved at End of Webinar

NATIVE CDFI NETWORK

Webinar Overview

- Introductions
- USDA – Programs for Native CDFIs
- Q&A
- Wrap Up


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Meet our presenters

INTRODUCTIONS

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Lisa Mensah
Under Secretary of USDA Rural Development


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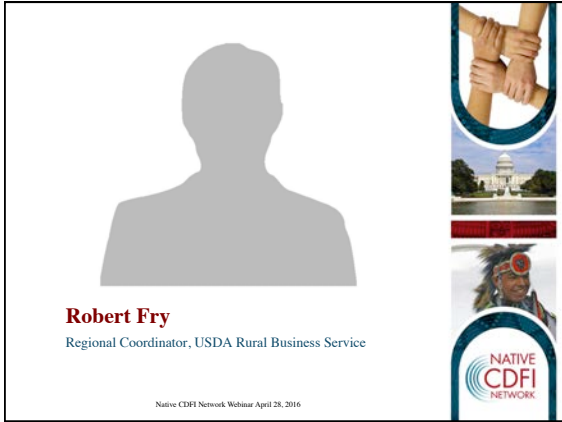




Ted Buelow
Native American Coordinator for USDA Rural Development


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Robert Fry
Regional Coordinator, USDA Rural Business Service



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USDA Rural Development

Sustaining Relationships in Indian Country

- Business Programs for Native CDFIs -

USDA Rural Development
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Revolving Loan Fund Purpose


Alleviate Poverty in Rural America

By

Providing Access to Capital

Through

Establishment of Revolving Loan Funds



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Types of Assistance

- Intermediary Relending Program (IRP)
 - Loan Only Assistance
- Rural Microentrepreneurial Assistance Program (RMAP)
 - Loan and Grant Combination
- Rural Business Development Grant (RBDG)
 - Grant Only Assistance



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Intermediary Relending Program (IRP)

- Direct loan made to Intermediary (you)
- Terms: 30 years 1% fixed interest rate
 - 3 year deferral period is available
- Max loan: 1,000,000 (established by federal notice)



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IRP-How it Works

- Loan funds are relented to businesses (Ultimate Recipients)
 - Terms of loans are negotiated between parties
 - Initial round is concurred on by Rural Development (Agency)
 - Administrative review only
 - Agency does **not** underwrite files



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IRP-How it Works

- The spread between the rate charged the Intermediary (1%) and that charged to the Ultimate Recipients is used to help pay administrative costs



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IRP-Reporting and Restrictions

- Reporting
 - Semi annual online reporting
 - Ultimate Recipient data
 - Cash positions
 - Administrative costs removed from fund
 - Annual Audit
 - Yearly proposed budget for the fund
 - Periodic Agency field visits



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IRP-Reporting and Restrictions

- Restrictions
 - All funds in the IRP are restricted
 - Making loans
 - Paying approved costs
 - Funding loan loss reserve
 - Agency maintains a control agreement on the fund's bank account
 - Loan limits
 - Max loan limit is currently 250k
 - 75% max of total project
 - No restriction on type or size of business



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RMAP

- The revolving loan fund portion of this program works exactly as IRP with the following differences:
 - Max loan to you is 500,000
 - Max loan to Ultimate Recipients is 50,000
 - Ultimate Recipient must be “microenterprise” defined as a business with a max of 10 employees
 - Can possibly fund 100% of project



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RMAP

- Max term to you is 20 years
- Interest rate is 2%
- Loan Funds are awarded in conjunction with a grant (up to 25% of the loan amount)
- The grant will fund technical assistance and pay administrative costs (15% matching funds requirement)



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RMAP

- Loan & grant funds are included in one application
- You will qualify for annual grant non competitively (subject to fund availability) based on lending activity (amount owed to you)
- Subsequent loans do not come with grant as you are already receiving grant yearly based on lending activity



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RBDG

- RBDG is a grant program that has multiple uses
 - Technical Assistance
 - Feasibility Studies
 - Purchase of Real Estate (Business incubator)
 - Purchase of Equipment
 - Capitalize a revolving loan fund
- All assistance to a business is **Indirect**



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RBDG

- Assistance must be provided to a “Small and Emerging Business”
- *“Any private business which will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues”.*



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RBDG

- Revolving Loan Fund is established by a grant, not a loan
- There must be an immediate project that will be funded with the RLF
- The grant agreement is in force until the grant is re-paid



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RBDG-Reporting

- Annual on line reporting-Same system as other RLF programs
- Agency field review every three years
- Control agreement/restricted fund usage
- All reporting and monitoring are for the life of the fund
- Revolved funds do **not** lose their federal identity



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Potential Challenges in Managing RD Revolving Loan Funds

- Deal Flow
 - Insufficient Capacity
 - Lack of Social Network
- Sustainability
 - Interest Rate Spreads to Cover Costs
 - Pricing For Risk
 - ZIRP etc



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How to Apply

- Both IRP and RBDG have set asides for Native American Tribes
- RBDG “Enterprise”: \$3,695,436
 - T/A, RLF, equipment
- RBDG “Opportunity” \$615,965
 - Planning/feasibility
- IRP: 1,922,520
 - We routinely pool these funds as they go unused



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How to Apply

- RMAP: 11.4 million loan, 3.7 million grant
 - Program currently undersubscribed, currently funding as they are submitted
 - No set-aside for Native American projects



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How to Apply

- USDA-Rural Development has a field office structure, all applications are processed locally
- IRP and RMAP are national competitions
- RBDG is allocated to your state for competition and award. The Native set aside is nationally competitive
- To find a Rural Development office nearest you, go to
 - <http://www.rurdev.usda.gov/Home.html>



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Contents of Application

- Federal forms and disclosures
- Financials and Pro Forma projections
- Organizational documents
- Work Plan/Lending Manual



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What Should I Apply for?

- **Think about all three!**
- IRP-Direct loan
- RMAP-Loan and Grant
- RBDG-Grant for capital or TA
- 90% of our RMAP borrower's are also IRP borrowers.
- 75% of our IRP borrowers also have at least one RBDG.



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QUESTIONS?



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Wrap Up

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- Next Webinar – June 16, 2016

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