

2009 OPPORTUNITY FINANCE NETWORK CONFERENCE

**THE NEW NORMAL**

**Tools for Business:  
The Strategic Link between  
Development Services and  
Good Lending**

FIRST NATIONS OWEESTA CORPORATION  
OCTOBER 28, 2009

25  
Years of  
OPPORTUNITY  
FINANCE

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**Your Presenters:**

- ▶ **Phil Black, Managing Director,  
Blackfour Inc.**
- ▶ **Stewart Sarkozy-Banoczy, VP & COO,  
Oweesta**

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**Oweesta**

- ▶ **Native CDFI Intermediary (national,  
certified)**
- ▶ **Three primary program areas:**
  - ▶ Training, TA & Consulting: Institution Development,  
Financial Education & Asset Building and Enterprise &  
Entrepreneurship Development
  - ▶ Lending & Capitalization
  - ▶ Research, Policy & Advocacy
- ▶ **Spearhead for Native Financial Education  
Coalition (NFEC): [www.nfec.info](http://www.nfec.info)**
- ▶ **Facilitator of Our Native Circle  
([www.ournativecircle.org](http://www.ournativecircle.org)) and the Circle  
Up Listserv**

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### Who is in the room?

- How many Native CDFIs?
- How many certified Native CDFIs?
- How many non-Native CDFIs?
- How many tribal departments, corporations, programs?
- Other?

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### How can we build e-ship principles and develop entrepreneur support and skills back home in our communities?....

... And how does that affect how we lend to our clients?

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### The Landscape

- Business start-up/employment decisions suppressed by a poor economy
- The absence of banks and bank financing creating a new customer base for CDFI's
- High unemployment with businesses reluctant to hire new employees
- Growth limited due to viable locations for businesses – infrastructure issues
- May have little time (or place) for networking

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## Our Model

TM & © 2003-2009 Oweesta Corporation

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## Essential Support Efforts for a CDFI

- Support local entrepreneurs (buy local—spend local)
- Micro-businesses are well suited for business scale in a rural area.
- Inform clients and community
- Support networks beyond the community or target market
- Build internal community capacity and infrastructure

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## Key definitions in (Kellogg) selection process

Six type of entrepreneurs:

- Aspiring entrepreneurs
- Survival entrepreneurs
- Lifestyle entrepreneurs
- Growth entrepreneurs
- Serial entrepreneurs
- Social entrepreneurs

HOW DO WE DEFINE THESE?

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## NEED: Native Enterprise & Entrepreneurship Development Model

➤ **Let's look at the parts:**

- **Training, TA & Coaching**
- Local Entrepreneurship Culture & Policy
- Entrepreneurship & Enterprise Education
- Networks
- Tribal & Social Business Sector
- Community: Culture, Development Infrastructure & Natural Environment

➤ **Access to Capital**

(NEED session, Friday 10:45)

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## Focus: Access to Capital

### Small business, microenterprise...

... home rehabilitation, foreclosure prevention, mortgage, down payment, consumer, credit capacity building, emergency, community facilities, ?....

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## Program Design: Underwriting the Overlap

**How financial services are provided**

The diagram consists of three overlapping circles labeled 1, 2, and 3. Circle 1 is labeled 'Customer', circle 2 is labeled 'Business', and circle 3 is labeled 'Community'. Arrows point from the text labels to their respective circles.

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### 1. Customer Considerations

- What's the story first?
- Personal credit analysis
- Look for intervening pre-venture stress
- Determine a match for move to step 2
- The customer's action dictates your action

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### 2. Business Considerations

- Is there a capacity/experience match?
- What is the scale potential given capacity?
- What level of pre-venture planning will be required? (and are you requiring it for client?)
- What ongoing resources will be needed for the customer?
- How long to break-even? (or what do we call it?)

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### 3. Community Considerations

- Is there a gap to fill with business and product?
- Is there a fit with owner and community?
- Is there a fit with product and community?
- Can operation be sustained given the financing structure?
- Is the overall climate conducive to small business development and competition in general?

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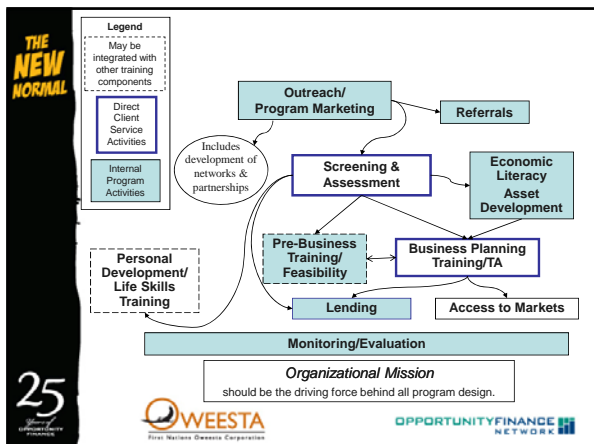
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### Combining Development Services to Reduce Lending Risk

- Using the loan application to assess character (you might know them and need to test them)
- How much business planning is enough?
- Utilizing program structures to assess their capacity
- Portfolio stability is needed to make loans at the margin
- Less pre-venture training and more post loan TA

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### Customer Knowledge on How Financial Statements are Related

- Three pieces of the puzzle
  - Cash flow statement
  - Profit/loss or income statement
  - Balance sheet (personal financial statement)

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## Considerations in the Underwriting Process

- ✦ When will the money be needed?-- loan draws are a good thing
- ✦ Who needs the money?-- two party checks to build strong relationships
- ✦ What does the IRS know?-- cashing in and reporting

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## Techniques for Underwriting a Loan—looking at the “C’s” Differently

- ✦ **Collecting useful information**
  - ✦ Character-their environment & involvement
  - ✦ Capacity-their ability to meet their obligations
  - ✦ Credit-what has happened to date
  - ✦ Collateral-what is it really worth
  - ✦ Capital/conditions-what is their investment
- ✦ **And distributing useful information**
  - ✦ Policies – underwriting from lending
  - ✦ Procedures – paperwork for practicality

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## Business Planning & The Credit Decision

- ✦ **The Role of the Five C’s of Credit – another look...**
  - ✦ Capital -- adjust for size
  - ✦ Capacity --can be nurtured
  - ✦ Collateral -- is psychological
  - ✦ Character -- needs to be understood
  - ✦ Conditions -- are critical

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## Direction and Development Questions – Creating Your Underwriting Process

- What will it take to get this in place?
- What do you already have?
- Are there already partnerships and programs doing the development services side of the work?
- How do you bring it all together?

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## Conclusions

- Next Steps**
  - Resources and Information
  - Thought Leaders and Activities
  - Assignment of Work
  - Asking for Help?

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## Contact

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