



CLIMBER DLC Loan Memo

Borrower:	Southern Colorado Community Lending	Request Date:	08/31/2023
Address:	1239 E Routt Ave Pueblo, Colorado 81004	Officer:	T. Grady
Entity Type:	Nonprofit Corporation	Funding Source:	CLIMBER State Funds
Staff Size:	15	Loan Amount:	\$5,000,000
Service Area:	Nineteen Counties	Loan Term:	Ten Years
		Interest Rate:	2.5%
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 third DLC loan – the organization received a \$500,000 DLC loan in March of 2022 and a \$5,000,000 DLC loan in December of 2022. SCCL has about \$900,000 in Tranche 1 funds remaining that it intends to return as an early return of principal. They can no longer use the Tranche 1 funds because the maturity on their loan makes the loans they can provide to small businesses increasingly untenable. SCCL has about \$3,000,000 in the pipeline waiting for access to the Tranche 2 funds.

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 provides 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. Sarah Habib serves as Chief Finance and Operations Officer. Mrs. Heidi Gamer from Property Craft serves as President of the Board. NWSoco has a team of lending professionals 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 include 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 increased its net income since 2021.

	2020	2021	2022 interim	2023		
Lending	200,789	75,843	115,087	194,896		
Grant Revenue	68,261	167,300	618,521	312,106		
Contributions	206,794	0	505	34,242		
Interest Earnings	54,251	114,951	70,700	51,081		
Other Income		1,600	44,385	93,300		
Total Income	530,095	359,694	849,198	685,625		
Salaries, Benefits & Payroll	48,463	232,822	320,881	290,834		
Lender Program Expenses	30,780	4,035	316,471	83,085		
Professional Services	14,576	33,373	12,498	20,225		
Bad Debt	10,638	67,851	36,192	-		
Other	31,691	11,497	104,014	46,959		
Total Expenses	136,148	349,578	790,056	441,104	-	-
Change in Net Assets	393,947	10,116	59,142	244,522		
CHFA IO Debt Service	232,600	232,600	232,600	232,600	-	-
DSCR	1.69	0.04	0.25	1.90		

Portfolio Review:

SCCL provided details for their small business loan portfolio for 2020 through 2023. In that time the organization made 82 new loans. Their loan portfolio size increased significantly between 2022 and 2023 due to their deployment of CLIMBER direct lending capital. The organization has experienced only one charge-off over the last 3 years for \$36,197 in 2022. 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
2020	\$334,000	19	\$1,182,500	0	\$0
2022	\$422,587	10	\$1,650,087	1	\$36,197
2023	\$5,103,940	53	\$4,681,353	0	\$0

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:

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 Terrance Grady, Commercial Loan Officer

8/30/2023

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.