

South Eastern Development Foundation

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South Eastern Council of Governments
South Eastern Development Foundation
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History of SEDF

- Created by South Eastern Council of Governments
 - Staffed by SECOG
 - Initially financially supported by SECOG
- January 2002: Incorporated
- June 2002: Granted 501 (c)(3) status

What is the SEDF Program?

- Created to promote economic development by providing funding to new or expanding businesses
- Emphasis in providing “gap” financing to individuals that lack the capital to establish or expand a business
- Expanded in 2004 to include funding for housing

Community Development Financial Institutions (CDFI) Certification

- What is CDFI Certification?
 - Financial institutions that specialize in serving underserved communities and the people who live there
- Why is CDFI Certification important?
 - Easier for banks to demonstrate Community Reinvestment Act (CRA) requirements if awards are made to CDFIs
 - Incentive for banks to invest in your fund
 - Access to federal technical and financial assistance funding
- February 2004: Officially certified as a CDFI by the U.S. Department of Treasury

Direct Benefits of CDFI

CDFI Technical Assistance Grants

- The CDFI Fund makes awards of up to \$100,000 under the TA component of the CDFI Program
- Awardees can use TA funds to
 - Purchase equipment, materials, or supplies;
 - For consulting or contracting services;
 - To pay the salaries and benefits of certain personnel; and/or
 - To train staff or board members

SEDF Technical Assistance Grant

- \$40,500 Technical Assistance Grant
- Use of grant funds
 - Professional development and training
 - Software
 - Capacity building activities
 - Audit

CDFI Financial Assistance Awards

- Certified CDFIs eligible to receive of up to \$2 million
- Uses
 - Financing capital;
 - Loan loss reserves;
 - Capital reserves; or
 - Operations

Financial Assistance

- FA awards are made in the form of
 - Equity investments;
 - Loans;
 - Deposits; or
 - Grants
- CDFI is required to match its FA award dollar-for-dollar with non-federal funds of the same type as the award itself to leverage private capital

SEDF Financial Assistance Award

- Received a \$300,000 award to capitalize loan fund
 - \$238,500 grant
 - \$61,500 loan
 - 0% for 30 years

Indirect Benefit of CDFI: Leveraging Funding from Other Sources

Economic Development Capitalization

U.S Bank (3%, 10 years)	\$ 150,000
1st Financial Bank USA (0%/4%, .5 years/14.5 years):	\$ 250,000
1st Financial Bank USA (0%/1%, 3 years/12 years):	\$ 50,000
1st Financial Bank USA (0%/4%, 3 years/12 years):	\$ 50,000
Dacotah Bank (0%/1%, 3 years/12 years):	\$ 50,000
First Bank & Trust (0%/1%, 3 years/12 years):	\$ 50,000
Home Federal Bank (0%/1%, 3 years/12 years):	\$ 50,000
Minnwest Bank (0%/1%, 3 years/7 years):	\$ 50,000
The First National Bank in Sioux Falls:	<u>\$ 45,000</u>
Total Capitalization to Date:	\$ 745,000

Investment Structure

- Document
- Structure
 - Investment (not a grant or loan)
- Rate
- Term

Housing Revolving Loan Fund

- Approached by Rural Development in 2004
- 502 Direct Lending Program
- Leverages additional federal funding because SEDF is a CDFI

Loan Structure

- SEDF funds 20% of the loan
 - Rate: 3%
 - Term: 30 years with 15-year balloon
 - 1st mortgage on the home
- RD funds 80% of the loan
 - Rate: varies based on income
 - Term: Up to 33 years
 - 2nd mortgage on the home

Leveraging of Federal Funding

- Option 1: RD receives \$100,000 in direct federal funding
 - Utilizes direct state allocation to fund the purchase of one house
- Option 2: RD receives \$100,000 in direct federal funding
 - \$20,000 (Provided by SEDF)
 - \$20,000 (Provided by RD's direct state allocation)
 - \$60,000 (Leveraged from the RD national pool)
 - Ability to complete 5X as many houses

Housing Capitalization

SD Housing Development Authority (0%, 30 years)	\$ 250,000
Sioux Falls Area Community Foundation	<u>\$ 20,000</u>
Total Capitalization to Date:	\$ 270,000



Innovative Business Lending Solutions