



Other Alternatives for Financing Commercial Projects

- Certified Community Development Financial Institutions (CDFI's)
- Program Related Investments

Certified Community Development Financial Institutions (CDFI's)

CDFI's are mission driven financial institutions that provide financial products and services to people and communities underserved by traditional financial institutions. CDFI's are certified by the U.S. Department of Treasury Community Development Financial Institutions Fund.

CDFI's must:

- Legally existing entity
- Primary mission of promoting community development
- Serve a target market
- Provide development services
- Not be a government entity
- Recertified every three years

CDFI'S OPERATING IN MICHIGAN

- Local Initiatives Support Corporation (National)
- Enterprise Foundation (National)
- Non Profit Finance Fund (National)
- For Michigan CDFI's visit
[www:cdfifund.gov](http://www.cdfifund.gov)

CDFI Benefits

- Can become CDE's for New Market Tax Credits and receive training and other incentives from the CDFI Fund.
- Based on the designation are the recipients of contributions from private donors (such as large banks) who are seeking to leverage their investments in community development.

Similarities Between Conventional Lenders and CDFI's

Both Consider:

- 5 C's of Credit
- Cash, Capability, Creditworthiness, Character, Collateral
- Market risk, Borrower risk, Project risk, Portfolio risk

CDFI

Differences with Conventional Lenders

CDFI's can offer flexibility in terms and conditions that are important to making community development transactions financially viable.

- Can offer below market interest rates
- Higher loan to value ratios (Collateral)
- Lower Debt Coverage Ratios
- Can offer patient capital (Can defer principal payments during predevelopment stage)
- Can offer a variety of technical assistance and operating support grants

Comparison: Terms and Conditions

Collateral

Conventional Lender:

Will lend 75%-80% of collateral value

CDFI's

Could lend 80%-100% of collateral value

Comparison Terms and Conditions

- Debt Coverage Ratio (Debt Payments/Net Operating Income)

Conventional Lenders

- 1.20x-1.25x

CDFI'S

- 1.20 or less (Analyzing positive trends)

Comparison Terms and Conditions

Position on Collateral

Conventional Lender

Must always have a first position on collateral allowing them first rights in case of foreclosure.

CDFI's

May be willing to take a second or third position with other lenders. (Subordination)

Products and Services

- **Predevelopment Financing (Architectural, Consultant Costs, Environmental Market Studies)**

Conventional Lenders

In general not available given that there is no proof that there will be income to support the debt. Some assistance may be available through charitable foundations.

CDFI'S

Given their mission are willing to take the risk of non-payment on predevelopment through construction closing, deferring payment of interest and principal until construction closing, or may grant predevelopment funds. Also CDFI's are a source of technical assistance grant funding.

Program Related Investments Other Institutions

COUNTY ECONOMIC DEVELOPMENT OFFICES

- Wayne County Metropolitan Growth and Development Corporation

www.waynecounty.org

- Oakland County Economic Development Division

www.oakgov.com

OTHER

Community Foundation of S.E. Michigan

www.cfsem.org

- Detroit Economic Growth Corporation

www.degc.org

Federal Community and Economic Development Programs

- Small Business Administration

www.sba.gov

- Office of Community Services Health and Human Services

www.acf.hhs.gov