

Pennsylvania Community Development Bank Operational Committee

September 18, 2019

A meeting of the Pennsylvania Community Development Bank Operational Committee was held on September 18, 2019 after proper notice was given pursuant to the terms of the Act of July 3, 1986 (the “Sunshine Act”). The meeting was held in the Commonwealth Keystone Building, KBMC-Desert Room, Plaza Level, 400 North Street, Harrisburg, Pennsylvania at 9:30 a.m.

The following Operational Committee Members were present: Carol Kilko, for the Honorable Dennis Davin; Jennifer Langan, for the Honorable Joseph Torsella; and Ron Jumper, for the Honorable Jay Costa.

The following Operational Committee Members were present via telephone: Candice Williams, for the Honorable Justin Simmons; Paul Wentzel, for the Honorable Robin Wiessman; Raymond Davis; Livia Smith; Gregg Aversa; Samuel Milliner; Richard Jones; and James Miller.

The following DCED staff members were present: Stephen Drizos, Executive Director; Mike Adams, Esq., Office of Chief Counsel; Carol Longwell, Esq., Office of Chief Counsel; Craig Petrasic, Center for Private Financing; Brian Deamer, Center for Private Financing; and Melanie Taylor, Center for Private Financing.

Ms. Kilko called the meeting to order at 9:30 a.m.

It was moved by Mr. Jumper and seconded by Mr. Aversa that the Committee approve the Minutes of May 15, 2019. The motion carried.

ACCREDITATION REQUEST – EXCELSIOR GROWTH FUND

Mr. Petrasic stated, “The organization is the NYBDC Local Development Corporation d/b/a Excelsior Growth Fund. They are located in Philadelphia. The region for Pennsylvania as it was approved by the Federal CDFI Fund is all of Pennsylvania, but with a concentration on Philadelphia, Pittsburgh and the northern tier counties.

NYBDC (New York Business Development Corporation) was founded in 1955 and promotes and advances business prosperity and economic welfare by providing small business loans. NYBDC and its affiliates provide small businesses—including start-ups, mature businesses, and minority- and women-owned businesses—with access to loans when they do not meet the requirements for traditional financing. The 504 Company, an affiliate, was established in 1981 and is authorized by the U.S. Small Business Administration (SBA) to provide the SBA 504 loan throughout New York, Pennsylvania, and New Jersey. EGF is another affiliate and is a not-for-profit 501(c)(3) that was created as a CDFI with a mission to address the specific challenges of small businesses, particularly low-income, women-owned and minority businesses.

Mr. Drizos stated, “In July, we made a site visit with both of the entities that we are discussing today. We wouldn’t be introducing it if we were not impressed.”

Mr. Petrasic stated, “All the target markets are spelled out in the summary before you and the products that are going to be funded with this loan include their smart loan, which has an online loan application for up to \$100,000 for working capital. Their impact loan is up to \$500,000 for working capital machinery and equipment or real estate and they also offer SBA micro-loans. Several of our current CDFIs are micro-loan intermediaries for the SBA.

Steve Cohen, CEO and Brad Seader are on the phone from Excelsior.”

Mr. Cohen stated, “We are a nonprofit community development financial institution. Our target market is the entire state of Pennsylvania. We are very excited at the prospect of being included in this program. We are very committed to doing loans that banks will not do. We work with those borrowers to get access to SBA guaranteed loans and we are successful in making that happen through our business advisory services. We provide consulting and other services to businesses to be able to do that. We serve large numbers of low income people, minority and women business enterprises. We have a special program to support veterans and that is available throughout the state of Pennsylvania. We are looking forward to doing more work with the small business communities across the state and we are pleased to be considered for inclusion in this program.”

Ms. Langan asked, “You said you did a site visit. Did you go to New York?”

Mr. Petrasic stated, “No, it was at their Philadelphia office.”

Ms. Langan asked, “What is the presence in Philadelphia like? How many people do they have in their Philadelphia office?”

Mr. Cohen stated, “Us and our affiliates share a footprint and we have people on the ground in Philadelphia and elsewhere in Pennsylvania and then staff from other locations conduct site visits and close loans in various communities across the state. One staff person in each of those locations. It is a small office of permanent staff in each of those places. Then we have other staff that travel as necessary.”

Ms. Langan asked, “This money has to be spent in Pennsylvania?”

Mr. Petrasic stated, “Yes.”

Ms. Langan asked, “Do you have the ability to do that from an accounting perspective?”

Mr. Drizos stated, “Yes.”

Ms. Langan asked, “That would be a condition of the loan?”

Mr. Petrasic stated, “Absolutely. Everything will have to be kept within Pennsylvania. One of their main goals after they receive their CDFI accreditation is to enter the PENNCAP program which doesn’t run through PCD Bank.”

Ms. Langan stated, “My concern is that when you go online they don’t really have a substantial presence in Pennsylvania. It is all about the New York branch. That is a concern if

they are going to potentially come back and ask us for money or get money from the state some other way.”

Mr. Drizos stated, “That has been addressed. The other issue that I want to emphasize is they have a large staff of analysts in New York and they have review processes.”

Mr. Cohen stated, “In Pennsylvania we have done 28 loans totaling \$11.8 million dollars in our community loan portfolio. The average loan size is \$76,000 and as you have heard that was done before our target market was expanded in Pennsylvania. We think we can do a lot more than that. We are expecting considerable volume. Through us and our affiliates we probably have 140 staff people. That means we have a sophisticated underwriting and portfolio management system and those sorts of things. Our capacity is high in terms of overall loan volume and business advisory services provision.”

Mr. Jumper stated, “Do you foresee opening any other offices in any other part of the Commonwealth to facilitate your business plan?”

Mr. Cohen stated, “Not at this time. We are enthusiastic about doing more loans in underserved areas of the state. If there is a need for local presence such that our other offices were not able to efficiently close loans or provide advisory services to businesses in those areas, then I suppose we would consider it. We are hiring some local business development people with a mandate to go into some of those areas. Even though they may not be working full time out of that location they are expected to spend a considerable amount of time in the state.”

Mr. Drizos stated, “We had a conversation regarding the Route 6 corridor area of the state that doesn’t seem to get coverage.”

Mr. Cohen stated, “We have people in Binghamton and Buffalo and other places who can also travel to other parts of the state.”

Ms. Langan asked, “You keep talking about affiliates, what exactly are you talking about? Are there other CDFI’s?”

Mr. Cohen stated, “We are affiliated with an organization that is a 60-year-old company that is one of the largest non-bank SBA lenders in the country. They also do 7a loans and so forth. Then part of that is another nonprofit that does SBA 504 commercial lending and community advantage lending through SBA. We are currently one of the largest SBA 504 and community advantage lenders in the state of Pennsylvania.”

It was moved by Mr. Wentzel and seconded by Mr. Milliner that the Committee approve the Accreditation request of Excelsior Growth Fund. The motion carried.

GRANT REQUEST – ECONOMIC OPPORTUNITIES FUND

Mr. Petrasic stated, “This is for a grant to the Economic Opportunities Fund, which has been one of CDFI’s for several years, based on Chestnut Street in Philadelphia. They serve the entire greater Philadelphia region.

This is for a \$200,000 grant in one disbursement. The use of the proceeds of this grant would be for community outreach, loan packaging, underwriting, pre and post loan business assistance and loan loss reserves for their SBA micro-loan program.

Lynne Cutler from EOF is on the phone.”

Ms. Cutler stated, “Thank you for this opportunity. We have been a certified CDFI since 1999. We received the Presidential Award. We focus on loans of \$50,000 and under. Most of our loans are \$20,000 and under for inventory and working capital. Around 95% of our clients are people of color or low income. We offer bookkeeping assistance and help with website development. Last year we made 70 loans totaling \$526,000. We have a parent company that is also a certified CDFI and SBA micro-loan lender.”

Ms. Smith asked, “What do you charge on the loan payback?”

Ms. Cutler stated, “We charge 8%.”

Ms. Langan asked, “Have they been paying back their other loans?”

Ms. Cutler stated, “We have a 3% charge off. We stay very close to the businesses.”

Ms. Smith asked, “What are the terms of the loans?”

Ms. Cutler stated, “It depends. It could be one year, two years or three.”

Mr. Drizos stated, “There are reasons we are looking at this as a grant. When I was there I had the opportunity to meet with some of their clients. They have a great need for post-financing mentoring. There is so much that needs to be done. I determined this needs to be a grant, so they can spend more time and more assets in bringing in other people if they need to, to be able to help these people with mentoring. They do some good things.”

It was moved by Ms. Langan and seconded by Mr. Jumper that the Committee approve the Grant Request from Economic Opportunities Fund. The motion carried.

LOAN STATUS REPORT

Mr. Petrasic stated, “There is no real update beyond what is presented.”

OTHER BUSINESS

None

ADJOURNMENT

It was moved by Ms. Langan and seconded by Mr. Wentzel that the Committee adjourn.