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March 2011 Newsletter from FUND Consulting

A View from Washington: Budget Negotiations Continue...CDFI Voices Need to be Heard

FUND Consulting recently participated in the CDFI Institute in Washington, D.C. This annual conference could not have been timelier given the ongoing budget negotiations surrounding the federal FY 2011 and 2012 budgets. Congress continues to debate the FY2011 Continuing Resolution (referred to as H.R.1), which would cut the CDFI budget by 80%, to \$50 million, a level not seen since the early days of the CDFI Fund in 1997. Now, as it was then, CDFI advocacy will be important in preserving the CDFI Fund and ensuring that the important and very relevant work of CDFIs nationwide continues.

Given that the CDFI Fund is a non-partisan initiative, with impacts and benefits nationwide, it is important to garner support on both sides of the aisle. With a host of new legislators many of whom are unfamiliar with the CDFI Fund, and given that the current economic and budgetary climate is likely to continue for the foreseeable future, educating these new leaders about the importance of the Fund and its work is essential.

The CDFI Fund and its programs are complex. However, telling the story of a business funded, jobs saved, a day care center created, credit score improved, home financed, is not. Your Representatives and Senators need to hear about the importance of the CDFI Fund in terms that will resonate with them: the impact that CDFIs have on the lives of their constituents. By linking the stories of constituents to the impact of CDFI Fund dollars, legislators can more easily understand the impact of a reduced CDFI budget.

FUND Consulting has helped our clients secure over \$225 million in capital and tax credits from the CDFI Fund. With every CDFI Fund dollar leveraging \$20 private dollars, according to the U.S. Department of the Treasury, this results in over \$4.5 billion generated for job creation, home ownership and other wealth building activities in the communities that need it most. Recently, FUND worked with several of its clients to help them develop letters that communicated to their legislators the high impact of CDFI dollars.

As of this writing, the Senate has extended the FY2011 Continuing Resolution keeping budget discussions going for another two weeks until March 19th. There is still time to make your voice heard!

In addition to ensuring that all of the Representative and Senators in your Investment Area are informed about the impact of the CDFI Fund on their constituents, the CDFI Fund has added a [project profile](#) sheet to its web-site. This fillable form will enable the CDFI Fund to capture and publicize these important success stories.

Celebrating Client Success and Impact: Leveraging NMTC To Rebuild Neighborhoods

Liberty Financial Services, the CDFI Holding Company of CDFI Liberty Bank and Trust received a \$35 million allocation in the most recent NMTC round. The longstanding client of FUND Consulting has been a previous successful allocatee securing over \$130 million in NMTC since its first allocation in 2002 and creating over 3,000 permanent and temporary jobs. Building on an almost 40 year history of providing financial products and services to underserved, low-income and predominantly minority communities in the Gulf South, Liberty leverages NMTC to increase its impact on the communities it serves so well.

CDFI Fund resources, including the NMTC, are an integral part of Liberty's strategy, which is perhaps best articulated by the Bank's President Alden McDonald. Following the acquisition of a failing bank in Detroit, which would have left the community void of a financial institution, McDonald stated that he sees Liberty "as the bank that will go into tough places, and we will be the bank that the community uses to rebuild its neighborhoods." The broader implication of McDonald's philosophy is that Liberty can be that 'first mover' institution that signals to other banks, businesses and institution that a given community represents an opportunity. NMTC are a vital component in attracting new capital to these community revitalization projects.

However, a lot has changed for Liberty in recent years. While many banks have been scaling back and restricting operations, Liberty has seized the opportunity to take its community development products and services to scale as a result of growth and strategic acquisitions in Houston, TX, Jackson, MS, Kansas City, MO & KS and, most recently Detroit, MI. This most recent allocation will enable the Bank to demonstrate its commitment to these new markets by leveraging capital to complete much needed projects.

Following Hurricane Katrina, Liberty's NMTC allocations were integral to rebuilding efforts. Funded projects included the rebuilding of Goodwill Industries of Southern Louisiana and Holy

Cross School in New Orleans. Both of these venerable institutions were destroyed in the storm and needed to be urgently rebuilt in order to restore vital services to the community. Together, these two projects created over 500 temporary and permanent jobs. More recent projects include the development of a Head Start/Day Care program in New Orleans' lower Ninth Ward in partnership with the New Orleans Urban League. The original center was also destroyed by Katrina - demonstrating the extent to which the city continues to recover.

Currently underway is a project to finance additions to the Jackson Medical Mall - a Federally Qualified Community Health Center - in Mississippi. In addition to temporary construction jobs, the Center will create over two dozen high quality health care jobs in the community. In another example, the proposed Tionesta in Detroit is a \$6.5 million project that will create 20 temporary and 25 permanent jobs. It entails the development of a mixed-use building planned for a currently vacant and blighted property. The project scope includes the demolition of the existing vacant structure, and the redevelopment of the site into approximately 54 moderately-priced market rate rental units with on-site parking and 9,000 square feet of first floor retail / live-work space.

Small Business Jobs Act of 2010 Opens Opportunities for CDFIs

In October of 2010, President Obama signed into law the Small Business Jobs Act of 2010. That Act included many new programs and extensions to old programs that can benefit CDFIs of all types. Below you will find highlights of the programs that are of particular interest to CDFI banks and CDFI loan funds.

Information about all of these programs can be found on FUND Consulting's website. Updates, as well as [new resources and opportunities](#), are posted regularly.

SBA Community Advantage Pilot Initiative

The Community Advantage (CA) program allows mission-driven, non-profit lenders to access 7(a) loan guarantees for loans that are \$250,000 or less. The goal of the CA program is to increase access to credit for small businesses that are located in underserved areas. Under the program, the SBA guarantees 85% for loans up to \$150,000 and 75% of those greater than \$150,000.

Small Business Lending Fund

The Small Business Lending Fund (SBLF) is a \$30 billion fund that encourages lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than \$10 billion. The U.S. Department of Treasury will provide banks with

capital by purchasing Tier 1-qualifying preferred stock in each bank. The application is a short, two-page application that should be submitted by March 31, 2011.

Further, the SBLF allows up to 1% of the total program funds, or \$300 million, to be invested in CDFI loan funds. Application guidelines are expected shortly.

CDFI Bond Program

The CDFI Bond Program authorizes the issuance of \$1 billion in bonds, in increments of \$100 million for a maximum term of 30 years. Treasury will provide a full guarantee for payments to investors in the bonds.

Of all the programs to come out of the Small Business Jobs Act, the CDFI Bond program is the least developed at this point. However, regulations that will structure the program are expected before the end of the year.

State Small Business Credit Initiative (SSBCI)

The State Small Business Credit Initiative (SSBCI) provides participating states with up to \$1.5 billion in federal funds to support state Capital Access Programs (CAPs). To date, only Michigan and North Carolina have been approved for funding under this program. Consult with your State's Economic Development Department to learn more about how these funds can support the work that you do.
