Introduction

Today 87 percent of America’s persistent poverty counties are rural, meaning 20% of the population has been living in poverty for 30 years or more. Part of a bright and vibrant future in these communities is access to affordable capital to develop or improve essential community facilities.
Community Facilities Re-lending Program

Projects that serve High Poverty or Persistent Poverty Areas already comprise over 61% of the traditional CF Loan portfolio. The new CF Re-lending Program will further target these areas and allow USDA to collaborate with new lending partners like CDFI’s.

Community Facilities Re-lending Program

In fiscal 2016, CF obligated over $400 million in re-lending loans to 26 applicants in 20 States. However, no loans have been closed yet.

These re-lenders included banks, a credit union and a number of CDFI’s.
Who Can Be a CF Re-lender?

- Banks (including for profit)
- Credit Unions
- CDFI’s
- Community Lenders

Basic Eligibility

- Experience in lending working in communities of high poverty or persistent poverty
- Make CF eligible loans in rural HP or PP areas
- Obtain a payment guarantee (e.g. PRI) for the first 5 years of loan payments
- Provide adequate security
- Other Requirements
Ways to Be Approved

Door 1: Regulated or supervised by Federal or State Banking Authority and in good standing

Door 2: Have an Aeris Rating of 1 or 2

Door 3a: Obtain an Aeris Rating of 1 or 2

Door 3b: Successfully pass a Credit Review

Other Highlights

- Re-lenders can apply to Uplift America for a grant to leverage with a CF Re-lending Loan (Justin will speak on this)

- We are currently accepting Aeris Ratings only (Jon will explain these ratings)

- Re-lenders can work with other CDFI’s in collaboration (David will speak on this)
Extension of Comment Period

Your support to continue this program this year and beyond is critical and your feedback is needed to improve this program.

The Comment Period will be extended to November 30, 2016.

The Intermediary Relending Program (IRP)

USDA, Rural Development, Rural Business Services
Rural Business Service Intermediary Relending Program (IRP)

The IRP is intended to help alleviate poverty and increase economic activity and employment in Rural communities.

IRP loan funds must be held in a Revolving Loan Fund to directly lend to ultimate recipients.

Eligible Intermediaries

- Private Non-profit Corporations (including CDFI’s)
- Public Agencies
- Indian Groups
- Cooperatives
IRP Accomplishments

- IRP has obligated over $900 million in program dollars and made over 1,100 loans nationwide.

- The average loan size since inception of the program in 1988 is $700,000 (Agency loan).

- In FY 2016 $18.8 Million was appropriated for the program of which all are obligated.

IRP Can Also Fund Lines of Credit

- REVOLVING LINES OF CREDIT

  1. Revolving lines of credit will not exceed 25% of the Intermediary’s Revolving Loan Fund at any time;

  2. All revolving lines of credit cannot be approved for more than 2 years at a time;

  3. Intermediary will provide a detailed work plan, of how revolving lines of credit will be managed/operated;
Questions

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Uplift America Fund

Justin Maxson, Executive Director
Mary Reynolds Babcock Foundation
Aeris Ratings

Jon Schwartz, Operations and Ratings Manager
Aeris

Aeris Overview

- **OUR MISSION**
  - Increase investment and knowledge that benefit underserved markets
- **OUR 10-YEAR GOAL**
  - Support CDFIs in becoming a recognized fixed-income investment opportunity in mainstream financial markets
### Aeris Overview Continued

- 2004 - OFN launches CARS®, comprehensive analyses of unregulated loan funds for investors
- 2012 – Aeris established as independent rating corporation
- 2013 – Aeris launches web-based data platform—the Aeris Cloud
- 2014
  - Enhanced web capacity on the Cloud
  - New products: quarterly financials and peer comparison analytics
- Current Day – Aeris 3.0

### Who Aeris Works With

- CDFI loan funds and investors of all types and sizes
- Rated > 110 CDFI / > 80 current
- Used by > 130 investors / 65 current
**Funders and Investors**

- Growing adoption by government programs:
  - USDA - Community Facilities Program – CDFIs rated 1 or 2, standard application without USDA risk assessment
  - USDA – B&I – Aeris review meets examination as part of certification
  - HUD meets qualification for small buildings program qualification
  - Meets requirement for CDFI Fund Bond Program annual assessment

**Aeris and the USDA Community Facilities Relending Program**

- The USDA, Bank of America and the Mary Reynolds Babcock Foundation are all Aeris subscribers

- Aeris met USDA Community Facilities initial goals for testing the program for fiscal year 2016.
Aeris and the USDA Community Facilities Relending Program

- CDFIs with a 1 or 2 Aeris financial strength rating were able to use the standard application without USDA risk assessment
- CDFIs with less than a 2 rating were able to apply through the program and undergo the USDA risk assessment
- Non-rated CDFIs were also able to apply using the standard application without the USDA risk assessment if they agreed to go through the Aeris rating process and receive a 1 or 2 rating prior to funds being advanced

What Aeris Rates

- Aeris rates:
  - Impact Performance (including public policy activity)
  - Financial Strength & Performance (FSP)
Impact Rating Methodology

- Evaluates the pursuit and achievement of social mission
  - Alignment: strategies, products & programs
  - Effective Use of Resources: On & off-balance sheet
  - Outputs, outcomes and impact:
    - Metrics in relation to mission goals
    - Rigor of measurement systems
    - Use of data to improve effectiveness

Financial Rating Methodology

- CAMEL methodology similar to what bank regulators use
  - Capitalization
  - Asset Quality
  - Management
  - Earnings
  - Liquidity

- Rating based on component scores and rating definitions rather than benchmarks
Rating Process

- Five years of operating history plus most recent quarter
- We do NOT use benchmarks
  - How does the individual CDFI’s business model introduce risk?
  - How does the CDFI protect unsecured investors from that risk?

Aeris 3.0

- A new, Wall Street-aligned rating scale
- A streamlined rating process to support annual re-ratings of CDFIs
- Standalone Impact Rating Reports
- Standardized impact data in the Aeris Cloud
Questions

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Perspective of a CF Re-lender

David Ebenezer, CFO
Rural Community Assistance Corporation (RCAC)
Questions & Answers

- Rich Davis, Deputy Administrator
  USDA Rural Development, Community Programs
- Justin Maxon, Executive Director
  Mary Reynolds Babcock Foundation
- Jon Schwartz, Operations and Ratings Manager
  Aeris
- David Ebenezer, CFO
  RCAC