

2009 OPPORTUNITY FINANCE NETWORK CONFERENCE

**THE NEW NORMAL**

**Corporate Business Practices  
in a  
Non Profit World**

Gary Lindner, ACCION Texas  
October 28, 2009

**ACCION  
TEXAS**  
Leading. Supporting. Inspiring.

25  
Years of  
OPPORTUNITY  
FINANCE

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**THE NEW NORMAL**

**What's this all about ???**

- **GROW !!!**
- *Change (for the better)*
- Die (RIP)

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**Why Grow or Change?**

- Transform peoples' lives
- Make Dreams Come True
- Change the World

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Years of  
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**THE NEW NORMAL**

**Without This, Forget It**

- Staff/Board Alignment
- Clear Road Map (Strategic Plan)
- 100% Buy In
- Communicate end game to employees
- Explain importance of their role
- Routine feedback on progress
- Celebrate Successes

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Years of  
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**THE NEW NORMAL**

### Organize the Home Team

- How Many Layers ?
- Duplication of Effort?
- Stove Pipes?
- Checks & Balances?
- Authority to lowest practical level
- Provide opportunity for superstars
- Solicit feedback from the minions
- Lean –Flexible – Fast = success

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**THE NEW NORMAL**

### Pony Trick or Tricks?

- Flexibility in Product Offering
- What client needs vs what you offer
- Sundown Mentality
- Respond to Market Shifts
- Learn from Competition
- "Pronto" "ATLAP" "Heroes"

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**THE NEW NORMAL**

### "Loans R Us"

- Quality Portfolio – Origination
- Consistent Standards
- Who owns the loan?
- Procedures for bad/delinquent loan
- Collections is a "Team Sport"
- Restructures & Charge offs

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### Loans – “Speed is Life”

- Eliminate redundant tasks/items
- Automate where it makes sense
- Don't waste time on losers
- Appropriate approval authority
- Don't sacrifice standards
- Character based loans –exceptions
- Speed & Flexibility =Higher volume and reduced costs
- Meet or exceed customer expectation

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**THE NEW NORMAL**

### Technology is our Friend

- Compatible or single system from origination to payoff
- Online applications – i-bank auto buy
- MMS – revolutionary system
  - Experience of 10,000 loans
  - Underwriting standards imbedded
  - Results exceed expectations
  - 50% reduction in loan cycle time
  - High Tech-Hi Touch

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**THE NEW NORMAL**

### Produce, Perform, Prosper

- Clear monthly goals
- \$, # loans, delinquency, charge offs
- Staff incentives
- Goals – don't punish success or reward failure
- Big Carrots and Little Sticks
  - Commissions – no limits
  - Recognition – Stars, ACCION Ace
  - Compete against standard

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**THE NEW NORMAL**

### Who you "hire" or "fire"

- Your people define who you are!
- It's all about standards of excellence
- Commitment, Loyalty, Competence
- Client vs. Clock Mentality
- Community & Customer Focus
- Tips on Bad Apples
  - Sooner vs later
  - Restructure vs. fire
  - Every one is watching

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**THE NEW NORMAL**

### The Real Measure – Results

- 20% annual growth for 5 years
- \$30 million commitment from CITI
- 2007 – Wachovia NEXT winner
- SBA –Certified SBA 504 Lender
- 2008- American Banker Award
- 2009 – Expansion to Louisiana
- 2007-2009 – MMS services nationally
- Employees – Our secret to success

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**Microenterprise: Is It a Business Opportunity?**

October 28, 2009

Steve P. LaFredo  
SVP, Market Place Director  
Citi Commercial Business





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**Banks vs. Non-Profits – Shifts in Credit Availability** 

Non-Profits have an increased role as credit tightens due to

- Have become the **core instrument** into the community for economic development in the US.
- Serve as the **link** between the bank and the community. (CRA)
- Are now the **key partner** for banks to reach small-businesses during the current economic downturn



The New Financial Services Partnership

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**Underserved Markets – Opportunity for Partnerships** 

By providing necessary products and services at a fraction of the costs to consumers, Non-Profits offer responsible alternatives to high cost check-cashing services and payday lenders who prey on unsophisticated borrowers.

A significant part of our local economy and employee base will be reached by a new local lending model

- And then, there are the other product needs a bank can offer:
  - Business deposits and other products such as:
    - Savings
    - Wires
    - Credit such Business Credit Card
  - Employee products to offer as benefits through your organization to both employees and individual clients:
    - Employee deposit accounts
    - Client deposit accounts
    - Credit cards for both



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**Benefits for Non-Profits for Bank Partnerships** 

In addition to their own work, many Non-Profits also partner with mainstream financial institutions to help expand the mainstream institution's lending and services to underserved markets.

- **Liquidity:**
  - Typically there is no secondary market for Non-Profit assets
  - Non-Profits often face funding shortage
- **Leverage:**
  - Non-Profits bringing capital to underserved sector tolerate higher risk in general
- **Access to Financial Expertise:**
  - Use the professional experience of the sector
  - Use off the technical systems and platforms in banks
- **Season Borrowers for Graduation into Traditional Sector:**
  - Bank Portfolio Purchase Programs
  - Clientele "graduate" from Non-Profit organization to mainstream banking

} Creative Bank partnerships can alleviate this issue

4 Citi Microfinance

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**Why Citi Partners – Critical Components** 

**Three Key Drivers of the Acquisition Partnership**



- Relationship banking, Know Your Clients, and ensure the portfolio performs –KEEP THE DATA
- Underwriting discipline; repeatable, proven low loss rates overtime, criteria that offsets credit scores
- Organizational management and financial soundness
- Organizational strategy – moving to sustainability and scale
- It's a business deal, both sides need a fair return

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**Capital Products Available to Non-Profits** 

There are many options for attaining capital at Citi each with different requirements from the partner.

**Working Capital and Mortgage Loans**

- Funding to manage your day to day business activities
- Funding for your facilities

**Lending Capital Guaranteed by Investors/Contributors – Leveraging Deep Pockets**

- Capital can be provided for various programs with a guarantee from an organization or shared fund
- Economic Development Agencies guarantee certain programs as a partner

**Portfolio Acquisition (Accion Texas/Citi the only one of it's kind in the US)**

- Shared Risk and Revenue
- Based on portfolio performance, underwriting processes and service model

**Credit Union/Other CDFI partnership a New Opportunity**

- Administration provides funding to these organizations/they may need clients

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**CAMEO**  
**California Assoc. for Micro  
Enterprise Opportunity**

- Network of 80 nonprofits
- 25,000 businesses served in 2008
  - 5,000 in Rural Regions
- Training, Technical Assistance, Lending



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**CAMEO services**

- Raise resources to scale up programs
- Capacity building & TA to members
- Advocacy and lobbying at both state and federal levels

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**Goal**

- 5 fold growth to serve 100,000 businesses
- Strategies:
  - Raise \$150 million in capital and grants
    - Community Foundation PRIs, grants
    - EQ2 and bank investments
    - Private guarantors
    - Government: CDFI, SBA, USDA, HUD

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Scale & Sustainability Strategies, (con.)

- Incorporate web-based platforms to increase efficiencies & increase lending 4x
- Broker Collaborations
  - 9 MDOs do over 100 loans/yr.
  - Avg. cost = \$3-5,000/loan
  - Need to achieve sustainability to survive

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Community  
Enterprises, Inc.**

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**A New Brand**  
 Georgia Green Loans provides capital to start or expand an eco-friendly product or service or "green" an existing business.

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- **Created New Partnerships**
  - A Champion for Georgia Green Loans
  - Green Advisory Council
  - Green Technical Assistance in energy, environment, local growing and organics
- **Expanded Access to Green Loans**
  - Rural north Georgia to urban Atlanta
  - Other CDFI's: Small Business Assistance Corporation (GA coast ) and Albany Community Together (SW GA)

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## Loan Growth Jan.-Sept. 2009

- 70 new loans
- \$1.1 million
- Average loan size \$15,714
- 119 jobs
  
- 14 green loans
- \$400,000 (37% of new loans to green)
- Average loan size \$28,571
- 35 green jobs

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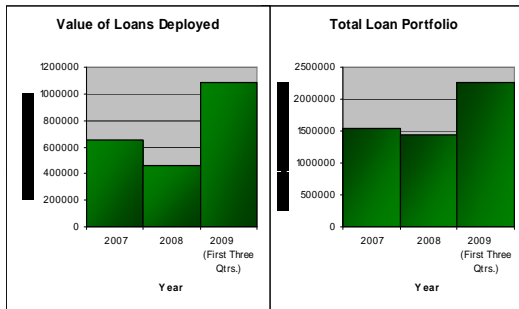
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