



Deployment: Barriers, Breakthroughs, and Best Practices



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Introduction

- ★ Deployment is central to the mission of CDFIs
- ★ However, deployment is a constant challenge to most CDFIs
- ★ Discussion of common challenges to deployment and successful strategies to increasing loan volume



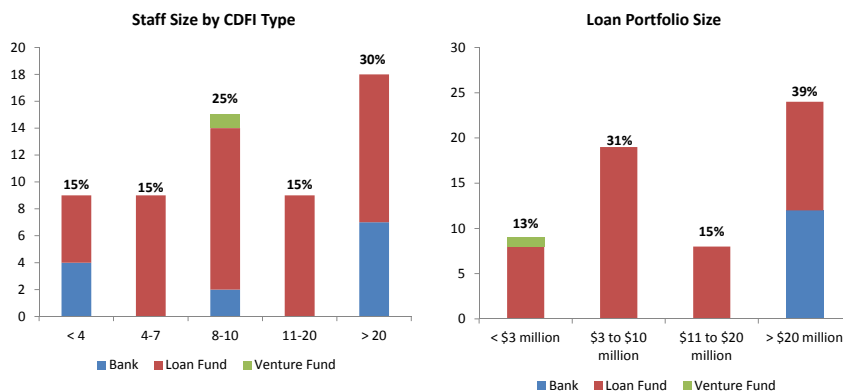
Methodology

- ★ Online survey sent to 103 CDFIs that finance small businesses
- ★ Received 62 responses:
 - 47 loan funds
 - 13 banks
 - 1 venture fund
- ★ Follow-up interviews with 5 CDFIs:
 - Access to Capital for Entrepreneurs (ACE)
 - Bridgeway Capital
 - Noah Bank
 - The Progress Fund
 - Virginia Community Capital

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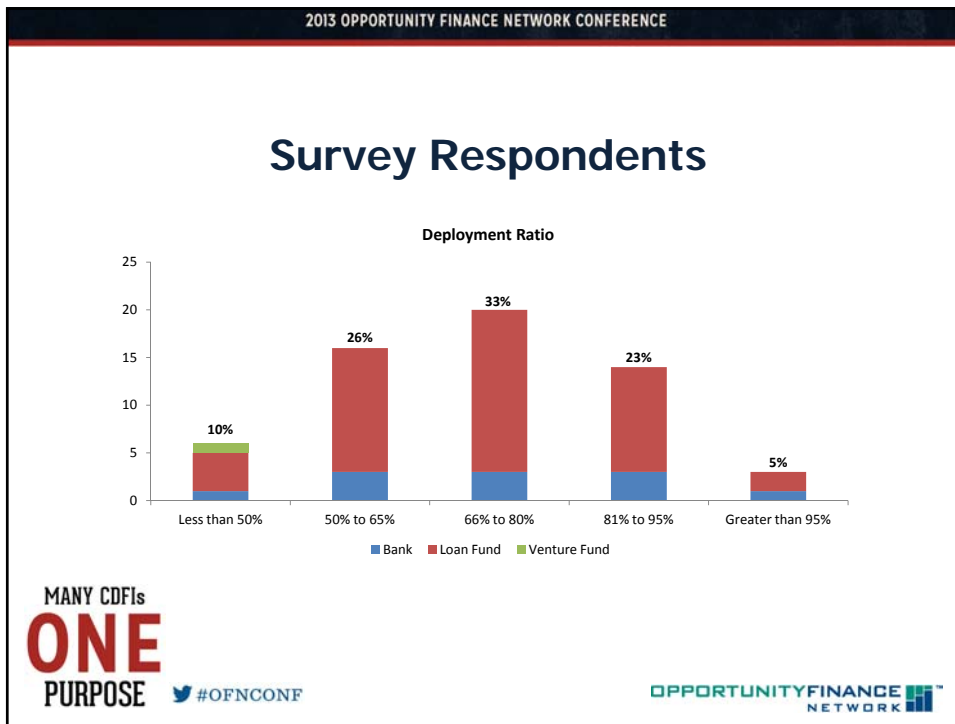
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Survey Respondents

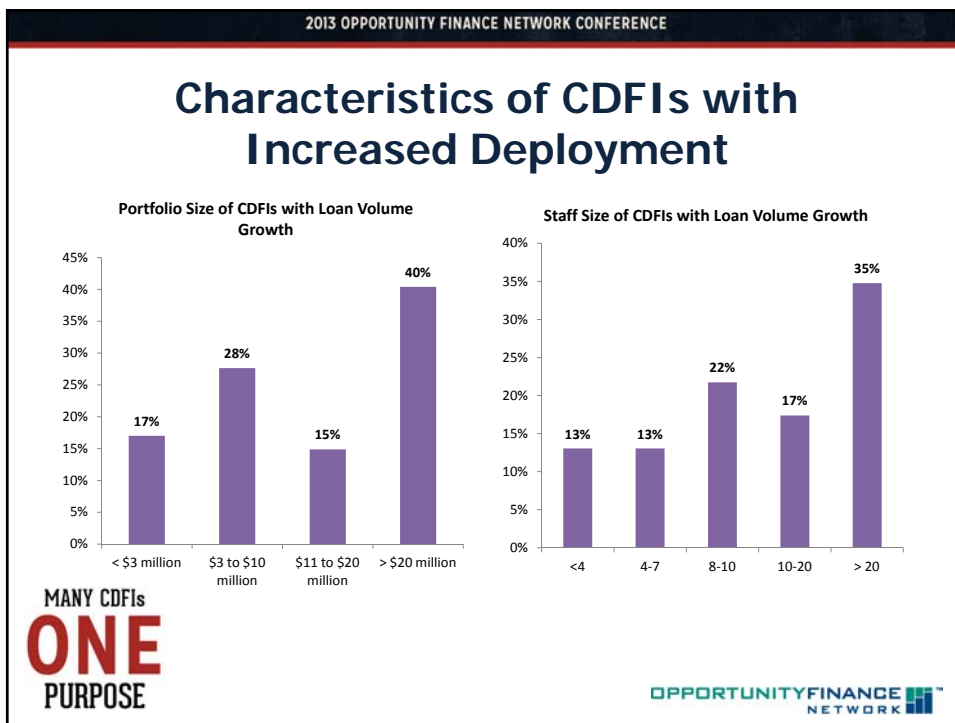
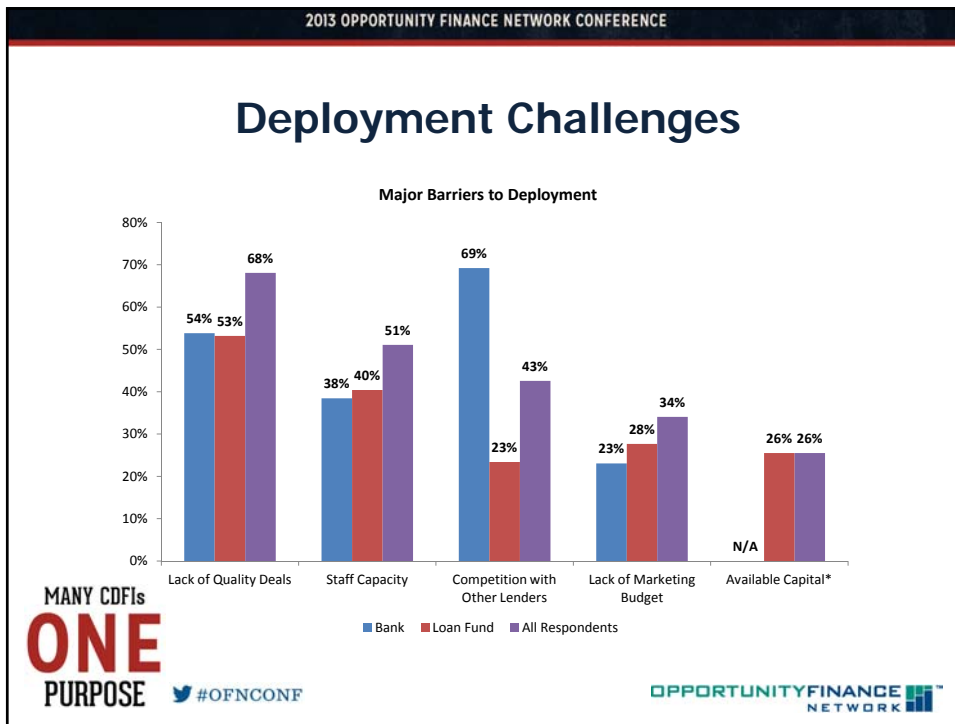


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- ## Deployment Challenges
- ★ Lending restrictions from capital sources
 - ★ Cost of capital requires taking on additional risk to get desired returns
 - ★ Competition- primarily among CDFI banks
 - ★ Economic downturn and credit squeeze- hurt CDFI banks but helped CDFI loan funds
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Strategies to Address Deployment Barriers

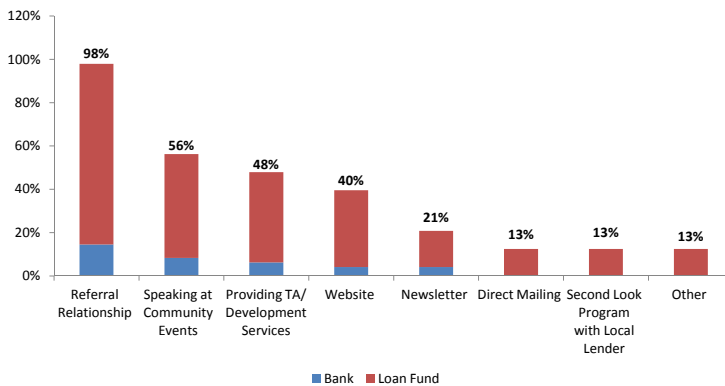
- ★ CDFIs tailor strategies for increasing deployment based on target markets, borrower needs, and business models
- ★ 57% of respondents with loan volume growth over past three years attributed at least part of growth to marketing and outreach strategies
- ★ Strategic and capitalization plans have been helpful to increasing loan volume

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Strategies to Address Deployment Barriers

Marketing & Outreach Strategies for Increasing Loan Volume



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Successful Strategy: Referral Relationships

- ★ 98% of survey respondents indicated that referral relationships were a successful strategy for increasing loan volume
- ★ 56% of respondents indicated that speaking at community events was a successful strategy
 - These events have led to additional referral relationships

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Successful Strategy: Referral Relationships

- ★ Case Study: Bridgeway Capital
 - Three step process to develop relationships with banks:
 1. Face-to-face presentation with bank staff
 2. Individual follow-up to maintain contact
 3. Thank you reception for successful referrals
- ★ Case Study: Virginia Community Capital
 - Year-end luncheon for borrowers, prospective customer and referral sources to reinforce relationships
- ★ Case Study: Community First Fund
 - Identification and yearly outreach to “influencers” who indirectly create referrals

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Successful Strategy: Deployment Goals

- ★ Setting organization-wide or individual deployment goals
- ★ Goals for both dollars deployed and deployment ratios
- ★ Use of incentives varies by organization

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Successful Strategy: Deployment Goals

- ★ Case Study: Access to Capital for Entrepreneurs
 - Organization-wide deployment ratio of 60%
 - Each loan officer is given an individual goal based on product and budget
- ★ Case Study: Bridgeway Capital
 - Overall deployment ratio goal of 80% by 2016
 - Deployment goal (in dollars) for each loan officer
 - No incentives; hire mission-driven staff
- ★ Case Study: Virginia Community Capital
 - Working on building a sales culture among staff
 - Loan officers have deployment and pipeline goals
 - Developing incentives for staff

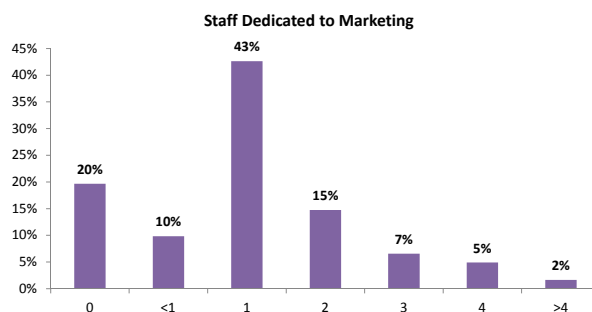
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Successful Strategy: Marketing

- ★ 62.5% of respondents found a marketing plan helpful in facilitating deployment
- ★ Marketing staff varies widely



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Successful Strategy: Marketing

- ★ Marketing strategies adopted by CDFIs:
 - Holding informational meetings at local libraries in underserved areas in the Target Market
 - Marketing products and services to strategic partners, including SCORE (small business mentoring program)
 - Hiring outside professionals for marketing materials, including web designers, graphic designers, and professional writers
 - Developing partnerships with local agencies who work with entrepreneurs
 - Hiring marketing staff for specific loan products
 - Marketing through media sources, including websites, internet advertisements, social media, press releases, and radio advertisements

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Successful Strategy: Marketing Materials

★ Case Study: The Progress Fund

- One-page "Product profile"
- Features borrower success story and photo
- Shows current and potential funders the impact of their investment

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Project Profile

Lending: 2013 Opportunity Fund
Lending to the
http://progressfund.com

Client: HomeChef

Need/Challenge: HomeChef Development

Total Project Cost: \$250,000

Home O' Flavors: A Farm to Table Restaurant

People: HomeChef has one selling process that for 25+ years serves best, but had a sense that her future wasn't only in the future. The 1970s - need to be seen. "I had this vision of a home restaurant," says HomeChef. "I had this. Absolutely right to do this."

Progress: With help from the U.S. Small Business Administration Development Center, HomeChef is now. They are together with a local "Older" friend at the heart of the Progress Fund. It is a successful "A" site now. The Progress Fund raised \$250,000 in total and has now opened the building, purchase equipment and hire a home chef.

Benefits: Many restaurants don't have the flexibility to get away from the home. All Site O' Flavors, this means it is a restaurant on which you can that again grow the food ranges with food and business, need that site local with local support and success. On that that new technology that morning and evening one night need to be different. When a home chef is with her own kitchen, "I had my own kitchen and my own kitchen."

HomeChef is a local business. HomeChef is a local business. HomeChef is a local business. HomeChef is a local business. HomeChef is a local business.

The Progress Fund | 2013 Opportunity Fund | Developing, Supporting, Feeding
www.progressfund.com | info@progressfund.com

Successful Strategy: Marketing Materials

★ Case Study: Bridgeway Capital

- Materials marketed directly to end users
- Uses fliers for manufacturing loans, SBA loans, and business education programs

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Financing for Manufacturers

Bridgeway Capital works with companies and manufacturers to provide financing for equipment, working capital, and other business needs.

For established and growing manufacturers, financing can be used for:

- Business expansion
- Real estate purchases
- Equipment and other fixed assets
- Revolving Working Capital
- Start-up

Growth Loans

For growing companies across various industries, competition can be a challenge. Growth loans can be used to expand your business.

Why it works: We can help the loans to meet your company's needs and projected growth. We can also help with the equipment and working capital. We can also work with banks to help coordinate the amount of company capital.

Results: Up to a 10 year term, fixed rates, and no prepayment penalties.

SBA Loans

A Small Business Administration (SBA) loan is a guaranteed loan to help you start or expand your business. It can also be used for the building, renovations, to allow you to grow your business. It can also be used for the building, renovations, to allow you to grow your business. It can also be used for the building, renovations, to allow you to grow your business.

Why it works: SBA loans are a great way to get financing for your business. They are a great way to get financing for your business. They are a great way to get financing for your business.

Results: Low down payments, fixed interest rates for the life of the loan, and no prepayment penalties.

To learn more, visit us online at www.bridgewaycapital.org

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Successful Strategy: Marketing

- ★ Means of marketing through media:
 - Website
 - Newsletter
 - Social media: Facebook and YouTube
 - Press coverage and/or writing magazine articles
 - Radio advertising in key markets
- ★ Case Study: The Progress Fund
 - Issue a press release for loans to new businesses or existing borrowers doing something noteworthy
 - Hire a professional journalist to do write-ups
 - Journalists often covers loan/story in local newspaper

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Successful Strategy: Specialization

- ★ Many CDFIs have found success in narrowing focus in lending by product or sector
- ★ Case Studies:
 - Noah Bank: Asian-American communities and small business in target market
 - The Progress Fund: Tourism industry and rural communities in northern Appalachia
 - Bridgeway Capital: Loan officers become specialists for few specific products

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Successful Strategy: Capitalization

- ★ 90% of survey respondents indicated that a capitalization plan was helpful in facilitating deployment
- ★ Type of capital (restricted vs. unrestricted) often dictates ability to lend
- ★ Case Study: The Progress Fund
 - Only accepts unrestricted capital to continue with lending parameters and niche market of tourism

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Successful Strategy: Capitalization

- ★ Case Study: Virginia Community Capital
 - Nonprofit loan fund and holding company for state-chartered community bank, Community Capital Bank of Virginia
 - The loan fund and bank share participations
 - Less expensive, shared capital allows VCC to offer larger loans and lower blended rates
 - Provides credibility in marketplace
- ★ Case Study: Access to Capital for Entrepreneurs
 - Struck a balance in seeking capital that allows for development of loan products while working within guidelines of capital sources

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Key Takeaways

- ★ Likelihood of successful deployment is increased by relying on fundamentals of management
- ★ Key to increasing deployment: Creation of clearly stated goals and development of integrated strategies that link capitalization, marketing and deployment into measurable management approach

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