

Addressing Capital Access in Underserved Communities: The SOAR FUND Example

Patricia McCall, Vice President Global Strategy and
Corporate Affairs
Winrock International

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SOAR

Southern Opportunity and Resilience Fund

A collaborative effort to increase access to capital and support for community-based businesses and nonprofits across the South and Southeast

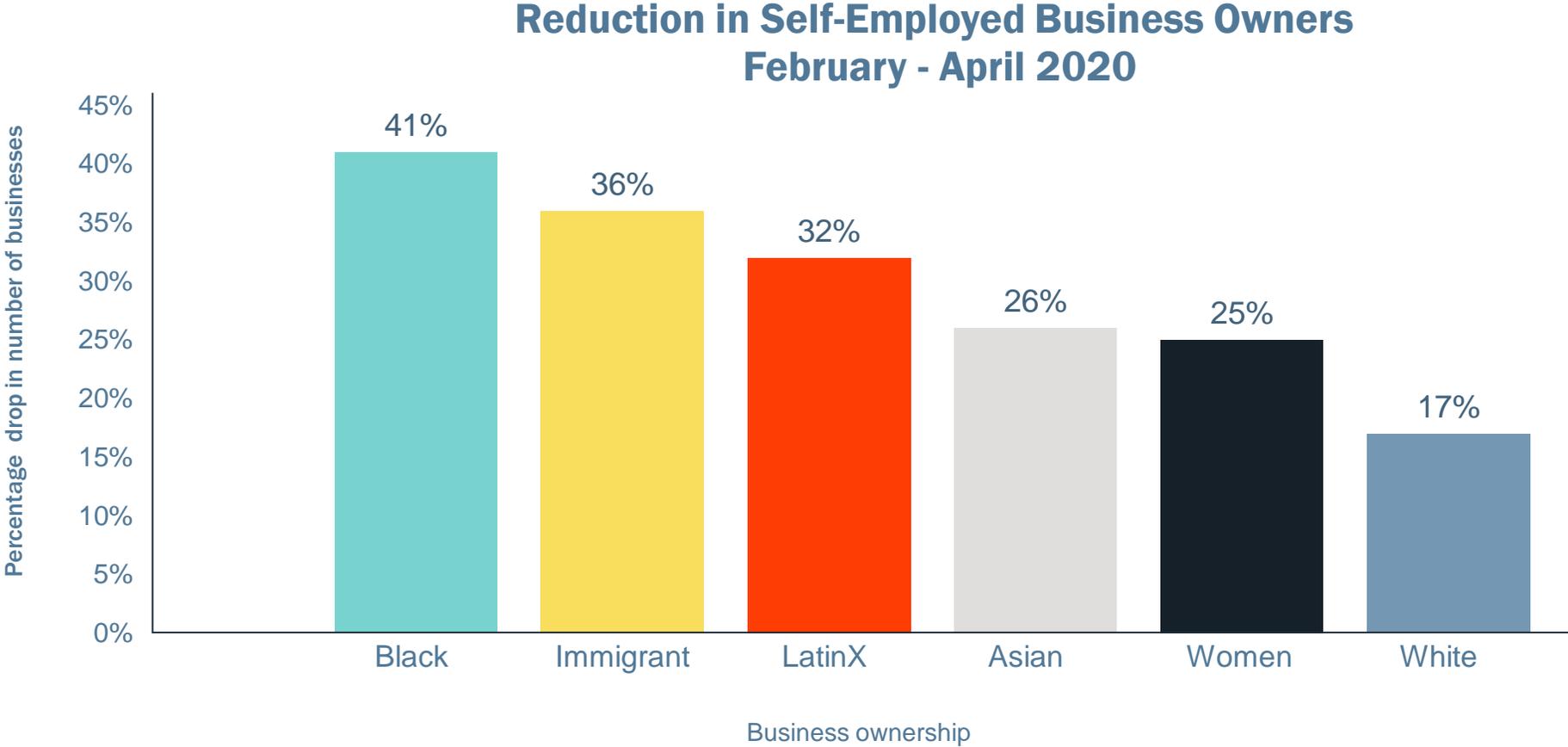
Why do we need new models?

- Covid-19 has exacerbated existing structural issues around access to capital for women and people of color throughout the country.
- Smaller businesses – many led by people of color and women – were already **suffering from decades of discrimination, lack of access to affordable capital, and an insufficient safety net.**
- If we do not authentically and intentionally create the right resources for these community organizations this crisis will **widen the racial wealth gap, worsen outcomes for already vulnerable communities, and wipe out an entire segment of our economy.**
- Existing institutions need support and capital to be able to **increasing lending into these communities.**

Financial System Responses to Covid-19

- PPP Loans – US Government supported loans to support businesses during the pandemic by providing loans, usually forgivable for specific uses including and focused on payroll. Design and implementation of initial round was found to be difficult to access for many small businesses.
- Covid-19 Response Funds: Calvert Impact Capital CA, NY and South Funds
- Philanthropy – billions pledged by philanthropists, foundations, corporations
- Southern Communities Initiative (SCI) – led by investor Robert F. Smith to drive modernization of the CDFI's through capacity building and technical innovation

Early indicators show devastating effects of COVID-19 on the small business community, with outsized negative impact on communities of color and immigrants



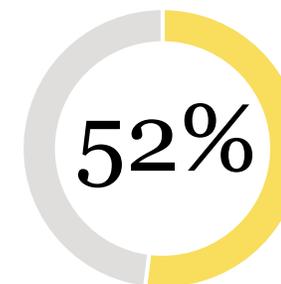
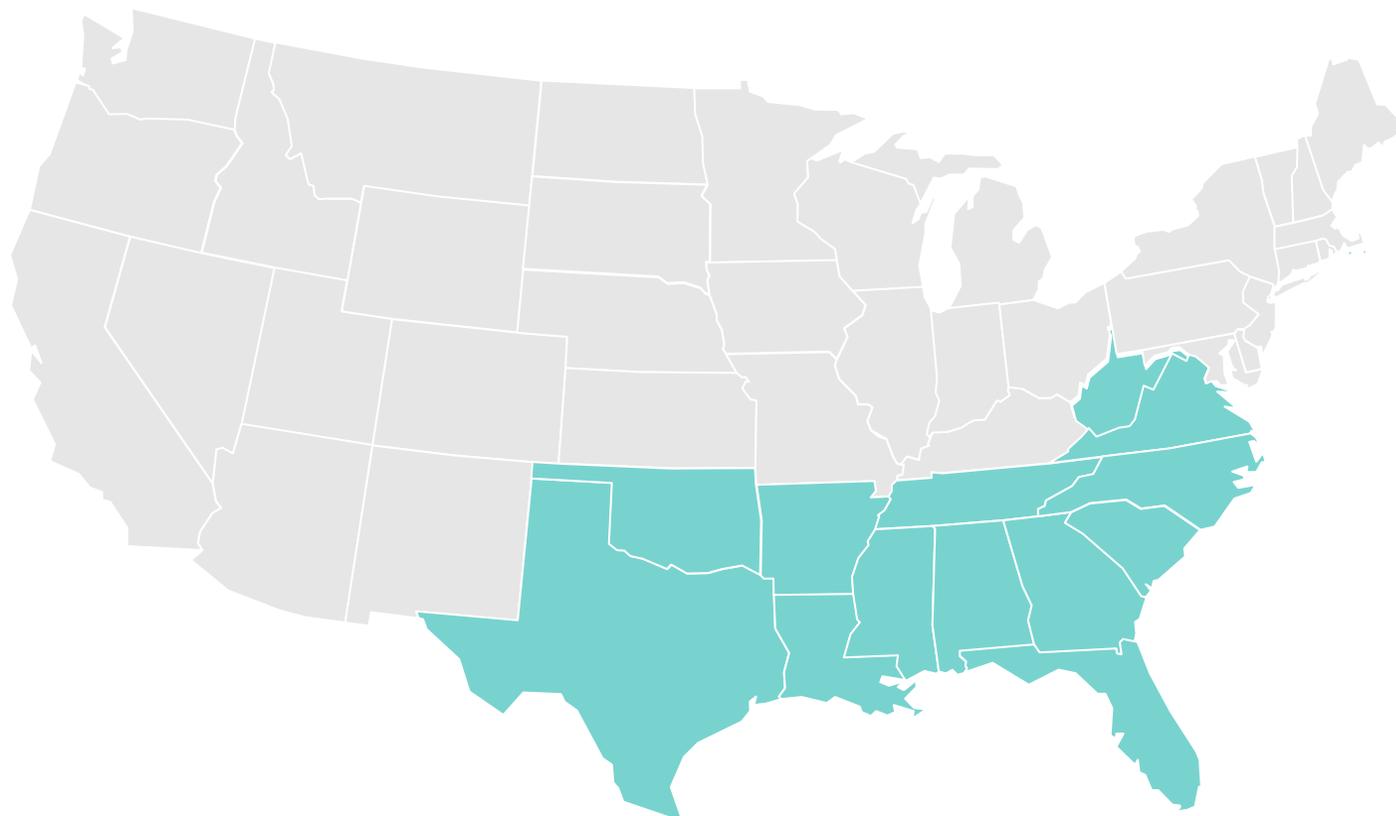
Source: Fairlie, Robert W. (2020), The Impact of COVID-19 on Small Business Owners: Evidence of Early Stage Losses From the April 2020 Current Population Survey, *SIEPR Stanford Institute for Economic Policy Research*



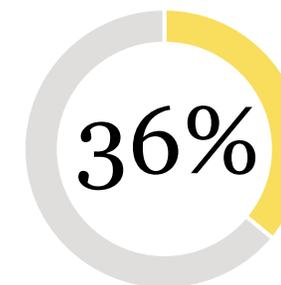
SOAR targets states where there is a relatively higher Black, Latinx and Native American population

The Black population exceeds the national average in 10 out of 15 states

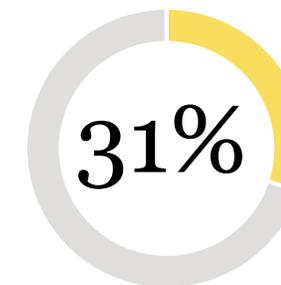
Concentrated in these 13 states:



of the nation's Black population



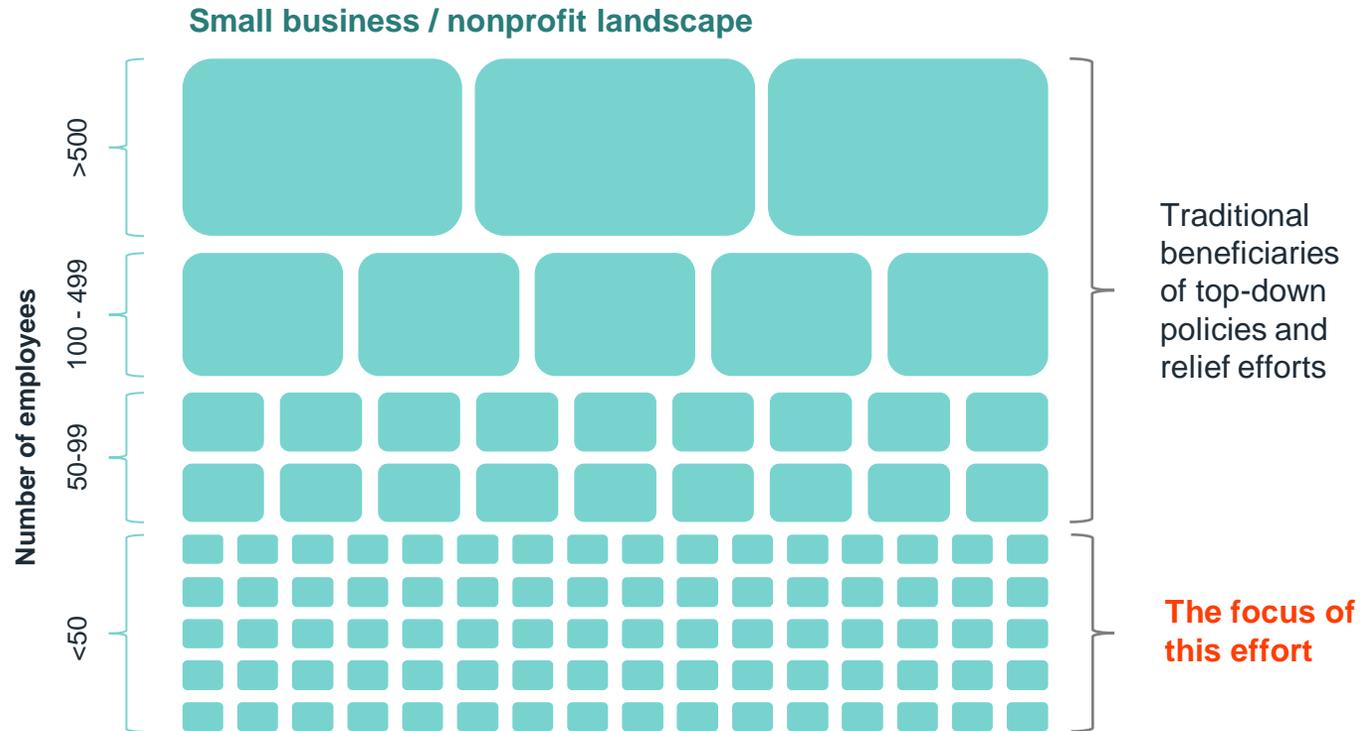
of the nation's Latinx population



of the nation's Native American population

Source: 2017 1-year American Community Survey estimates, U.S. Census Bureau: <https://www.governing.com/gov-data/census/state-minority-population-data-estimates.html>

The economic impact of COVID-19 related social distancing policies has been unprecedented and is crushing community-based organizations



Smaller, community-level organizations – many led by people of color and women

Unaddressed, this crisis will **widen the racial wealth gap, worsen outcomes for already vulnerable communities, and wipe out an entire segment of our economy.**

Financial and Technical Assistance Innovation: The SOAR Fund – Emergency Loans coupled with Technical Assistance

- The SOAR Fund is a partnership of local and national community finance organizations created by Calvert Impact Capital to address the capital needs of historically disenfranchised communities across the South and Southeast U.S. as they attempt to navigate and rebuild after the unprecedented COVID-19 health and economic crisis.
- **SOAR targets small businesses in 15 South and Southeast States:**
 - *with 50 employees and fewer;*
 - *with an explicit focus on historically under-resourced communities;*
 - *focus on businesses in low-income areas and owned by women and people of color.*
- The SOAR Fund targets a size of \$150mn with an upper limit of \$500mn – capital will be provided as low-interest loans through regional CDFIs.
- ***The loans will be supported by Technical Assistance provided to the small businesses***

Federal programs have provided widespread direct support, but have not been sufficient to support businesses through the prolonged economic slowdown

	PPP / EIDL	SOAR Loans
Loan size	Tied to certain expenses; very limited for the smallest businesses	Tied to three months revenue from any three-month period in 2019
Use of proceeds	Tied to spending on certain expenses	Flexible working capital
Reach + eligibility	Unavailable to many businesses that exist outside of the banking system; immigration status, criminal history can affect eligibility	Outreach through local, community-based networks; broad eligibility standards based on FTE and revenue size
Lenders	Mostly large and regional banks; CDFIs have participated but with limited liquidity available	Non-profit community development loan funds



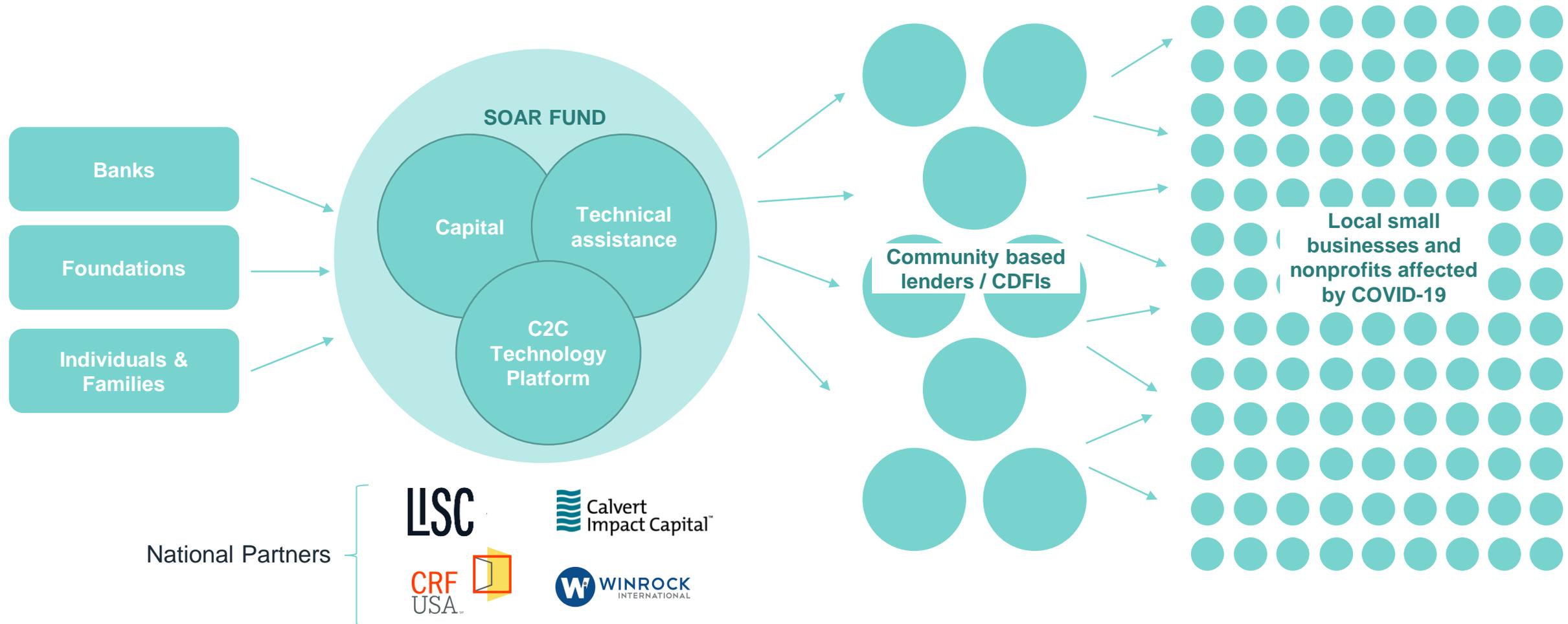
This effort pools resources and leverages existing infrastructure to simplify execution and speed to market for businesses during this time of crisis

Loans, investments & grants...

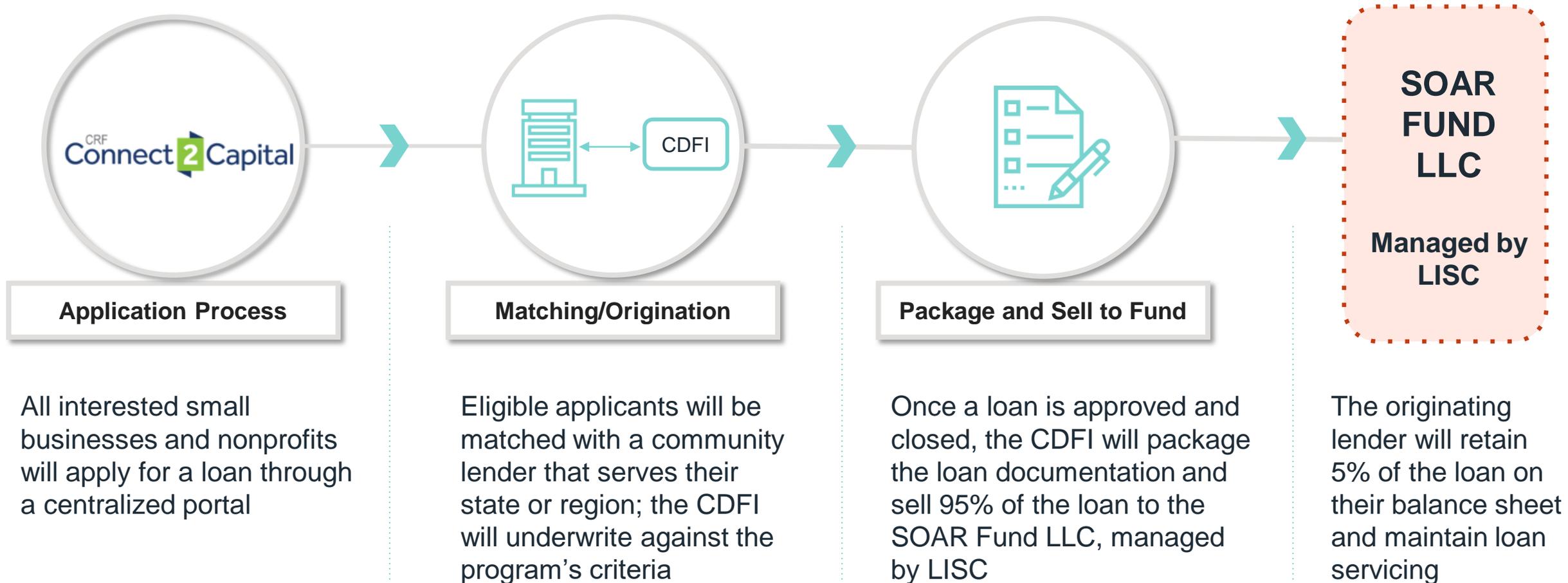
...centralized and tailored...

...distributed through local partners...

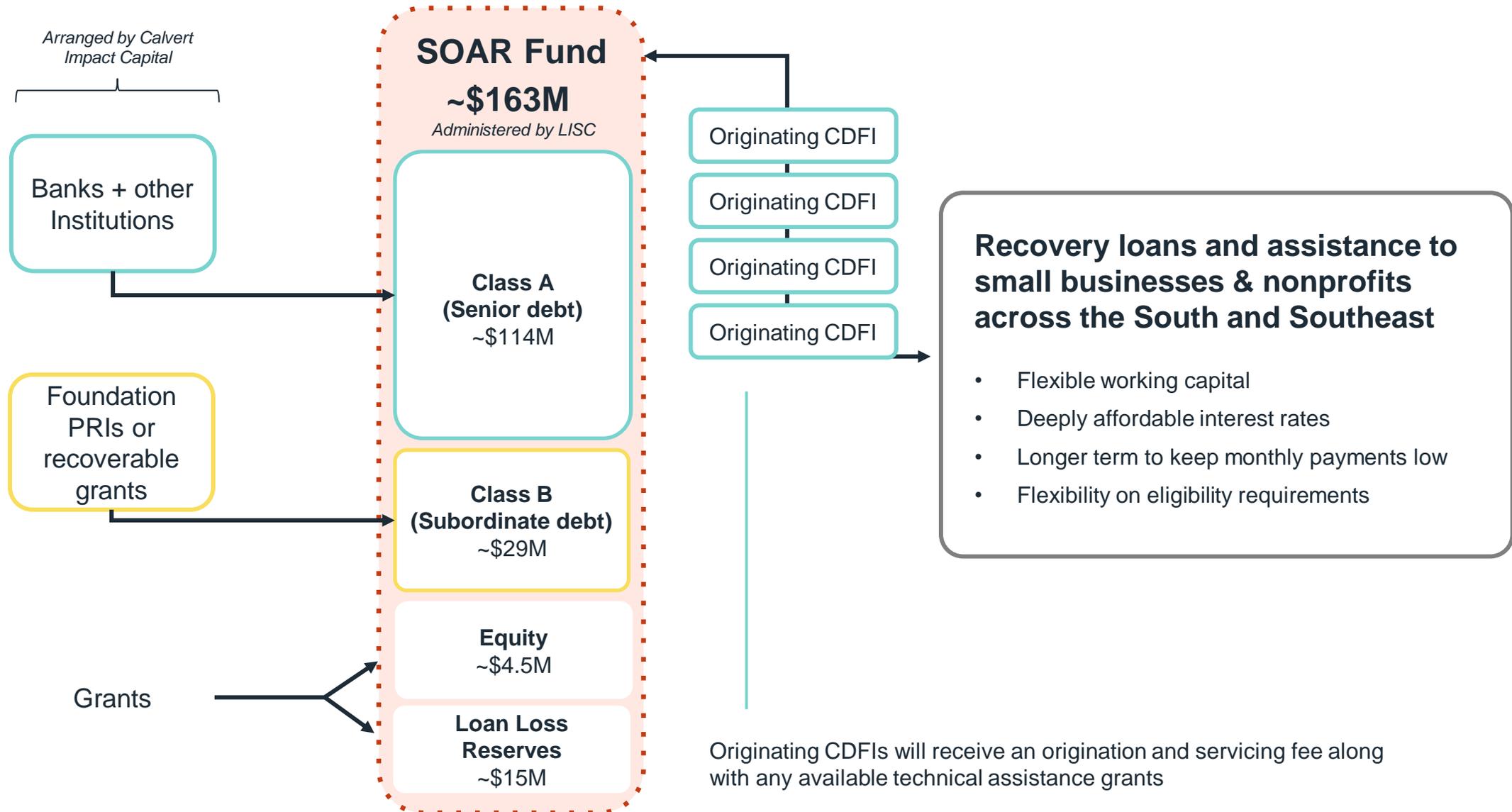
...to the organizations that need it most



The participating lenders will originate new loans to small businesses that they can package and sell to a centralized special purpose vehicle



The SOAR Fund will purchase locally originated Recovery loans



The SOAR Fund is designed to equip community lenders with the support required to meet the unique recovery needs of their communities

Liquidity

- Enables participating CDFIs to focus on new lending in their communities by providing them with liquidity and mitigating on-balance sheet risk

Low-cost and flexible capital

- Provides CDFIs with the low-cost and flexible capital required to offer deeply affordable and flexible loans to small businesses and nonprofits

Operational Support

- Provides CDFIs with the financial resources through the origination fee and servicing fee to ensure they have operational capacity to execute on a high volume of loans

Sustainable and Scalable Partnership

- Builds a scalable source of financing that leverages and combines existing infrastructure, networks, and relationships to activate new recovery lending

The goal is not how much money disbursed, but the near- and long-term success of these businesses that create wealth and vibrancy in their communities

ACCESS

Equitable distribution of funds

SUCCESS

Survival rates of borrowers

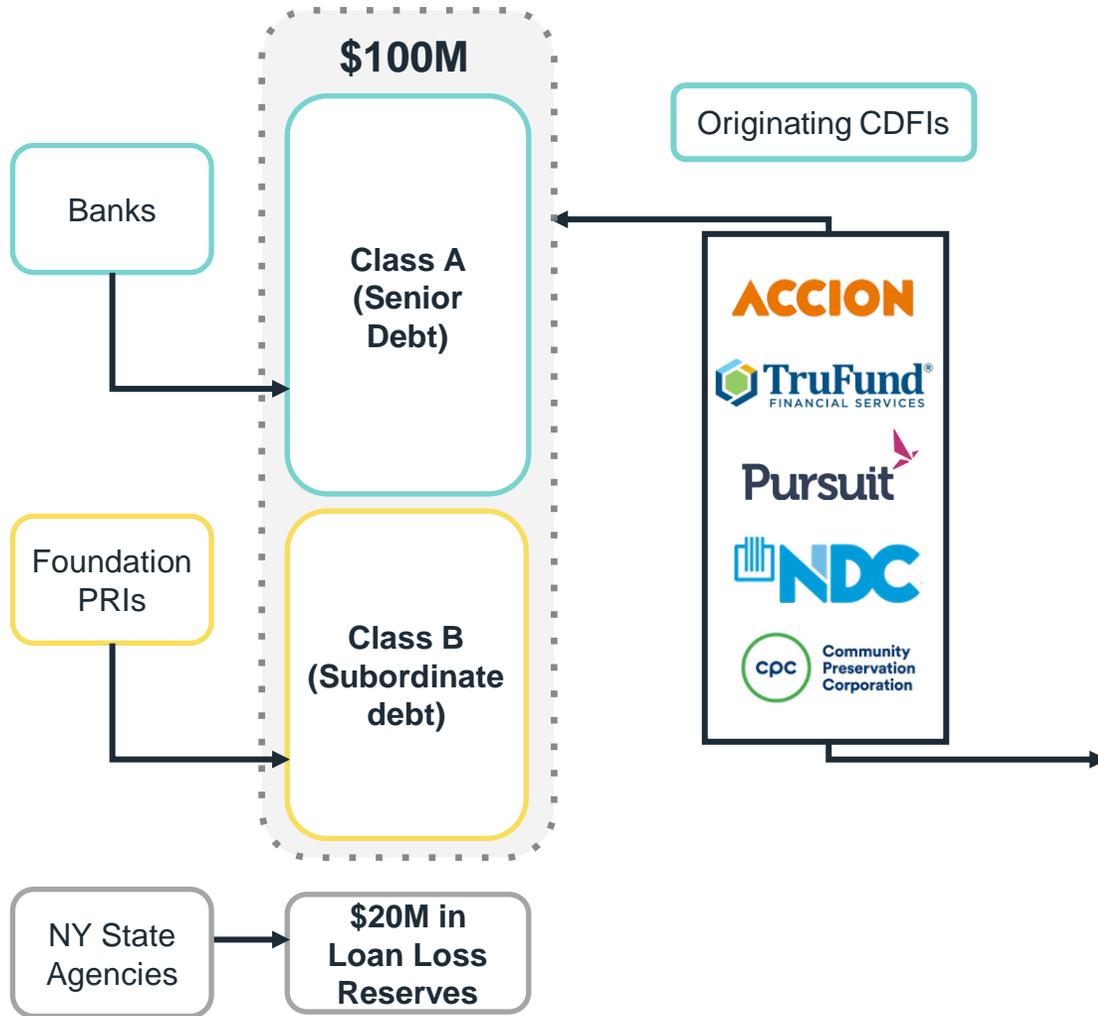
EMPLOYMENT

Retention or growth of jobs

RESILIENCE

Better infrastructure for the future

Similarly, in NY - the New York Forward Loan Fund (NY FLF) was built to prioritize equity and access



Experience so far...

14,800

Number of eligible applications

\$845M

Total loans requested

\$57K

Average loan size requested

521

Loans funded in the first six months for \$24.5M

66%

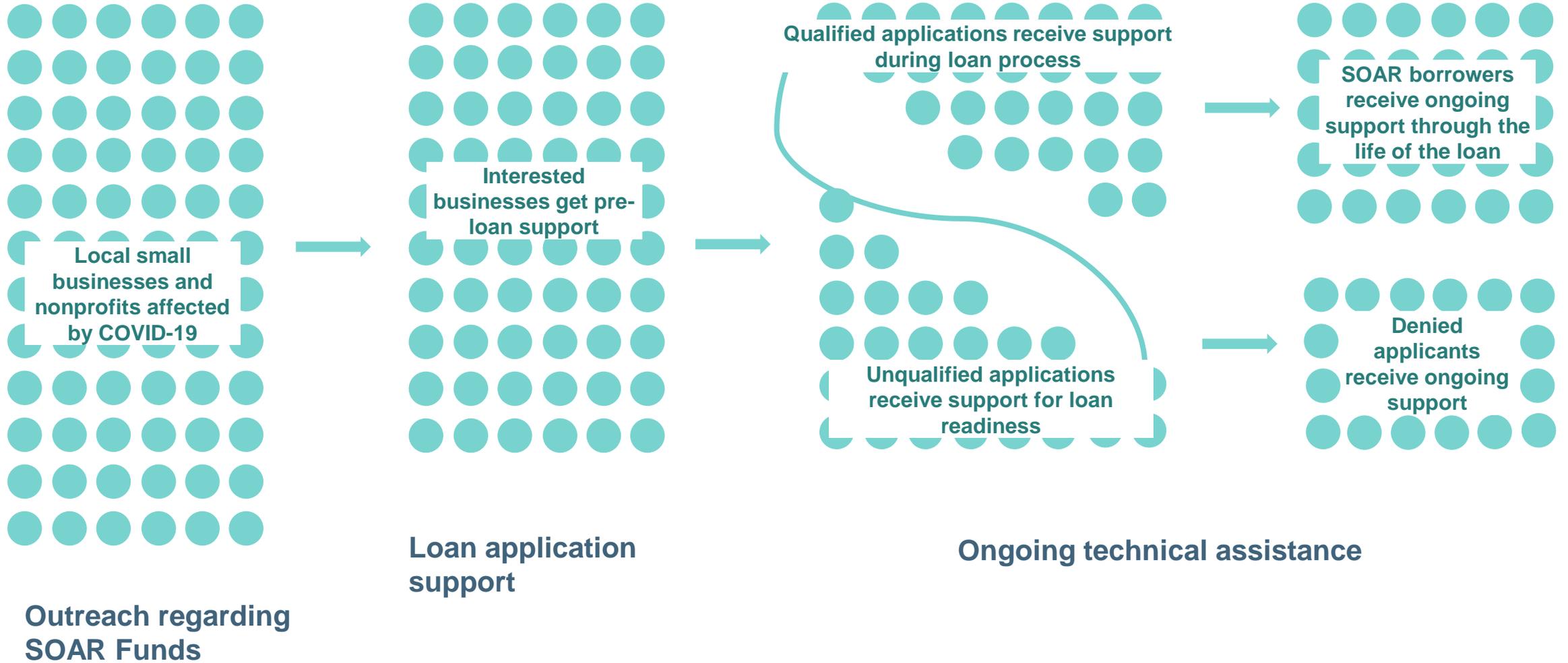
Loans disbursed to businesses owned by women and people of color

\$47K

Average loan size disbursed

...the NYFLF expects to finance over 2,500 small businesses and nonprofits when fully deployed

Technical Assistance: Support throughout the loan lifecycle that strengthens the entire ecosystem



Technical Assistance: Holistic support throughout the loan lifecycle

TA has been a critical factor in the success of the Chicago and NY Funds and based on learnings from NY and Chicago the following areas are where support is most needed:

➤ **Pre-Loan:**

- Outreach to small businesses through local community organizations to build awareness and trust in the product
- Support in application process including support with collection and submission of necessary documents, online portal and application follow-up to finalize submission

➤ **Loan Process**

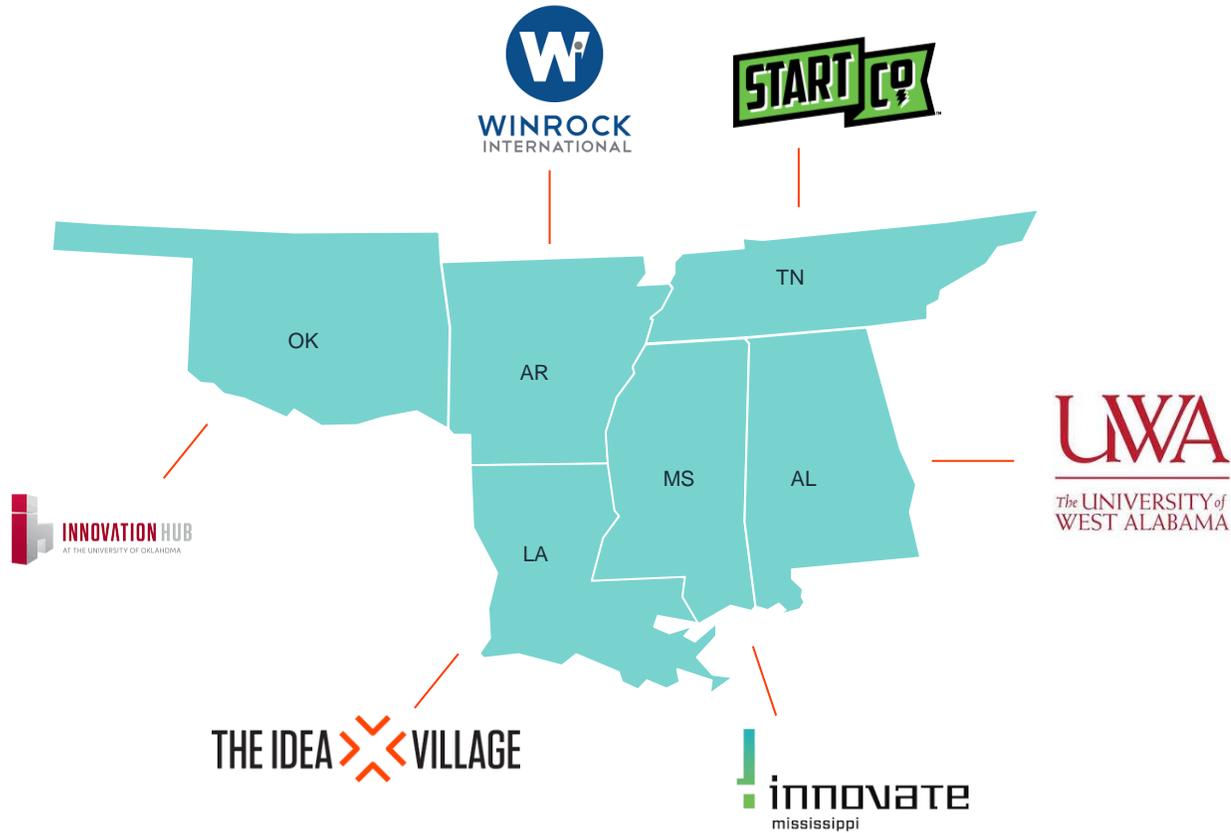
- Conduct a one-on-one business needs assessment to determine post-loan needs or current needs, in case of denial

➤ **Ongoing Support and Ecosystem Building:**

- Personal credit counseling
- Business plan development/ Proof-of-concept/lean startup training
- Marketing plan development
- Corporate governance counseling
- Accounting and financial counseling
- Professional development
- Peer-to-peer learning opportunities



Capacity Development and Sustainable Outcomes through Partnerships



State	# Organizations
AL	6
AR	33
LA	15
MS	10
OK	4
TN	11

Type of Organization	# Organizations
Economic Development Org.	15
Chamber	3
College/Uni	28
CDFI	2
Entrepreneurial Support Org	31

SOAR Progress

In the first two months of the program, there have been 3,133 matched applications requesting \$162 million in loans;

Of these applicants, 79% are from business owners who self-identify as a woman or person of color, and 89% have 10 or fewer full time equivalent employees.

Loans disbursed:

- 92% have revenues under \$1 million
- 67% have revenues under \$250,000
- 89% have 10 or fewer FTE employees