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SSBCI presentation for the Native CDFI Network webinar April 13, 2022

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## Other Credit Support Programs (OCSP)

# Loan Participation Program using SSBCI Funds

### Disclaimer

I am presenting this information as a favor to the Native CDFI Network in an effort to share what I've learned so far and to assist Tribes with their thought processes for their SSBCI applications.

**I am not an expert in SSBCI.** I am a banker that specializes in commercial lending. So my "view" of SSBCI comes from the "banker" side, not from the government or program side.

I do not know and understand all of the SSBCI requirements, so you need to review the requirements yourself and decide if this program is for you and if can you meet all of the requirements of running an SSBCI program.

I am sharing my thoughts and conclusions on the **Loan Participation Program** that have come through trial and error, many conversations, webinars and other sources. My views are not the views of Bay Bank.

You are responsible for performing your own review, analysis and making your own conclusions. Do not rely entirely on my thoughts.

Good luck on your applications.

## This presentation covers the Loan Participation program only

Some items I will cover today:

- What do projects look like - a mix of Private / Public funds in a project
- What does Leverage look like for a single transaction
- Should leverage be the same for all projects and every transaction?
  - They could be the same
  - But they don't have to be
  - No one said you have to use the same mix for every project
  - It's your program, you design it how you think it will work best
- What Leverage looks like for multiple transactions
- Participation Rates
- Creating your own lending projections
- Transferring the results into the Treasury Leverage Table

## What do projects look like - a mix of Private / Public funds in a project

### Calculating Leverage and the Participation % rate

Project Amount	Private Funds	Public Funds (SSBCI)	Total Funds
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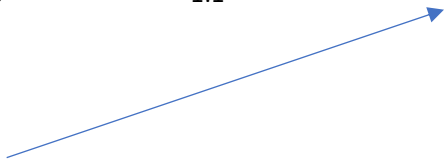
\$100,000	\$50,000	+ \$50,000	= \$100,000
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Project Amount	Private Funds	Public Funds (SSBCI)	Total Funds	Leverage
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\$100,000	\$50,000	+ \$50,000	= \$100,000	<b>1:1</b>
	(a)	(b)		(a divided by b) \$50,000 / \$50,000 = 1

Project Amount	Private Funds	Public Funds (SSBCI)	Total Funds	Leverage	Participation
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\$100,000	\$50,000	+ \$50,000	= \$100,000	1:1	<b>50%</b>
		(c)	(d)		(c divided by d) \$50,000 / \$100,000 = 50%



The Treasury Leverage Table asks for your “Average % Participation”, so you need to calculate this for every deal and on a cumulative basis

## Let's look at a mix of transactions

Project Amount	Private Funds	Public Funds (SSBCI)	Total Funds	Leverage	SSBCI Participation
\$100,000	\$50,000	\$50,000	\$100,000	1:1	50%
\$500,000	\$250,000	\$250,000	\$500,000	1:1	50%
\$300,000	\$200,000	\$100,000	\$300,000	2:1	33%
\$500,000	\$400,000	\$100,000	\$500,000	4:1	20%
\$250,000	\$200,000	\$50,000	\$250,000	4:1	20%
\$1,000,000	\$500,000	\$500,000	\$1,000,000	1:1	50%
Cumulative					
\$2,650,000	\$1,600,000	\$1,050,000	\$2,650,000	1.52:1	39.6%

**Your average SSBCI participation rate is 39.6% so far with 6 projects**

**And your cumulative Leverage Ratio is 1.52:1**

**So how will you get to 10:1?**

This is:  
 $\frac{\$1,600,000}{\$1,050,000} = 1.52$

This is:  
 $\frac{\$1,050,000}{\$2,650,000} = 39.6\%$

**Let's look at the same transactions, but change the SSBCI Participation amounts, which will change the resulting Leverage Ratios**

Project Amount	Private Funds	Public Funds (SSBCI)	Total Funds	Leverage	SSBCI Participation
\$100,000	\$50,000	\$50,000	\$100,000	1:1	50%
\$500,000	\$350,000	\$150,000	\$500,000	2.3:1	50%
\$300,000	\$250,000	\$50,000	\$300,000	5:1	33%
\$500,000	\$400,000	\$100,000	\$500,000	4:1	20%
\$250,000	\$200,000	\$50,000	\$250,000	4:1	20%
\$1,000,000	\$800,000	\$200,000	\$1,000,000	4:1	50%
Cumulative					
\$2,650,000	\$2,050,000	\$600,000	\$2,650,000	<b>3.41:1</b>	<b>22.6%</b>

**By changing the mix of private to public funds, we can increase the cumulative leverage ratio**

**But notice that the average Participation rate decreased to 22.6%**

**More Leverage = a lower Participation rate**

**You need to perform some analysis to determine what will work best for you**

## Creating your own lending projections - what will that look like?

- Start with the method above
- Use varying project sizes
- Vary / change the Leverage / Participation Rates
- Maybe allow small projects to have the highest participation rate (50% which means 1:1 Leverage)
- And maybe the larger projects require more leverage (Large could mean = \$1,000,000 and up)
- Maybe design some ranges or brackets - for example:

Project Size	Leverage Required	Participation %
Up to \$50,000	1:1	50%
\$50,001 to \$250,000	3:1	33%
\$250,001 to \$1,000,000	5:1	16%
\$1,000,000 and greater	10:1	9%

Would brackets like this make sense for you?

Do some math to test it

Vary the ranges  
(small, medium, large projects)

Vary the leverage requirements

Try to “deploy” your full SSBCI amount

Track and pay attention to the cumulative Leverage Ratio and the Average Participation percentage

So let's take a look at what kind of Leverage and average Participation % this will generate

(Jeff will do a screen share)

## Transfer your projected activity into the Treasury Table

Recall on the prior page I had \$600,000 of SSBCI funds loaned out

This is what the Treasury's Leverage Table looks like with that data inserted

Loan Participation Program		Portfolio Composition Assumptions		
Program		Loan Tenor (yrs)	Multiple	% of total portfolio
Program Name:	SAMPLE TRIBE	1	4.80	0%
Output		5	1.95	25.0%
Maximum Leverage Ratio:	4.24	7	1.00	41.6%
General Assumptions		10	1.00	33.4%
Amount to be Allocated to Program	\$ 600,000	Total		100%
Time until recycling (yrs)	4			
Time Horizon (yrs)	10			
Average % Participation	22.6%			
Assumed Loss %	5%			

- The \$600,000 gets input here
- Time until recycling – the assumption is, when you will receive loan repayments you will be able to “recycle” those funds and make additional loans
- Time Horizon – this is a 10 year program
- **Average Participation %** – recall that we calculated the average on the prior page – **so we will use 22.6%**
- Assumed loss – this is a best guess because how can we accurately project loan losses, but we need to assume some losses

### Loan Tenor

- This is YOUR program, so you decide the length of your loans
  - I put the three \$50k loans in the 5 year bucket ( $\$150 \text{ divided by } \$600 = 25\%$ )
  - I put the \$150k and the \$100k loans in 7 year bucket ( $\$250 \text{ divided by } \$600 = 41.6\%$ )
  - I put the \$200k loan in the 10 year bucket ( $\$200 \text{ divided by } \$600 = 33.4\%$ )

- **In your projections you need to distribute your loans over a time frame to come up with these percentages**

## Transfer your projected activity into the Treasury Table - Loan Data Tables tab

The Loan Data Tables tab is simply assigning each loan into a year

OCSP LOAN DATA TABLES													
<b>Legend:</b>	<table border="1"> <tr><td>Static Field</td></tr> <tr><td>Calculated Field</td></tr> <tr><td>To be Completed by Applicant</td></tr> </table>										Static Field	Calculated Field	To be Completed by Applicant
Static Field													
Calculated Field													
To be Completed by Applicant													
TOTAL AMOUNTS ALLOCATED IN LEVERAGE CALCULATIONS TABLES	\$ 600,000												
TOTAL FUNDED AMOUNT FOR OCSPs	\$ 600,000												
<b>Applicant Aggregate Projections for OCSPs</b>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031			
Total Number of New Investments per Year	100,000	800,000	750,000	1,000,000	-	-	-	-	-	-			
Total Cumulative Number of New Investments	100,000	900,000	1,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000			
Total Annual Federal Funds	\$ 50,000	\$ 200,000	\$ 150,000	\$ 200,000	\$ -	\$ -	\$ 2,650,000	\$ -	\$ -	\$ -			
Total Cumulative Federal Funds	\$ 50,000	\$ 250,000	\$ 400,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000			
<b>Equity/Venture Capital Programs</b>													
Program Name	0												
Amounts Allocated in Leverage Calculations Table	\$ -												
Program Total Funded Amount	\$ -												
<b>Equity/Venture Capital Program - Projections</b>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031			
Number of New Investments per Year													
Federal Contributions Deployed													
Cumulative Number of Investments	0	0	0	0	0	0	0	0	0	0			
Cumulative Federal Funds	-	-	-	-	-	-	-	-	-	-			
<b>Equity/Venture Capital Programs</b>													
Program Name	0												
Amounts Allocated in Leverage Calculations Table	\$ -												
Program Total Funded Amount	\$ -												
<b>Equity/Venture Capital Program - Projections</b>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031			
Number of New Investments per Year													
Federal Contributions Deployed													
Cumulative Number of Investments	0	0	0	0	0	0	0	0	0	0			
Cumulative Federal Funds	-	-	-	-	-	-	-	-	-	-			
<b>Loan Participation Program (LPP)</b>													
Program Name	SAMPLETRIBE												
Amounts Allocated in Leverage Calculations Table	\$ 600,000												
Program Total Funded Amount	\$ 600,000												
<b>LPP - Projections</b>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031			
Number of New Loans (count Federal + Private funds as one loan)	100,000	800,000	750,000	1,000,000	-	-	-	-	-	-			
Federal Contributions	\$ 50,000	\$ 200,000	\$ 150,000	\$ 200,000	\$ -	\$ -	\$ 2,650,000	\$ -	\$ -	\$ -			
Cumulative Number of Investments	100,000	900,000	1,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000			
Cumulative Federal Funds	\$ 50,000	\$ 250,000	\$ 400,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000			

You actually input the data here in rows 44 & 45 and it will auto-populate at the top