



CLIMBER DLC Loan Memo

Borrower:	First Southwest Community Fund	Request Date:	March 28 th , 2022
Address:	720 Main Street Alamosa, Colorado 81101	Officer:	J. Vause
Entity Type:	Nonprofit Corporation	Funding Source:	CLIMBER State Funds
Staff Size:	3	Loan Amount:	\$104,480.72
Service Area:	Statewide with rural priority (SLV, Region 8, Region 10)	Loan Term:	Five Years
		Interest Rate:	2%
Written Procedures:	Confirmed	Borrower Fee:	\$0

I. Description of Transaction:

Purpose:

First Southwest Community Fund is requesting a \$104,480.72 loan from CLIMBER DLC. Loan funds will be used to make loans and lines of credit to eligible borrowers that meet CLIMBER DLC requirements.

Collateral:

CLIMBER DLC loan will be unsecured.

Exception to Standards:

None.

II. Business Background

Lender Overview:

First Southwest Community Fund (FSWCF) was created in 2015 by First Southwest Bank to provide risk mitigating gap funding. FSWCF is a nonprofit corporation headquartered in Alamosa but serving rural Colorado in its entirety. FSWCF has a primary mission of supporting tangible economic opportunities throughout rural Colorado by making much needed non-traditional loans available to emerging and existing businesses, which in turn create, retain, and grow jobs. Oftentimes, it is the FSWCF loan that enables a bank to get to a 'yes' while staying within the parameters of its loan policy. By promoting economic development in distressed communities, FSWCF helps create and retain jobs while encouraging the development of critical community infrastructure.

FSWCF provides a range of programs and funding opportunities, including: 1) Rural Colorado Entrepreneurship Fund, 2) New Pioneers Fund, 3) LAUNCH Fund, 4) Rural Women-Led Business

Fund, 5) Telluride Regional Loan Fund, 6) Intermediary Relending Program, and 7) Creative Arts Loan Fun. Through these funds FSWCF supports a wide range of entities, including both start-ups, existing businesses, and nonprofit organizations.

Management:

FSWCF is led by a competent team of professionals and overseen by an experienced 6-member Board of Directors. Cass Walker serves as Executive Director and has over a decade of experience in nonprofit management and building inclusive, innovative ecosystems. Sherry Waner serves as Chief Development Officer (CDO) and has served in banking for over 25 years. Sherry Waner also serves as the CDO for First Southwest Bank. Kent Kurtis serves on FSWCF’s Board of Directors and acts as CEO of First Southwest Bank.

III. Financial Analysis

FSWCF provided audited financial statements for 2018-2020.

Revenues & Expenses/Profitability:

FSWCF’s primary sources of revenue include grant revenue, contributions, and interest and fee revenue generated by their loan portfolio. Expenses include program expenses, interest expenses, salaries, and professional services. FSWCF has reported a positive change in net assets in all periods under review.

	2018	2019	2020	
Grant Revenue	100,000	21,898	3,832,938	
Contributions	247,287	73,600	314,239	
Interest & Fees	92,168	142,952	208,928	
Total Income	439,455	238,450	4,356,105	
Interest Expense	-13,391	-37,224	-67,133	
Provision for Loan Loss	-40,821	-39,290	-98,294	
Grant Pass Through	0	-32,951	-3,548,473	
Salaries & Prof. Serv.	-50,904	-103,588	-193,674	
Other	-107,366	-5,443		
Total Expenses	-212,482	-218,496	-3,907,574	-
Change in Net Assets	226,973	19,954	448,531	
CHFA Debt Service	2,090	2,090	2,090	
Total Debt Service	2,090	2,090	2,090	-
DSCR	108.60	9.55	214.61	

Liquidity/Working Capital/Leverage:

FSWCF ended 2020 with \$1.2M in positive net assets. Of that, \$981k had donor restrictions and \$248k had no restrictions. Loan receivables represented \$5.2M of the organization’s \$9.1M of total assets, along with \$180k in unrestricted cash accounts, \$3.6M in restricted cash accounts, and \$100k in receivables. FSWCF’s has \$7.8M in liabilities, all of which are funding sources for their existing loan programs.

Portfolio Review:

FSWCF provided the required details regarding their loan portfolio for the past three years. The organization’s portfolio has grown each year since 2018, increasing from \$2.9M to \$6.15M. In 2020 the organization provided three times as many loans as it did in 2018. Despite this growth the

organization has seen low charge offs, reporting only one loss over the three-year period under review. FSWCF confirmed that the organization does have written policies in place and those policies appear to be effective in ensuring the organization does prudent lending.

First Southwest Community Fund Loan Portfolio					
Year	End of Year Portfolio Size	Number of New Loans	Dollar Amount of New Loans	Number of Charge-Offs	Dollar Amount of Charge-Offs
2018	2,931,737.00	20	1,744,121	1	50,000
2019	3,670,493.73	16	1,117,988	0	0
2020	6,150,446.73	62	3,197,650	0	0

Primary and Secondary Source of Repayment:


The primary source of repayment will be from repayments FSWCF receives from its borrowers. The secondary source of repayment would be from FSWCF’s other revenue sources should the organization fail to recover 80% of its CLIMBER portfolio from its borrowers. 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. FSWCF 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.

CHFA recommends approval.

IV. Signatures

DocuSigned by:

 7524A25D30CC4C3...

3/25/2022

Justin Vause, Commercial Loan Officer

Date

Oversight Board Approval

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