

Technical Assistance Memo

Deployment Strategies for CDFI Small Business Lenders

By Lolita Sereleas, Ruth Barber, and Moira Warnement
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Introduction

Deployment of loan capital is central to a CDFI's mission. Strong deployment is a means to greater community development impact, a stronger balance sheet, and increased earned income. Most CDFIs, regardless of staff or portfolio size, face periodic deployment challenges; some face fairly constant deployment challenges. These challenges include but are not limited to lack of staff capacity, competition from other lenders, and lack of quality deals.

CDFIs across the country have developed techniques--tailored to individual staff needs, service areas, and business models--to help them deploy much-needed funds into their markets. This memo describes common barriers to deployment faced by Small Business CDFIs and effective methods these CDFIs are using to increase loan volume.

Methodology

In May and August 2013, we distributed a deployment strategies survey to 103 CDFIs that primarily finance small businesses.¹ Sixty-two CDFIs responded, including many of the *Goldman Sachs 10,000 Small Businesses* CDFI Growth Collaborative partners. We conducted follow-up interviews with five survey respondents. These interviews offered further insight into deployment, marketing, and capitalization strategies. In addition to findings from the surveys and interviews, this TA Memo incorporates learning from FUND Consulting's 13 years of experience working with CDFI small business lenders.

Survey Respondents

Survey respondents varied by institution type, number of staff, portfolio size, and deployment ratios. Respondents are primarily loan funds (47), followed by CDFI banks (13), one venture fund, and one

¹ The authors are from FUND Consulting. FUND Consulting issued the May 2013 survey to its client CDFIs. OFN contracted FUND Consulting to issue the same survey to the *Goldman Sachs 10,000 Small Businesses* Growth Collaborative partners and other OFN Members in August 2013.



CDFI that did not identify its financial institution type. The average respondent has a staff size of eight to 10 and a portfolio of over \$20 million. Deployment ratios (defined as gross loans outstanding divided by total capital available for lending) vary greatly, with one-third of respondents falling in the 66% to 85% range. See Appendix A for details on these and other respondent characteristics.

Profiles of the Five Interviewed CDFIs

We interviewed four loan funds (Access to Capital for Entrepreneurs, Bridgeway Capital, Inc., The Progress Fund, and Virginia Community Capital) and one CDFI Bank (Noah Bank). Brief profiles of these five CDFIs follow.

Access to Capital for Entrepreneurs (ACE) is a nonprofit loan fund headquartered in Cleveland, Georgia. ACE provides capital to small businesses and microenterprises throughout northern Georgia and the Atlanta metro area. Products include healthy food and energy efficiency loans. ACE is an OFN Member and a partner in the Goldman Sachs *10,000 Small Businesses* CDFI Growth Collaborative.

Bridgeway Capital, Inc. is a nonprofit loan fund with branches in Pittsburgh and Erie, Pennsylvania. Bridgeway provides small business loans, microloans, and nonprofit loans throughout western Pennsylvania, with a particular focus on low-income and minority business owners. Bridgeway is an OFN Member.

Noah Bank is a certified CDFI bank with branches in eastern Pennsylvania, New Jersey, and the New York City metro area. Noah provides a full menu of loan products, including Small Business Administration (SBA) loans, and serves the Asian-American community in the tri-state area.

The Progress Fund (TPF) is a nonprofit loan fund based in Greensburg, Pennsylvania and serves parts of Pennsylvania, West Virginia, Maryland, and Ohio. TPF's focus is small business lending that serves the growing tourism industry or producers of value-added location foods in rural communities. TPF is an OFN Member.

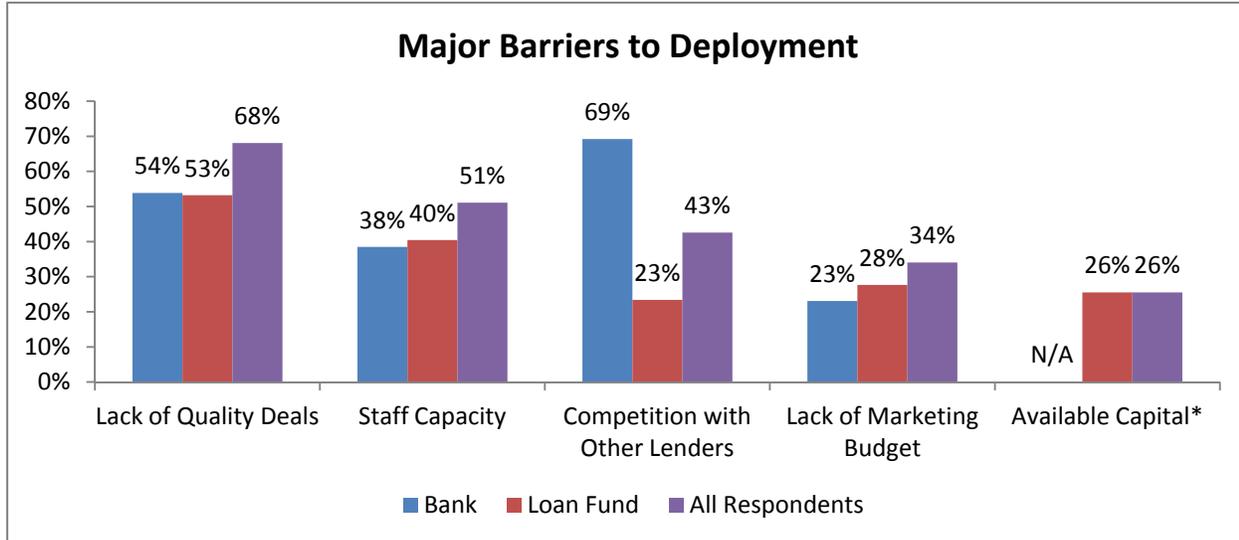
Virginia Community Capital (VCC) is a nonprofit loan fund with offices in Richmond and Christiansburg, Virginia. VCC is also a bank holding company for Community Capital Bank of Virginia, the only state-chartered community development bank in the state. VCC provides capital to small businesses, particularly in largely rural and minority areas, throughout the state of Virginia. VCC is an OFN Member and a partner in the Goldman Sachs *10,000 Small Businesses* CDFI Growth Collaborative.

Deployment Challenges

CDFIs of all types reported facing numerous barriers to deployment, with most respondents indicating that they faced more than one of these issues (See Chart 1). Across all CDFIs, lack of quality deals and insufficient staff capacity were the most commonly cited barriers, followed by competition with other lenders, lack of a marketing budget, and insufficient capital to meet demand. As shown in Chart 1, there are differences between banks and loan funds: for example, banks cite competition as the number one barrier and loan funds cite it as the least common barrier.



Chart 1



*This response option was only included in the August survey, which was not sent to CDFI banks.

Lack of quality deals stands out as the most common barrier to deployment: more than two-thirds (68%) of all respondents, and more than 50% of loan funds and 50% of banks, indicated that this was a challenge. Of these respondents, nearly three-quarters indicated that lack of collateral was the applicant's major issue, followed by low credit score (64%) and lack of financial literacy (45%). The five interviewees offered further commentary on the lack of quality deals. VCC noted that the quality of small business deals is affected by four issues:

- Company operating performance has not fully recovered to pre-recession cash flows;
- Losses from the past several years have weakened balance sheets and company leverage;
- Small business owners have personally suffered from reduced cash flow and their individual credit scores are low; and
- Equity in the owner's house, often used as collateral for small business loans, is limited due to the current housing market.

Although the quality of deals is perennially an issue for loan funds in particular, interviewees commented that the credit squeeze that started with the economic downturn in late 2007 had actually helped increase the number of quality deals they received. The tightening of credit by banks and other mainstream lenders pushed qualified businesses to seek capital from non-traditional sources of capital like CDFIs. Despite signs of economic recovery, in 2013 loan funds find that they are still attracting clients that are unable to obtain loans from banks, even those with higher credit scores and acceptable collateral. According to Bridgeway, "Banks are only lending in perfect situations, and are not loosening up from a risk standpoint... All my loan officers are ex-bankers, and we've made comments that we're doing deals at Bridgeway that five years ago in banking we would have been competing with every bank in town for." Loan funds recognize that as the economy



continues to recover, competition from banks for quality deals will return and traditional lenders may once again tempt away borrowers.

Interviewees expanded on some of the other barriers they face. ACE noted that its constraints on deployment were related to geographic funding restrictions. For example, they often have difficulty deploying funds in metropolitan Atlanta, a large geographic area, due to restrictions that require them to deploy their capital in rural communities where demand may be lower. VCC has found that its cost of funds is often slightly higher than its competition and, as a result, it often needs to take on additional risk to get the returns it is seeking.

Although they may appear quite different in many ways, regulated and unregulated CDFIs face many of the same challenges in deploying capital. As shown in Chart 1 above, community development banks and loan funds identify lack of staff capacity, lack of quality deals, and lack of marketing budget as barriers at approximately the same rate. In follow-up interviews, some banks and loan funds expressed frustration at the cost of capital, difficulties in raising funds, and the importance of setting goals for the CDFI. One notable difference between regulated and unregulated CDFIs is competition: nearly two-thirds of CDFI banks indicated this is a barrier to deployment compared to less than a quarter of loan funds. Noah Bank commented that it faces competition in its narrow target market of Asian Americans as there are many other banks that also target that same population. This is in addition to the national banks, community banks, and other financial institutions that serve the same geography including but not specifically targeting the Asian American market.

Another difference is how CDFI banks and loan funds have weathered the recent economic downturn. CDFI banks have had significant difficulty in deploying capital over the past few years due to increased regulatory constraints, tightened credit, and the growth in competition that has come as a result. Noah Bank has found that the recent economic upswing has not greatly improved its lending situation. "The quality [of loans] has decreased due to the hardship caused by the economic downturn, but more importantly, as the economy has improved, due to the competition, the loan terms have become less favorable for banks. It has been a double-edged sword for lenders. Borrowers want lower rates and fixed-rate periods rather than floating for the length of the loan. Banks have 'stepped up' and provided these lower rates, which has caused some of the margin compression that banks have felt." Other CDFI banks as well have indicated that there is increased competition for quality deals that fall within regulatory constraints.

Best Practices in Deployment Strategies

Characteristics of CDFIs with Increased Deployment

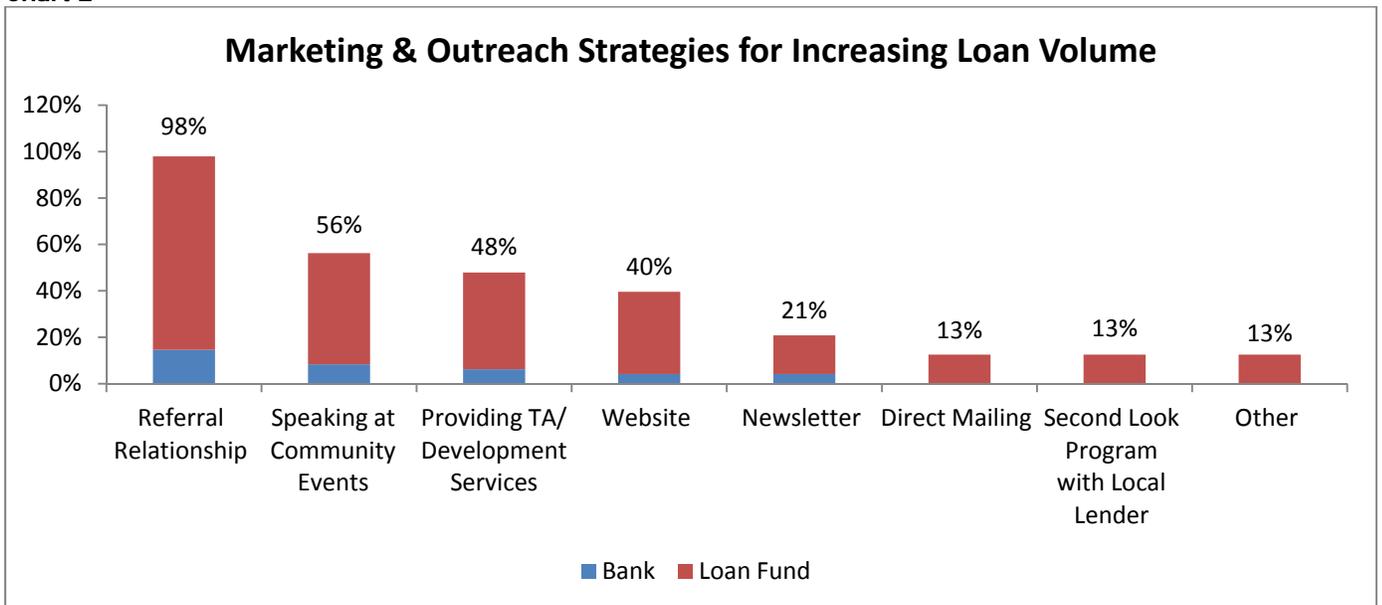
It is little surprise that 95% of survey respondents indicated that increasing loan volume has been a priority in the past three years; most (over three-quarters) but not all, achieved that goal. The characteristics of CDFIs with increased deployment vary widely. They are both CDFI banks and loan funds. Nearly half (45%) had loan portfolios of less than \$10 million, while 40% had portfolios greater than \$20 million. Almost half had 10 or fewer staff members, while one-third indicated that their staff exceeded 20 people. Similarly, they served a wide variety of geographies, from a community to a state to a national market. See Appendix A for more detail on the characteristics of CDFIs with increased deployment.



Common Strategies to Address Deployment Barriers

CDFIs have developed myriad methods for maintaining and increasing their deployment based on their specific target markets, borrower needs, and business models. Marketing and outreach were used by many survey respondents, Fifty seven percent of respondents with loan volume growth over the past three years attributed part of that growth to their marketing and outreach efforts. As shown in Chart 2, developing referral relationships was the main marketing strategy used to increase loan volume, followed by speaking at community events and providing technical assistance or development services to businesses.

Chart 2



Included in the “Other” category in Chart 2 are strategies such as:

- Specialized/focused lending
- Continued expansion in existing or larger service area
- Partnerships with government agencies
- Increasing staff size
- Establishment of new branches (CDFI banks)
- Rebranding
- Working/partnering with other lenders
- Building awareness of CDFIs among intermediaries
- Direct contact with businesses

Having clearly stated deployment goals (both in terms of dollars and deployment ratio) in strategic and capitalization plans has also served as an effective incentive to grow loan volume: all respondents that had completed a strategic plan and 90% of respondents that had completed a capitalization plan found them to be helpful to some extent in growing loan volume.



Further details about some common deployment strategies, including referral relationships, deployment goals, marketing, specialization in lending, and capitalization, are outlined below.

Referral Relationships

Among the survey participants, 98% indicated that referral relationships were the most successful strategy in increasing loan volume, with several respondents noting that face-to-face meetings with referral sources have the strongest impact. Similarly, 56% of respondents indicated that speaking at community events was another successful strategy and has often led to additional referral relationships. As one respondent noted, "Our biggest marketing attribute is relationships... We've had the most success with getting out there, meeting people, and developing relationships."

A key factor to successful referral relationships is a deliberate, managed approach. Bridgeway Capital has developed a three-step process for developing and nurturing referral relationships with banks that are a key strategy for maintaining and increasing deployment. Bridgeway has established relationships with several large, national banks to which they reach out every year to 18 months. They have also developed referral relationships with several smaller, community banks, many of which had approached Bridgeway about developing this relationship. Bridgeway has found that each time they complete this three-step process they see an increase in referrals and subsequent deployment.

- First, several members of Bridgeway's loan and marketing staff make a face-to-face presentation about the organization to bank staff, usually consisting of business bankers and branch managers, providing key information about Bridgeway's products and services.
- Second, after the presentation, Bridgeway staff reaches out individually to each attendee from the bank to strengthen the connection with the banker, allow for follow-up questions, and keep the organization on the banker's radar for potential referrals. Bridgeway staff then monitors the referrals from each banker individually and the bank as a whole, and reviews these referral numbers monthly to quantify the results of the presentation and the subsequent relationships.
- Third, if the relationships have been successful and the bank has provided sufficient referrals within approximately 90 days, Bridgeway hosts a reception for the bank staff as a thank you for their business. During the reception, Bridgeway highlights specific deals that closed as a result of the bank's referrals. The organization also gives Bank of the Year and Banker of the Year awards at its annual meeting based on the number of referrals received from a bank and an individual banker, respectively.

In a similar vein, VCC hosts a luncheon at the end of every year for borrowers, prospective customers, and referral sources to reinforce the relationships with the various parties, thank them, and provide them with information about VCC's success, products, and services. This opportunity for face-to-face interactions has helped to build new and strengthen existing relationships.

Although not interviewed directly for this memo, Community First Fund, a nonprofit loan fund located in Lancaster, PA and a member of the Goldman Sachs *10,000 Small Businesses* CDFI Growth Collaborative, also serves as a notable example for leveraging referral relationships. The loan fund recognizes that referral sources are not limited to direct relationships with banks, small business development centers, and other partners. Community First identifies "influencers" who indirectly



create referrals. These influencers include small town mayors, bank presidents or other high-level staff, and other people in positions of power that have multiple connections and whose mention of the loan fund may open doors for referrals. Community First staff, including the CEO and COO, makes an effort to meet with these influencers in person once a year in order to ensure their continued relationship, keeps them up to date on Community First's accomplishments, and provides further information that may be helpful to the influencer.

Deployment Goals

Several CDFIs noted that setting specific deployment goals has been a successful tool for increasing loan volume. For example, ACE has set an organization-wide deployment ratio goal of 60%. This goal is factored into the annual budgeting strategy and each loan officer in turn is given individual goals for loans closed and dollars deployed based on the specific product on which they focus. These goals are somewhat flexible and are adjusted as necessary throughout the year based on external factors including funder deployment goals and timelines, for example.

Bridgeway is striving toward a deployment ratio of 80% by 2016, with interim annual goals for the ratio and for dollars deployed. The organization maintains its strict lending standards to ensure that loan quality does not deteriorate with growth in deployment. Similar to ACE's process above, Bridgeway breaks the overall deployment goal (in dollars) down for each loan officer, based on the officer's deployment from the previous year and the average size of his or her loan product.

Bridgeway deliberately has not implemented an incentive program for its lending staff, instead hiring individuals that are mission-driven, as determined through a behavioral assessment conducted during the interview process. The feedback the organization has received from its staff is that the lack of incentives for individuals creates an environment in which staff members help each other and promotes a good work-life balance.

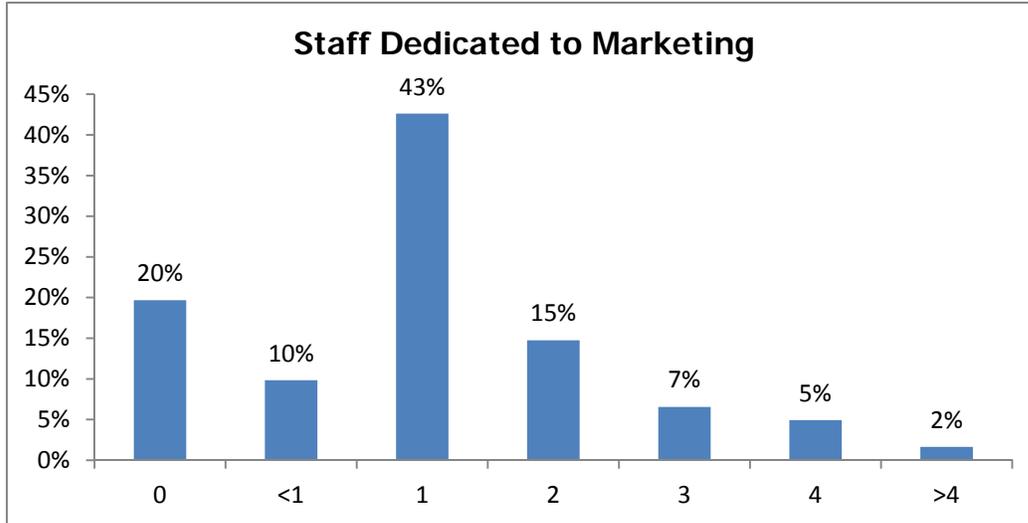
VCC is working on building a sales culture among its lending staff. Each staff member has deployment goals (in dollars) as well as pipeline goals for each fiscal year, and VCC plans to introduce financial incentives for its lending staff. These goals motivate loan officers and management and also serve as benchmarks for determining the success of the organization. Loan staff are also heavily involved in the organization's marketing initiatives to help facilitate the sales process and to create a strong connection between marketing and deployment across the organization.

Marketing

Many of the survey respondents have small staff sizes and as such are unable to sustain full-time marketing staff: 20% of respondents answered that they have no staff dedicated to marketing, while 43% had one person on staff for this purpose. An additional 10% (" <1 " in Chart 3) have found creative ways of distributing marketing tasks among staff, using administrative staff or hiring interns to perform these functions, or delineating marketing as part of another staff member's job function.



Chart 3



Respondents' marketing strategies vary widely and include:

- 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 to develop 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

CDFIs have also found marketing plans, another vehicle by which to clearly articulate goals and related strategy, to be a successful way to increase loan volume. Of the survey respondents that have completed a marketing plan, 62.5% found it helpful to very helpful in facilitating deployment.

Marketing Materials

Marketing materials in the forms of brochures or other handouts are an important marketing tool for many CDFIs. Since its inception in 1996, The Progress Fund has created one-page "Product profile" handouts that feature a borrower success story. The handout highlights the borrower, their financial need, the loan product that TPF offered them, and the success of their business that occurred as a result of the loan, along with a picture. This simple marketing piece does not include interest rates or terms, but rather tells a story of a successful borrower to help potential borrowers envision their own potential success story, demonstrate that borrowers are the organization's main focus, and show current or potential funders the impact of their investments. As TPF points out, "we put the spotlight on real people. Stories and pictures stick in the minds of potential borrowers, referral sources, and investors. Referral sources know that the people they send to us don't get lost in the process here,



and the profiles paint a perfectly clear picture of who we help and who should be referred to us.” See Appendix B for examples of TPF’s borrower stories.

Bridgeway Capital has found recent success in marketing its products and services directly to the end user. Bridgeway recognized a significant opportunity for lending to the manufacturing industry in its western Pennsylvania service area and as such expanded its loan products to these businesses for purposes including expansion, working capital, and acquisition. The organization developed a marketing handout that provides necessary information on financing to manufacturers. Bridgeway has similar fliers for its business education programs and SBA loans. Although the organization still relies heavily on referral sources for business, end-user marketing gives Bridgeway another means of getting information into the hands of potential borrowers. See Appendix C for examples of Bridgeway’s end-user marketing materials.

Marketing through Media

Although only 40% of survey respondents indicated that their most successful marketing strategy for increasing loan volume was their website and 21% indicated it was their newsletter, CDFIs are finding creative ways to use various forms of media to market themselves to potential borrowers and referral sources. One survey respondent noted that they have had “better exposure with [the] public using social media marketing such as Facebook and YouTube,” a second added that “press coverage and/or writing magazine articles” was a successful marketing strategy, and a third found that “radio advertising in our key markets did raise awareness among our referral networks, which resulted in increased referrals.”

TPF also noted that press releases and other media coverage have been useful in marketing themselves in order to increase loan volume. TPF issues a press release whenever they close a loan to a new business or when an existing borrower is doing something particularly noteworthy, such as an expansion or introducing a new product. In order to streamline this process and ensure high-quality releases, TPF has hired a professional journalist to do these write-ups. As an added bonus, this journalist often writes an article about the borrower in the local newspaper, further disseminating information about both the borrower and TPF’s products and services.

Specialization

Several interviewees reported that one of their most successful marketing strategies is a specialized focus in their lending. These CDFIs have found a lending focus that works for their borrowers, their funders, and their business models.

TPF has found its niche in offering loans to a specific group of borrowers. TPF’s multi-state service area covers western Pennsylvania and parts of Ohio, West Virginia, and Maryland, and the organization supports and capitalizes small businesses involved in outdoor recreation and the tourism industry. As such, TPF’s small business borrowers include restaurants, retail stores, and other businesses that serve tourists throughout northern Appalachia and along the Great Allegheny Passage. The specificity of its focus has three goals:

- Standing out from the crowd of lenders
- Being memorable and obviously impactful to the funding community
- Helping TPF develop expertise to lessen risk



TPF's effective rural programs and niche lending to small businesses in the tourism industry were key to TPF winning a Wells Fargo NEXT Award for Opportunity Finance in 2011.² TPF is now the primary lender on approximately 95% of its loans, which lessens risk from commercial lenders who might have been in first position on collateral, and has lent over \$43 million since inception.

Noah Bank has found success in providing small business loans to Asian communities throughout its service area of Pennsylvania, New Jersey, and New York. This focus has helped it fully understand the needs of its borrowers and enabled it to tailor its products and services accordingly. As Noah Bank continues to expand, it looks specifically to markets with large Korean or other Asian American populations. Noah Bank has developed expertise in Small Business Administration (SBA) lending to better serve its clients. Not every community bank offers these loans and Noah's expertise has made it more successful in serving its niche market.

Bridgeway Capital has found success in having each loan officer focus on only a few specific products rather than having every loan officer responsible for every product, regardless of size or type. This method creates narrow but deep, rather than shallow but broad, expertise among its loan officers, all of whom are former bankers. Since updating its business strategy to narrow the focus of its loans officers, Bridgeway has seen an increase in loan volume.

Capitalization

There is a strong connection between the capitalization and deployment. The amount of, terms of, and funding restrictions on a CDFI's capital can positively or negatively impact the amount of capital a CDFI is able to lend out. The deployment ratio, in turn, can be a key to attracting additional capital. Funding sources recognize that a strong deployment ratio represents a CDFI's ability to get loans out the door while keeping enough on hand to avoid completely exhausting the organization's capital. A deployment ratio that is too low indicates that a CDFI is not closing enough loans, while a ratio that is too high indicates that the CDFI is overextending its capital, indicating vulnerability in the organization's sustainability. Additionally, many CDFIs have developed capitalization plans to guide them in raising new capital: of those survey respondents who had completed a capitalization plan, 90% indicated that it was helpful to some extent in facilitating deployment.

Capitalization strategies and their effect on deployment varied among interviewees. VCC has a unique capitalization structure in that it is a nonprofit loan fund but is also the holding company for a state-chartered community development bank, Community Capital Bank of Virginia. The loan fund and bank participate in loans together, which allows VCC to offer larger loans to its borrowers. The bank is a source of readily accessible capital and provides credibility in the marketplace due to its status as an FDIC-insured financial institution.

As noted earlier, The Progress Fund has a specific niche market focused on lending to tourism-based small businesses throughout northern Appalachia. In order to continue to build on this business model, TPF only accepts unrestricted capital that will allow it to continue with its current lending parameters.

² For more information on the Wells Fargo NEXT Awards for Opportunity Finance go to www.nextawards.com.



ACE has struck a balance in seeking capital that gives the organization freedom to develop loan products that suit its market while working within the restrictions of the capital. In 2008, ACE launched its Georgia Green Loans (GGL) program, which provides loans to businesses that offer environmentally friendly products or services or want to make their processes more environmentally efficient. ACE was able to find funding for this program through the Small Business Administration. This capital has allowed ACE to tailor these products to its borrowers and develop expertise in this area of lending. ACE was also a recipient of a CDFI Fund 2011 Healthy Foods Financing Initiative award and subsequently launched a healthy foods loan product. ACE has focused this lending on specific neighborhoods where there is a particular need for improved access to healthy foods.

Conclusion

The likelihood of successful deployment is increased by relying on the fundamentals of management. CDFIs of all shapes and sizes have developed a variety of ways to overcome barriers to deployment. The survey results and selected interviews with five CDFIs demonstrate how, though very different from one another, CDFIs recognize hurdles to deployment and have tailored strategies for overcoming them. While common strategies include development and maintenance of referral relationships, creative marketing strategies, deployment goals, specialization in lending, and capitalization planning, what increases the effectiveness in deployment for these CDFIs is clearly stated deployment goals and integrated strategies that link capitalization, marketing, and deployment into a cohesive and measurable management approach.



APPENDICES

Appendix A: Survey Respondent Characteristics

Appendix B: The Progress Fund Borrower Stories

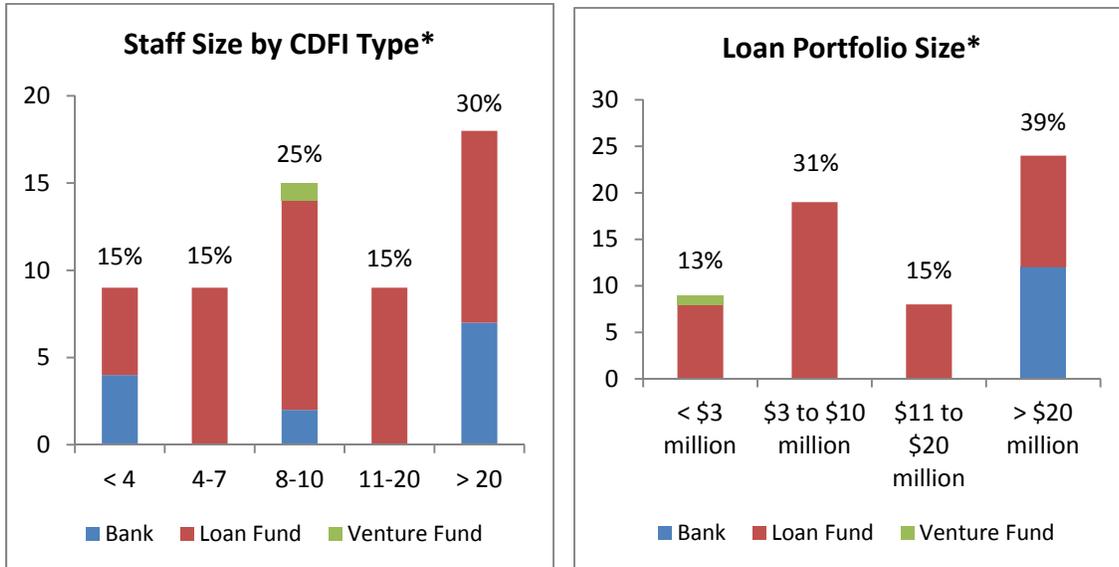
Appendix C: Bridgeway Capital End-User Marketing Materials

Appendix D: Survey Instrument

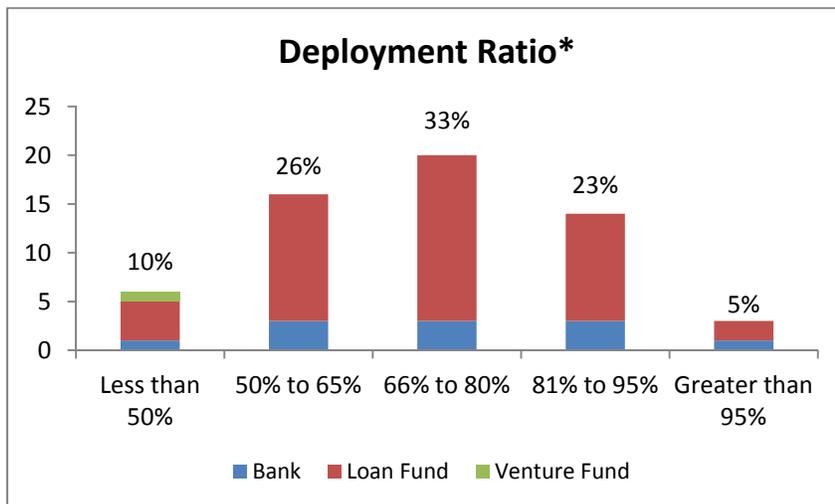


Appendix A: Survey Respondent Characteristics

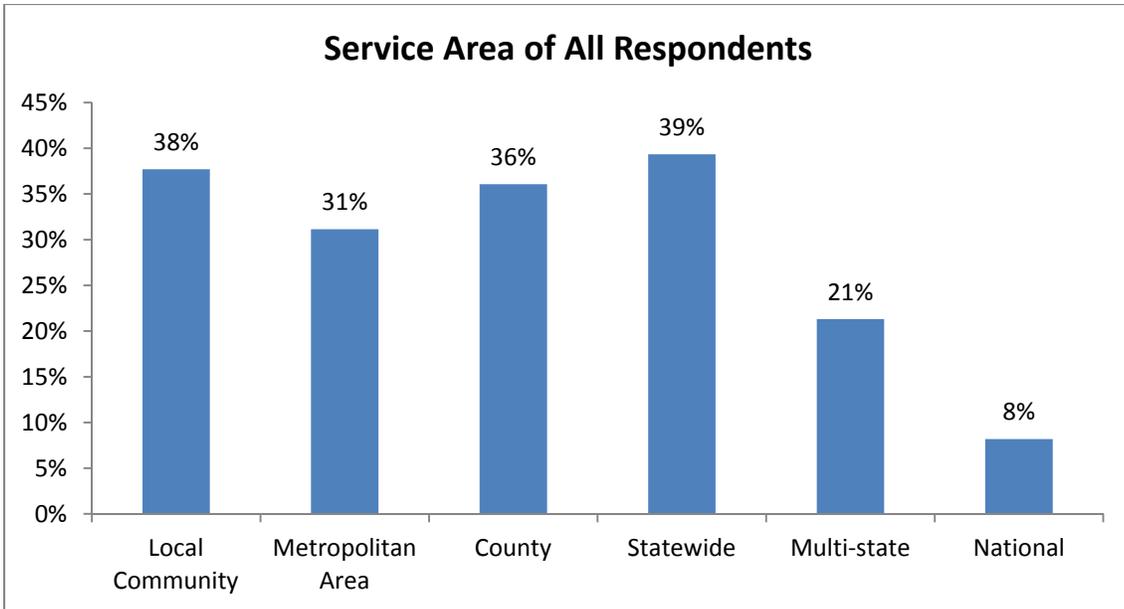
All Survey Respondents



*Labels indicate percent of total respondents in each category.

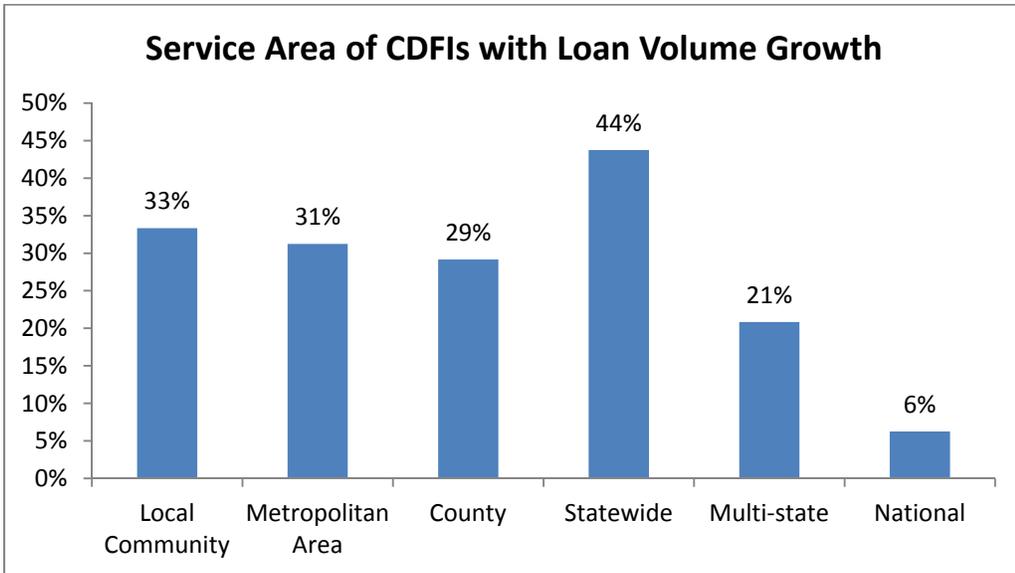
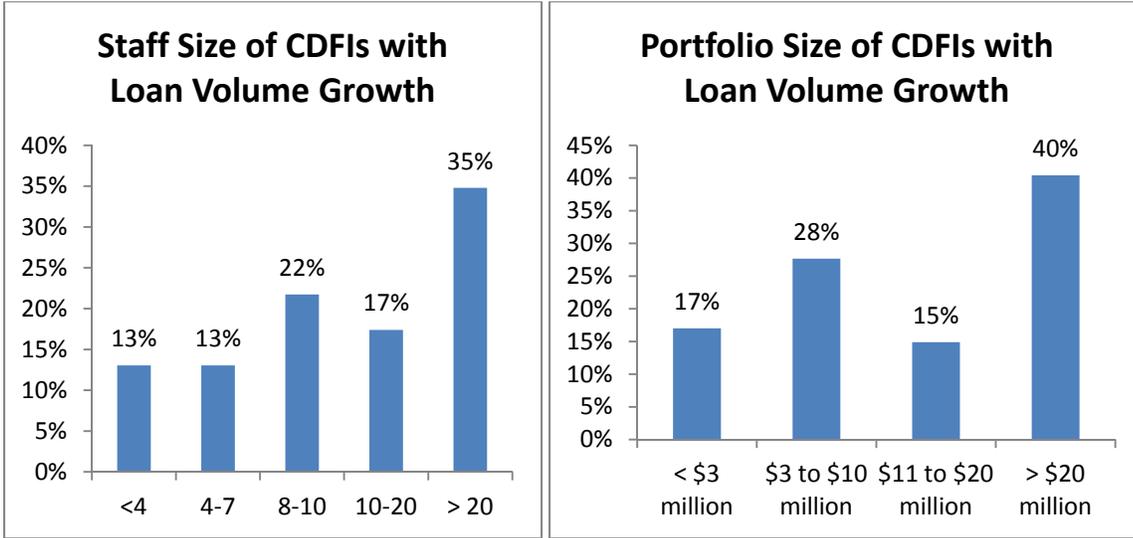


*Labels indicate percent of total respondents in each category.





Survey Respondents with Increased Loan Volume Over Past Three Years



Project Profile

Location:

220 Wolfsburg Road
Bedford, PA
myhornoplenty.com

County:

Bedford

Description:

Business Development

Total Project Cost:

\$342,000



Horn O Plenty: A Farm to Table Restaurant

People:

Mandi Horn was selling produce from her 270-acre organic farm, but had a sense that her buyers weren't using the bounty to its fullest. Then a Bedford building – partly constructed in the 1770s – went up for sale. “I had this vision of it being a restaurant,” says Mandi. “And I said, ‘Somebody ought to do that.’”

Progress:

With help from the St. Francis University Small Business Development Center, Mandi made a plan. Then she inquired with a bank. “After I found all the benefits of The Progress Fund, it totally outweighed it,” she says. The Progress Fund loaned \$320,000 so Mandi could buy and improve the building, purchase equipment and train a dozen employees.

Impact:

Many restaurants don't have the flexibility to put seasonal vegetables on the menu. At Horn O Plenty, the menu is a chalkboard on which you may find organic grass-fed beef burgers with fresh beet ketchup, wood-fired pizza topped with local yogurt and arugula pesto, or trout that was swimming that morning and smoked over apple wood in the afternoon. When a farmer drove up with too much kohlrabi, “That night we had kohlrabi on the menu,” says Mandi. “People don't realize how delicious it can be.”

The Progress Fund is an Equal Opportunity Program. Discrimination is prohibited by Federal Law. Complaints of discrimination may be filed with the Secretary of Agriculture, Washington DC 20250



Project Profile



Location:

129 Jefferson Court
West Newton, PA
www.brightmorning.net

County:

Westmoreland

Description:

Business Expansion

Total Project Cost:

\$115,000



Bright Morning Bed & Breakfast



People:

When Mary Lou Rendulic bought an old house by the Youghiogheny River in 2001, she intended to teach piano there. There was room for guests, so by year's end a Bed & Breakfast was born. A decade of growing traffic on the nearby Great Allegheny Passage helped to fill the Bright Morning's guest book. "We've had people who have walked 150 miles," says Mary Lou, as well as trail users from South America and Africa. But not everything was bright; Next door sat a vacant and decaying home.

Progress:

Mary Lou pondered expanding and sought a bank loan to buy the neighboring eyesore. "I had to fill out all the papers and had all the hope, and then got the feeling that, 'We're not going to finance you. You're just a little lady,'" she says. Then serendipity came knocking... The Trail Town

Program suggested she expand with a \$100,000 loan provided by The Progress Fund.

Impact:

Mary Lou and her husband Rob bought the 140-year-old house, are restoring woodwork, pocket doors and vintage light fixtures on their way to doubling and enhancing their B&B offerings. "The rooms are larger, and each room has a bathroom, shower, tub," says Mary Lou. The ground floor is now a dining room, allowing Rob, a chef, to offer delicacies like seafood lasagna. It's not what you'd expect in a little town. Mary Lou says, "I think the whole atmosphere where we live is changing." The truth is Mary Lou and Rob are changing it.

This project was financed [in part] using Pennsylvania Small Business Credit Initiative (PSBCI) funds from the Commonwealth of Pennsylvania, Department of Community and Economic Development.

Location:

2101 Douglas Run Road
Elizabeth Township, PA

County:

Allegheny

Description:

Business Development

Total Project Cost:

\$485,000



Driscoll & Sons Café



People:

The Yough Twister ice cream shop in Elizabeth Township got a boost in 1995 when the Great Allegheny Passage trail opened 100 yards away. “It bumped our business up about 20 percent,” says owner Raymond Driscoll. Trail use has grown since, and Raymond and his wife, Cynthia, decided to add a restaurant. They surveyed 400 Yough Twister customers to find out what they’d like to order. “I can tell you this,” says Raymond. “People like chicken.”

Progress:

Looking for financing to build a new structure, the Driscolls tried four banks. “They weren’t excited about getting into the restaurant business,” Raymond says. The University of Pittsburgh Small Business Development Center told them about The

Progress Fund, which loaned \$245,000 and helped to arrange a \$200,000 First Industries Tourism Program loan.

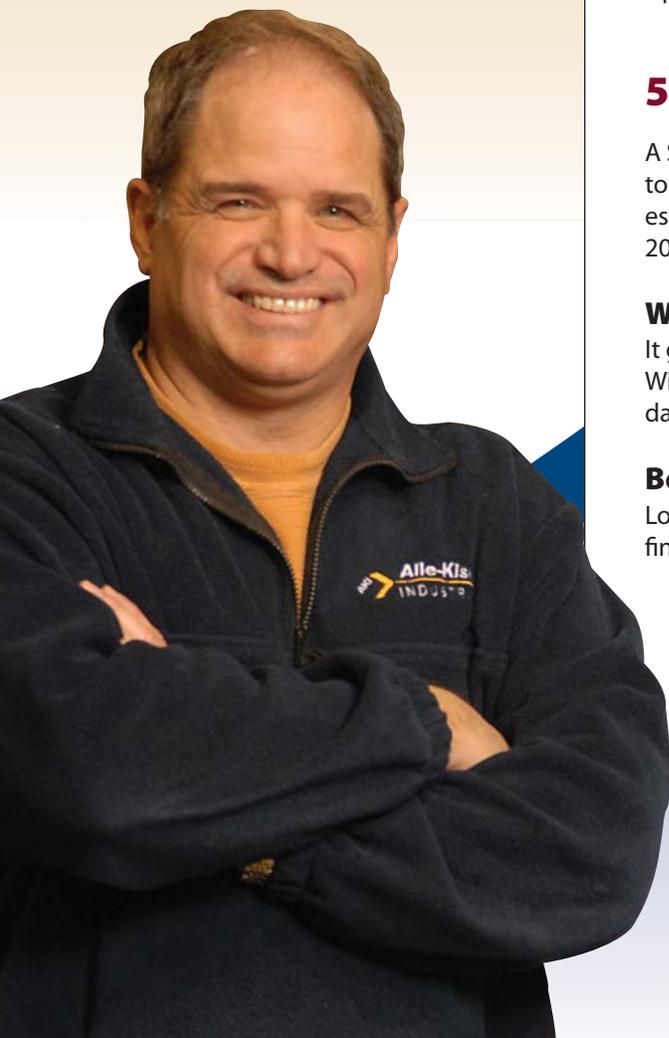
Impact:

Driscoll & Sons Café offers what Raymond calls “American contemporary classic food,” available indoors or on a creekside deck. It caters to trail users and locals alike, with around a dozen full-time and part-time employees. Among the participants are the Driscolls’ three sons, Jason, Justin and Josh. “We’ve always raised our sons to work hard and play hard,” Raymond says. “We just don’t like sitting idle, and we see a lot of opportunity there.”

This project was financed [in part] using Pennsylvania Small Business Credit Initiative (PSBCI) funds from the Commonwealth of Pennsylvania, Department of Community and Economic Development.

“Quite simply, we wouldn't be in business without Bridgeway Capital. Bridgeway stepped up to the plate not only financially [when we started our business], but also in an advisory position. We wanted to buy our building only one year later, and Bridgeway was there for us again with the SBA 504 real estate loan.”

— Kevin Hartford,
Alle-Kiski Industries



Financing for Manufacturers

Bridgeway Capital works with companies and nonprofits in western Pennsylvania to ignite growth, create job opportunities, and strengthen communities.

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

- **Business expansion**
- **Real estate purchases**
- **Equipment and other fixed assets**
- **Renovations**
- **Working Capital**
- **And more!**

Growth Loans

For growing companies across various industries, companies can borrow for fixed assets, real estate, or working capital to expand their business.

Why it works:

We can tailor the loans to meet your company's needs and projected cash flow, and offer flexible repayment options over varying terms. We can also work with banks to help maximize the amount a company can borrow.

Benefits:

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

504 Loans

A Small Business Administration (SBA) product for established businesses to obtain long-term financing for capital assets like owner-occupied real estate or equipment. It can also be used for building renovations. It offers 20-year financing for real estate and 10-year financing for equipment.

Why it works:

It gives businesses access to long-term loans at competitive, fixed rates. With as little as 10 percent down, businesses can save cash for daily operations.

Benefits:

Low down payment, fixed interest rates for the life of the loan, and financed loan fees.

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



Business Education

Entrepreneurs are the backbone of our economy.

You create jobs, attract wealth, drive competition, and bring diversity to our communities. That's why we developed a program just for you that will provide training and capacity-building opportunities to enhance your business skills and propel you toward success.

For Bridgeway Capital borrowers, our Business Education Program offers consulting, training, networking, educational resources, grant opportunities, and more.

Best of all, each aspect of the program is at low or no cost to you.

“Bridgeway Capital has supplied us with an immense amount of Business Education.”

— Jen and Stephen MacBride,
Archer's Edge

LEARN MORE

What's In It For You?

- **Skilled Consultants**
Gain access to experienced professionals in financial management, strategic marketing, business planning, and more at low or no cost to you. They will help you develop an Action Plan and work to implement it.
- **Education and Training**
Build your business skills and your network by attending seminars and training events. Our educational partners offer training events every month, and as our borrower, you can attend at a reduced rate.
- **E-Newsletters**
Learn the latest business tips, read articles from local entrepreneurs, hear about seminars and trainings, and connect with other small business owners. Sent monthly, this e-newsletter will highlight valuable resources for your business.
- **Technical Assistance Funds**
Add capacity to your business with our technical assistance matching funds. You can apply for partial funding – in the form of a grant – for conferences, seminars, certifications, and more to help grow your business. Rules apply.
- **Business Education Director**
Work with Jason Jones, our Business Education Director. He will work with your business, connect you with resources, and provide you with access to unique opportunities.

Contact Jason Jones at 412.201.2450 ext. 30, or jjones@bridgewaycapital.org for more details.





**Take a
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5.00%*
Microloan**
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Up to a six-year term

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Aaron Aldrich, Loan Officer
Pittsburgh, PA
412.201.2450 ext. 31

T.J. King, Loan Officer
Erie, PA
814.451.1172



*Offer valid for a limited time only and subject to change or withdrawal at any time. **SBA Microloans can be used for working capital, machinery, equipment, inventory, supplies, furniture or fixtures. Loans up to \$50,000 for small business owners. Must submit a complete application package by September 30.

CDFI Deployment Strategies Survey

FUND Consulting is conducting research on behalf of OFN and the Goldman Sachs 10,000 Small Businesses CDFI Growth Collaborative to help gain insight on effective strategies that lead directly to increased loan volume. The outcome of this research will be an OFN Technical Assistance Memo based on the survey findings. As an active CDFI providing small business lending, your input is vital to this research. Please take a few moments to fill out this brief survey based on your experience with providing business loans between \$50,000 and \$500,000. Your results will remain anonymous and no proprietary information will be shared.

We would appreciate your response by Thursday, August 15. Thank you in advance for your participation!

1. What type of CDFI?

- Bank
- Loan Fund
- Credit Union
- Venture Fund

2. Which target market is your CDFI certified to serve (please select all that apply)?

- Investment Area
- Low Income Targeted Population
- Other Targeted Population - African American
- Other Targeted Population - Hispanic

Other (please specify)

3. What is the geographic reach of your service area (please select all that apply)?

- Local Community
- Metropolitan Area
- County
- Statewide
- Multi-state
- National

4. To which of the following geographic areas does your CDFI provide financing (please select all that apply)?

- Major Urban Areas
- Minor Urban Areas
- Rural Areas
- Native American Areas
- Other

Other (please specify)

5. How many staff members does your CDFI have?

Other (please specify)

6. How many staff members are dedicated to marketing?

Other (please specify)

CDFI Deployment Strategies Survey

7. How many staff are part of the lending team?

Other (please specify)

8. What is the dollar amount of your loan portfolio?

- Less than \$3 million
- \$3 million to \$10 million
- \$11 million to \$20 million
- More than \$20 million

Other (please specify)

9. How many small business loans (\$50,000-\$250,000) did your CDFI originate in 2012?

10. Has your CDFI conducted a market analysis in the past two years?

- Yes
- No

11. What do you consider the barriers to lending in your market?

- Competition with other lenders
- Staff capacity
- Lack of marketing budget
- Lack of quality deals
- Available capital

Other (please specify)

12. If a lack of quality deals is a major barrier to deployment in your market, what are the major issues with the borrower?

- Lack of financial literacy
- Lack of collateral
- Low credit score

Other (please specify)

13. To what extent do the following plans help to facilitate deployment?

	Not Helpful			Very Helpful		N/A
Marketing Plan	<input type="radio"/>					
Capitalization Plan	<input type="radio"/>					
Strategic Plan	<input type="radio"/>					
Other (please specify below)	<input type="radio"/>					

Other (please specify)

14. What is your CDFI's approximate deployment ratio?

- Less than 50%
- 50% to 65%
- 66% to 80%
- 81% to 95%
- Greater than 95%

15. Has increasing your loan volume been a priority for your organization in the past three years?

- Yes
- No

16. Has your loan volume increased over the past three years?

- Yes
- No

17. By how much has your loan volume increased over the past three years?

- Less than 10%
- 11% - 25%
- 26% to 50%
- 51% to 75%
- 76% to 100%
- More than 100%

18. Do you attribute any of this increase to marketing strategies?

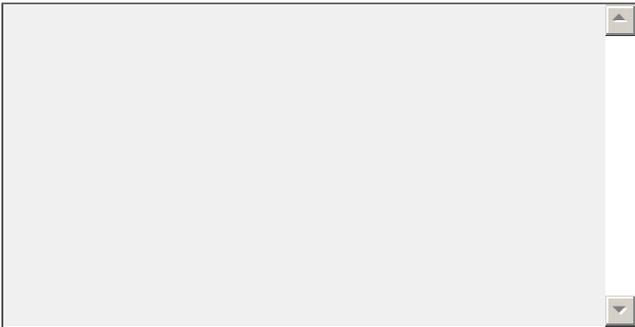
- Yes
- No

Please explain

19. What marketing and outreach strategies have been the most successful in increasing loan volume for your organization?

- Direct mailing
- Providing technical assistance/development services
- Speaking at community events
- Referral relationship
- Website
- Newsletter
- Second Look program with local lender

Other (please specify)



20. Please describe any other strategies you have used to help increase small business loan volume in your market.