



FINANCING AND BUILDING URBAN ENTREPRENEURSHIP AND ECONOMIC OPPORTUNITIES IN CITIES

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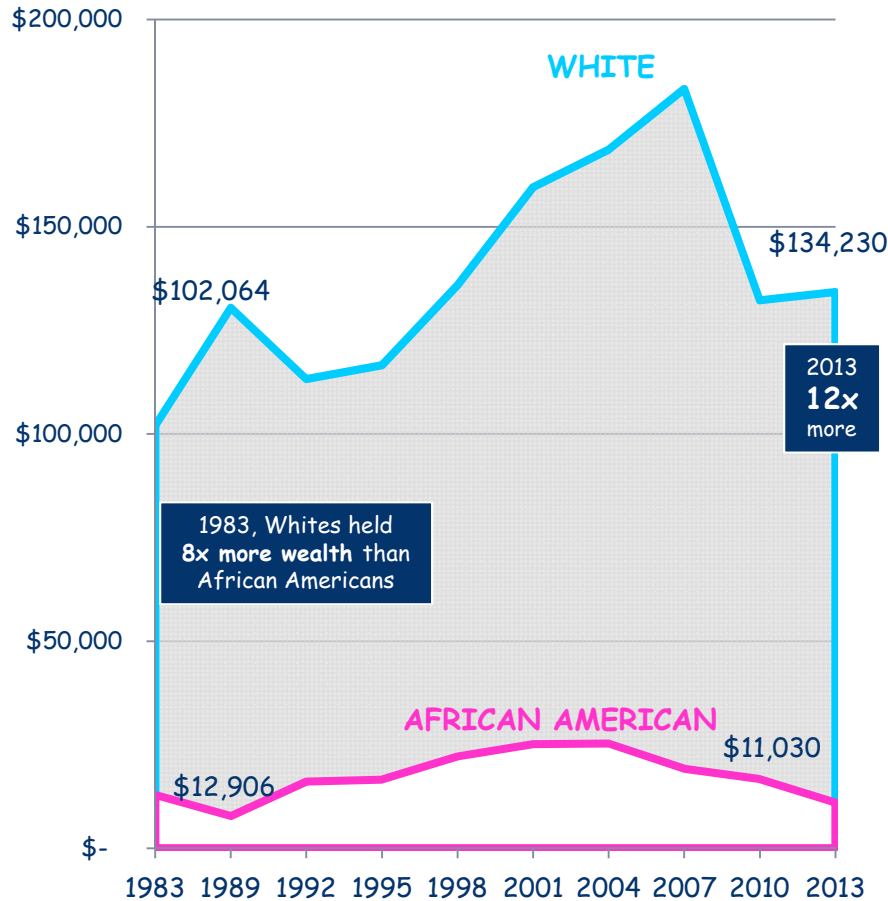
MEETING OF THE MINDS

PROBLEM: FAMILY WEALTH BY RACE/ETHNICITY

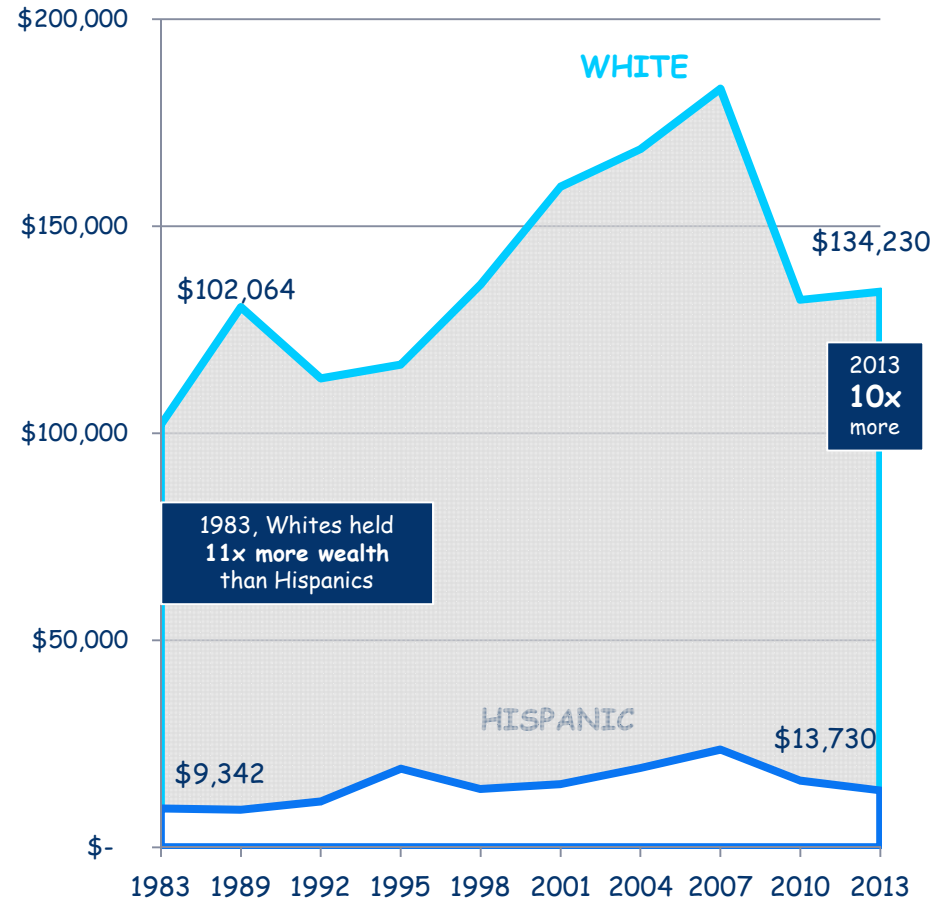
1983-2013



Black and White



Hispanic and White



Source: Institute calculations from Survey of Consumer Finances (1983-2013). Note: 2013 Dollars.



OUR MISSION (our solution)

To create and protect ownership and economic opportunity for all, especially people of color, women, rural residents and low-wealth families and communities.



Self-Help: 2 nonprofits (CCSH and CRL) and 3 financial institutions (SHCU, SHFCU and SH Ventures Fund)

Commercial Lending	Retail Financial Services SHCU & SHFCU (branches NC, CA & IL)	Real Estate Development	Center for Responsible Lending (CRL)
<p>Impact areas:</p> <ul style="list-style-type: none"> • Access to healthy foods • Commercial real estate • Affordable housing development • Small businesses • Nonprofit facilities including Childcares • Churches • Direct home purchase • Consumer loans 	<p>State CU est. in NC in 1984; grown through 8 mergers.</p> <ul style="list-style-type: none"> • 20 branches • \$650 MM assets • 60,300 members <p>Federal CU est. in CA 2010 grown through 7 mergers.</p> <ul style="list-style-type: none"> • 23 branches • \$560 MM assets • 49,500 members 	<p>Acquire and rehab key properties to promote community and economic development.</p> <ul style="list-style-type: none"> • Retail branches • Multi-tenant office • Charter school facilities for low-income students • Affordable housing • Single Family homes • Senior living • Adaptive, historic reuse 	<p>Federal and state policy research and advocacy on predatory lending and consumer issues:</p> <ul style="list-style-type: none"> • Payday lending • Mortgage reform • Car title lending • Credit/debit card lending • Student loans • Debt consolidation



Affordable Homeownership: # of years of homeownership explains 28% of the increasing wealth gap.

- **Originated over \$525 million in home loans.**



Equal access to Quality Education: Educational attainment explains 17% of the increasing wealth gap.

- **\$100 million of loans to child care facilities and charter schools.**



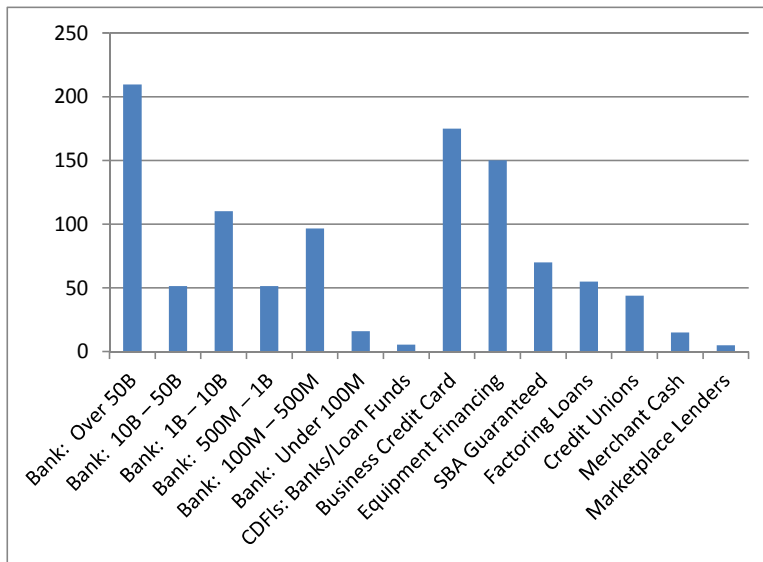
Business Lending: Household income and employment explain 22% of the increasing wealth gap.

- **\$200+ million of business and facility loans – including our small business lending portfolio.**

SUMMARY OF SMALL BIZ LENDING MARKET



Banks are primary provider of business credit credit to “prime credit” borrowers



Lender (Banks by Size)	UPB in \$Bil	Est. Rate Floor / Ceiling	
Bank: Over 50B	210	3%	10%
Bank: 10B – 50B	51	3%	10%
Bank: 1B – 10B	110	3%	10%
Bank: 500M – 1B	51	3%	10%
Bank: 100M – 500M	97	3%	10%
Bank: Under 100M	16	3%	10%
CDFIs: Banks/Loan Funds	6	4%	15%
Business Credit Card	175	12%	36%
Equipment Financing	150	6%	14%
SBA Guaranteed	70	4%	9%
Factoring Loans	55	5%	75%
Credit Unions	44	4%	12%
Merchant Cash	15	20%	60%
Marketplace Lenders	5	10%	120%

- **Smaller banks rely more heavily on small biz loans**
- **Biz credit cards largest alternative segment**
- **Marketplace lenders represent small portion of market**

Source: Goldwater Institute Policy Report, “Increasing Entrepreneurship is a Key to Lowering Poverty Rates”, 2012. Association for Enterprise Opportunity (AEO), 2010.



Target Market for Small Business Borrower

- **Lower net worth borrowers;**
- **Businesses with insufficient collateral;**
- **Start-up and expanding businesses;**
- **Borrowers with prior credit issues; and**
- **Smaller loan sizes.**

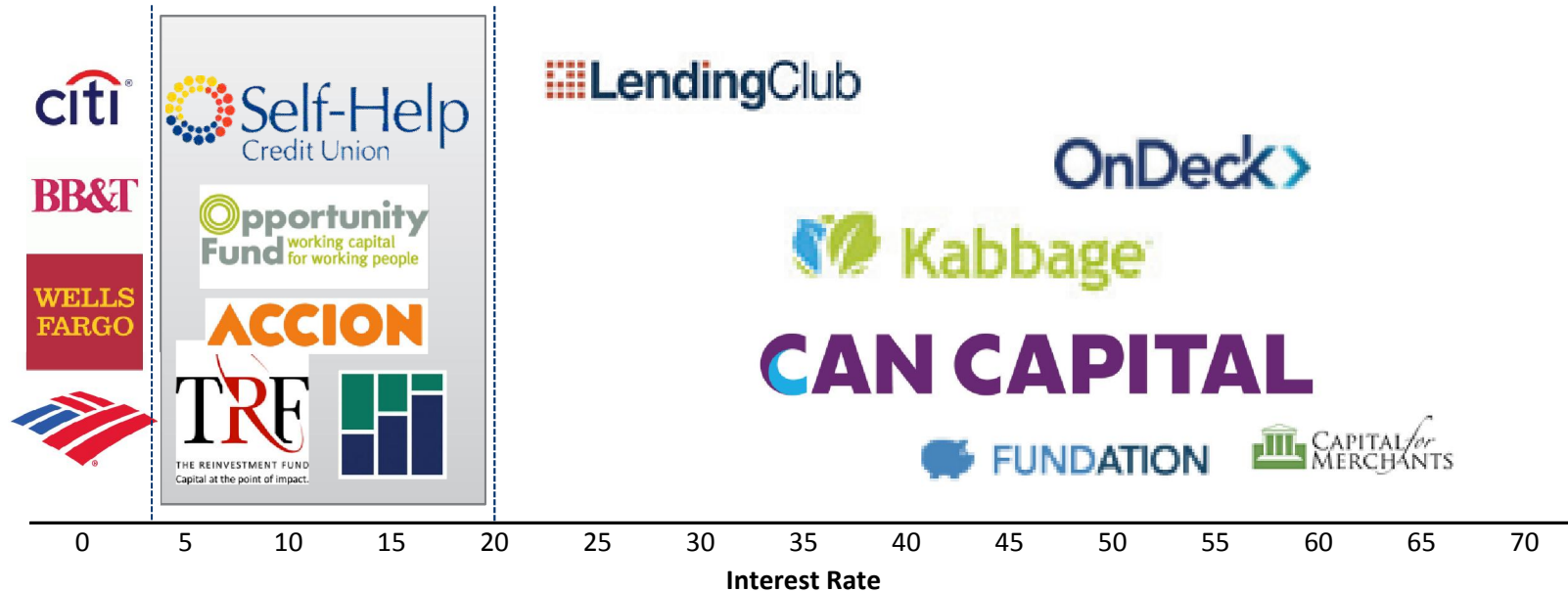
Credit Quality Gaps

- **Reason for Denials in 2013 – Insufficient Collateral (38%), Low Credit Score (35%), Weak Business Performance (29%), Poor Financial Reporting (9%) and Other Factors (28%).**

Demographic Gaps

- **Minority and Women Owned Firms are 33% less likely to pursue a loan, are 13% less likely to receive approval, and receive only 43% of loan amount received by similar non-minority borrowers.**

Market overcharges many creditworthy borrowers



Risk for small, non-bank loans to borrowers with slightly blemished credit is greatly overpriced.

Community Development Financial Institutions (CDFIs) like Self-Help help to fill this gap.

Thanks!

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Humble Beginning

- **Co-founded in 1980 in Durham, NC by Bonnie Wright and Martin Eakes.**
- **Originally created to encourage and support worker-owned cooperative businesses (like the New Bern Bakery).**
- **First capital in Self-Help Credit Union was \$77 donation from a bake sale in late 1983**

Our Core Values

Mission before Self

Service with Excellence

Results, Not Credit

Diversity as Strength

Embracing and Promoting Change

Financial Sustainability for Mission Impact



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Why? Because it works.

- **1% percentage point increase in the average entrepreneurship rate corresponds to a 2 percent decrease in the poverty rate.**
- **Female-headed family households in which at least one person owns a microbusiness generates \$8,000 to \$13,000 more in annual household revenue.**

Source: Goldwater Institute Policy Report, “Increasing Entrepreneurship is a Key to Lowering Poverty Rates”, 2012. Association for Enterprise Opportunity (AEO), 2010.



Napoleon Wallace
Exec Staff at Self-Help

- **Community Development Lending**
- **Corporate and Investment Banking**
- **ESG + Social Investing Consultant**
- **3 small biz ventures ... so far: legal, financial and food service industries**