



## **SMALL BUSINESS CAPITAL INITIATIVE**

### **LOAN PARTICIPATION MARKETPLACE AND LOAN LOSS FUND**

#### **OBJECTIVE OF THE INITIATIVE**

Positioning Inclusiv members in their role as small business lenders through the offering of capacity building, technical assistance, loan processing support, risk mitigation, and the loan participation marketplace.

#### **STRATEGY AND COMPONENTS**

- Build and develop small business lending skills.
- We offer loan underwriting and processing support through a partnership with a selected specialized credit union service organization: Member Business Financial Services – MBFS CUSO.
- Reduce and mitigate the risk associated with small business lending with a loan loss fund.
- Reduce liquidity gaps through a Loan Participation Marketplace.

Interested Credit unions in working with MBFS can contact our team at [smallbusiness@inclusiv.org](mailto:smallbusiness@inclusiv.org)

#### **LOAN PARTICIPATION MARKETPLACE**

##### **DESCRIPTION**

- Available for small business loans.
- Inclusiv facilitates and co-invests in all transactions
- Loan participation transactions are held via LoanStreet, a Credit union loan participation platform.
- Inclusiv performs quality control steps to ensure participation compliance with the regulator.
- Inclusiv offers technical assistance throughout all the steps and phases of the process.



## HOW IT WORKS

- Interested Credit union Sellers (lead lenders) can participate in their loans individually or through loan pools. The minimum portion they can retain by NCUA regulation is 10% of the loan balance (individual or per pool, depending on the case) and up to 50%.
- Inclusiv, in its facilitating and co-investor role, purchases 50% to 90% of the loan or loan pool and retains 10% for its portfolio.
- Inclusiv participates (re-sells) 40% to 80% to interested Credit union buyers.

## BENEFITS

- Streamlined process: Participant Credit unions remit one only payment to Loan Street, who process it and performs the distribution to all the respective buyers.
- Lead lenders maintain the relationship with their borrowers.

## LOAN TYPES AND USES OF FUNDS

- Small business loans with a maximum individual loan amount of up to \$1,000,000.
- Minimum participation amount is \$500,000.
- Loan-eligible uses are working capital, business expansion, debt consolidation, and purchasing vehicles and trucks for the business.

## LOAN ELIGIBILITY CRITERIA

- Minimum Debt Service Coverage Ratio: 1.15x
- Micro Enterprise loans (less than \$50,000): Debt to Income Ratio up to 50%.
- Collateral: Depending on risk.
- No bankruptcies have been filed in the last three years.
- Maximum collection amount is \$2,000 (medical debts are not considered).

## COSTS AND FEES

- \$200 per year.
- Participants – Sellers: 15 bps of initial loan or loan pool amount; 1 bps per month
- Participants – Buyers: 1 bps of retained portion..

## REQUIREMENTS

- Active Inclusiv member.
- Create an account at LoanStreet
- Approved small business policy



## **LOAN LOSS FUND**

### **DESCRIPTION**

- Available for small business loans enrolled in the Loan Participation Marketplace.
- Up to 20% guarantee of the charged-off loan balance.
- Available to both Seller and Buyers participating in the deal,

### **HOW TO ACCESS THE LOAN LOSS FUND**

- Inclusiv offers a Loan Loss fund for small business loans enrolled in the Loan Participation Program. These loans must originate from active Inclusiv Credit Union members.
- To start, Inclusiv and each new participant credit union in the program must sign the Guaranty of Collection.
- After the eligibility criteria are confirmed, the lead Lender will provide the loans or loan pools to be enrolled in the program. The Lender will periodically update this schedule when enrolling newly originated loans.
- In the event of a loan default, the Lender must follow the instructions in the Guaranty of Collection—Schedule 2.
- Inclusiv will approve honoring the Guarantee as requested by the Lender after exhausting all the efforts possible to collect delinquent loan payments and presenting proof of that.