

# CDFA Minority Capital Loan Guarantee Program



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**CDFA.NET**

# Speakers



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# Goals for Today's Discussion

- 1** Learn about the CDFA Minority Capital Loan Guarantee Program
- 2** Understand why the Robert Wood Johnson Foundation is investing in DFAs and underserved small business owners
- 3** Discuss the Call for Proposals and characteristics of a successful proposal



The **CDFA Minority Capital Loan Guarantee Program** aims to expand capital access for socially or economically disadvantaged businesses.

The program design combines a loan guarantee with adoption of intentional and socially conscious lending practices, targeted marketing, staff training, and community outreach to reduce barriers to accessing capital.





The **more significant the changes** put in place, the greater likelihood that the DFA will receive access to the maximum guarantee authority available.



The Program encourages **DFAs to evaluate and alter current lending behaviors** that may have created barriers for disadvantaged borrowers in the past.

This work brings philanthropy into coordination with public finance in ways that target business owners with relatively limited access to capital. By addressing behavioral change, DFAs can deploy capital for greater impact and drive more equitable community-based lending without overly compromising lending standards.





# The Program has Two Main Goals



The **CDFA Minority Capital Loan Guarantee Program** aims to reduce lending bias by working with DFAs to adopt more flexible, character-based lending criteria to mitigate perceived gaps in a borrower's credit history or worthiness.

## Goal Number One

To increase capital flowing to minority-owned businesses by modifying outreach, engagement, and lending behavior through the implementation of a guarantee structure to mitigate real and/or perceived risks.



## Goal Number Two

To promote racial, gender, and economic equity and fundamental improvements in the long-term health, social, environmental, and economic outcomes of the disadvantaged Individuals and communities served by the DFAs.





# Structure

- 1** \$18 Million loan guarantee program
- 2** Maximum \$3 Million of guarantee authority available to each DFA
- 3** Each loan can be guaranteed up to 75% up to a maximum amount of \$250,000



## Structure (cont.)

- 4 Guarantee available during the 3-4 year active lending period
- 5 Loans can be guaranteed for up to 7 years
- 6 Loans can be removed from the guarantee program at any time without penalty



# Expenses

- 1** DFAs must have their own money to lend
- 2** DFAs incur first 25% of loss
- 3** DFAs incur all expenses for managing the loan and collecting payments from borrowers



## Expenses (cont.)

- 4** DFAs pay fee equal to 1% of total guarantee authority for each year they're enrolled in the program
- 5** Max yearly fee is \$30,000 and DFAs can choose to leave the program at any time without penalty
- 6** DFAs can receive up to \$150,000 in grant funding to cover the technical assistance components of the program

# Call for Proposals



**March 10, 2023** Proposals Due to CDFA

**April 2023** Interviews with Selected Candidates

**April 28, 2023** Final Selection

Download the detailed Call for Proposals at [www.cdfa.net/p/mclgp.html](http://www.cdfa.net/p/mclgp.html)





# Q&A Sessions

**Monday, February 13, 2023 at 3:00pm (Eastern)**

**Thursday, February 23, 2023 at 11:00am (Eastern)**

**Monday, February 27 at 4:00pm (Eastern)**

**Wednesday, March 8 at 12:00pm (Eastern)**

Email Fawn Zimmerman ([fzimmerman@cdfa.net](mailto:fzimmerman@cdfa.net)) for login instructions.

# Questions



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