2023 CAREN FRANZINI FELLOWSHIP

BEST PRACTICES FOR EQUITABLE LENDING WHITE PAPER

Olivia Barone
Neyli Castillo Suarez
Tonita McKnight
Zaba Rashan

TABLE OF CONTENTS:

03

EXECUTIVE SUMMARY

Development finance agencies (DFAs) are tasked with providing financial services to underserved communities in order to see them grow and thrive. DFAs are defined here as community lenders including but not limited to community development financial institutions (CDFIs), credit unions, banks, private firms, finance authorities, and public agencies across both the private and non-profit sectors. Furthermore, this paper addresses issues faced by commercial lenders in the DFA space. Because no two communities are exactly alike, DFAs often differ in how they address the unique challenges to capital access that small businesses in their communities face. DFAs should consider the unique needs of their communities and borrowers while maintaining focus on responsible lending and risk management.

Individually DFAs can't address every capital access barrier small businesses face. DFAs each have different risk tolerances, access to technology, are based in different locations, and have different community handicaps. They can, however, focus on similarities and tackle the most prevalent issues plaguing the development finance industry.

EXECUTIVE SUMMARY

When being charged with building equity for borrowers considered “risky” by traditional lending standards, how do DFAs maneuver the minefield while keeping some inherent risk in mind? Well known are the different tactics to use when it comes to the four “Cs,” but what about other barriers that lie outside of credit, collateral, capital, and capacity? What conditions hinder the industry from being more inclusive in order to open doors and create pathways to a thriving and sustainable small business community? As development finance professionals, we seek to understand what problems our clients face. To be more inclusive, we should consider what other DFAs face, and create a solution to help tackle those problems.

The following framework is intended to help development finance professionals understand their local community in a holistic way to meet the community where it is at and provide solutions to capital access barriers. The framework offers an out-of-the-box solution intentionally designed to help professionals better think through issues and guide them through blind spots they might not be aware of. This is accomplished through exploratory questions to ask while designing loan products, advice on how to leverage different local partnership opportunities, and guidance on working with local entrepreneurs.

CDFA’s member network was surveyed to better understand the most common barriers for small businesses in accessing community capital. Survey respondents were largely lending organizations, targeting commercial lending and revolving loan fund programs, specifically, surveying loan and business development officers and/or head of lending programs and economic development for impact on day-to-day programs, operations, and impact policy. The survey was a combination of questions to both identify barriers that have not been addressed as well as barriers identified and successfully addressed. The survey was followed up by voluntary interviews with survey respondents to inform the framework’s best practices. The results were analyzed and drafted into the framework, the purpose of which is to help DFA’s address most barriers faced in their communities.

FRAMEWORK AND RECOMMENDATIONS

05

HOW TO READ THE FRAMEWORK:

Recognizing that more than one solution can work for an identified barrier, this framework is not intended to be read like a report. Instead, the framework should be used as a guide. Professionals looking to harness the recommendations should go to each section and read them individually.

The Framework is laid out as follows:

- Understand your community
- Understand the barriers
- Apply the recommended solutions to the identified barriers
  - Barrier 1: Recruitment and retention of qualified talent
  - Barrier 2: Lack of collateral
  - Barrier 3: Lack of understand business financials
  - Barrier 4: Lack of technical assistance
  - Barrier 5: Use of traditional credit scoring models in underwriting
  - Other barriers

STEP 1: UNDERSTAND YOUR COMMUNITY

Understand the community's strengths, weaknesses, and gaps in capital access. Use the following to guide the process:

Economy:

- Assess the local economic landscape through population demographics, major industries, and prevalent business types in the area.
    - Questions to consider: Are there large non-English speaking populations in the small business space? Is there appropriate language assistance available in those languages? This can include in-language support services, loan products, technical assistance, and business coaching.

Participate:

- Engage with other players in the local development finance space, state-, county-, and city government, and community organizations to understand how they serve the community.
    - Questions to consider: Do you have a relationship with or participate in local chambers of commerce? Does the chamber know of your DFA's loan products?
    - Does your state have a State Small Business Credit Initiative (SSBCI)? This program varies across states and could include participation funds, collateral support programs, and technical assistance. Does your organization have a relationship with the agency administering the program? Has your organization taken the steps to be involved in the program?

UNDERSTAND YOUR COMMUNITY 07

Partner:

- Partner with local technical assistance providers, small business development centers, and other lenders to understand what challenges they most regularly address through business coaching.
    - Questions to consider: Are there large enclaves of underrepresented minorities in the community (i.e. religious groups, ethnic groups)? As entrepreneurs, are there avenues to accomplish their business goals? Are there cultural or religious factors that prevent them from taking part in traditional financing?
    - Does your state/city/community have a small business development center (SBDC)? SBDCs provide counseling and training to small businesses. Have you considered leveraging this relationship to provide referrals where your organization cannot meet a client's needs?

Organize:

- Organize regular forums, working groups, or roundtable discussions where stakeholders can share insights and work together to identify and address challenges.
    - Questions to consider: Are there after-hours accommodations for entrepreneurs who spend business hours working at their businesses?

STEP 2: UNDERSTAND THE BARRIERS

Understand the barriers to capital access from the business' perspective, including issues with:

Income: Does the business generate enough revenue to take on capital and debt? Do local DFA products box them out of lending?

Collateral: What collateral does the business have to offer to secure the loan? If none or the business is a start-up, are there collateral support programs to leverage?

Credit history: Does the entrepreneur's credit prevent them from securing capital?

High-interest rates: Does the interest rate environment make taking on debt difficult?

Experience/time in the industry: Is the company a start-up?

Amount needed to borrow: Does the business owner understand how much it needs to borrow to accomplish its goals? Are they over-leveraging or under-leveraging the business with the amount they're asking for?

Retention and recruitment: Does the business have difficulty attracting or keeping employees?

Cultural aspects: Are there cultural or religious aspects the entrepreneur has to consider while seeking funding?

STEP 3: APPLY THE SOLUTIONS

Apply recommended solutions to the identified barriers. Through conversations and surveying of development finance professionals, the following barriers were noted as some of the most common throughout the industry. The corresponding recommendations to overcoming these barriers are only some of the possible solutions and could apply to more than one barrier.

Lack of collateral

- *Collateral Alternatives:* Explore alternatives to traditional collateral requirements. Consider using assets such as equipment, inventory, or accounts receivable as collateral, which may be more relevant to the borrower's business operations. Depending on risk, offer signature loans and cosigners as personal guarantors.

- *Personalized Risk Assessment:* Tailor risk assessments to the specific needs and circumstances of each borrower. Consider factors such as the borrower's industry, geographic location, and market conditions to make more accurate lending decisions.

- *Loan Guarantees:* Take a lien on a business asset, take a personal guarantee including from a spouse, parents, etc., or work with other state and federal programs that will help guarantee the loan. There are federal and state programs that allow for partial guarantees of loans for collateral deficient borrowers. SBA offers a guarantee program for their participating lenders to help mitigate risk. SSBCI also offers guarantee programs through their designated agencies/lenders. If businesses are unable to find someone to be a personal guarantor for them, leverage organizations like Operation Hope that will assist the business owner with improving their credit.

- *Cash Flow Analysis and Based Scoring Models*: Emphasize the analysis of cash flow and operational performance when evaluating a borrower's ability to repay. DFAs can work with businesses to understand their revenue streams, expenses, and overall financial health, which may provide a more accurate picture of their creditworthiness. Develop or adopt cash flow-based scoring models that assess the borrower's ability to generate consistent cash flow. These models focus on the borrower's capacity to make loan payments rather than historical credit behavior.

Case Study: Colorado B:Side Fund

Colorado B:Side Fund is a nonprofit lender organization founded in 1990 as an SBA 504 lender that partnered with banks and SBA to assist businesses in purchasing commercial buildings. Since then, B:Side Fund has expanded to offer their own loans of up to $150,000 across Colorado, Arizona, Utah, and New Mexico. The organization designed programs that allow it to be flexible with its borrowers with regard to collateral. B:Side Fund will take a lien on a business asset, take a personal guarantee, or leverage other state and federal programs to guarantee the loan. If the business owner is unable to secure a personal guarantor, B:Side Fund will refer the client to Operation HOPE, a financial literacy nonprofit that assists with credit score improvement. Through this program, clients can positively impact their credit score within six months.

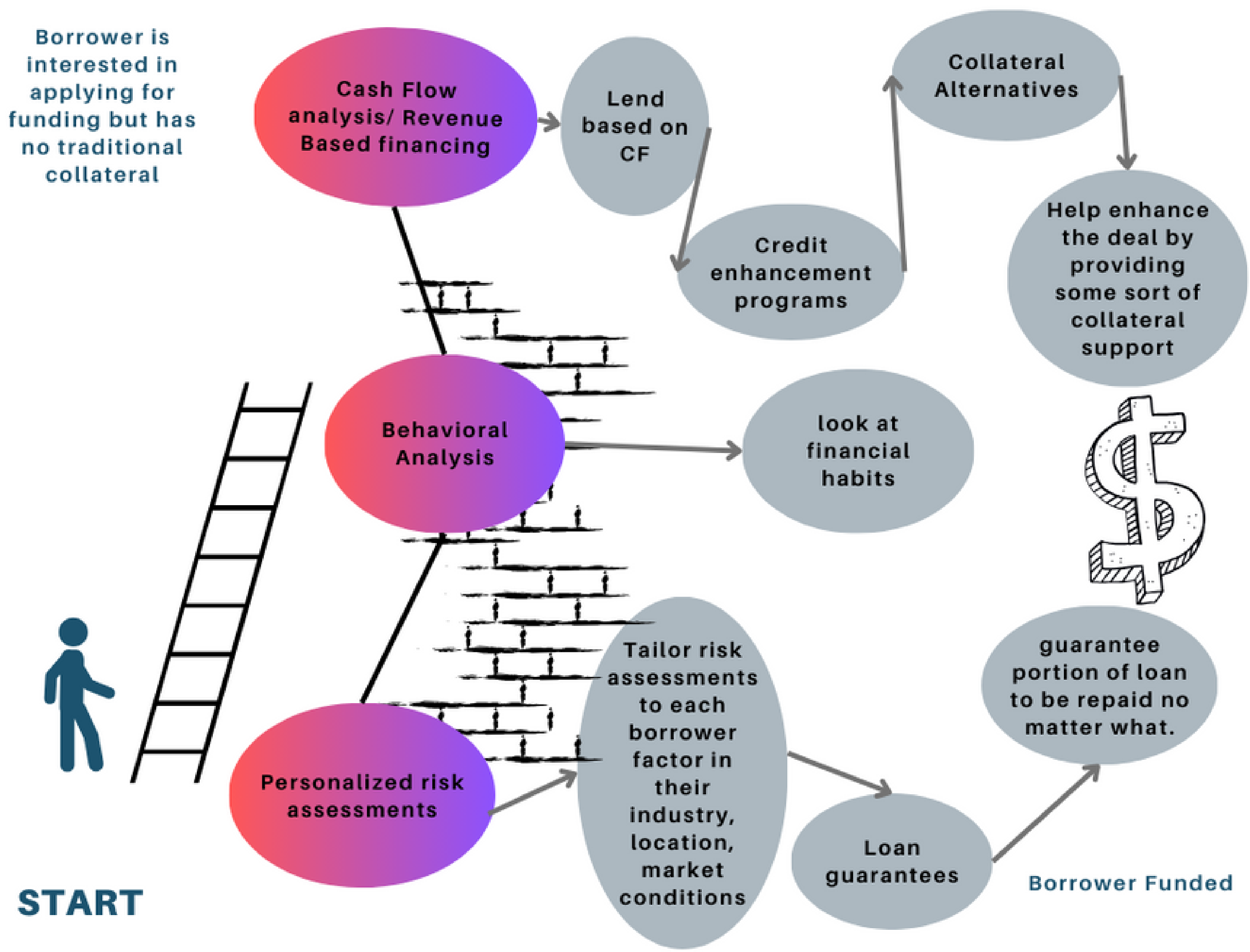
As an SBA lender, B:Side Fund is able to leverage SBA to guarantee the loan. If the loan is under- or unsecured or without a personal guarantee, SBA acts as a cosigner for the loan and, if approved, guarantees 85 percent of the loan. This method not only helps small business owners secure funding, but helps the nonprofit take on a smaller loan risk when dealing with a business with no collateral. The goal of B:Side Fund is to not decline a loan simply because it is under- or unsecured by collateral. The organization has been able to use resources to extend credit to otherwise boxed-out businesses.

Lack of collateral (Continuation)

- *Credit Enhancement Programs:* Establish credit guarantee schemes or collateral support mechanisms to reduce lender risk and encourage financing of small businesses. If the DFA is unable to assist client(s) due to no or insufficient collateral, there should be a referral to other local agencies that may be able to help.

- *Behavioral Analysis:* Analyze borrower behavior, including financial habits and decision-making, to better understand their financial responsibility and risk profile.

COLLATERAL DIAGRAM



Lack of technical assistance

- *Partnerships and Data Sharing:* Collaborate with local organizations, credit unions, and other financial institutions to share data, insights, or referrals. Partner with lenders that have established programs and support them with guarantees, loan loss reserves, or grant capital to create new programs. A DFA with lending expertise can partner with small business development centers, certified public accountants, or other organizations that offer one-on-one training or workshops on business financials or technical assistance if the organization can't offer it in-house. Through collaboration, agencies can focus on what they do best and leverage expertise in the community to fill in the gaps.

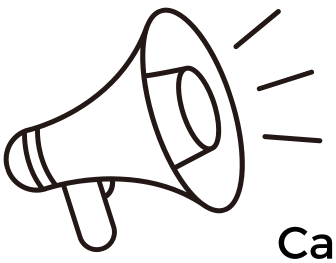
- *Assistance in Business and Financial Literacy:* Empower small business owners with the knowledge and skills required to navigate the financing landscape effectively.
    - Financial Education Workshops: Offer workshops on basic financial management, loan application procedures, and credit improvement strategies.
    - Mentorship Programs: Pair experienced entrepreneurs with start-up entrepreneurs to provide guidance on financial planning and capital access.
    - Digital Platforms: Create digital platforms that connect small businesses with potential lenders, facilitating a more transparent and efficient loan application process.

- *Digital Platforms and Innovation:* Invest in innovative platforms, like ConnectID, that connect entrepreneurs to resources and tools provided by DFAs. Maintaining one location where DFAs can share their services streamlines business development, an often decentralized process, and allows collaboration, visibility, and ease of access.

Lack of technical assistance (Continuation)

Collaborate with Support Organizations:

- Collaborate with local business development organizations, chambers of commerce, and industry associations to harness their expertise and resources.
- Host trainings and workshops on essential business topics such as business planning, financial literacy, access to credit, and regulatory compliance.
- Create an online resource hub with user-friendly templates and guides covering a wide range of technical assistance topics.
- Provide financial counseling services to assist businesses in assessing their financial health, identifying areas for improvement, and devising strategies to meet their capital needs.
- Offer assistance with loan packaging to ensure that small businesses have well-organized documents for loan applications.



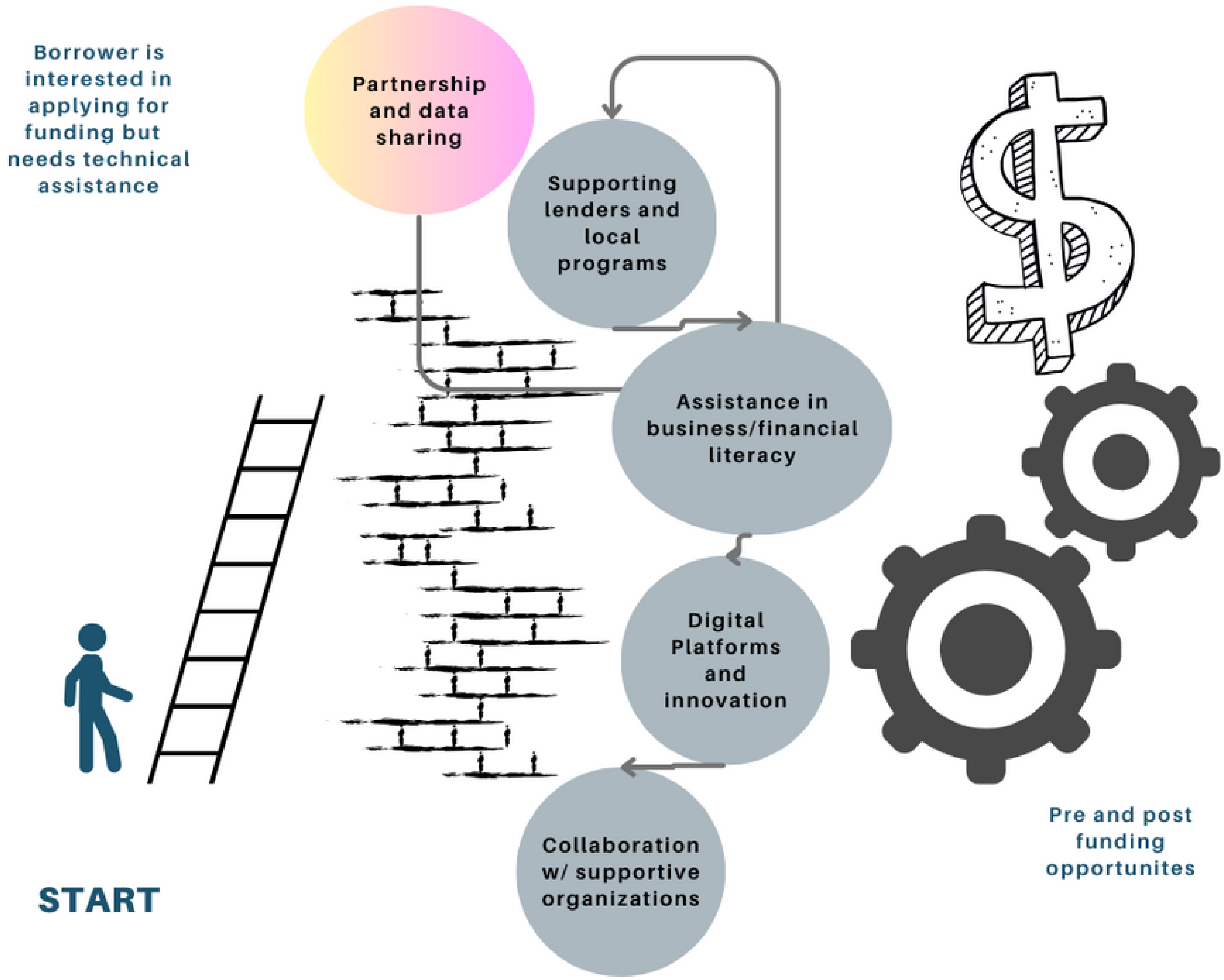
Case Study: Ohio State Development Corporation

At the heart of the Ohio Statewide Development Corporation's (OSDC) approach is unwavering mission orientation aimed at empowering businesses through increased capital access. Within the intricate realm of financial assessment, borrowers are encouraged to decipher complex financial statements while the team meticulously evaluates their capacity to repay loans on paper.

Central to their approach is a dual-layered technical assistance strategy. The organization provides internal expertise complemented by external referrals when complexities exceed the organization's domain. This specialized guidance streamlines decision-making processes and aligns choices with operational efficiency and financial capacity. Their focal point revolves around facilitating loans for significant fixed assets such as buildings and machinery, often necessitating legal acumen. OSDC's lending programs prioritize client comfort through effective communication, acting as an advocate for the client, and functioning as thought partners, especially at the organization's higher lending amounts of $50,000 through $100,000. Recognizing the challenges that business owners face while navigating a complex loan process, OSDC simplifies the steps involved and extends micro-level assistance to clients.

The organization's technical assistance programs extend beyond capital provision, encompassing marketing support and technical financial comprehension. OSDC uses risk assessment matrices to examine the business' alignment with SBA regulations, risk tolerance thresholds, and the synergy of business metrics within the local context. The organization's dedication to simplifying the loan process has given them an edge in the field, characterized by meticulous technical assistance, thoughtful risk evaluation, and profound mission alignment.

TECHNICAL ASSISTANCE DIAGRAM



Lack of understanding business financials

- *Alternative Data Sources:* Incorporate alternative data sources in the underwriting process, such as utility bill payments, rent payment history, social media activity, and education records. These sources can provide valuable insights into an individual's or business's financial behavior and stability, especially for those with limited credit history.

- *Cash Flow Analysis and Based Scoring Models*: Emphasize the analysis of cash flow and operational performance when evaluating a borrower's ability to repay. DFAs can work with businesses to understand their revenue streams, expenses, and overall financial health, which may provide a more accurate picture of their creditworthiness. Develop or adopt cash flow-based scoring models that assess the borrower's ability to generate consistent cash flow. These models focus on the borrower's capacity to make loan payments rather than historical credit behavior.

- *Partnerships and Data Sharing:* Collaborate with local organizations, credit unions, and other financial institutions to share data, insights, or referrals. Partner with lenders that have established programs and support them with guarantees, loan loss reserves, or grant capital to create new programs. A DFA with lending expertise can partner with small business development centers, certified public accountants, or other organizations that offer one-on-one training or workshops on business financials or technical assistance if the organization can’t offer it in-house. Through collaboration, agencies can focus on what they do best and leverage expertise in the community to fill in the gaps.

- *Assistance in Business and Financial Literacy:* Empower small business owners with the knowledge and skills required to navigate the financing landscape effectively.
  - Financial Education Workshops: Offer workshops on basic financial management, loan application procedures, and credit improvement strategies.
  - Mentorship Programs: Pair experienced entrepreneurs with start-up entrepreneurs to provide guidance on financial planning and capital access.

Lack of understanding business financials (Continuation)

- *Digital Platforms:* Create digital platforms that connect small businesses with potential lenders, facilitating a more transparent and efficient loan application process.

- *Digital Platforms and Innovation:* Invest in innovative platforms, like ConnectID, that connect entrepreneurs to resources and tools provided by DFAs. Maintaining one location where DFAs can share their services streamlines business development, an often decentralized process, and allows collaboration, visibility, and ease of access.

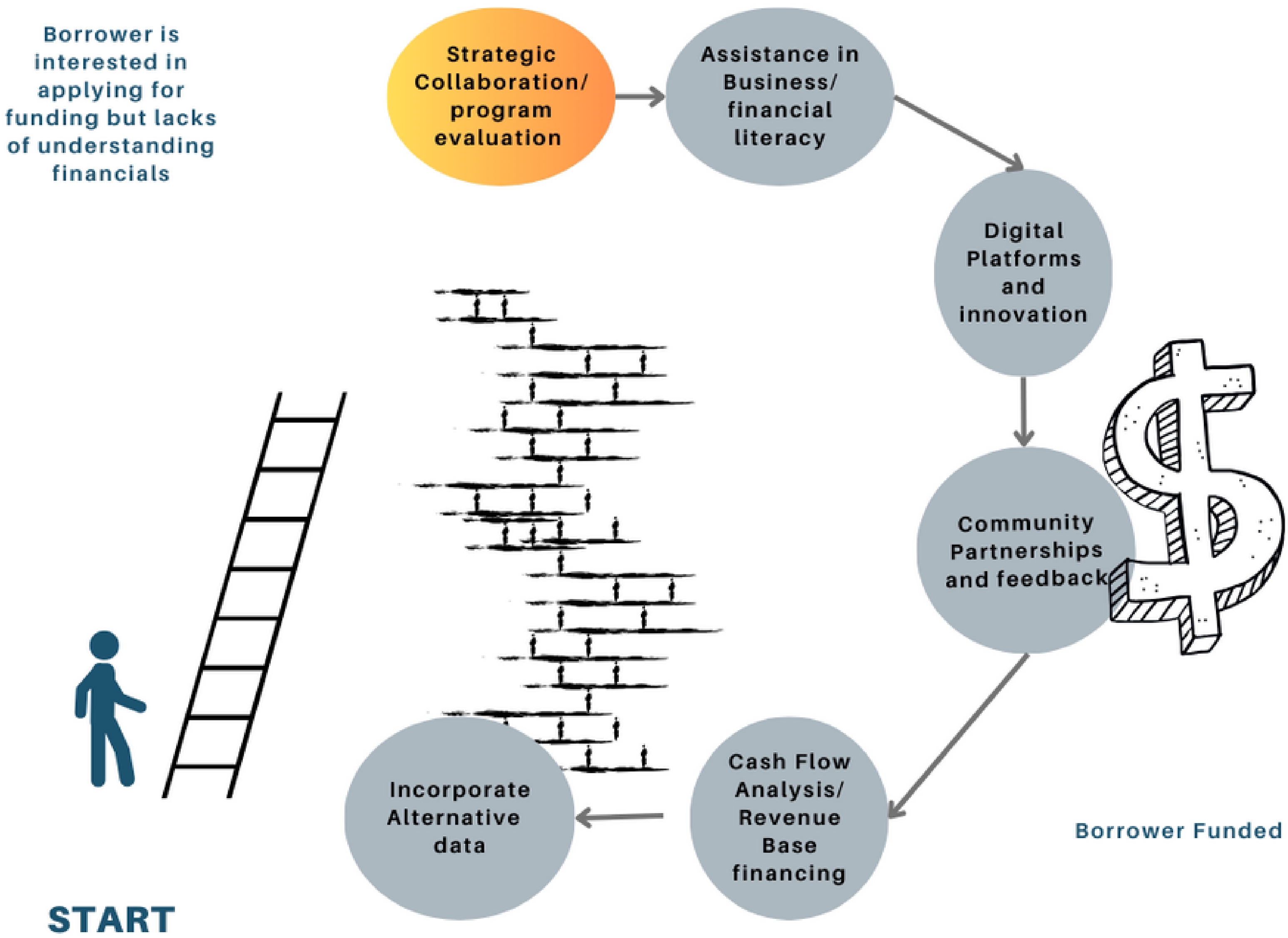
- *Community Partnerships and Continuous Feedback*: Collaborate with local business support organizations, chambers of commerce, and industry associations to extend the reach of financial education programs. Continuously assess the effectiveness of financial education efforts and gather feedback from small business owners to refine and improve the programs

Case Study: Alabama Small Business Development Center

The Alabama Small Business Development Center (ASBDC) is a non-profit under the umbrella of the University of Alabama providing advisory assistance to the community at no charge. Approximately, 50 to 60 percent of its clients have never borrowed money for their business. As a part of its services in providing guidance on business finances, the agency advises business owners on what debt to pay back. Some are able to refinance existing debt, while others must temporarily go out of business, and in working with the business, the agency sets up goals for owners to achieve the best outcome. ASBDC advises them and helps them get ready to borrow money, and achieve their financial and business goals.

ASBDC offers one-on-one confidential consultations, speaking to the clients specific situation and an action plan. Six consultants are available to get them ready to get a yes from a lender. If business owners want to open a restaurant, the center advises them to consider alternatives like starting at a food truck or farmers truck, or assesses their financial needs to suggest an appropriate amount needed for financing. They discuss renting a location rather than buying the commercial building. By helping the client understand business financials, how to accurately balance books, how to keep accounting records, and separate personal and business financials, ASBDC prepares the business for success and helps avoid future trouble.

BUSINESS FINANCIALS DIAGRAM



Lack of faith-based or culturally competent loan products

- *Culturally Competent Loan Products:* Create loan products that fit cultural or religious restrictions of the community the DFA is serving. If there are large cultural enclaves, speak to community leaders to understand if their needs are met with traditional financing options.

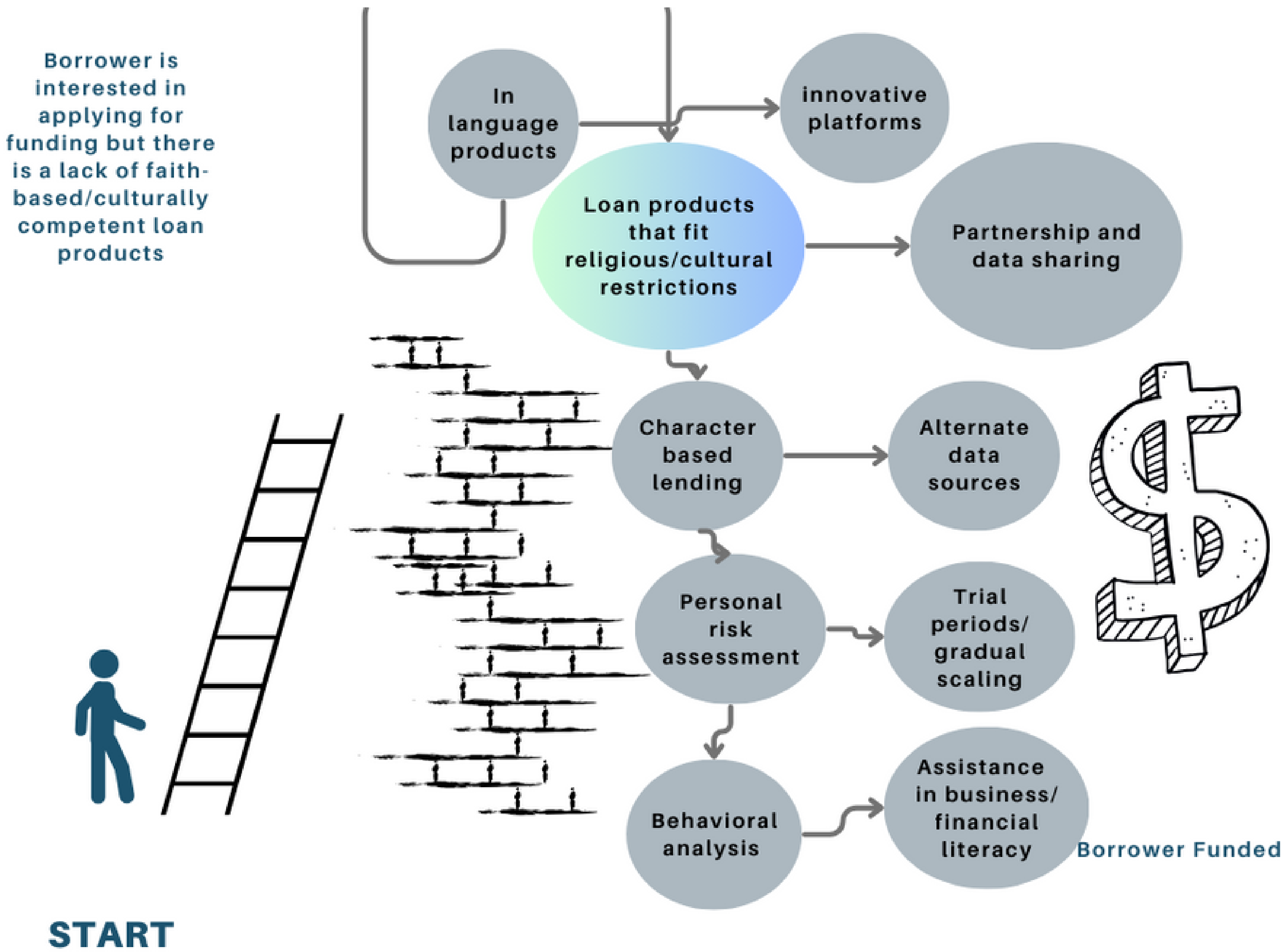
- *Character-Based Lending:* Implement character-based lending practices where DFAs build relationships with borrowers, assess their integrity, commitment, and track record, and provide financial education and support to help them succeed.

- *Personalized Risk Assessment:* Tailor risk assessments to the specific needs and circumstances of each borrower. Consider factors such as the borrower's industry, geographic location, and market conditions to make more accurate lending decisions.

- *Behavioral Analysis:* Analyze borrower behavior, including financial habits and decision-making, to better understand their financial responsibility and risk profile.

- *Alternative Credit Scoring:* Rethink the use of traditional credit scoring models in underwriting. Look at other factors when determining if a deal could be financed, such as cash flow, utility bill payments, repayment behavior, or residence stability. Have programs in place to build credit for applicants regardless of their credit status. Partner with certified agencies that provide credit building services and offer credit building products to help with building credit.

FAITH-BASED/CULTURALLY COMPETENT DIAGRAM



Use of traditional credit scoring models in underwriting

- *Credit Enhancement Programs:* Establish credit guarantee schemes or collateral support mechanisms to reduce lender risk and encourage financing of small businesses. If the DFA is unable to assist client(s) due to no or insufficient collateral, there should be a referral to other local agencies that may be able to help.

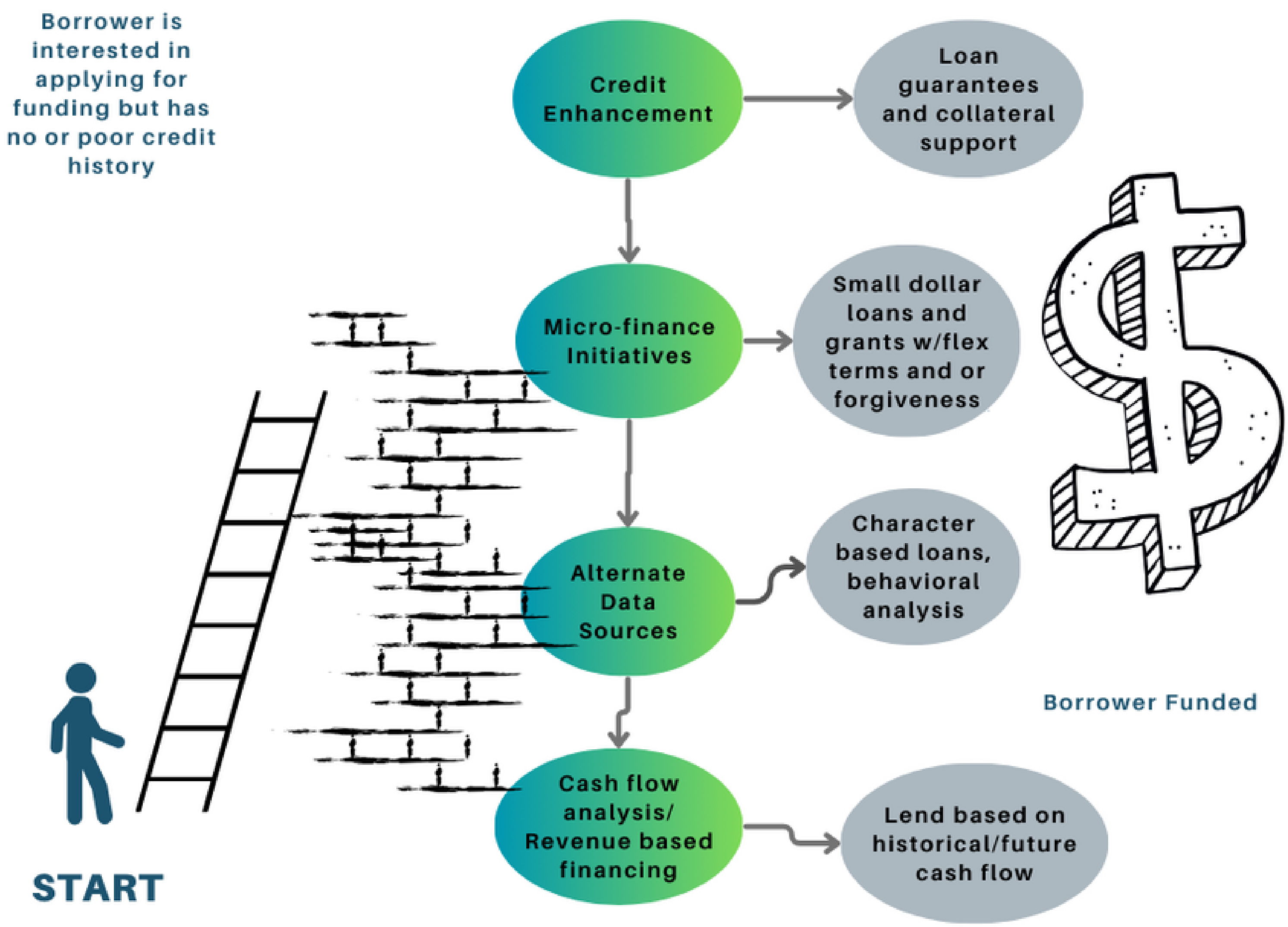
- *Microfinance Initiatives:* Create micro-lending programs targeting micro-enterprises and startups, offering smaller loan amounts with flexible repayment terms. Offer and/or recommend grants or forgivable loans to businesses that are unable to receive small loans to ensure the business obtains some sort of financial assistance.

- *Alternative Data Sources:* Incorporate alternative data sources in the underwriting process, such as utility bill payments, rent payment history, social media activity, and education records. These sources can provide valuable insights into an individual's or business's financial behavior and stability, especially for those with limited credit history.

- *Character-Based Lending:* Implement character-based lending practices where DFAs build relationships with borrowers, assess their integrity, commitment, and track record, and provide financial education and support to help them succeed.

- *Cash Flow Analysis and Based Scoring Models:* Emphasize the analysis of cash flow and operational performance when evaluating a borrower's ability to repay. DFAs can work with businesses to understand their revenue streams, expenses, and overall financial health, which may provide a more accurate picture of their creditworthiness. Develop or adopt cash flow-based scoring models that assess the borrower's ability to generate consistent cash flow. These models focus on the borrower's capacity to make loan payments rather than historical credit behavior.

TRADITIONAL CREDIT SCORING MODELS DIAGRAM



Other Recommendations

For Loans

- *Trial Periods and Gradual Scaling:* Offer trial periods or smaller loans initially to assess the borrower's repayment behavior and capacity before extending larger amounts of credit.
- *Monitor and Evaluate:* Regularly assess the effectiveness of programs and make necessary adjustments.
  - Performance Metrics: Define key performance indicators to measure the impact of initiatives, such as increased loan approval rates, reduced loan processing times, or delinquency and default rates.
  - Feedback Mechanisms: Establish mechanisms for small business owners and lenders to provide feedback on their experiences with the financing solutions. This could be through regular reporting, surveys, or site visits.

For Recruitment and retention of qualified talent

- Provide a generous compensation plan in order to stay competitive in the market. If the company's budget doesn't allow it, offer other programs like health insurance, retirement plans, referral programs, and unlimited paid time off.

- Partner with agencies like Worksource that have programs to help subsidize income.

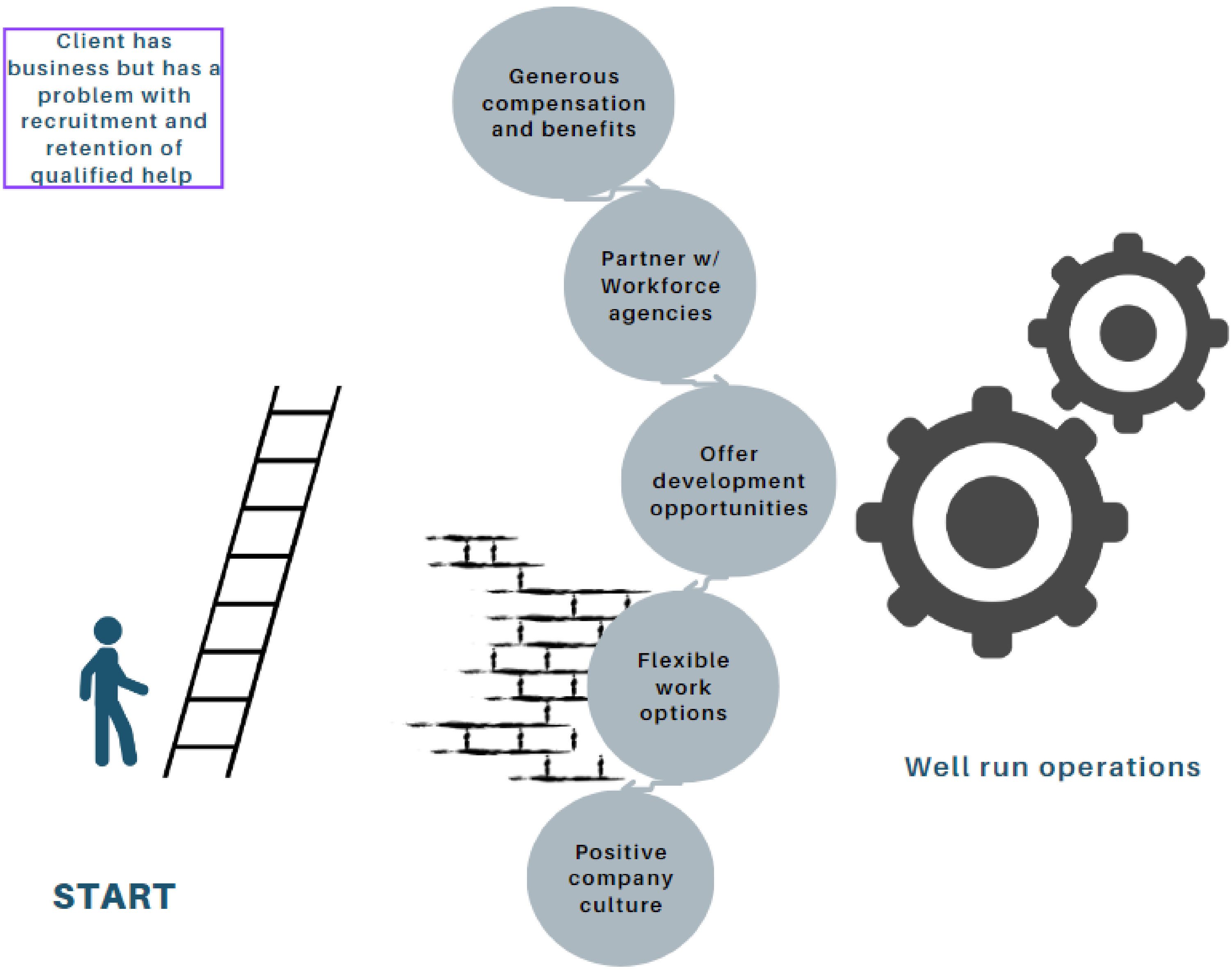
- Provide career advancement and professional development opportunities. This could be courses, certifications, conference attendance, encouraging participation in fellowship opportunities, or providing professional development stipends.

- Allow for flexible work schedules like hybrid or remote work. Consider fully remote options where possible that allow the company to recruit talent from other geographic locations.

- Build an overall positive company culture that makes employees feel valued and taken care of.

Case Study on Virginia Economic Development Partnership

RECRUITMENT AND RETENTION OF QUALIFIED TALENT DIAGRAM



*Case Study: Indiana Economic Development Agency on **Technical Assistance***

Indiana Economic Development Agency (IEDC) helps with overall state growth, driving economic development, helping businesses launch, grow, and locate. The small business development center network is robust with many programs and technical assistance available for start-ups and any main street businesses that need help. Indiana is one of the states whose small business development center network is housed inside a state agency.
IEDC runs an interactive platform, ConnectIND, that guides users through where and how to get technical assistance, accounting assistance, and finance assistance. At the agency, there are six individuals that are available to assist clients if they prefer one-on-one guidance to proper resources and channels. Dedicated managers visit local communities to ensure resource partners are aware of ConnectIND and provide them the tools they need to put their information on the platform. Resources on the platform include local economic development offices, local incubators, accelerators, local incentive offices, free trainings, and paid courses. The platform connects individuals and matches them to the proper resources available which makes it easy for businesses to take advantage of all that is offered at Indiana.

*Case Study: The State of Maryland's Department of Commerce on **Character-based lending***

The State of Maryland's Department of Commerce has implemented character-based lending into its commercial lending by approaching clients from a holistic perspective and incorporating character into evaluations. The department focuses more heavily on the business owner's profile, considering the company's business plan more heavily, considering revenue based-lending, and forming a relationship with the client through the application process. The lender learns their background and if personal credit is considered, it is approached from a comprehensive viewpoint for a story, not just the credit score. This involves looking at what is impacting the credit score and the story behind negative remarks. Maryland focuses on ensuring underwriting doesn't rely on traditional components of character-based lending, such as industry, bill payments, or residency consistency, as they aren't indicators of repayment ability.

The time needed to get to know the borrower can be a barrier itself if there is limited capacity, staffing, or infrastructure to support character based lending. To resolve this, the state brought in 50 additional state agency employees during the COVID-19 pandemic to deploy relief funds, creating the capacity needed in order to accomplish the mission.

Character-based lending is about story-telling. The processes to perform it are time-intensive, so it is important for DFAs to wean down the intake process if they lack the capacity to carry out.

Case Study: Colorado B:Side Fund on ***Character-based lending***

The B:Side Fund has been able to incorporate character into loan evaluation due to its flexibility as a nonprofit. When considering a business or business owner's low credit score, B:Side Fund allows the client to provide an explanation as to why their credit is low. With in-depth conversation, the agency is able to write its loan recommendation and speak to their due diligence, the technical assistance the client received, and additional steps taken to account for the client's situation rather than just focusing on the credit score number.

Most of B:Side Fund's clients in such circumstances are part of the low income population, reside in disadvantaged areas, do not have the cash to put into a project, have no collateral to pledge, or have low credit scores. The agency takes the time to listen to the entire story before a decision is made. If the agency is unable to assist the small business, they are referred to partnered technical assistance teams or to other programs. Additionally, B:Side Fund is transparent with clients as to why they were turned down for a loan in order for businesses to address those issues.

Case study : Berlin Community Development Corporation on ***Lack of Understanding Business Financials***

Berlin Community Development Corporation (BCDC) helps businesses locate, grow, and succeed in the City of Berlin, Wisconsin. As the community's lead economic development agency, the BCDC oversees business attraction and development efforts. The Corporation provides technical assistance, business expertise, and works to provide financing to entrepreneurs and start-up businesses to the Berlin community. The agency's goal is to support businesses with the resources available to help them grow.

The Corporation has made strides in assisting business owners with business financial literacy by partnering with small business development centers, Wisconsin Women's Business Initiative Corporation, and Service Corps of Retired Executives. An important partnership BCDC leverages is with SCORE, a free business counseling agency. SCORE's networking team works with new businesses to organize their finances and fine tune their business plans.

Case Study: Colorado B: Side Fund on ***Lack of Understanding Business Financials***

Through its work, B:Side Fund has noted understanding the loan process and getting funding is a significant barrier business owners face. Businesses are not ready to produce the documentation required to get a loan. Because of this, the organization sends clients to partner technical assistance agencies that provide free or low cost services. These partners range from SCORE which provides free services, women-focused centers that provide free consultation and low cost classes, and small business development centers that have free consultations and low cost classes. The agency keeps a list of various resources through which business owners can schedule an appointment to get assistance generating the documentation they need to secure loan funding.

Case Study: Village of Park Forest on ***Lack of Understanding Business Financials***

Village of Park Forest provides small loans for businesses across its municipality in Park Forest, Illinois. As a micro-lender, Village of Park Forest relies on partnerships to meet the community's needs. It connects its clients to the Women's Business Development Center for help creating and refining business plans and financial documents. Partnering with similar agencies helps Village maximize its time and ensures clients will return with a good understanding of business finances, required documents, and how to replicate and maintain them.

*Case study: Virginia Economic Development Partnership on **Recruitment and retention of qualified talent***

The state of Virginia and the Commonwealth provide several programs and initiatives to help small businesses recruit and retain talent. Virginia's Small Business Finance Authority offers solutions in the form of financing that helps with hiring and retention as well as training for workforce development. Through their economic development loan fund they provide capital to help businesses hire and retain employees.

Local economic development offices assist small businesses with workforce development strategies, job fairs, and recruitment efforts tailored to the region's specific needs.
Virginia Jobs Investment Program (VJIP) provides financial incentives, customized recruiting and training services to companies creating new jobs or experiencing technological change. Those incentives help to offset the costs of employee training, making it easier for small businesses to attract and retain skilled workers.

Regional talent solutions train and retain top talent, including the Virginia Talent Accelerator Program. Virginia understands that attracting and training the right talent is vital to the success of any new operation. The Virginia Talent Accelerator Program's team of experts develop innovative recruitment and training solutions that accelerate a new operation's start-up. Most eligible companies that take advantage of this program are manufacturing and technology based. Smaller serviced-based businesses have the opportunity to partner with local colleges like Virginia Tech, Radford University, and local community colleges for their talent needs.
In Virginia, state-led workforce programs aid in talent retention and recruitment. They are proven resource partners for agencies that provide any type of service to small businesses.
In collaborating, innovating, and investing, other states can help their business owners overcome barriers in talent acquisition and retention.

CONCLUSION AND TAKEAWAYS

To ensure the long-term sustainability of the framework, DFAs should continue to identify opportunities for expansion and growth, explore the potential to replicate successful initiatives from other communities facing similar access to capital barriers., and scale partnerships by collaborating with additional stakeholders and institutions to expand the reach and impact of the framework.

By following this comprehensive framework, development finance professionals can systematically address the access to capital barriers faced by small business communities. The framework promotes a holistic and collaborative approach to overcoming these challenges, ultimately fostering economic growth, job creation, and improved financial resilience among small businesses.

Once community barriers are identified by DFAs and products are crafted to address the gaps, the following questions should be considered before the product is live:

- Does this program align with the organization's mission?
- How is the organization spreading the word about the program? Is it using different modes of communication to reach the intended audience?
- What partnerships and referral networks does the organization have and support?
- What are the factors driving talent away from the small business space?
- Has the organization considered alternative forms of collateral or equity?
- If there is a cap for unsecured lending, does the loan product meet the needs of the community?

Appendix

Survey results

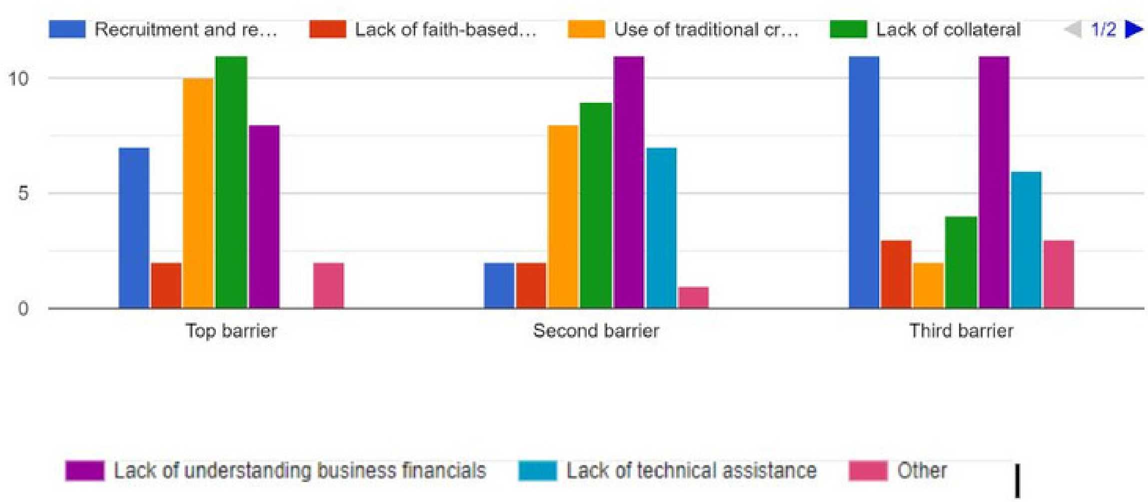
As a result of the survey responses we were tasked with diving deeper and speaking with those respondents and additional organizations’ representatives in regards to the top three barriers identified and barriers their organizations overcame.

The top three barriers selected by survey respondents were:

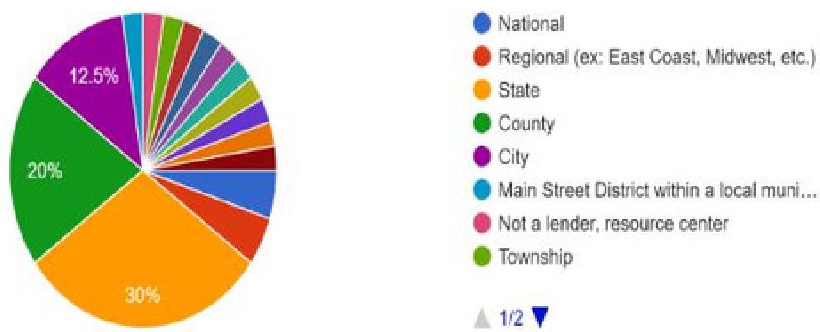
- Lack of collateral
- Lack of understanding business financials
- Recruitment and retention of qualified talent

17 survey respondents agreed to be interviewed regarding their responses. Of those, a handful were interviewed, resulting in the case studies highlighted.

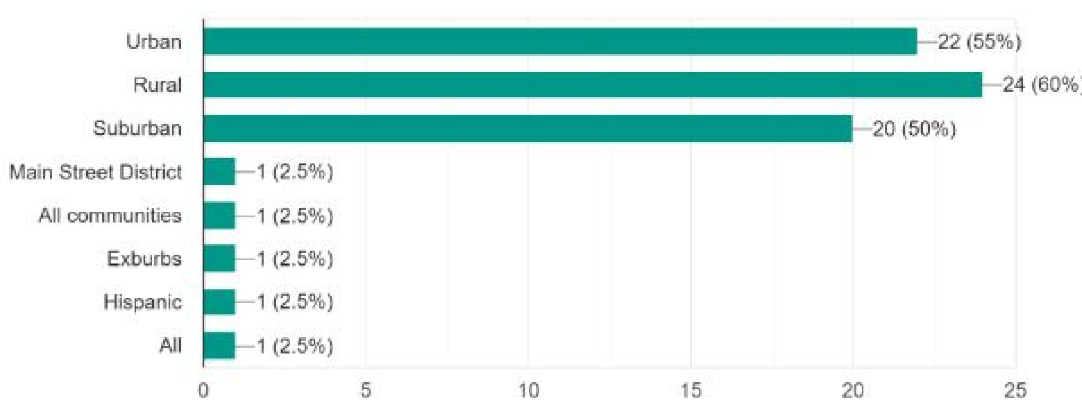
1. What do you believe are the most significant barriers small businesses face in your community? Please rank the top 3 with 1 being the most important.



9. What is the geographic focus of your lending?
40 responses



10. What kind of community do you serve?
40 responses



2023 CAREN FRANZINI FELLOWS

Olivia Barone
NJ ECONOMIC DEVELOPMENT AUTHORITY

Tonita McKnight
ALBANY COMMUNITY TOGETHER, INC.

Zaba Rashan
CITY OF SAN DIEGO

Neyli Castillo Suarez
NEW MEXICO FINANCE AUTHORITY

ABOUT OLIVIA

Olivia Barone
Sr. Project Officer, Clean Energy
NJ Economic Development Authority
Phone: 973-727-2106
Email: olivia.barone@njeda.gov
www.linkedin.com/in/baroneo

Olivia Barone is a Senior Project Officer with the New Jersey Economic Development Authority. Olivia manages the clean energy team's $90M zero emission vehicle incentive pilot program, NJ ZIP, the Authority's $350M Offshore Wind Tax Credit Program, and a onetime COVID relief program. Olivia will continue to lead and support the NJEDA's growing clean energy portfolio of programs, including supporting electric vehicles with partner agencies. She is also the co-leader of NJEDA's employee networking group focused on the advancement of women , Women's Initiative Network.

Prior to her role at NJEDA, Olivia served as the Sustainability Coordinator for the City of Montevallo, Alabama, from November 2019 to November 2021. In this capacity, she functioned as the city's in-house subject matter expert on all aspects of ESG (Environmental, Social, and Governance) and sustainability. Her work aimed at improving systemic inequalities through federal grant programs and national partnerships, while also implementing robust tracking and reporting systems. Olivia, a born and raised Jersey girl, has a Bachelor of Arts in Environmental Studies, with a minor in Sustainability from Rider University.

ABOUT TONITA

Tonita McKnight
Business Development Officer
Albany Community Together, INC.
229-234-0077
Tonita.McKnight@Albanycommunitytogether.com
www.linkedin.com/in/tonita-mcknight-9b11892

Tonita McKnight is a Georgia native with roots in North and Southwest GA. She has a Bachelor of Arts from Spelman College with a major in Theater. She has held various positions in personal banking, property management, program management, grant administration and economic development.

Tonita has first-hand experience working with disadvantaged population in property management of mixed communities (market and subsidized rents) and public relations and grant administration with the United States Census Bureau.

She has worked with Albany Community Together, Inc. for the last nine years, where she helps entrepreneurs in Southwest Georgia with coaching, connections and access to capital. She is a certified Economic Development Finance Professional through NDC and a certified Business Incubator Manager through InBIA. She has offered business development services and technical assistance to underserved rural communities throughout southwest, GA.

ABOUT ZABA

Zaba Rashan
Community Development Specialist
City of San Diego
(619) 236-9640
zrashan@sandiego.gov
www.linkedin.com/in/zrashan

Zaba Rashan joined the City of San Diego in 2023 as a part of the business expansion, attraction, and retention team focused on the creation of jobs and investment in San Diego. Her professional experience spans the non-profit, municipal, federal, and government contracting sectors. She has worked on issues in economic development, foreign affairs, humanitarian aid, climate change, small business education, and sustainable housing.

Prior to joining the City of San Diego, Zaba was a program manager at a national CDFI with a primary focus on expanding the organization's commercial loan portfolio and oversaw the deployment of $175MM in COVID-relief grants in the state of Illinois. Prior to that, she conducted research at a government contractor in support of federal and NGO clients managing a portfolio including the CDC, State Department, World Bank, USAID, and the US military. Her previous professional experience also includes overseeing the day-to-day operations of the marketing and communications departments at a housing-focused non-profit where she worked closely with the executive team to produce the organization's annual publications and entrepreneur programming.

Zaba received her master's degree from Johns Hopkins University in International Affairs and bachelor's degree from the University of California, Irvine in Political Science. Zaba is a humanitarian at heart who believes in thinking globally and acting locally.

ABOUT NEYLI

Neyli Castillo Suarez
Senior Accountant
New Mexico Finance Authority
Phone: 505.699.2301
Email: ntovar@nmfa.net
www.linkedin.com/in/neylicastillosuarez

Neyli Castillo Suarez is originally from California but has resided in New Mexico, also known as the Land of Enchantment, since 2012. She has a Master's degree in International Business and a Bachelor's degree in Finance, both from New Mexico Highlands University. Neyli received both of her degrees by age 21.

Neyli then became an assistant professor at New Mexico Highlands University, where she taught Principles of Microeconomics, Macroeconomics, and Finance. As a professor, she helped students reach their full potential by assisting them and offering them guidance.

In July 2020, Neyli was hired as a temporary funding coordinator at the New Mexico Finance Authority to assist with the new Small Business Recovery Loan program and CARES Act grant program. These programs were created in 2020 by the New Mexico Legislature to provide financial assistance to small businesses during the pandemic. Neyli was hired permanently at NMFA in March 2021 and became the Interim Lead Program Administrator in August 2022. Throughout the pandemic, Neyli has processed many Small Business Recovery Loan, CARES Grant, and LEDA Recovery Grant applications, allowing businesses affected by the pandemic to access much-needed capital. In addition, to the recovery program, Neyli assisted with the Cannabis Microbusiness Program, ECECD Stabilization grant, and ECECD Supply Building Grant. Neyli has enjoyed assisting small businesses through the application process as it promotes economic development. Neyli states it is a wonderful feeling getting feedback that the loan and grant monies helped businesses keep their doors open. As of August 2023, Neyli was promoted to Senior Accountant, where she is responsible for funding Water Project Funds, Drinking Water State Revolving Loan Fund, Colonias Infrastructure Fund, and Local Government Planning Fund. Neyli states that she enjoys understanding the overall budget aspect of the programs while making an impact in funding New Mexico communities.

Neyli is happily married and is the mother of an extraordinary boy named Noah. She loves to spend time with her family as she seeks to create lasting memories.

ABOUT THE FELLOWSHIP

The Caren S. Franzini Fellowship was established in 2017 by the CDFA Board of Directors to recognize the exemplary leadership of Caren Franzini, a past President of CDFA and former CEO of the New Jersey Economic Development Authority (NJEDA). During her career, Caren was dedicated to the advancement of development finance best practices, education, and advocacy.

Recognized by her peers and colleagues as “simply the best,” Caren brought a high level of mastery and acumen to her work. Her commitment to the development finance industry is evident in the numerous programs created and the billions of dollars of investment that she catalyzed during her tenure at NJEDA. She was equally passionate about building leaders and experts in the field as she was about financing businesses and expanding economic growth and job creation for New Jersey communities.

The Caren S. Franzini Fellowship was created to build leadership positions for women in the field of development finance and to inspire them to embody Caren’s spirit and professionalism. Franzini Fellows are given the opportunity to work directly with CDFA through a six-month program aimed at developing lasting woman leaders in the field of development finance. Each class of Franzini Fellows will collaborate on a project of significance to the development finance industry and present it to a national audience. Franzini Fellows may build a new type of financing program, research creative deal structures, write a publication of best practices, or demonstrate new methodologies in the development finance industry. Collectively, their work will showcase expertise in development finance and the power of woman-led initiatives.

Franzini Fellows meet both in-person and virtually During these engagements, Franzini Fellows meet with other successful women in the development finance industry, receive training and inspiration from leaders in the field, and create a roadmap for building a successful career in development finance. In between in-person meetings, Franzini Fellows will be connected through an online platform that allows them to collaborate on their project and share best practices for building leadership traits.