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
SEDFF 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

<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S Bank (3%, 10 years)</td>
<td>$150,000</td>
</tr>
<tr>
<td>1st Financial Bank USA (0%/4%, .5 years/14.5 years):</td>
<td>$250,000</td>
</tr>
<tr>
<td>1st Financial Bank USA (0%/1%, 3 years/12 years):</td>
<td>$50,000</td>
</tr>
<tr>
<td>1st Financial Bank USA (0%/4%, 3 years/12 years):</td>
<td>$50,000</td>
</tr>
<tr>
<td>Dacotah Bank (0%/1%, 3 years/12 years):</td>
<td>$50,000</td>
</tr>
<tr>
<td>First Bank &amp; Trust (0%/1%, 3 years/12 years):</td>
<td>$50,000</td>
</tr>
<tr>
<td>Home Federal Bank (0%/1%, 3 years/12 years):</td>
<td>$50,000</td>
</tr>
<tr>
<td>Minnwest Bank (0%/1%, 3 years/7 years):</td>
<td>$50,000</td>
</tr>
<tr>
<td>The First National Bank in Sioux Falls:</td>
<td>$45,000</td>
</tr>
<tr>
<td>Total Capitalization to Date:</td>
<td>$745,000</td>
</tr>
</tbody>
</table>
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 $ 20,000

Total Capitalization to Date: $ 270,000