

## Pennsylvania Community Development Bank Operational Committee

July 17, 2013

A meeting was held of the Pennsylvania Community Development Bank Operational Committee was held on July 17, 2013 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, PUC Hearing Room #5, 400 North Street, Harrisburg, Pennsylvania.

The following Operational Committee Members were present: Stephen M. Drizos, for the Honorable C. Alan Walker; Craig Schwartz, for the Honorable Robert M. McCord; Paul Wentzel, for the Honorable Glenn E. Moyer; Ron Jumper, for the Honorable Jay Costa; Michael Martin; Gregg Aversa; and James Miller.

The following Operational Committee Members were present by telephone: the Honorable Jaret Gibbons; Russell P. Whelpley; Raymond Davis; Howard Slaughter; and Samuel Milliner.

The following DCED staff members were present: Carol Longwell, Esq., Office of Chief Counsel; Craig Petrasic, Center for Private Financing; Brian Deamer, Center for Private Financing; and Melanie Clark, Center for Private Financing.

It was moved by Mr. Martin and seconded by Mr. Aversa that the Board approve the Minutes of November 21, 2012. The motion carried.

### **DIRECT LOAN REQUEST - FINANTA**

Mr. Drizos stated, "We accredited FINANTA around a year and half ago."

Mr. Petrasic stated, "This request is for a direct loan for \$100,000 for FINANTA. They were approved about a year and a half ago for accreditation by the committee. This would have the same terms as all our direct loans as outlined on the memorandum.

It would have a 10 year term, with the principal and interest payments deferred for the term of the loan with a balloon payment at year 10 consisting of all the principal and amortized interest. We have done a site visit with them. We also receive their audited financial statements and review them. Specifically, they are going to use these funds to fund their micro-loan lending pool and we would recommend approval.

Heather Hanowitz is here, who is the lending manager for FINANTA, as well as Louis Mora, Executive Director of FINANTA, who is on the phone."

Ms. Hanowitz stated, "We appreciate your consideration for this loan request. I provided a pamphlet with some of our background information. We focus on our small business portfolio and we also offer first time homebuyer mortgages in the County of Philadelphia.

In 2010 we became a small business administration lender. As of this year we are the fourth largest micro-lender for SBA. That is due to a micro-loan program that we launched in 2011.

Our investors have grown in the number of interested parties. In 2013 we had 17 foundations with local and federal governments that are supporting our organization, totaling around \$2.4 million dollars in investments. We have been able to increase our deployment 10 times over since 2010. You can see for the micro-loan program the number of clients served has increased from 150 to 600 individuals. We help them with whatever needs they may have as a small business. We have created workshops that are held on a monthly basis.

The loan application describes the ROSCA program. This program was launched in 2011 and has allowed us to increase our deployment from 11 micro-loans in 2012 to 160 as of this past fiscal year with the same staff. As you can see, from 2010 about \$24,000 has decreased down to \$4,000."

Mr. Martin asked, "The \$100,000 is that part of the ROSCA program?"

Mr. Drizos stated, "No."

Mr. Martin questioned, "You said that it was labor intensive for these small programs. Is that going to impact the ability to service new loans?"

Ms. Hanowitz stated, "In 2011 this was a pilot program. We had to reevaluate and make it a more standardized approach. This loan pool will help us build our small business portfolio."

Mr. Martin questioned, "What is the average interest rate?"

Ms. Hanowitz stated, "Right now we charge 9%."

Mr. Drizos stated, "I think it is important to state that Governor Corbett's administration supports this type of activity. It is a sector in the marketplace that conventional banking does not really support very well. Hopefully, this \$100,000 will afford you the opportunity to leverage that. As I have said before in these meetings, I personally believe that the whole PCD Bank concept is a very good concept. It does support a market that needs support, when you see that 87% of the businesses assisted are minority owned and female owned. Craig and I did our site visit. I wish that we could do more, but money is an issue.

The other issue is that I wish we could come up with more money for administrative costs. I personally am big on post issuance. It is very important for these kinds of borrowers. Some of these people are very good at what they do, even if it is money to help them to learn how to do QuickBooks."

Mr. Slaughter stated, "I think it is important to say that giving people money in any amount is important and it is a lot to them. It may not seem like a lot, but this is the Commonwealth's money. Any amount that we provide whether it is a loan or grant is significant."

It was moved by Mr. Schwartz and seconded by Mr. Martin that the Board approve Direct Loan Request to FINANTA not to exceed \$100,000. The motion carried.

## **LOAN STATUS REPORT**

Mr. Petrasic stated, "There is no real update on the loan status except to say that all the loans continue to be repaid as agreed."

Mr. Wentzel asked, "How much money do you have in the kitty?"

Mr. Drizos stated, "Very little. We squeezed this \$100,000 out. When we make these loans they have a little over a year to draw down. So they may draw down a little here and some later."

Mr. Petrasic stated, "Technically the amount that is in there is \$1.8 million. Most of it is encumbered. We had several of the larger loans from early in the program that have matured."

## **ADJOURNMENT**

It was moved by Mr. Martin and seconded by Mr. Slaughter that the Board adjourn.