



Fond du Lac
Band of Lake Superior Chippewa

Small Business & Entrepreneur Focus Group

FOND DU LAC CLOQUET COMMUNITY CENTER

THURSDAY, MAY 5, 2022

2:00PM – 4:00PM

AGENDA

2:00 Welcome & Introductions

2:20 Overview & Discussion of 3 Potential Loan Program Types

3:30 Closing Conversation

3:50 Wrap Up & Adjourn

What is SSBCI?

SSBCI = State Small Business Credit Initiative

Department of Treasury program

Tribal Governments eligible for funding to create lending programs

FDL received \$965,021 to support small businesses & entrepreneurs

Eligibility



FDL band members living both on & off reservation



For profit business

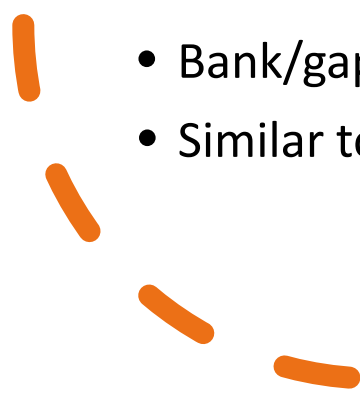
Uses

- Land & building acquisition
- Land improvements
- New building construction
- Building renovation
- Machinery purchase/equipment
- Working capital



1: Loan guaranty Program

- **Loan guaranty program – *guarantying loans originated by another lender***
- Requires loan from a bank lender or gap lender (ex. Entrepreneur Fund, Northland Foundation, Arrowhead Regional Development Commission)
- Fond du Lac would use their funds to provide an additional guaranty to the bank lender
- Borrower pays back bank/gap lender
- Bank/gap lender releases guaranty proportionally as loan is paid off
- Similar to SBA 7a programs



1: Loan Guaranty Program Example



Fred's Food Truck is expanding and is ready to purchase another truck. He also needs cash as working capital to help support the expansion. He asks ABC Bank for a \$200,000 loan.



ABC Bank would be willing to make the loan in the full amount of \$200,000, but is wary of the working capital needs.



Fond du Lac's Loan Guaranty program can provide ABC Bank with a 75% loan guaranty or \$150,000.



This means FDL will guaranty to pay ABC Bank back 75% of funds borrowed in event of default.



Fred gets his loan & new truck, bank is happy with the guaranty.



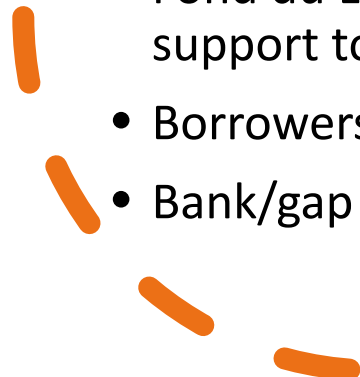
What do you think?





2: Collateral Support Program

- **Collateral support program – *providing cash or a Certificate of Deposit (CD) to a bank lender in order to reduce shortfall on the borrower's behalf***
- Collateral: cash or other asset (car, building, equipment) pledged as security for repayment of a loan
- Requires loan from a bank lender or gap lender (ex. Entrepreneur Fund, Northland Foundation, Arrowhead Regional Development Commission)
- Fond du Lac would provide cash or a CD to a bank/gap lender to add collateral support to a project if there is not enough cash/assets to secure the loan
- Borrowers pay back the bank/gap lender
- Bank/gap lenders release collateral funds held back to FDL as the loan is paid off



2: Collateral Support Program Example



Fred's Food Truck is expanding and is ready to purchase another truck. He also needs cash as working capital to help support the expansion. He asks ABC Bank for a \$200,000 loan.



ABC Bank is interested, but the truck is only valued at \$100,000 and does not provide enough collateral for the bank's requirement.



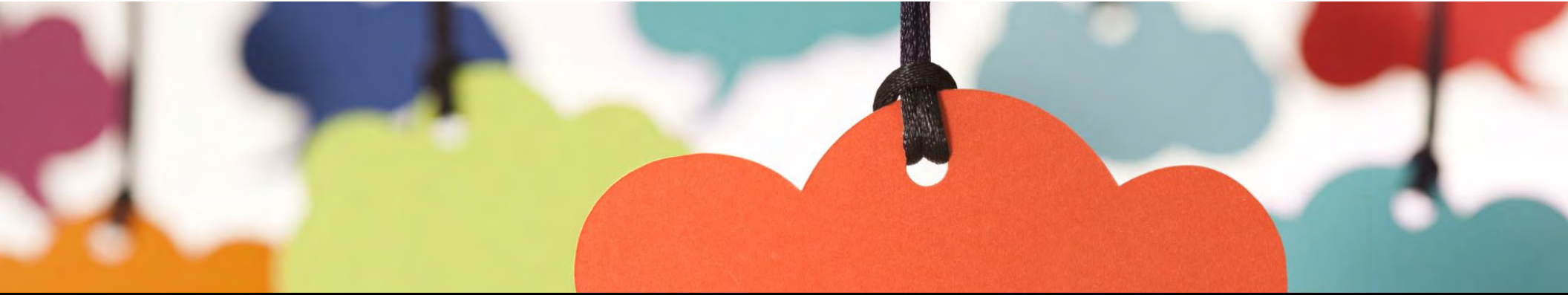
Fond du Lac's Collateral Support Program provide ABC Bank with additional funds to cover the collateral gap.



This means Fond du Lac's support will pay ABC Bank the amount pledged in the event Fred is unable to pay back his loan.



Fred gets his loan & new truck. As Fred pays down his loan, the bank releases the collateral funds back to FDL to be used for other projects.



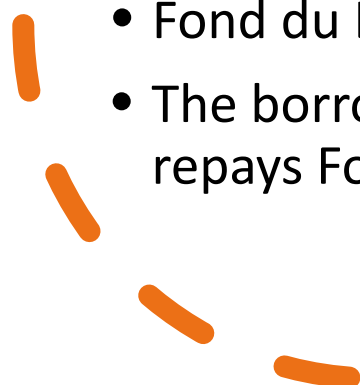
What do you think?





3: Loan Participation Program

- **Loan participation program – *Fond du Lac buys a participation stake in a loan through another lender who is originating that loan to spread risk between lenders***
- Requires loan from a bank lender or gap lender (ex. Entrepreneur Fund, Northland Foundation, Arrowhead Regional Development Commission, etc)
- Fond du Lac would purchase a percentage of a loan from the lender
- The borrower repays the bank/gap lender, and the bank/gap lender repays Fond du Lac's monthly percentage back to FDL



3: Loan Participation Program Example



Fred's Food Truck is expanding, and he would like to open permanent restaurant space. He needs \$700,000 in funding and approaches the Entrepreneur Fund for assistance.



EF is interested, but the risk is too high for one lender. EF contacts Northland Foundation and Fond du Lac to see if they are interested in participating in the loan.



Fond du Lac agrees to participate and purchases \$100,000 of the loan. Northland also participates for \$250,000. Entrepreneur Fund can lower their share to \$350,000 and will originate the loan.



This means FDL will receive repayments from Entrepreneur Fund as the loan is paid back. The borrower only submits payment to Entrepreneur Fund.



Fred gets his loan & can open his restaurant. Gap lenders are happy to see the project move forward!



What do you think?





Final Thoughts



Next Steps

Submit formal SSBCI application with loan program details

Receive funds from Department of Treasury

Programs launched and marketed



Thank you for joining us!

