



Mountain Community Capital Fund (MCCF)

Program Overview and Request to Proceed



Request

- **Request that the Board of County Commissioners authorize the County Manager to:**
 - Execute the MCCF Allocation of Services and Duties agreement, and
 - Release funding for the program (previously allocated by the Board on 10/17/17).



MCCF Background

- The MCCF is a **“loan loss reserve”** program designed to **help small and minority-owned businesses access loans** by extending the “reach” of Community Development Financial Institutions (CDFI).
- **Partnership** with the City of Asheville, Self-Help Credit Union, Mountain BizWorks, and Carolina Small Business Development Fund.
- **Modeled on a similar program implemented by the City of Charlotte** and complements traditional lending options available through the support of institutions such as the Small Business Administration.





Program Overview

- **Loan Size:** Expected to range from \$10,000 to \$70,000 with an average of \$30,000.
- **Loan Term:** Approximately 5-7 Years.
- **Loan Success Rate:** Estimated 95% success rate based on similar programs.
- **Loan Administration:** CDFIs will perform all loan underwriting, administration, tracking, etc. **Local government partners have no role in the administration process** (i.e., we are not issuing loans, we are providing a loan guarantee in case of default).
- **Loan Technical Assistance:** CDFIs will provide technical assistance to borrowers (e.g., capital and business training).



How does Loan Loss Reserve Work?

- The Loan Loss reserve helps to **mitigate CDFI risk** for MCCF loans.
- Risk is reduced through the **creation of a loan guarantee fund** that can be accessed in the event that a loan recipient defaults.
- **Example:**
 - Loan recipient receives a \$30,000 loan from CDFI.
 - Loan recipient pays off \$15,000 of the loan before defaulting on the remaining \$15,000.
 - Remaining loan balance is reduced by liquidated collateral (e.g., equipment), where possible.
 - CDFI applies to the MCCF for reimbursement of the “eligible loss”.
 - “Eligible loss” is defined as: 85% of the loss ($\$15,000 \times 85\% = \$12,750$).
 - MCCF reviews eligible loss application and approves reimbursement (\$12,750).



Example MCCF Loan

- CDFI Presentation



Funding

- The MCCF requires an **initial, one-time infusion of funds** to develop the loan guarantee fund. Below are the committed and requested amounts.
 - City of Asheville: \$250,000
 - Buncombe County: \$200,000*

* *Note:* During the October 17, 2017 regular meeting, the Board of Commissioners voted to allocate \$200,000 toward the creation of this small business development program. This funding is already budgeted in a special projects fund and is available for use.



Wrap Up

- **Aligns with the Board's strategic priorities** and emphasizes small business growth for minority and historically disadvantaged businesses.
- Program provides a low risk opportunity to **support economic development and job growth** in our community.
- Research shows that similar programs show **low lender loss levels (less than 5%)**.
- CDFI technical assistance approach will **develop business competency** and contribute to additional sustainability.