



CLIMBER DLC Loan Memo

Borrower:	Southern Colorado Community Lending	Request Date:	11/17/2022
Address:	1239 E Routt Ave Pueblo, Colorado 81004	Officer:	J. Vause
Entity Type:	Nonprofit Corporation	Funding Source:	CLIMBER State Funds
Staff Size:	15	Loan Amount:	\$5,000,000
Service Area:	Nineteen Counties	Loan Term:	Five Years
		Interest Rate:	2%
Written Procedures:	Yes	Borrower Fee:	\$0

I. Description of Transaction:

Purpose:

Southern Colorado Community Lending (SCCL) is requesting a \$5,000,000 loan from CLIMBER DLC. Loan funds will be used to make loans and lines of credit to eligible borrowers that meet CLIMBER DLC requirements. This will be SCCL's second DLC loan – the organization received a \$500,000 DLC loan in 2021.

Collateral:

The CLIMBER DLC loan will be unsecured.

Exception to Standards:

None.

II. Business Background

Lender Overview:

SCCL was created in 2016 as affiliate of NeighborWorks Southern Colorado (NWSOCO), which is a registered 501(c)3 nonprofit organization based in Pueblo. Established in 1977 as a charter member of the national organization NeighborWorks America, NWSOCO has over 40 years of experience and a network of community partners across southern Colorado. Historically, NWSOCO has provided programs supporting affordable home ownership, including both homebuyer education courses and home loan programs.

In 2018, NWSOCO acquired the loan portfolio of a local microlender, Southeast Colorado Enterprise Development, Inc., and began providing small business loans ranging from \$5,000 to \$250,000. The organization generally supports businesses that struggle to qualify for traditional financing. In

2020 SCCL received CDFI status from the US Department of Treasury, and since that time SCCL has overseen all lending activities while NWSoco provides the loan servicing and provide additional services to the public. NWSoco & SCCL serve the following nineteen counties in Colorado: Alamosa, Baca, Bent, Cheyenne, Conejos, Costilla, Crowley, Custer, El Paso, Fremont, Huerfano, Kiowa, Las Animas, Otero, Prowers, Pueblo, Rio Grande, Saquache, and Teller. NWSoco is the sole member of SCCL, and the organizations have the same staff and capabilities.

Management:

NWSoco and SCCL are public non-profit organizations governed by a 9-member Board of Directors and led by a staff of 15 qualified professionals. Mrs. Ashleigh Winans serves as Chief Executive Officer and Mrs. Cynthia Johnson serves as Chief Operations Officer. Mrs. Andrea DeLagarza from the Pueblo Urban Renewal Authority serves as President of the Board. NWSoco has a team of lending professional overseeing both their single family and small business loan programs.

Financial Analysis

Revenues & Expenses/Profitability:

SCCL began filing its own tax return in 2020, prior to that they reported as part of NWSoco's tax filings. The organization reports on a fiscal year ending September 30th. Revenue sources for the organization includes income generated from its lending activity and loan portfolio, grants and other contributions. The organization saw an increase in operating costs in 2021 and it grew its team to take advantage of its new CDFI status. The organization reports a positive change in net assets each year and has grown revenues substantially in 2022.

	2020	2021	2022			
Lending	200,789	75,843	115,087			
Grant Revenue	68,261	167,300	618,521			
Contributions	206,794	0	505			
Interest Earnings	54,251	114,951	70,700			
Other Income		1,600	44,385			
Total Income	530,095	359,694	849,198			
Salaries, Benefits & Payroll	48,463	232,822	320,881			
Lender Program Expenses	30,780	4,035	316,471			
Professional Services	14,576	33,373	12,498			
Bad Debt	10,638	67,851	36,192			
Other	31,691	11,497	104,014			
Total Expenses	136,148	349,578	790,056	-	-	-
Change in Net Assets	393,947	10,116	59,142			
CHFA IO Debt Service	100,000	100,000	100,000	-	-	-
DSCR	3.94	0.10	0.59			

Portfolio Review:

SCCL provided the required details for their small business loan portfolio for the past three years. In that time the organization made 45 loans for \$3.4M dollars. Despite this production their portfolio has reduced to \$422K due to loan payoffs. The organization has experienced only one charge-off for \$42,690. SCCL confirmed that the organization does have written policies in place and those policies appear to be effective in ensuring the organization does prudent lending.

year	end of year portfolio size	number of new loans	dollar amount of new loans	number of charge-offs	dollar amount of charge-offs
2019	\$848,500	16	\$848,500	0	\$0
2020	\$334,000	19	\$1,182,500	0	\$0
2022	\$422,587	10	\$1,650,087	1	\$42,690

Primary and Secondary Source of Repayment:

The primary source of repayment will be from repayments SCCL receives from its borrowers. The secondary source of repayment would be from SCCL’s other revenue sources should the organization fail to recover 80% of its portfolio from its lenders. There is no collateral securing the note to provide an additional source of repayment.

Loan Officer Recommendation

This loan request complies with CLIMBER DLC eligibility requirements and program guideline requirements. The lender has successfully demonstrated it is an experienced lending institution and that there is a reasonable expectation that they will repay at least 80% of the loan amount.

Staff recommends approval.

III. Signatures

DocuSigned by:


11/17/2022

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Justin Vause, Commercial Loan Officer

Date

Oversight Board Approval

The CLIMBER Oversight Board will review SCCL’s CLIMBER DLC request during an Oversight Board meeting. Minutes from that meeting will be stored on file to document the Oversight Board’s approval of this request.