

CEDF Small & Minority Business Training, Capacity Building & Funding Program

“Sharpening Skills, Training for Success & Finding Resources”



CEDF and Faith CDC propose working with the City of Bridgeport utilizing an allocation of \$250,000 to stimulate small and minority business growth in the city under the proposed name "Next Steps."

Program Details

Loan Guarantee Fund

A loan guarantee fund allows CEDF to extend consideration to loan applicants who are just outside of the threshold of usual qualification. While a mission-driven, certified CDFI community lender like CEDF has the ability to be much more flexible than a bank concerning credit score, collateral and profitable time in business, we are still obligated to make prudent underwriting decisions based on our established loan policies and requirements of our sources of capital. A third-party guarantee bolsters the suitability of a marginal applicant who otherwise shows excellent promise. These are the salient aspects of the proposed program:

- The guarantee fund is to be funded in a single disbursement to CEDF.
- CEDF will report enrollment of eligible loans during the program's duration.
- CEDF holds funds under a separate restricted general ledger account.
- Eligible businesses are low- and moderate-income applicants based on household AGI of 80% or less of the region's HUD Average Median Income. Our primary focus will be on low-to-moderate income small business owners of color
- CEDF is amenable to restricting enrollment to businesses that have a track record of at least one year of operation and meet a minimum threshold of revenue to demonstrate viability.
- Eligible loan products are Term Loans or Lines of Credit of \$5,000 to \$100,000.
- Guarantee coverage to be 30% of the enrolled amount to a maximum of \$15,000.

www.faithcdc.org

CALL 203.579.1504 / Email: lboone@faithcdc.org



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Program Details

Loan Guarantee Fund - Cont'd

- 30% guarantee means the coverage of the outstanding balance of the loan. For example, a \$10K loan would have \$3K of initial guarantee coverage. At a later date, if the business failed, with for example, a \$6K outstanding balance, \$1,800 of the guarantee fund would be released from restriction and reimbursed to CEDF in the event of a charge off. CEDF assumes the remainder (70%) of the loss.
- For loan amounts beyond \$50,000 the guarantee cap of \$15,000 means the percentage of CEDF's coverage is proportionally lower and our risk is commensurately higher.
- CEDF will employ its regular loan work-out processes including potential loan modifications in an attempt to return a borrower in default to normal paying status; or collect repayment of the loan through the borrower's personal guarantee; or repossession and liquidation of collateral when applicable before charging the loan off and accessing the loan guarantee fund.
- Recoveries from a borrower after a charge off, and after CEDF's receipt of the program's guarantee payment, are paid pro rata to the revolving guarantee fund.
- The pool is a revolving guarantee fund. CEDF reports to the city as eligible loans are enrolled. Over time as borrowers repay, funds can be shifted into guarantees supporting loans for new eligible businesses. The guarantee pool operates in perpetuity.
- CEDF provides quarterly reporting on status of the fund and business participants.

CEDF Program Activity

CEDF will provide the following interrelated services to low-to-moderate income small business owners, entrepreneurs and small business owners of color:

1. Pre-loan counseling to ensure access and awareness of available resources in the small business ecosystem to help them become credit ready.
2. Opportunity to apply for financing in an open-minded, big-picture review, unhindered by arbitrary cut-offs for credit score, time in operation or collateral.
3. A Business Advisor for the life of a borrower's loan who meets with the client frequently to provide business advice on a variety of topics including management, marketing and finance.
4. Business Education offers learning in a variety of formats to master crucial skills needed to manage sustainable businesses.

www.faihcdc.org

CALL 203.579.1504 / Email: lboone@faihcdc.org



Program Proposal Summary Utilizing City of Bridgeport ARPA Funds for Small and Minority Business Growth "Next Steps"

Overview:

CEDF proposes a comprehensive initiative named "Next Steps" to stimulate small and minority business growth in Bridgeport, utilizing a \$250,000 allocation from the City of Bridgeport ARPA funds. The proposal focuses on establishing a Revolving Loan Guarantee Fund and enhancing program activities to support low- and moderate-income small business owners, particularly those of color.

Key Components:

1. Revolving Loan Guarantee Fund (\$200,000):

- Establishes a fund to extend consideration to applicants slightly outside typical qualification thresholds.
- Supports businesses with a track record of at least one year, focusing on low-to-moderate income small business owners of color.
- Covers Term Loans or Lines of Credit ranging from \$5,000 to \$100,000.
- Guarantee coverage of 30% of the enrolled amount, up to a maximum of \$15,000.
- Operates as a revolving fund, allowing shifts to new eligible businesses as borrowers repay, ensuring perpetual impact.
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2. CEDF Program Activity Enhancement (\$50,000):

- Provides pre-loan counseling, enabling businesses to become credit-ready.
- Facilitates financing applications without arbitrary cut-offs, fostering inclusivity.
- Assigns a dedicated Business Advisor to clients, offering continuous guidance in management, marketing, and finance.
- Offers diverse Business Education formats to enhance essential skills for sustainable business management.
- FCDC Provides Outreach and Marketing support to ID Small & Minority Businesses.

Implementation and Reporting:

- CEDF will enroll eligible loans and provide quarterly reports on the fund's status and business participants..
- Program activities, including pre-loan counseling, financing support, business advising, and education, will be meticulously executed to ensure tangible outcomes.



Program Proposal Summary Utilizing City of Bridgeport ARPA Funds for Small and Minority Business Growth "Next Steps" Cont'd

Focus and Impact:

- The proposal primarily targets businesses owned by individuals with an annual household AGI of 80% or less than the region's HUD Average Median Income.
- Emphasis on low-to-moderate income small business owners of color ensures equitable opportunities and economic empowerment.
- The Revolving Loan Guarantee Fund operates as a sustainable model, amplifying its impact over time.

Request for Support:

- CEDF seeks the City of Bridgeport's support in approving the allocation of \$250,000 from the ARPA funds to initiate the "Next Steps" program.
- The proposal aligns with the city's goals of fostering economic growth, supporting minority entrepreneurs, and ensuring inclusive development.

Conclusion:

CEDF's "Next Steps" proposal presents a strategic and sustainable approach to leverage the City of Bridgeport ARPA funds. By empowering small and minority businesses and fostering inclusivity, this initiative promises enduring economic growth and community advancement. By integrating the "Next Steps" program strategically into FCDC's initiatives, FCDC can expand its scope, empower a wider range of community members, and contribute significantly to the economic and social well-being of the community.



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