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**Pennsylvania Treasury Department's  
Micro-Lending Investment Initiative  
Application**

**Rob McCord, Treasurer**  
[www.patreasury.org](http://www.patreasury.org)



## **Pennsylvania Treasury Department's Micro-Lending Investment Initiative**

### **INTRODUCTION**

The Pennsylvania Treasury Department understands that Community Development Financial Institutions (CDFIs) play a critical role in advancing capital to small businesses and entrepreneurs. Treasury further understands that these CDFIs have deep knowledge of their local communities, and are able to leverage that knowledge to execute secure investments in emerging companies. Treasury seeks to enter this new market segment and gain direct exposure to Community Development Financial Institutions and small business lending through this Micro-Lending Investment Initiative. This Treasury initiative is supported by the Pennsylvania Economic Development Financing Authority (PEDFA), with the assistance of the Pennsylvania Department of Community and Economic Development (DCED).

Treasury encourages all eligible CDFIs to apply for investment capital. This application is intended to provide guidelines for interested CDFIs and an overview of Treasury's Micro-Lending Investment Initiative, including eligibility criteria and application procedures. Any questions about the initiative may be directed to:

James Williamson  
Policy Director  
Pennsylvania Treasury Department  
129 Finance Building  
Harrisburg, PA 17120  
717-772-1830  
jwilliamson@patreasury.org

### **THRESHOLD ELIGIBILITY CRITERIA**

Investment capital from Treasury's Micro-Lending Investment Initiative is available to Community Development Financial Institutions located within the Commonwealth of Pennsylvania and with at least three (3) years of lending history and one million dollars in annual loan output for each of the preceding two (2) calendar years.



## **TREASURY INVESTMENT OVERVIEW**

Treasury seeks to make a total of ten million dollars in investment capital available to qualifying Community Development Financial Institutions for investment in the form of micro loans to their small business clients. There will be some restrictions on loan size, including a maximum loan size of \$100,000, to ensure that loans are used to support small businesses.

Interested CDFIs must submit the Application as enclosed in Attachment “A.” Certain initiative parameters are described below, and submission of an Application is considered to be acceptance of the parameters.

Treasury reserves the right to reduce or increase the size of the estimated total investment capital at any time and in its sole discretion.

Treasury reserves the right to engage in continuous financial monitoring of CDFIs participating in the Investment Initiative, and, in the event that the financial position of a CDFI should deteriorate, to withhold any pledged but undrawn financial capital until such time as the CDFI can prove, to Treasury’s satisfaction, that the CDFI has regained a firm and solid financial position.

Due to Treasury’s agreement with PEDFA, separate funding will be available to accompany and support Treasury’s investment. Such funding shall be separate from Treasury capital investment and will be distributed as non-returnable funding, equivalent to ten percent (10%) of Treasury’s total investment.

## **INVESTMENT PARAMETERS**

Each applicant CDFI will be considered for an investment not to exceed \$5 million dollars or the amount requested, whichever is lower. Treasury will evaluate each application and may invest capital up to an amount not to exceed the amount requested. Treasury’s decisions on all applications shall be final.

Treasury investment with the participating CDFIs through the Micro-Lending initiative will be held at either a five percent (5%) interest rate or the equivalent of the five (5) year U.S. Treasury note constant maturity rate plus 200 basis points, whichever is higher. The interest rate shall be set separately for each draw of Treasury’s capital according to the formula based on the rate in place the last full business day before the draw occurs.



The principle will be repaid in full five (5) years after issuance. Interest payments will be made semi-annually on dates set by Treasury, with a fractional payment for any period less than six (6) months in duration. The rate fixed for each draw will remain constant until repayment. Interest will be calculated on the actual number of days over a 360 day year. All interest earned on non-transferred funds will accrue to Treasury until the funds are actually transferred to the CDFI.

Treasury's investment must be the most senior debt of the CDFI, barring any existing bond covenants. All existing bond covenants must be disclosed prior to execution of the investment contract.

Treasury's investment will be considered a general obligation of the CDFI irrespective of the performance of any subsequent loans by the CDFI made possible by Treasury's investment.

Each participating CDFI shall maintain information regarding the size and performance of each loan funded in whole or in part with capital supplied under Treasury's Initiative. This information shall be used to provide reports to Treasury that may be required during the life of the investment.

## **FUNDING TERMS**

Once Treasury has approved an application, the CDFI will be notified of the approval and the total amount of Treasury's anticipated investment. After execution of the contract, and separate investment vehicle(s), incremental draws will be executed to the CDFI as set forth below.

Participating CDFIs may draw down capital in increments of no less than \$250,000. Each CDFI must draw down all capital within two (2) years from the date the investment contract is executed.

In no instance can a CDFI use Treasury's investment to make a loan that is greater than \$100,000 in value, charge more than 18% interest to the borrower, is outside of the normal lending and underwriting practice of the CDFI, or fail to help start, develop, or support a small business in the Commonwealth. It is expected that the average value of all loans supported by Treasury capital at each CDFI will be less than \$50,000.



## **APPLICATION SUBMISSION AND APPROVAL PROCEDURES**

Applicants seeking capital under the Treasury Department's Micro-Lending Investment Initiative must complete and submit to Treasury the Application (including all required exhibits) included as Attachment "A." Treasury will evaluate each application to determine overall financial stability and will make an independent determination about the amount of investment capital Treasury is willing to commit to each CDFI.

Applications will be received until April 16th, 2010. Brief extensions may be considered under extenuating circumstances and on a case-by-case basis.

Applicants will receive notification from Treasury if their application is approved.

Applications should be sent to:

James Williamson

Policy Director

Pennsylvania Treasury Department

129 Finance Building

Harrisburg, PA 17120

An electronic version of the Micro-Lending Investment Initiative can also be accessed for download by clicking on the Micro-Lending link on Treasury's web site at [www.patreasury.org](http://www.patreasury.org).



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## **ATTACHMENT “A”**

### **TREASURY’S MICRO-LENDING INVESTMENT INITIATIVE APPLICATION**

All responding CDFIs must answer all questions. Answers are not limited to the space provided; additional space may be used if required.

## **APPLICATION**

### 1. Basic information.

Name of Applicant Community Development Financial Institution:

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Address: \_\_\_\_\_

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Primary Contact: \_\_\_\_\_

Phone Number: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Secondary Contact: \_\_\_\_\_

Phone Number: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Website: \_\_\_\_\_

### 2. Describe your organization’s primary mission and target markets:

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### 3. Describe your organization’s underwriting standards in brief (you are required to provide a more complete description as an attachment):

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4. Amount of Total Initiative Investment Funding Requested (not to exceed five million dollars):

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5. Anticipated date and amount for initial draw (not less than \$250,000):

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6. Briefly describe any projects that the CDFI may be preparing to fund and that would meet the Micro-Lending Investment Initiative's guidelines, but for which the CDFI is awaiting a source of capital, if any such projects exist. These will serve as examples of the types of projects that may be supported with Treasury capital: \_\_\_\_\_

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7. Has your organization lent money for each of the last three calendar years? \_\_\_\_ Yes \_\_\_\_ No

If yes, please describe the organization's history, with special emphasis on loans made to small and start-up businesses, including the amount of loans and default rate:

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8. Has your organization lent at least one million dollars in annual loan output each of the last two calendar years? Please provide the total loan output over each of these two years:

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9. How much uncommitted and available capital does the CDFI currently have to lend?

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10. What are the operating costs for the CDFI, and what percentage of those costs are covered by earned revenue?

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11a. Has your institution been subject to any litigation, arbitration, or regulatory proceedings, either pending, adjudicated, or settled, within the past five years that involved allegations of improper, fraudulent, disreputable, or unfair financial activities? If yes, please explain.

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11b. Has your institution been subject to any state or federal regulatory investigation within the past five years for alleged improper, fraudulent, disreputable, or unfair financial activities?

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12. Please provide the following documents:

- (i) Proof of incorporation in Pennsylvania as a Community Development Financial Institution;
- (ii) Certificate of accreditation as a CDFI;
- (iii) Corporate tax lien certificate;
- (iv) Documentation from IRS of EIN number;
- (v) Most recent audited annual financial statements;
- (vi) All quarterly and annual financial statements since the last audited annual statement;
- (vii) The organization's loan underwriting criteria;
- (viii) Total amount of the CDFI's loan volume and default rate per year since inception;
- (ix) Total amount of the CDFI's volume of loans below \$100,000, and the default rate on those loans per year since inception;
- (x) A listing of current sources of funding for the CDFI;
- (xi) The organization's most recent comprehensive business plan;
- (xii) Organizational chart and resumes of management, including their skills and experience;
- (xiii) Board resolution authorizing this transaction.



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As the President/Chief Executive Officer/Chief Financial Officer of \_\_\_\_\_  
(name of CDFI), who being duly sworn, deposes and says that I have personal knowledge of the  
facts hereinabove set forth, and that they are true to the best of my knowledge, information and belief.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

