



Federal Reserve Bank of St. Louis Investment Connection Proposal

Proposal title	Memphis Small Business Opportunity Fund - Pre- & Post-Loan Technical Assistance Expansion
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Organization name/address	Southeast Community Capital Corporation Clint Gwin 902 South Cooper Street Memphis, TN 38104
Mission statement	To provide lending solutions and educational services that supports the development, growth, and preservation of underserved small businesses, affordable housing, and sustainable communities. We are financing businesses and strengthening communities.
History of organization	<p>Launched in 1999 and certified by the US Treasury in 2002, Pathway Lending is one of the largest CDFIs loan funds in the Nation and an endorsed product of the TN Bankers Association since 2007, the only CDFI with that designation.</p> <p>Pathway's certified Target Market is CDFI qualified Investment Areas, African-American, and Low-Income entrepreneurs in TN and AL, including the Memphis MSA, through 8 loan funds. These funds serve small, minority, and women-owned businesses unable to access traditional credit due to lack of collateral, poor credit scores, and inconsistent earnings.</p> <p>Pathway also provides educational services in through its Women's Business Center (2014) and Veterans Business Outreach Center (2018), which have greatly expanded</p>

	<p>Pathway's ability to serve pre-loan clients start, expand, and successfully manage their businesses.</p> <p>Pathway has originated \$267.7MM to 768 businesses, delivered 52,000+ hours of technical assistance and has an historic loan loss rate of 1.95%.</p>
Organization's current programs and activities	<p>In 2018, Pathway originated \$44.7MM in loans to 102 businesses (65 were CDFI Qualified, 30 were Women-Owned, and 22 were Minority-Owned). Pathway also provided 14,413 hours of pre- and post-loan education to 1287 entrepreneurs, largely through its Women's Business Center and Veterans Business Outreach Center. Of this 62% were CDFI qualified, 58% were female, and 40% were from minority communities.</p> <p>Pathway's loans range from \$5,000-\$5MM for acquisition, equipment, real estate, and working capital needs and are designed for underserved borrowers, with higher loan-to-value ratios (to 100%), and longer terms and payback periods.</p> <p>Pathway has financed \$39.4MM in energy efficiency projects, including lighting, solar, HVAC , and compressors. These loans feature 100% financing for projects ranging to \$5 million.</p> <p>Pathway has originated \$23.7MM in loans supporting 706 affordable housing units. These loans support the acquisition, development, rehabilitation, & refi of affordable housing.</p>
Website	www.pathwaylending.org
Support request	Grant
Requested dollar amount	\$150,000
Proposal summary	<p>Launched in 2018, the Memphis Small Business Opportunity Fund is a new collaboration with Epicenter Memphis to provide responsible loan capital and technical training to the small businesses in Shelby, Fayette, and Tipton Counties in Tennessee; Tunica, DeSoto, Tate, Marshall, and Benton Counties in Mississippi; and Crittenden County in Arkansas. These grant funds will allow Pathway Lending to increase its CDFI pre- and post-loan advisory services activities to underserved small and minority-owned businesses in this 6-county footprint with the express goal of increasing loan readiness and improving capital accessibility.</p>

	Pathway Lending will also utilize these funds to expand the delivery of its targeted 1-on-1 technical assistance to loan clients as well as availability of its online curriculum delivered through a new online learning management system.
Issues addressed	Small business development/technical assistance
Target population/geography	Pathway Lending is a CDFI that provides small business loans statewide in Tennessee and Alabama, as well as the 6 counties of the Memphis MSA located in Arkansas and Mississippi. Pathway Lending also provides technical assistance and small business coaching in these markets, plus the entire state of Kentucky through its Business Advisory Services team, and SBA backed Women's Business Center and Veterans Business Outreach Center.
Population served including income	<p>As a CDFI, Pathway Lending primarily serves certified Target Markets. A minimum of 60% of Pathway's outstanding loans (by both \$ and #) as well as its Development Services (by clients served) must be delivered to Target Market communities, which include entrepreneurs located in CDFI qualified Investment Areas, African-American owned businesses, and Low-Income communities. Pathway has never fallen below this threshold.</p> <p>As part of its 5-year strategic plan, Pathway is expanding its footprint to reach more small and diverse businesses by expanding its geography to include the 6 Memphis MSA counties in AR and MS. With this grant, Pathway will continue its expansion of financial products and pre- and post-loan business educational services to businesses and entrepreneurs reflective of its Target Market, with the expressed goal of helping them start, grow, or fund a business.</p>
Anticipated outcomes/impact	<p>To expand pre- and post-loan business education to entrepreneurs and small business owners across the Memphis MSA. In 2018, Pathway staff provided 29 clients a total of 622 hours of education services.</p> <p>It is anticipated with this grant, those numbers will increase to an average of 50 clients per year receiving a total of approximately 1,000 hours of education services.</p>
How will the program be evaluated	<p>Measurement and evaluation is based on the programs utilized by each client.</p> <p>All clients will complete an initial intake form, the US Small Business Administration's form 641. They will then complete updates as they access programming and work</p>

	<p>with mentors to track their progress toward their goals, including starting a business, accessing capital, and hiring employees. An annual survey is also sent to all education clients to capture any additional changes in their business.</p> <p>Loan clients will complete an application and provide financial information to create a baseline for their growth, which is then updated through an annual data collection process that requests updated financials, tax documents, and job and community impact numbers.</p>
Project time frame	07/01/2019 - 12/31/2022
Other significant partners in the proposal	<p>This is an expansion of work Pathway Lending is doing with Epicenter, whose goal is to ensure that entrepreneurs across the Memphis MSA have access to the professional networks, ideas, people, capital and customers they need to thrive locally. In addition to Pathway Lending's loan capital and education, Epicenter houses several programs that will support the long-term goals associated with this request, including:</p> <p>The 800 Initiative, a collaborative effort designed to grow minority businesses through the deliberate investment of capital, assistance, corporate engagement, and other resources.</p> <p>Propel Minority Business Accelerator, designed to build capacity and improve business models for existing minority companies through hands-on programming.</p> <p>CO.STARTERS, a 9-week program serves aspiring and seasoned entrepreneurs looking to launch a new product or service.</p>
Other funding secured or potential funding	The Memphis Small Business Opportunity Fund has been capitalized, to date, by two primary sources. Three financial institutions have invested \$15MM in the fund through CRA-qualifying investments. Epicenter Memphis, a hub for entrepreneurial activity in the Memphis MSA, has contributed \$750,000 (\$250,000/yr for 3 years) to support operations.
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