GROW AMERICA FUND

WHAT IS THE GROW AMERICA FUND

GAF is a Small Business Lending Company (SBLC) licensed by the US Small Business Administration to make loans to eligible small businesses – each guaranteed in part by the SBA.

WHO DOES GAF WORK WITH AND WHY

Our clients are traditionally local municipal economic and community development staff, local development organizations and local lenders. The purpose of these partnerships is to maximize the impact of all available finance and development resources for the benefit of the small business community which we serve.

WHERE DOES GAF WORK

GAF operates in communities across the country where our clients have made capital investments in the Fund. Investments come from a variety of sources – principally public grant sources, private foundation investments or grants, or grants from financial institutions.

HOW DOES GAF FUNCTION

In each instance, our client serves as our outreach and marketing partner. GAF, for its part structures, packages, underwrites, approves, secures SBA approval, closes, services, collects (and if necessary, conducts works-out or liquidates) all loans made in the community. The client investment or grant into GAF provides the unguaranteed portion of each SBA loan made in the community.
The SBA guarantee makes it possible to leverage our client’s investment or grant in GAF by making four or more times the amount of investment in total small business loans in the client’s targeted communities and industries.

We are also designated by the US Treasury as a Certified Development Financial Institution (CDFI) and a Community Development Entity (CDE), and may be able to use the benefits of these programs as an additional vehicle in bringing more money to the client’s targeted markets in the form of small business loans and technical assistance.

**PROGRAM LOGISTICS OUTLINE**

GAF staff normally performs the following services:

- Assist in marketing the local GROW AMERICA FUND program
- Originate, underwrite and package loans
- Obtain GAF and U.S. Small Business Administration approvals
- Close, service, and collect loans
- Perform annual reviews of each loan
- Perform the fiduciary responsibilities of the corporation
- Provide periodic fiscal reporting to the local client
- Provide training and capacity building services to client staff

This is clearly not a money-making venture for either GAF or its participating investors. Rather, it is a hands-on economic development “bank” targeting the local business community as directed by the local partner. A great deal of work is involved at the “front end” of the proposed Grow America Fund program as we source projects, cull through requests, provide technical assistance to countless
applicants (whether or not they ultimately become GAF borrowers) and complete our necessary due diligence.

As the portfolio matures, GAF staff conducts and maintains a rather unique blend of intense servicing and relationship management. In addition, we inevitably continue to make new loans as principal repayments are made by the borrowers and the client’s investment capital is in effect “recycled” into your target communities.

Participation in GAF makes sense if the small business financing needs in the targeted communities and industries outstrip the lending capacity of available internal and external resources. GAF may be a perfect compliment to client community’s existing redevelopment goals and small business assistance programs; without having to make an investment in added staff.

**LOAN TERMS**

GAF 7(a) loans may be

- **Amount:** $100,000 to $2.0 million
- **Rate:** interest rates range from prime to prime plus 1.5%; In the past 12 months this has meant rates of from 3.75% to 4.75%.
- **Maturity:** maturities are 7-25 years, based upon life of the assets acquired with the loan proceeds.
- **Collateral:** generally the assets of the business or assets acquired with the loan proceeds.
- **Guarantees:** personal guarantees of principals owning 20% or more of the Small Business Concern.
- **Fees:** GAF charges no fees to a borrower.
PROGRAM IMPACT

In the past five years alone, GAF has loaned $50,756,684 to over 100 small businesses, creating a total of 2,495 jobs nationwide.

- Over the life of the GAF program, our financing has created or retained some 9,600 small business jobs
- 2011 Impacts
  - 24 loans, $10.4 million in volume
  - Loans in Low Income Neighborhoods – 79%
  - Jobs Created and Retained - 586
- 2010 Impacts
  - 33 loans, $16.8 million in volume
  - Loans in Low Income Neighborhoods – 76%
  - Jobs Created and Retained - 941
- 2009 Impacts
  - 25 loans, $13.6 million in volume
  - Loans in Low Income Neighborhoods – 80%
  - Jobs Created and Retained - 534

For more information in the Pacific Northwest, contact:

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HUD Sec. 108 Guaranteed Loan Pool
Frequently Asked Questions

Introduction

The City of Lakewood recently received HUD approval for the creation of a $2,888,000 Section 108 Loan Fund. The HUD Section 108 guaranteed loan program will enable the City to offer an alternative to conventional bank financing to foster economic development, job creation and benefits to low-moderate income persons. Below are answers to Frequently Asked Questions about the program.

Q: Who can use HUD 108 Loan financing?
- Private for-profit or nonprofit real estate developers of eligible projects
- Operating businesses meeting required Public Benefit Standards
- Municipalities constructing public facilities or clearing sites for private development

Q: What type of projects can be financed with a Section 108 Guaranteed loan?
- Economic development activities eligible under CDBG (including loans to for-profit businesses and for-profit or nonprofit owned real estate development;
- Acquisition, rehabilitation, clearance, site improvements or relocation carried out by a government jurisdiction (i.e. preparing a site for private development)
- Housing rehabilitation eligible under CDBG;
- Public facilities or infrastructure development

Q: Does a Bank provide the HUD Section 108 financing?
No. Section 108 loans are provided by the City through debt obligations financed through HUD. Using underwritten public offerings similar to bond financing, HUD makes funds available to municipalities and such loans can be passed through to the private sector. These loan funds are in addition to the City's annual CDBG funds.

Q: How do Section 108 Interest Rates and Terms compare with conventional bank loans?
Section 108 provides below-market financing (e.g. 1.5%-2% below conventional rates in most cases). A typical rate today would be around 4.5% fixed. The maximum repayment period for a Section 108 loan is twenty years. Loan terms and amortization can be flexible depending on the needs of the borrower, though full repayment is required within the 20 year term.

Q: Is collateral required for the loan?
Yes. Section 108 loans must be underwritten using conventional standards. All Section 108 loans must be fully collateralized (i.e. a mortgage deed of trust, other assets, and/or personal guarantees of the borrower). When Section 108 funds are used directly by a Municipality for construction of public facilities or infrastructure, the Municipality must provide some form guarantee of repayment to HUD. This pledge could take the form of a full faith and credit guarantee, or a general or specific revenue fund pledge. In all cases, HUD will also require a pledge of the jurisdiction's current and future CDBG entitlement as the backstop repayment source. HUD does not require a General Obligation Pledge of the Jurisdiction.