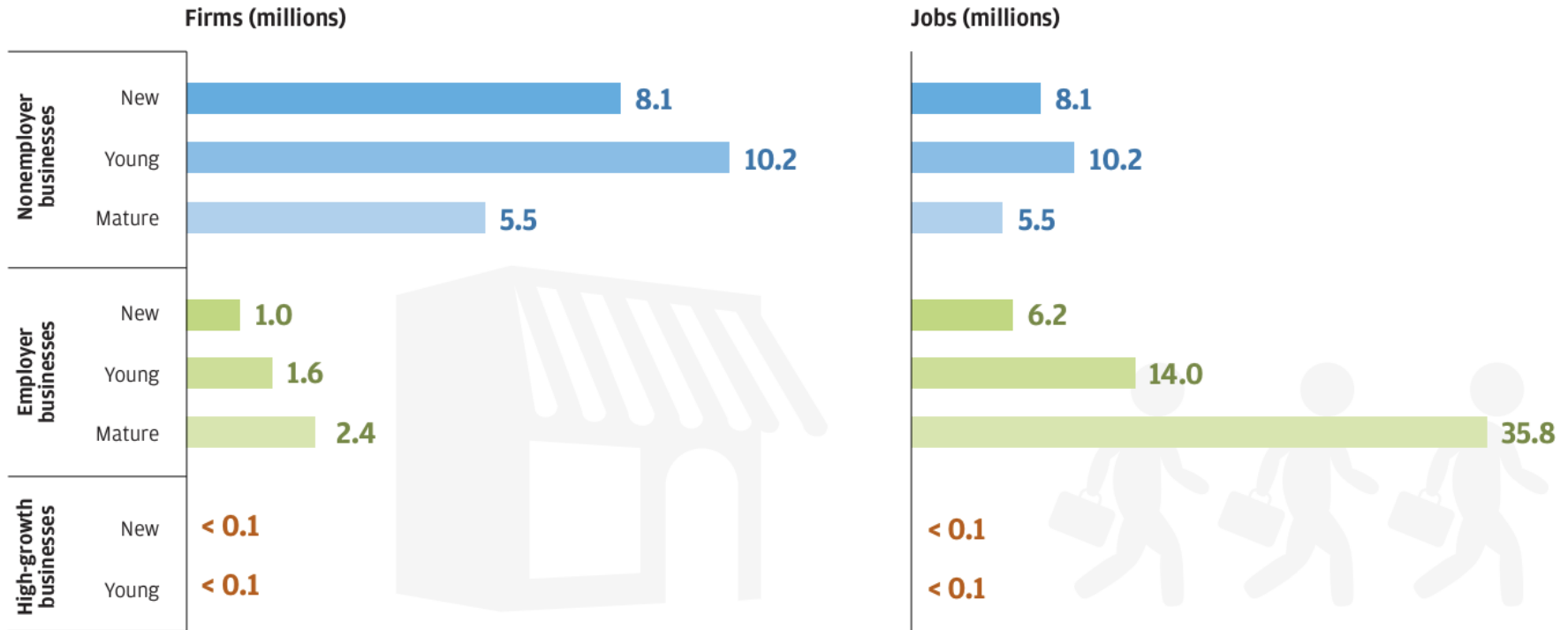


The Basics of Revolving Loan Funds

Why do you have a RLF?



Note: Nonemployer firm and job counts estimated using share of nonemployer business estimates from Davis et al. (2007) and 2014 Census Nonemployer business count estimates.

Source: JPMorgan Chase Institute, US Census Bureau, Davis et al. (2007)

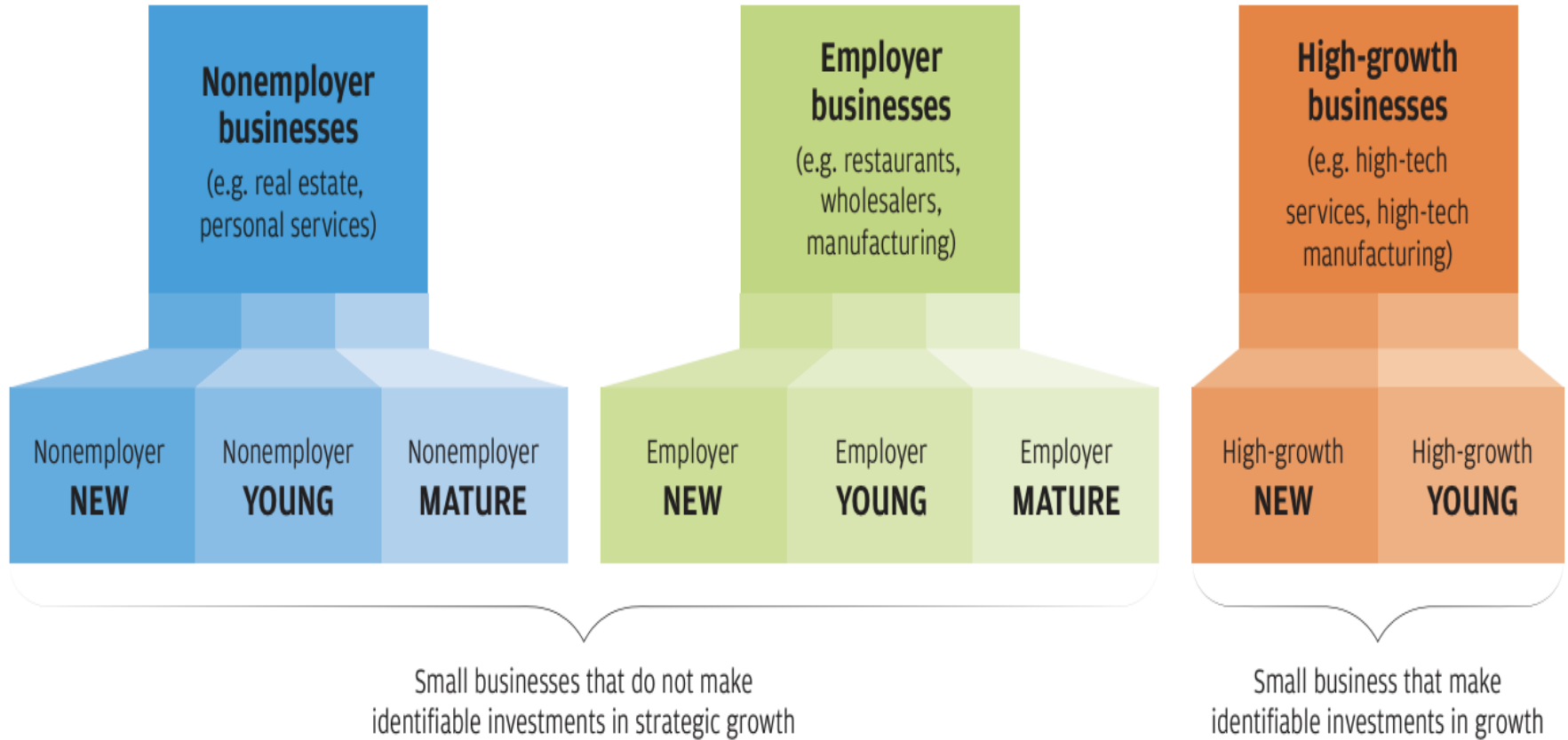
30 Million Small Businesses



Source: Author's analysis and data from the U.S. Census Bureau.

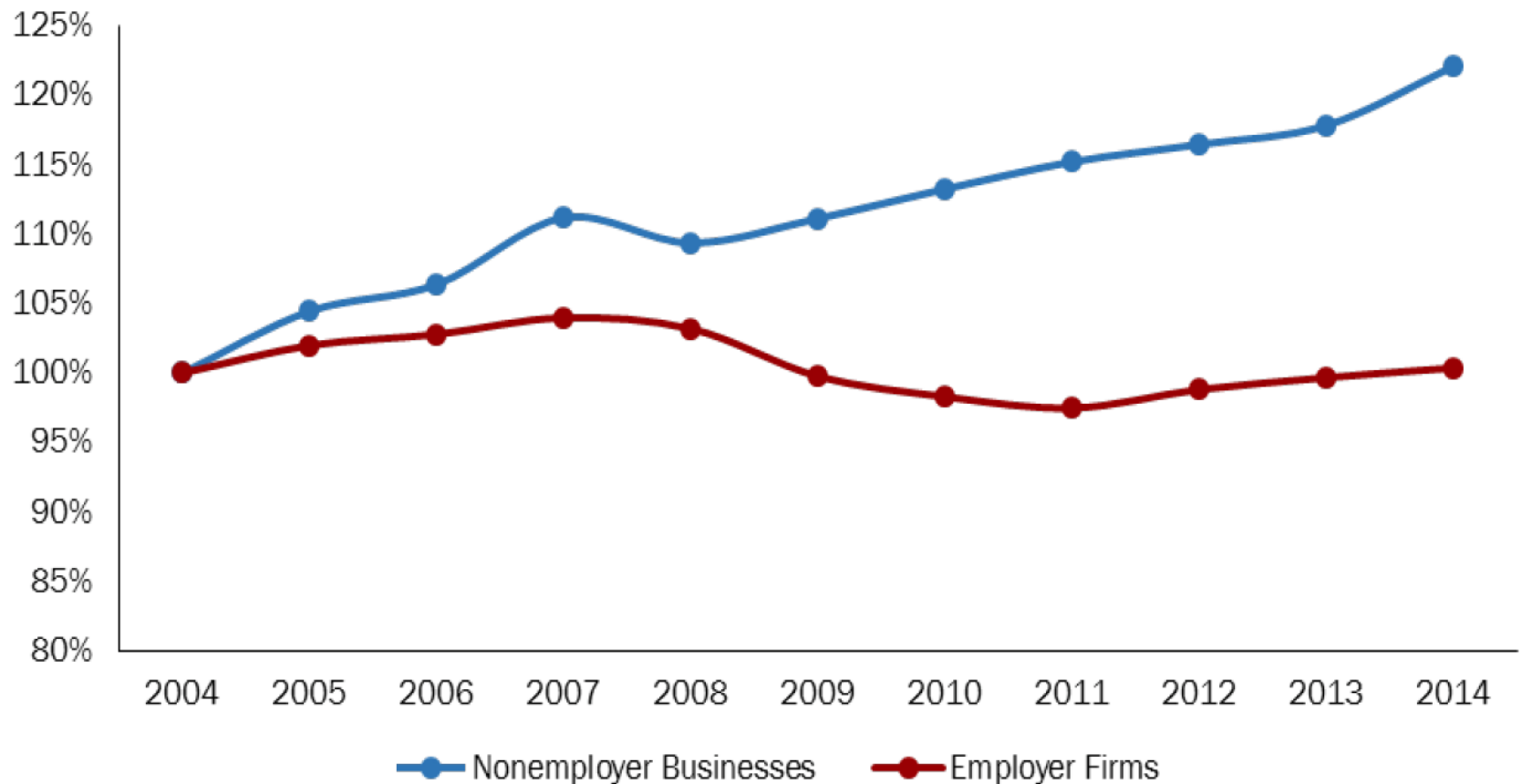
Note: This analysis is based on the work of Mercedes Delgado and Karen G. Mills, "A New Categorization of the U.S. Economy: The Role of Supply Chain Industries in Performance," presented at the Industry Studies Association, Minneapolis, MN, May 2016. <http://www.hbs.edu/faculty/Pages/item.aspx?num=51675>

Figure 1: Key Small Business Segments



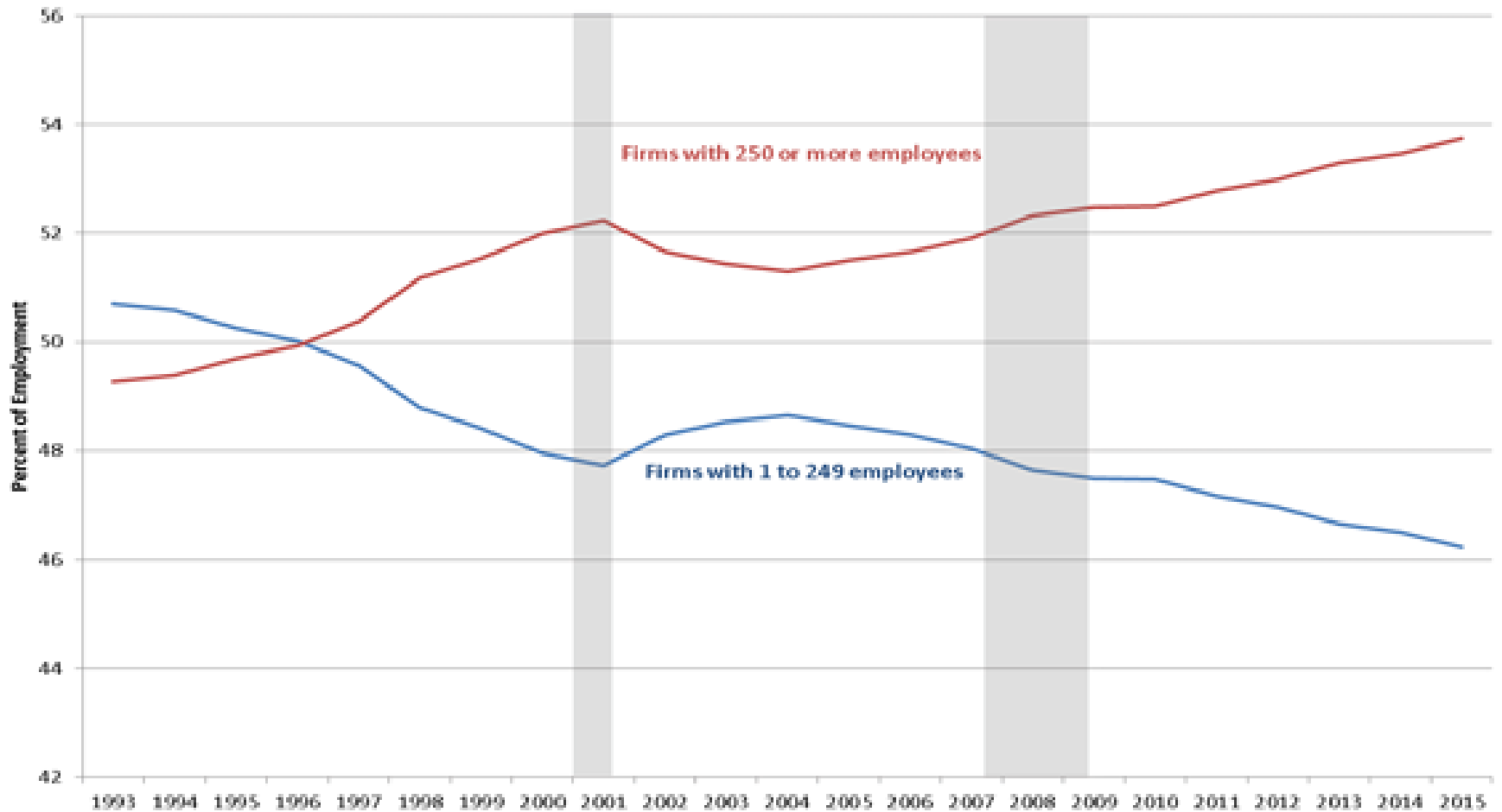
Source: JPMorgan Chase Institute

Growth Rates of Non-Employer and Employer Firms (2004-2014, Indexed to 2004)



Note: Author's calculations of U.S. Census Bureau Business Dynamics Statistics data.

Chart 7. Percent distribution of private sector employment by size of firm, 1993-2015



Source: U.S. Bureau of Labor Statistics

The share of firms that applied for financing declined in the 2017 survey, relative to prior surveys.

SHARE THAT APPLIED FOR FINANCING,¹

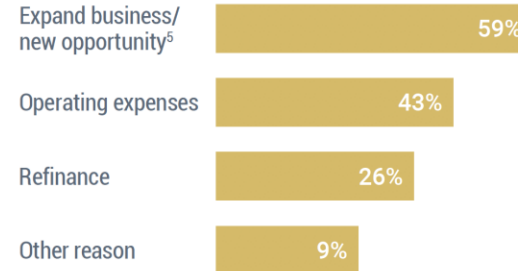
Prior 12 Months² (% of employer firms)



REASONS FOR APPLYING^{3,4}

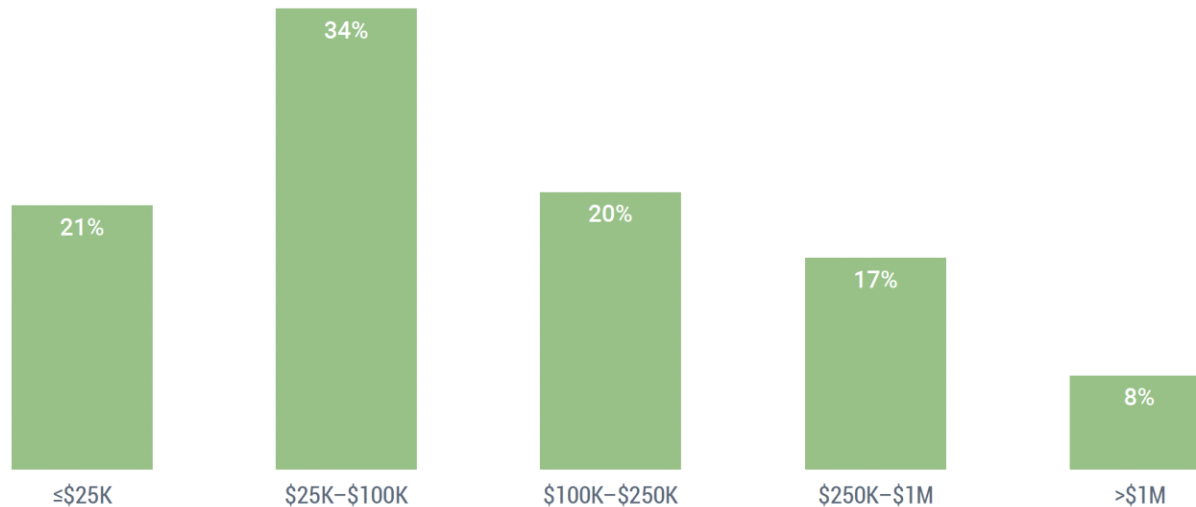
(% of applicants)

N = 3,514



TOTAL AMOUNT OF FINANCING SOUGHT (% of applicants)

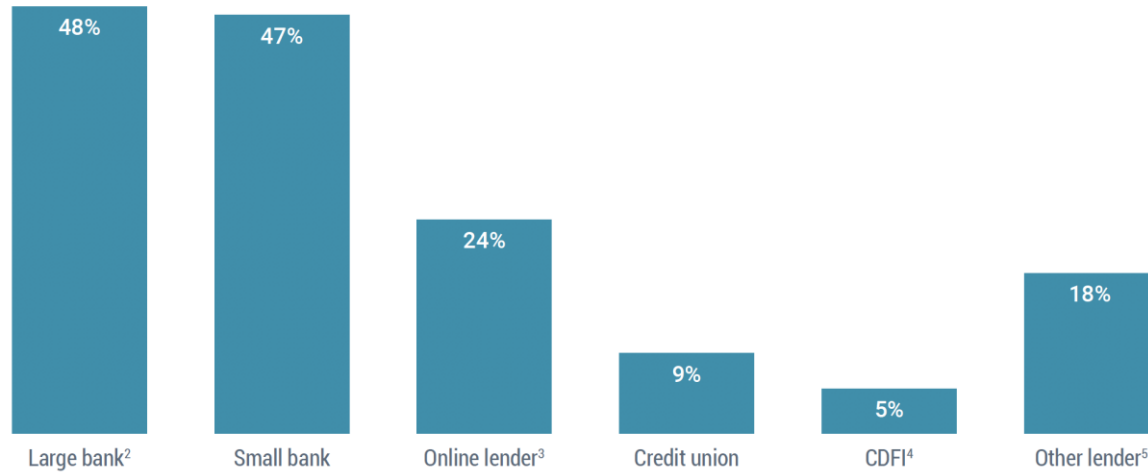
N = 3,434



Banks are the most common source that small firms apply to for credit.

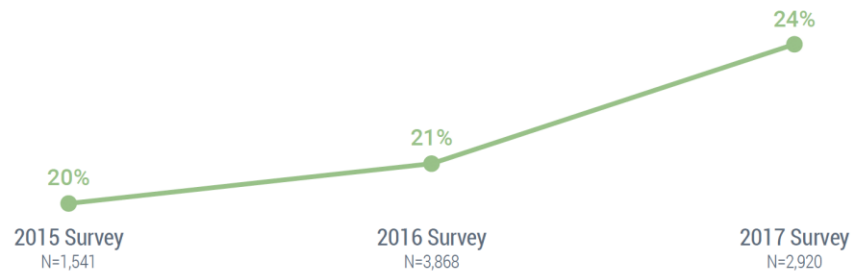
CREDIT SOURCES APPLIED TO¹ (% of loan/line of credit and cash advance applicants)

N=2,818



The share of applicants who seek loans, lines of credit, or cash advances from online lenders has grown over time.

BORROWERS WHO APPLIED TO ONLINE LENDERS^{3,6} (% of loan/line of credit and cash advance applicants)

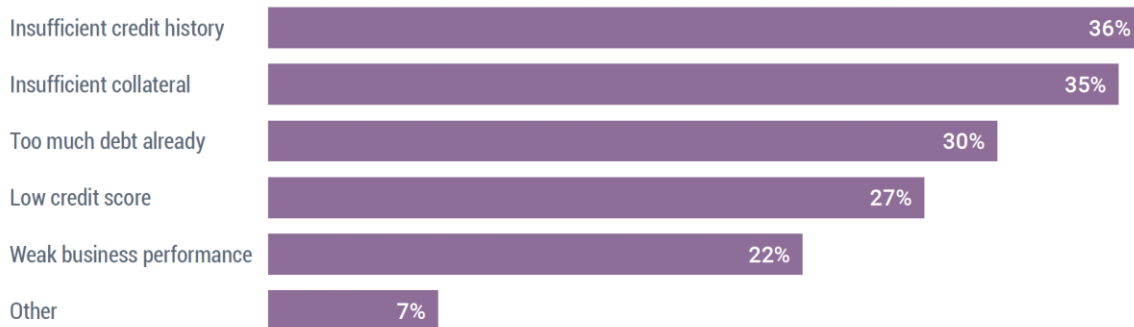


23% of applicants did not obtain any financing.

54% of applicants had a financing shortfall, meaning they obtained less than the amount for which they applied.

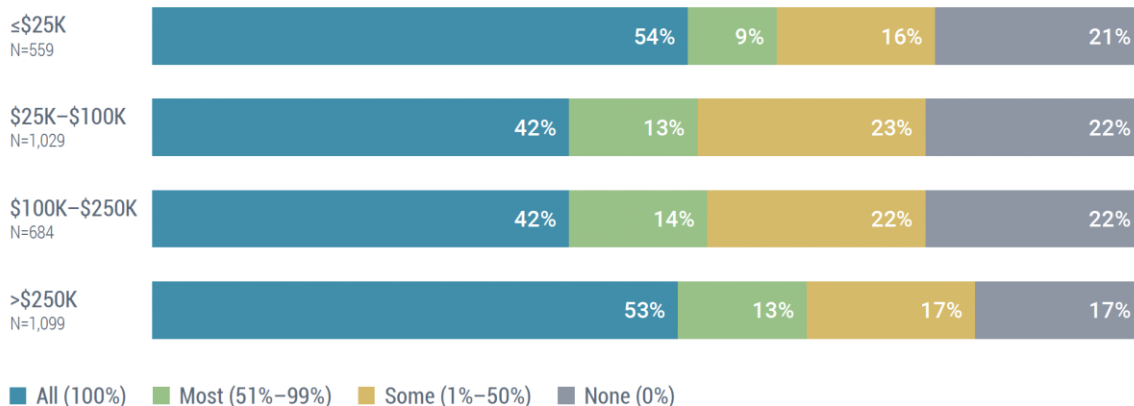
REASONS FOR CREDIT DENIAL¹ (% of applicants with financing shortfall)

N=832



Funding gaps were most acute for firms seeking \$25K-\$250K.

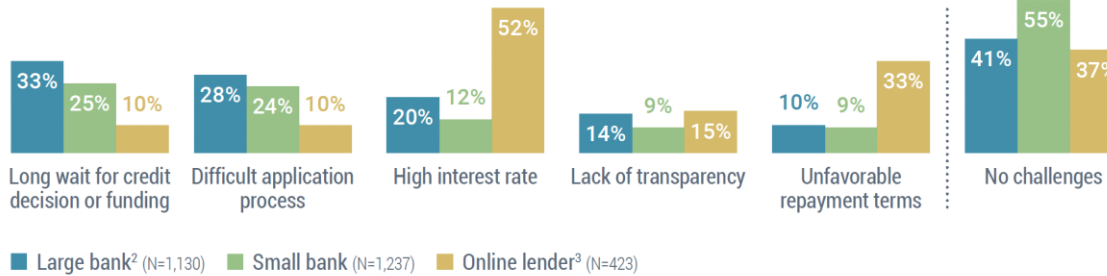
FINANCING RECEIVED BY AMOUNT SOUGHT (% of applicants)



**Bank applicants were most dissatisfied with wait times for credit decisions.
Online lender applicants were most dissatisfied with high interest rates.**

CHALLENGES WITH LENDERS,¹ Select Lenders

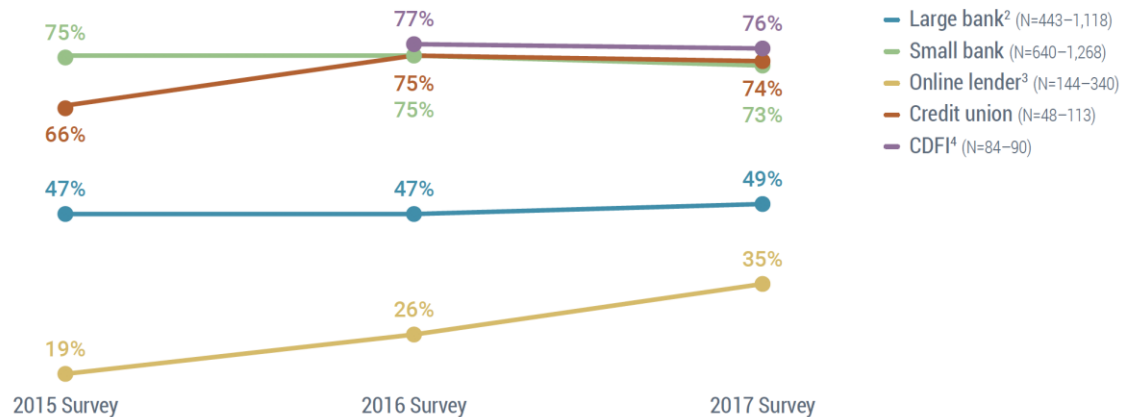
(% of loan/line of credit and cash advance applicants)



Borrower satisfaction is consistently highest with CDFIs, credit unions, and small banks, but satisfaction with online lenders has increased.

NET LENDER SATISFACTION OVER TIME⁵

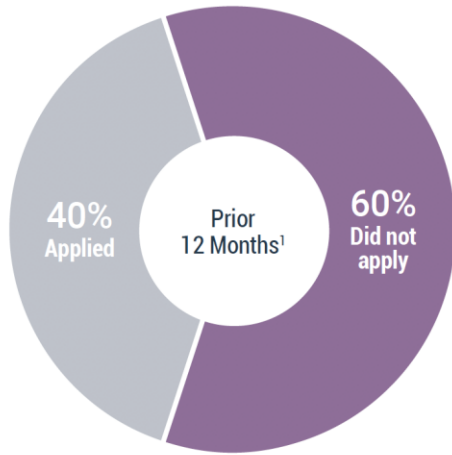
(% satisfied minus % dissatisfied, among loan/line of credit and cash advance applicants approved for at least some financing)



DEMAND FOR FINANCING

(% of employer firms)

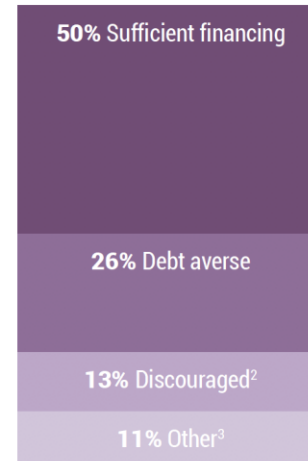
N = 8,169



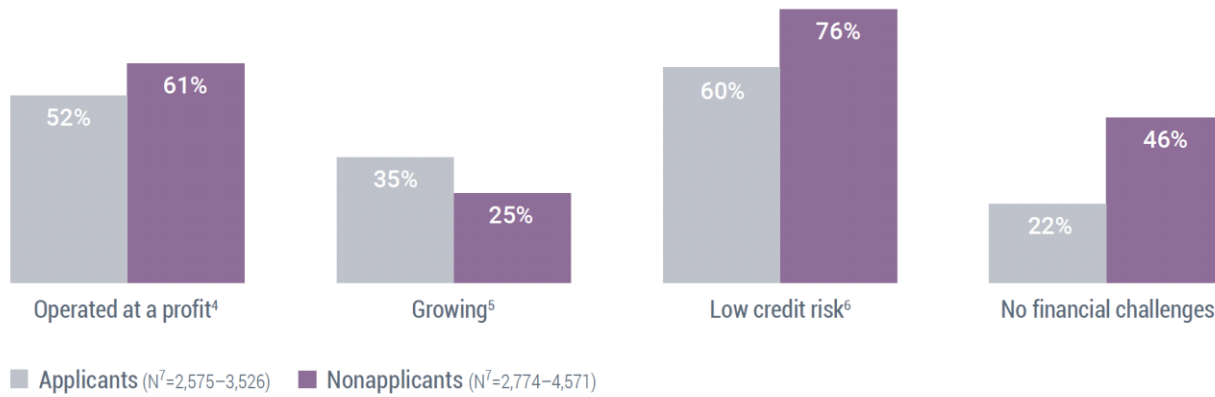
TOP REASON FOR NOT APPLYING

(% of nonapplicants)

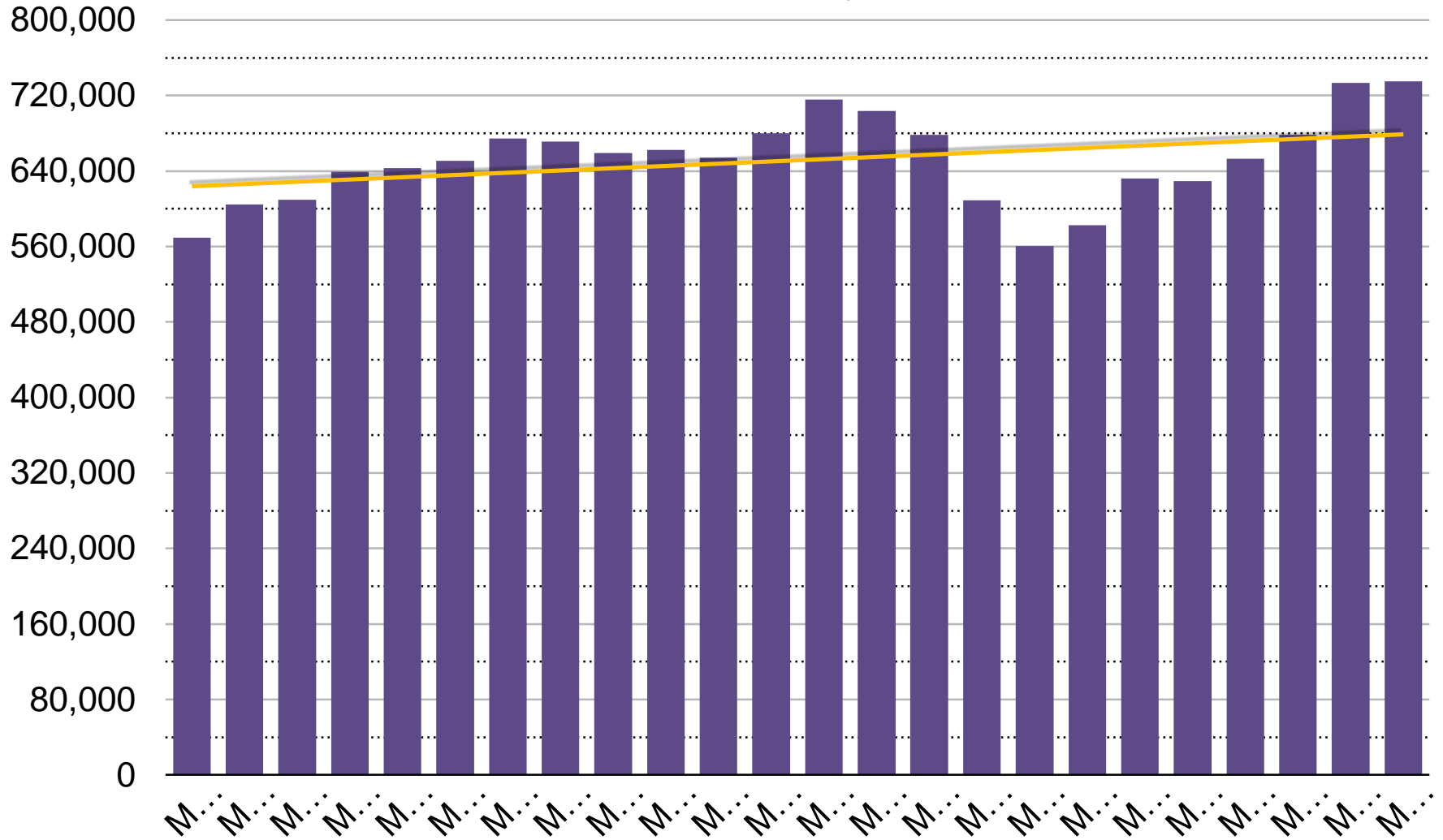
N = 4,495



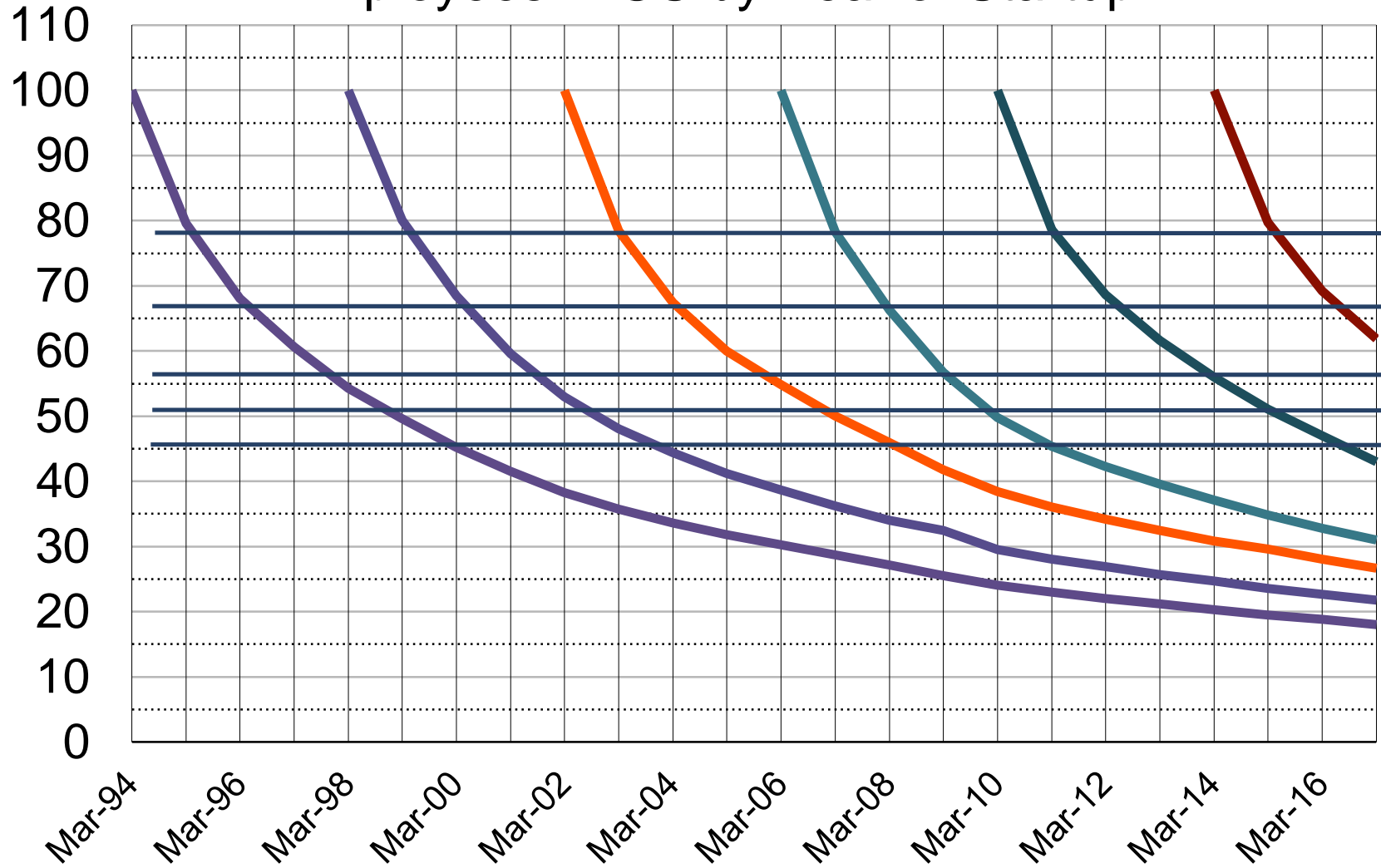
PERFORMANCE OF APPLICANTS AND NONAPPLICANTS (% of employer firms)



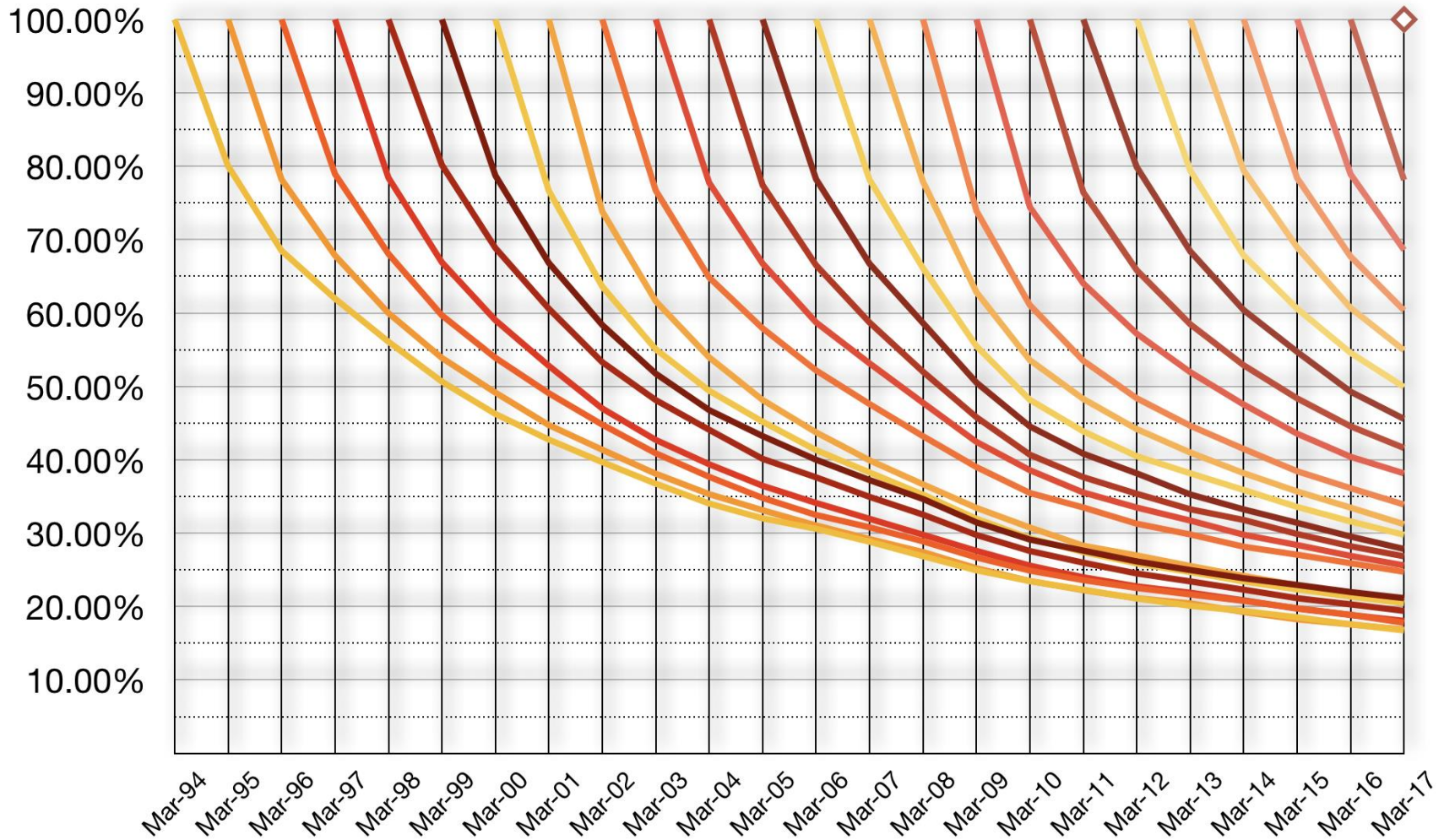
NEW Small Business Employer Startups (# US)



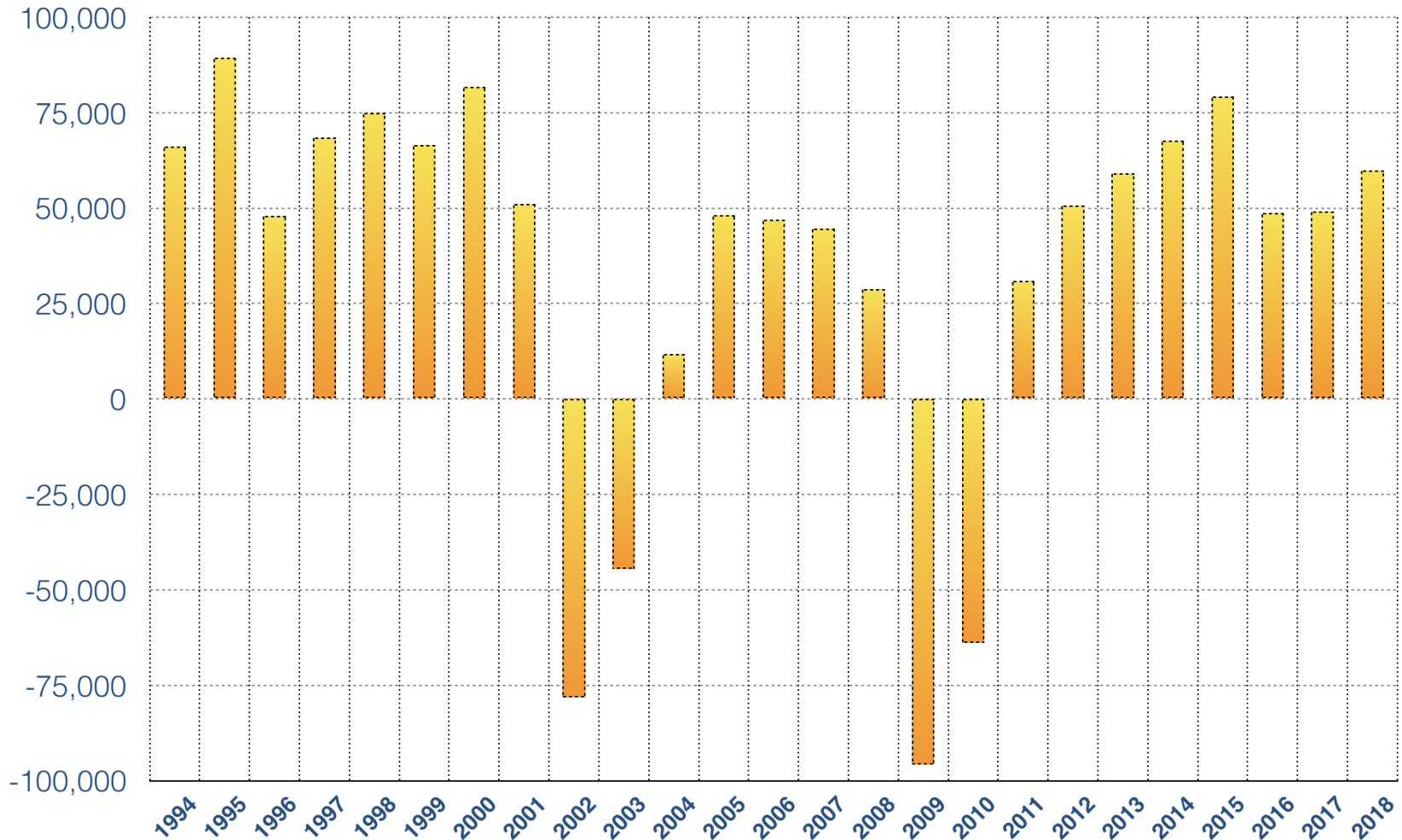
Survival Rate of Small Business Startups (%) with Employees in US by Year of Startup



Survival Rates (%) of NEW Small Businesses Established in Colorado Each Year: 1994 to 2018

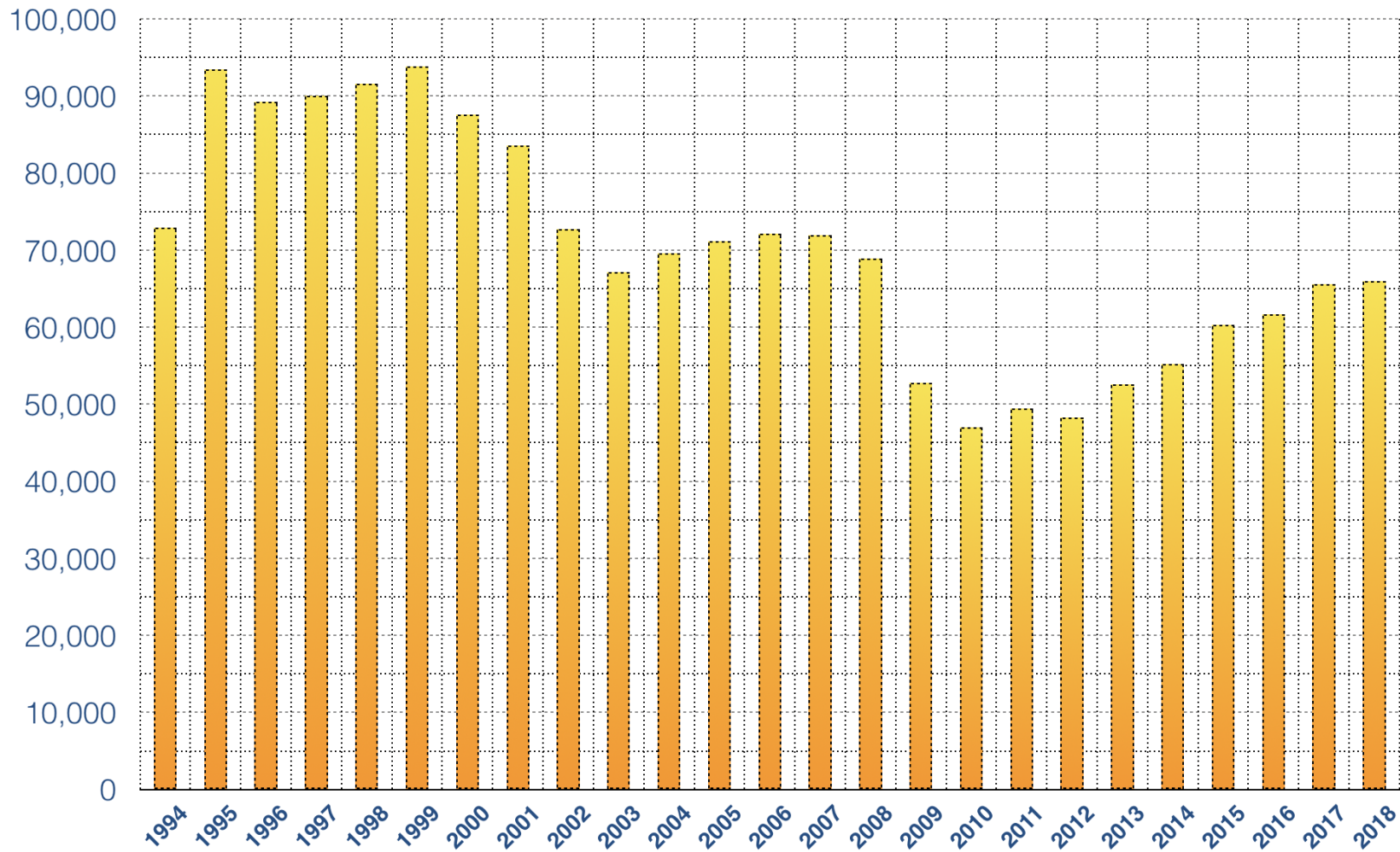


Net Private Sector Job Gains / Losses in Colorado - 1994 to 2018



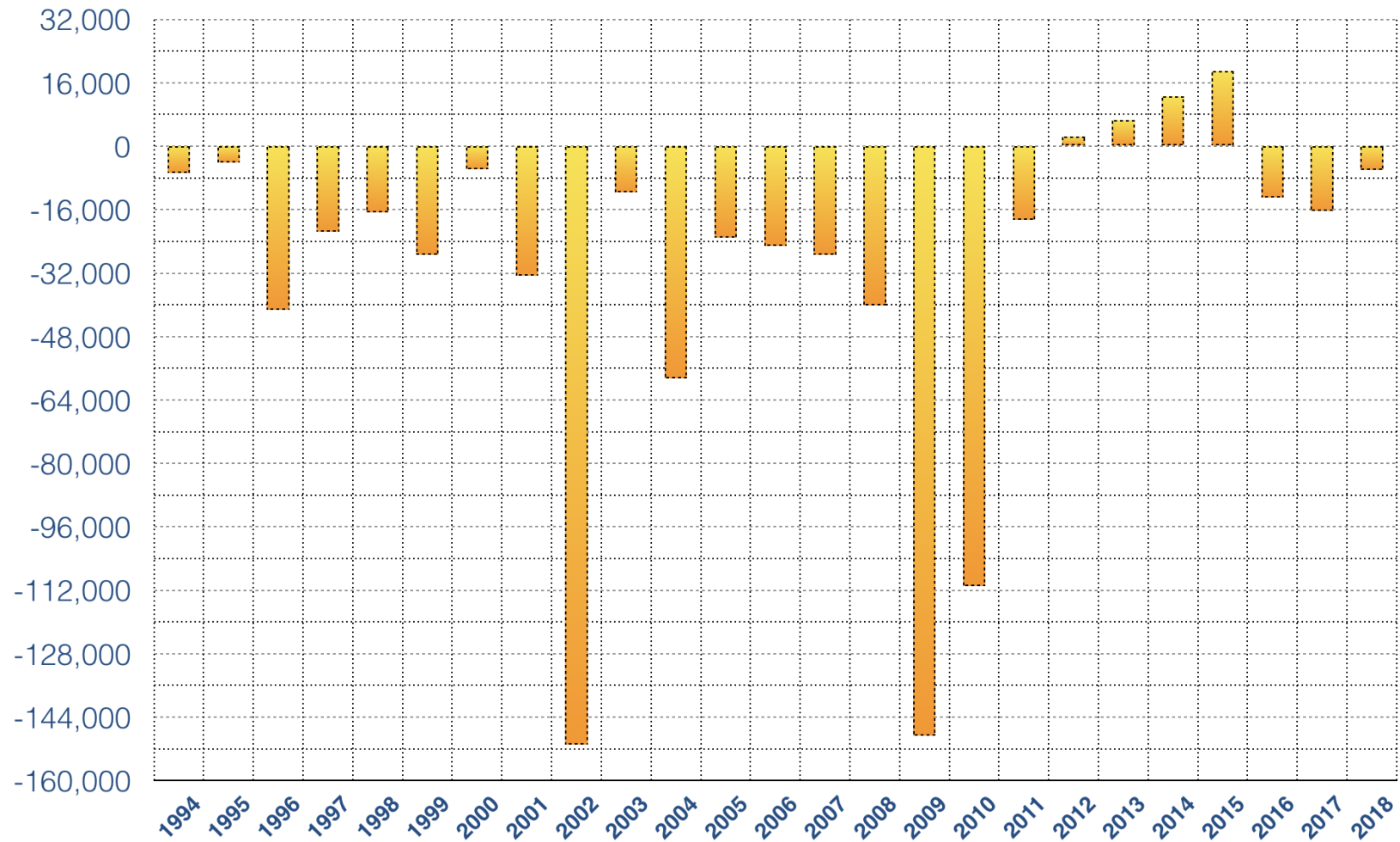
Source: Bureau of Labor Statistics

Jobs Created by NEW Small Businesses in Colorado - 1994 to 2018



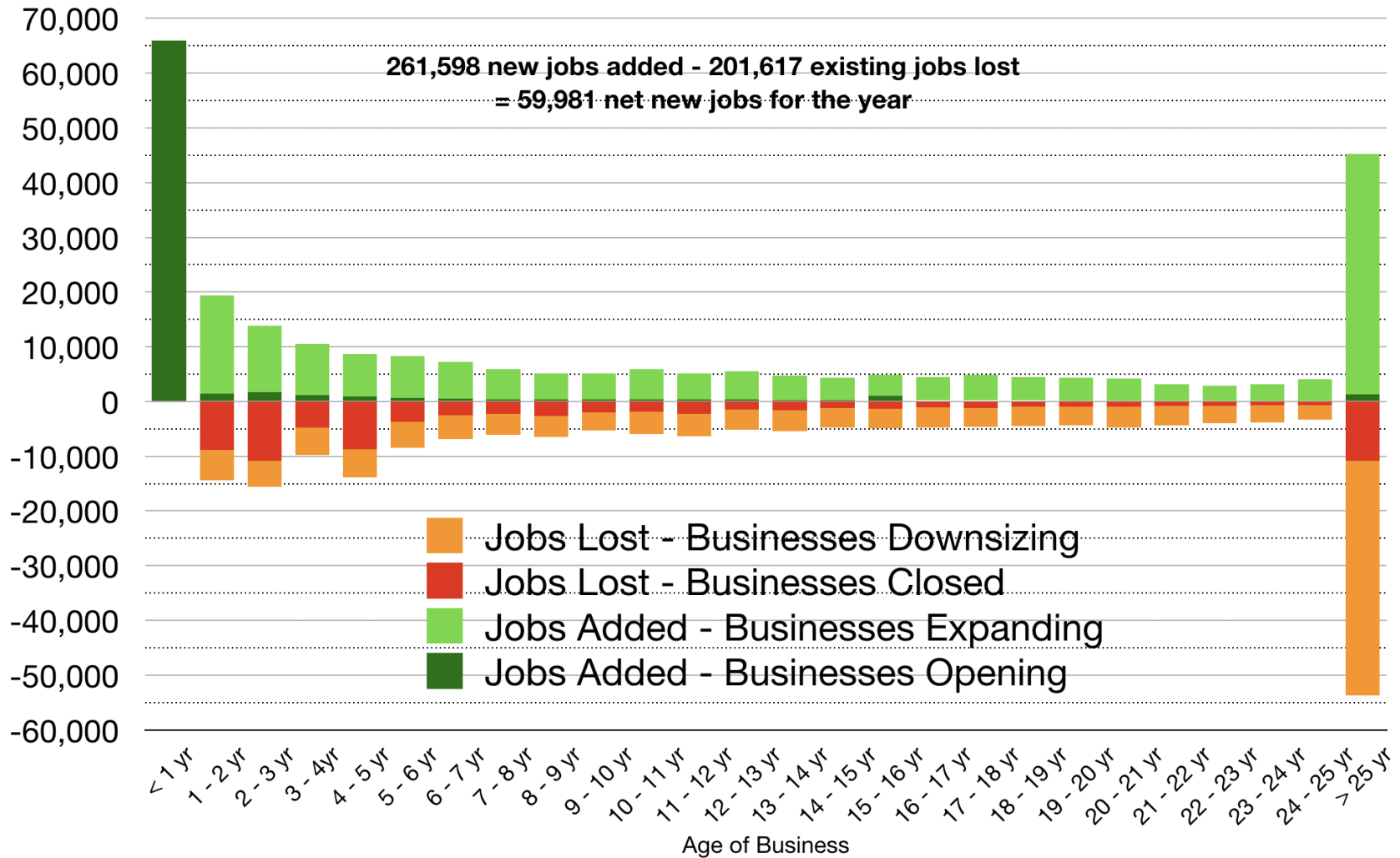
Source: Bureau of Labor Statistics

Net Private Sector Jobs in Colorado if NO new small business had created jobs - 1994 to 2018



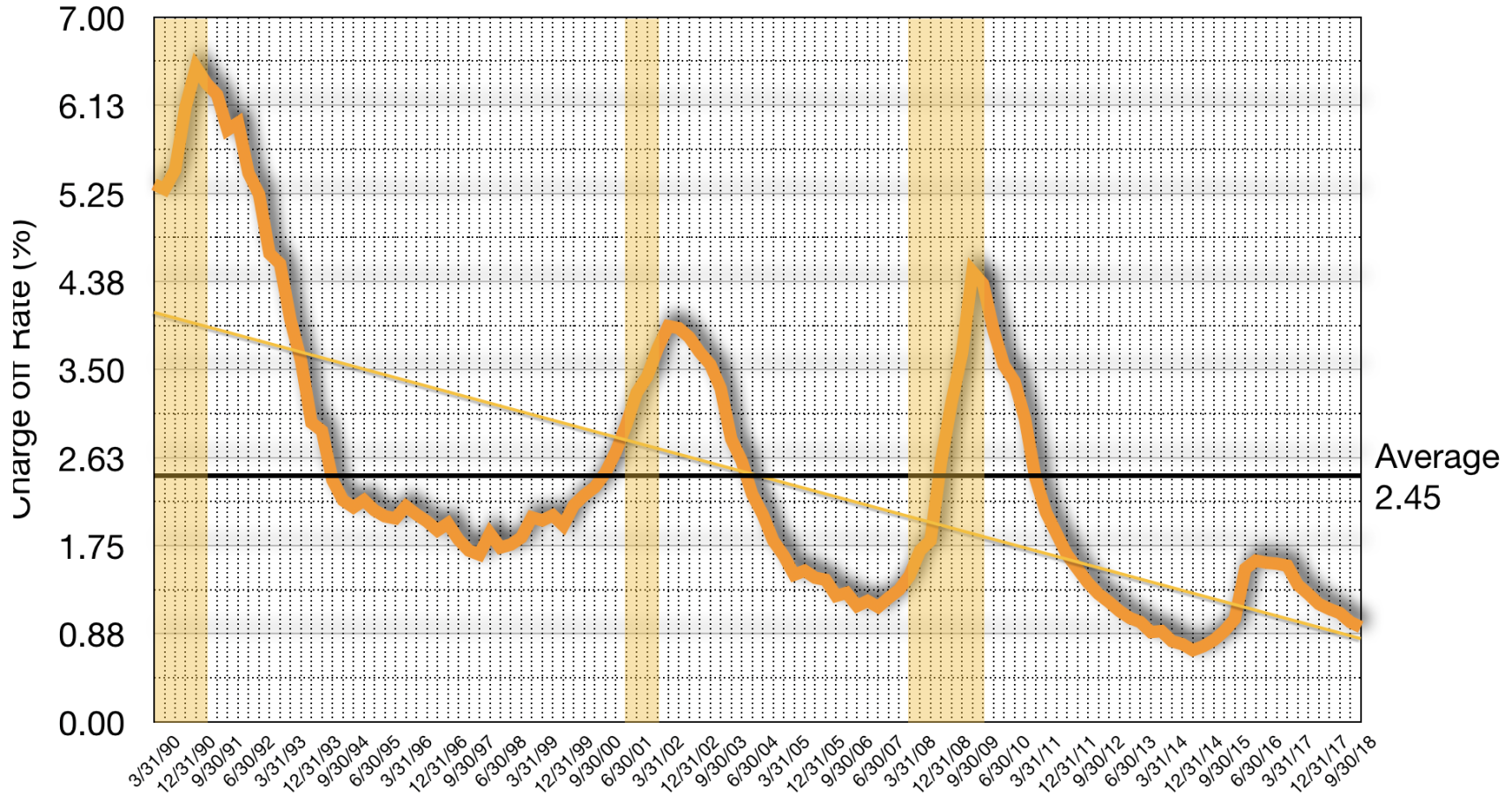
Source: Bureau of Labor Statistics

Total Jobs ADDED and LOST in Colorado for the Twelve Months ended March 2018, by AGE of Business



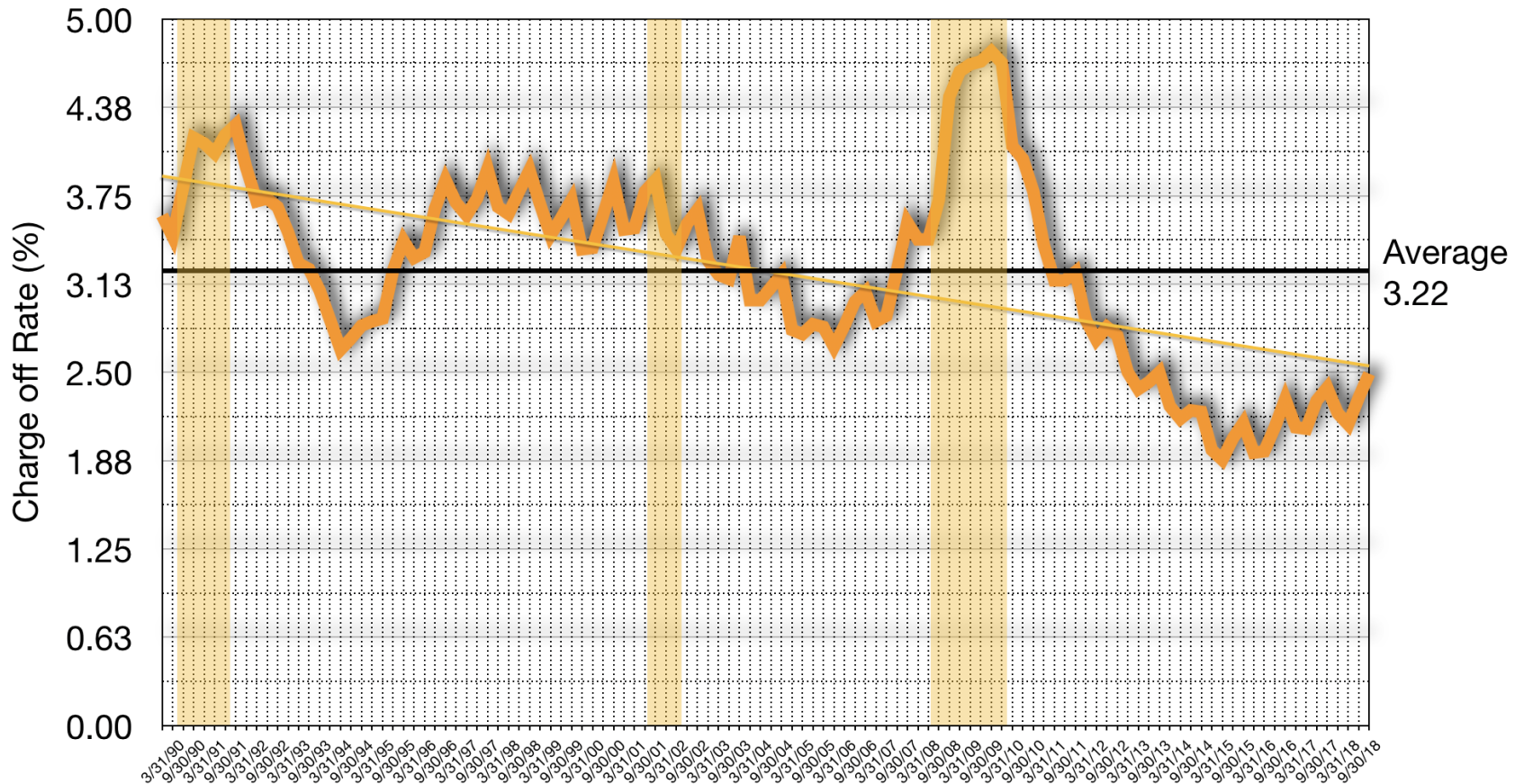
Source: Bureau of Labor Statistics

Commercial and Industrial (C&I) Loan DELINQUENCY Rates for Commercial Banks (not seasonally adjusted)



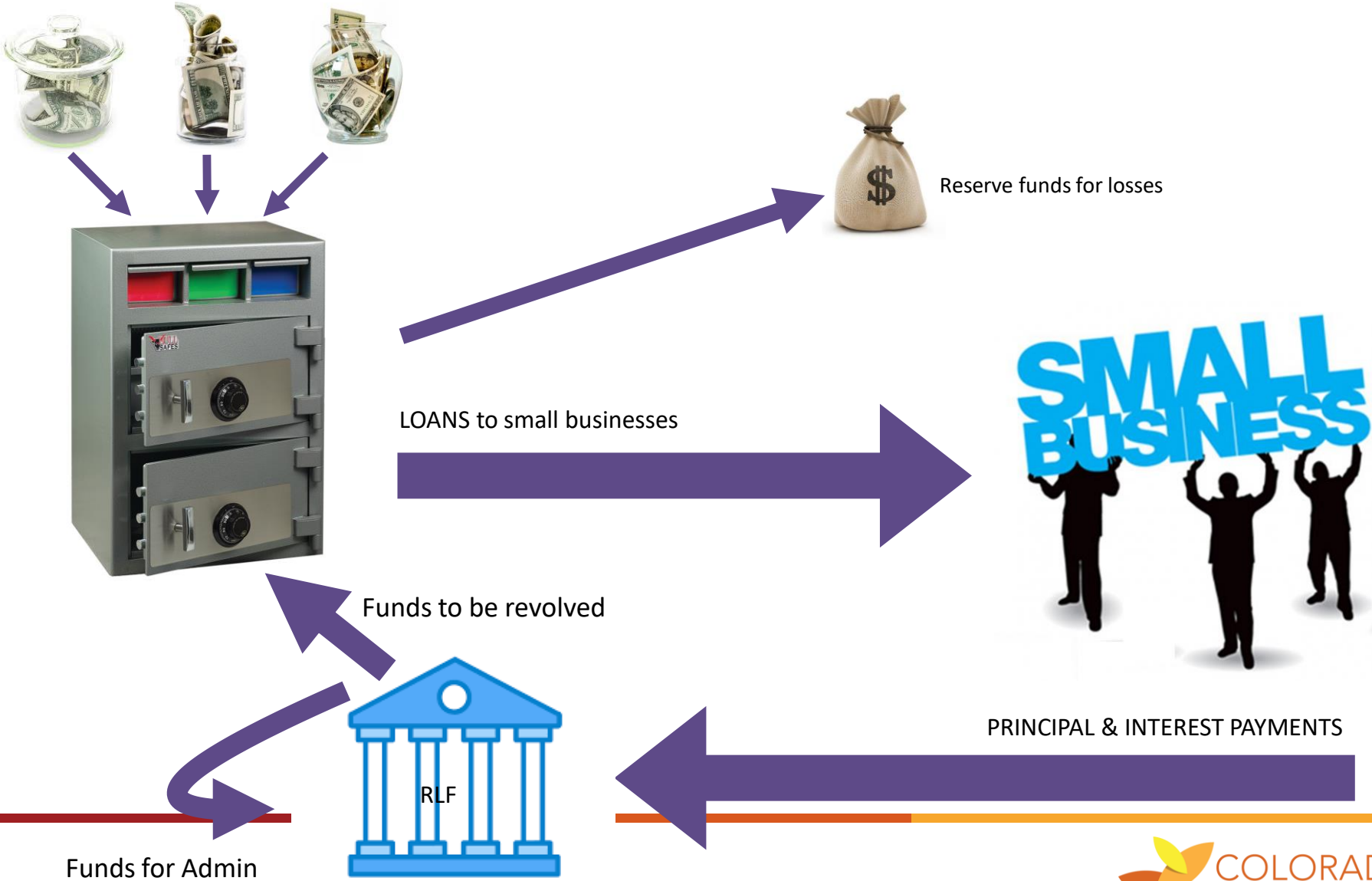
Source: Board of Governors of the Federal Reserve System

Consumer Loans + Consumer Credit Card DELINQUENCY Rates at Commercial Banks (not seasonally adjusted)



Source: Board of Governors of the Federal Reserve System

How does a Revolving Loan Fund (RLF) Work?



What does a Revolving Loan Fund Need?

- FUNDS to lend out
- A REASON to lend the funds
- Someone (one or more) to market the program, manage applications, prepare credit write-ups, facilitate approvals, coordinate fundings, receive payments, do servicing actions, and, most likely, liquidate loans
- A credit policy / servicing policy / liquidation policy to guide the RLF



Why does your Revolving Loan Fund Exist?

What is your mission?
What is your vision?
What are your values?



A photograph of two men in a workshop or office setting. The man on the left is wearing a grey and maroon zip-up jacket and dark jeans. The man on the right is wearing a grey t-shirt, dark pants, a blue and white baseball cap, and glasses. They are both smiling and looking at a small object held by the man on the right. In the background, there are workbenches, a computer monitor, and a printer. In the foreground, there is a large roll of material on a table with some printed items.

QUESTIONS?

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