

Michigan Women Forward
2020 TA APPLICATION
NARRATIVE
Final Draft 4-16-20

SECTION 1: Demonstration Of Certification Qualifications Questions

Applicant type(s): Emerging CDFI, Certifiable CDFI, and Sponsoring Entity Applicants

1. PRIMARY MISSION

Criteria: A CDFI shall have a primary mission of promoting community development.

Applicants must include the following in their discussion of how they meet or will meet the primary mission requirement by:

- a) Explanation of how the Applicant's current or proposed Financial Products (e.g. Loans, Equity Investments, purchase of loans and the provision of loan guarantees), other similar financing activities, Financial Services (e.g. Checking, savings accounts, certified checks, automated teller machines, and other similar services), and Development Services in conjunction with its Financial Products (e.g. financial or credit counseling to facilitate home ownership, promoting self-employment, or enhancing consumer financial management skills) support the stated primary mission; and **ANSWERED**
- b) Explanation of how the Applicant's current or proposed activities are purposefully directed toward improving the social and/or economic conditions of low-income, distressed, and/or underserved people or communities; and **ANSWERED**
- c) Explanation of how the Applicant ensures or will ensure that it engages in responsible financing practices. **ANSWERED**

Guidance: In order to become a certified CDFI an organization must demonstrate that it has a primary mission of community development by providing activities directed toward improving the social or economic conditions of underserved people or residents of distressed communities. Furthermore, its primary mission should clearly evidence a mission of serving low-income individuals; individuals that lack adequate access to capital and/or financial services; distressed communities; or underserved people or communities.

Narrative Response: 3,000 Character Limit – Current Char: **2984**

Michigan Women Forward (MWF) is a 34-year old, 501(c)3 organization whose mission is to accelerate Michigan's progress by advancing equality and opportunity for women and girls. We actualize this mission with programming that supports the economic self-sufficiency and personal well-being of the state's women and girls. To that end, we have three pillars: the Women's Entrepreneurship Initiative (WEI), Developing the Next Generation of Women Leaders, and Advancing Women's Social Justice Agenda.

We demonstrate our mission by providing lending and TA services to our target market of low income, African American women in Michigan. MWF launched WEI to accomplish two critical things:

1. Provide affordable micro loans (under \$50,000) to low income, distressed and underserved women in Michigan.
2. Create and deliver high impact educational programs and TA to loan clients and other aspiring women entrepreneurs in the communities we serve.

We provide our loan and TA products together to help our borrowers succeed and to, therefore, reduce our risk of delinquency and default. We require those that are not yet loan ready to participate in TA to prepare them for a loan. In response to the current crisis, MWF has recently launched a COVID-19 Resilience Fund (emergency loans) and the COVID-19 Entrepreneur Assistance Project to match entrepreneurs who are experiencing hardship because of the pandemic with experts who can assist them.

While women get far less capital to start and grow businesses, with African American women receiving even less, at MWF, women get a large majority of our capital, encouragement, education and training. Since starting the microloan program six years ago, 69% of those receiving microloans or pitch competition prizes qualify as low income at the time of the investment and 57% have been African American women.

The goal of WEI is to ensure that low income and African American women who have traditionally been excluded from entrepreneurship based on inaccessibility of funding, education, TA and mentorship are given equitable access to the resources they need to start and grow their businesses. MWF works to create thriving businesswomen, sustainable enterprises, job growth and increased financial security for women, their families and communities. With adequate capital and support, women entrepreneurs are empowered to launch and develop businesses with a strong potential for success. In addition to moving women and their families out of poverty, their businesses support neighborhood and community revitalization, create jobs and, ultimately, benefit the broader economy.

MWF abides by board-approved policies and procedures to ensure it engages in responsible financing practices. For example, MWF's loan policy manual includes a nondiscrimination policy, underwriting policies that ensure that sufficient income is

available to service debt, and caps on loan terms and interest rates that are comparable to mainstream lending rates.

2. FINANCING ENTITY

Criteria: A CDFI shall be an entity whose predominant business activity is the provision, in arms-length transactions, of Financial Products, Development Services, and/or other similar financing.

Applicants must include the following in their discussion of how they meet or will meet the financing activity requirement:

- a) Description of how the Applicant's current or intended organizational structure supports their current or proposed financing activities and development services. The discussion should address employees, significant volunteer positions, consultants, and Affiliate staff as applicable; **ANSWERED**
- b) If the Applicant is already a financing entity, it should discuss its lending track record and current pipeline; **ANSWERED**
- c) If the Applicant is not yet a financing entity, it should discuss its timeline and plan for commencing financing activities including how it has determined or will determine that there is sufficient demand for such activities; and
- d) Regulated institutions only, should discuss their status regarding receiving the required approval to commence lending activities from the appropriate federal regulator.

Guidance:

- It should be clear that the Applicant's predominant business activity is or will be the provision of Financial Products. **ANSWERED**
- You must demonstrate that a predominance of your staff-time is dedicated to the provision of Financial Products. **ANSWERED**
- In discussing their lending track record, if applicable, you should specify the number of transactions closed within the specified time frame. **ANSWERED**
- If you have not yet begun lending, you must provide a specific timeline indicating when you intend to commence financing activities. **N/A**
- You must explain how you will maintain sufficient capital to continue financing activities over the long-term. **ANSWERED**

Narrative Response: 3,000 Character Limit – Current Char: **2767**

MWF directly and positively impacts the economic status of the women it serves and the communities in which they do business. MWF currently meets the financing entity test, we are actively lending, and 69% of our 9/30/19 assets and 51% of our FTEs are engaged in financing activities and the provision of related TA services.

TRACK RECORD

Some of our performance impact and accomplishments over the past three years through the Women's Entrepreneurial Initiative include:

- Over 14,300 women have inquired about or received capital and information about or advice on starting or growing businesses.

- 307 investments totaling over \$4.9 million have been made.
 - 192 microloans averaging \$22,307 (totaling over \$4.2 million)
 - 115 pitch competition prizes totaling \$684,400
- These companies have received more than \$1.2 million of follow-on investments.
- Together, they have generated over \$18.8 million in revenue and created 384 jobs in support of Michigan's economic turnaround.

In FY 2019, we made 25 microloans totaling \$660,986, including financing 23 start-up and first-stage growth businesses.

PIPELINE

Currently we have a pipeline of 16 small businesses requesting \$345,000 (approximately \$21,560 each) and another 10 clients working on strengthening their business with our staff, volunteers and/or consultants. We projected to close 60 loans totaling \$1.3 million in FY 2020; with the COVID-19 crisis, these numbers may change

We became an SBA Microloan Intermediary in 2018, which gives access to \$5 million of loan funds and 10% or more in annual technical assistance support. Also in 2018, MWF acquired the Entrepreneur Institute of Mid-Michigan, as a small SBA microlender, in an effort to expand its services into the Lansing market, which had been previously underserved, particularly for African American women.

MWF has worked diligently to raise the funds needed to create, enhance and expand the programs and services needed by its clients. In fall of 2018, following formal state approval of the offering, MWF's Board approved the issuance of \$10 million in Community Impact Notes including \$6 million in loan funds and \$2 million for loan loss reserves that will be used to capitalize our loan pool.

ORGANIZATIONAL STRUCTURE

MWF has 16 employees and contractors located in three offices statewide: Detroit, Lansing, and Grand Rapids. This structure supports community outreach, engagement, and the development and continuation of a strong referral network. It also supports the type of hands on, one-to-one technical assistance that we provide to our clients within a commuting distance that makes participating in our TA doable for our business owners. It also means that the peer to peer networking opportunities are within our clients' geographic market area.

3. TARGET MARKET

Criteria: A CDFI may be found to serve a Target Market by virtue of serving one or more Investment Areas and/or Targeted Populations.

Applicants must include the following in their discussion of how they meet or will meet the target market requirement:

- a) Brief description of the full geographic areas and/or populations that the Applicant serves or will serve; **ANSWERED**
- b) Indicate which Target Market type(s) (e.g. Investment Area, Low-Income Targeted Population, or Other Targeted Population) for which they intend to become certified to serve. Refer to Appendix A for Target Market criteria; **ANSWERED**
- c) Brief description of the verification process that the Applicant is using to ensure that borrowers/clients are from the Target Market; **ANSWERED**
- d) Description of the major needs and challenges of the Applicant's current or proposed Target Market; and **ANSWERED**
- e) Explanation of how becoming a certified CDFI will increase the Applicant's capacity to address the identified needs and challenges of its current or proposed Target Market. **ANSWERED**

Guidance:

- You may provide demographic or other relevant information that provides evidence of the characteristics of the geographic areas and/or populations they serve or will serve.

Narrative Response: 3,000 Character Limit – Current Char: **2942**

MWF has strategically opened offices in communities with predominantly low income and African American populations in 25 counties in southern Michigan, our Target Market. Our TM includes the cities of Detroit, Grand Rapids, Flint, Pontiac, Kalamazoo, Lansing and Jackson. We currently meet the target market test as 57% of our microloan borrowers qualify as low income at the time of the investment and 57% are African American. Our loan application asks about income, gender, and race of the business owner, which is how we verify the borrower is from our TM.

NEEDS AND CHALLENGES

The population of Detroit and Flint are 79% and 54% African American respectively. The poverty rate in Detroit is 36% and Flint is 40%, more than double the statewide rate of 14%. In Wayne County 1 in 5 residents live below the poverty level (2018 ACS).

We focus on women, who receive less than 10% of banks' commercial loans. Additionally, African American owned businesses are denied loans 3x more often than white owned businesses (the rejection ratio is 42% vs 16%). When they are funded, African American owned firms receive significantly lower loan dollar amounts, about half of what white owned companies receive. Our clients have difficulty accessing bank financing. Their credit scores average about 593, generally bank underwriting thresholds require a credit score of at least 620. Our clients generally have insufficient or no collateral (a requirement for most lenders) and they often lack the skills are to create a solid business proposal.

Additionally, in March of 2020, with the arrival of COVID-19, Michigan's governor issued various social distancing mandates including shelter in place, which shuttered or significantly reduced small business operations. This has hit MWF's borrowers particularly hard. They have limited cash reserves to weather such significant business interruptions.

MWF provides the TA and capital that our borrowers need to succeed. In March and April we contacted all of our borrowers and provided 90 – 180 days of loan payment relief to over 80% of our borrowers. In addition, we have communicated with all TA clients to assess how COVID-19 has impacted their businesses and are working with each one to develop individualized recovery plans. In response to the needs our clients and other women in the community have identified, MWF is hosting Web-based workshops on Cash Flow Management and Planning for Re-opening, and referring clients to resources to access SBA and state emergency funding programs. We continue to secure grant funds and support services for our clients.

CERTIFICATION WILL BUILD MWF'S CAPACITY TO SERVE OUR TARGET MARKET
Certification as a CDFI will help MWF raise more lending and operational capital expand staffing and strengthen the skill sets necessary to offer more sophisticated and in-depth services to our target market, with an expanded loan pool and more technical assistance offerings.

4. ACCOUNTABILITY

Criteria: A CDFI must maintain accountability to residents of its Investment Area(s) or Targeted Population(s) through representation on its governing board or otherwise.

Applicants must include the following in their discussion of how they meet or will meet the accountability requirement:

- a) Description of how the Applicant maintains or intends to maintain accountability to its Target Market (identified above) through representation on its governing board and/or advisory board; and **ANSWERED**
- b) Explanation of the Applicant's current or proposed process for selecting governing board or advisory board members. Refer to Appendix B for governing and advisory board representation requirements. **ANSWERED**
- c) If the Applicant does not yet have a governing board and/or advisory board in place, it should discuss its timeline and plan for selecting board members that demonstrate accountability to its Target Market.
- d) If the Applicant's existing governing board and/or advisory board does not currently demonstrate accountability to its Target Market, it should discuss its timeline and plan for meeting the representation requirements. **ANSWERED**

Guidance

- If your organization serves a Low-Income Targeted Population you should indicate how you determine that a board member is Low-Income.
- If your organization serves an Other Targeted Populations/Investment Area you should indicate how you determine that a board member is a member of the Other Targeted Population or Investment Area served (e.g. in general, should reside in the area served). **ANSWERED**

Narrative Response: 2,000 Character Limit – Current Char: **1655**

MWF provides accountability to its Target Market(s) through its governing board. Currently, our board is composed of 21 successful entrepreneurs, corporate and community leaders, and professional women. Our board is self-electing with members serving staggered three-year terms.

Six of MWF's board members also serve on the boards of other organizations that primarily serve low income populations and/or African Americans. For example, they serve on the boards of HAVEN (a non-profit serving victims of domestic violence and sexual assault), the Police Athletic League (academics and sports programs for predominantly low income youth), and The Links Incorporated (African American women's organization fostering cultural appreciation through the arts, developing richer inter-group relations and helping women who participate understand and embrace their social and civic responsibilities). 24% of our board members self-identify as African American.

Over the next year we are recruiting board members that are accountable to our proposed Target Markets. We are reaching out to organizations that primarily serve low-income people such as other CDFIs and individuals who are members of the African American community and board members of other organizations that primarily serve low income people and/or African American people in our primary geographies. In the event

the board is not able to provide effective accountability to our Target Market on our Governing Board, we will create an Advisory Board that will include Governing Board Members, primarily those that are representative of the Target Markets and additional members from the community.

5. DEVELOPMENT SERVICES

A CDFI directly, through an Affiliate, or through a contract with another provider, shall provide Development Services in conjunction with its Financial Products.

Applicants must describe their development services, as well as, describe how they meet or will meet the development services requirement by:

- a) Providing Development Services that are directly linked to its financial products directly or through another provider that are connected to Financial Products; **ANSWERED**
- b) Maintaining oversight and ensuring the quality of Development Services if offered through another provider; and **N/A**
- c) If the Applicant is not yet providing Development Services, it should discuss its timeline and plan for commencing Development Services activities, including how it has determined or will determine that there is sufficient demand for such activities.

Guidance:

- You must describe the type of Development Services (e.g. credit counseling, homeownership counseling, etc.) you currently offer or will offer. **ANSWERED**
- Your descriptions of current or proposed Development Services should highlight how the Development Services complement the organization's Financial Products.
- You should specify if your Development Services are or will be offered directly by your organization or through another provider. **ANSWERED**
- If you have not yet begun providing Development Services, you must provide a specific timeline indicating when you intend to commence your Development Services activities.

Narrative Response: 2,500 Character Limit – Current Char: **2489**

MWF has an ecosystem of programs and services to support our borrowers and clients from ideation to launch to growth. We have developed a series of educational conferences and workshops in partnership with local colleges and universities and other TA providers such as SCORE and SBDC, as a complementary service to our loan products. Our TA services work closely with our lending team to provide comprehensive wrap around support to our borrowers, while also supporting the borrower in making timely loan payments. Every MWF microloan client receives or participates in some form of TA provided by our organization, whether that be through attendance at our educational summit, workshops, or programs, receives direct 1-on-1 support, or through mentorship within our networks.

Offerings include:

COVID-19 Entrepreneur Assistance Project– provides our clients and with access to subject experts, TA, and referrals to state and SBA emergency funding programs. Our TA is focused on cash flow management and planning and funding business recovery.

WomenUP & Learn – conferences offered in four areas of the state (metro Detroit, Lansing, Grand Rapids and Kalamazoo) dedicated to providing the basics of business education to aspiring women entrepreneurs, and those ready to launch or grow existing businesses.

WomanUP & Pitch –Business plan and pitch competitions (held in three locations across the state annually) provide start up capital, mentoring, and TA for finalists. Last year 30 women finalists competed in WomanUP & Pitch.

WomenUP & Grow – Annual symposia on launch strategies for new clients and growth strategies for women entrepreneurs whose businesses have reached \$100,000 of revenue.

In addition, our staff, volunteers and mentors provide one-to-one technical assistance to our borrowers and potential borrowers. Last year 496 volunteers logged 2,425 hours in support of MWF clients.

Over the last three years, our Development Services/Technical Assistance impacts have included:

- 600+ attendees of Entrepreneur YOU Conferences and EmpowerHER Social Entrepreneurship Summits
- 713+ have submitted concept papers as part of the Woman Up and Pitch Business Plan and Pitch Competitions and additional 431 submitted to compete in Empower Change MI targeting social enterprises
- Approximately 61 women qualified to participate in “Go for the Growth,” a series of educational workshops for those who have successfully launched businesses

MWF currently meets the Development Services test.

6. What is the Applicant’s anticipated timeframe (month and year) for submitting a CDFI Certification Application to the CDFI Fund?

- Select the month and year you plan to submit your Certification Application:

June 2021

SECTION 2: Business Strategy

1. Discuss the Applicant's strategic goals for the next five years and its progress toward meeting the strategic goals. ANSWERED

Applicant type: All Applicants

Guidance:

- You should demonstrate that you are proactively working toward accomplishing your strategic goals prior to receipt of a CDFI Program or NACA Program TA award. ANSWERED

Narrative Response: 1,500 Character Limit – Current Char: 1457

MWF's strategic goals: increased impact from lending and TA and long-term financial sustainability.

INCREASED IMPACT

MWF's path to growing the WEI program has been strategically focused on both quantity of funds and services available, as well as the true impact the work has had on our clients and their communities. Over the next three years, WEI impact goals include:

- Creating 174 jobs and retaining 300 additional jobs
- 88% business survival rate
- Increasing client credit scores by an average of 125 points
- 3.5% increase in business revenue per year
- Increasing the change in borrower net worth by 10% year over year

FINANCIAL SUSTAINABILITY

MWF's microlending can generate enough earned income to fund the WEI infrastructure once we reach scale. A \$6 million loan pool, which we expect to reach in five years, will generate about \$500,000 of fee and interest income, providing enough income to cover about 40% of WEI's total costs. With the addition of SBA funding and philanthropic support, it will be possible to fund nearly all of the WEI infrastructure over the next 5 years. We are on track toward achieving this goal. In FY19 we increased our loan fund by 6% for a total of \$1.7 million. We raised \$1.6 million in CINs, with \$550,000 for loan funds and \$1 million for LLR. We were awarded a \$500,000 loan for lending and a \$50,000 grant for TA by the SBA. Fee and interest income totaled \$156,569, which is more than double the prior fiscal year.

2. Explain how the Applicant's strategic goals support organizational sustainability and growth as well as address the needs and challenges of the Applicant's current or proposed Target Market. ANSWERED

Guidance:

- You should explain how the identified strategic goals directly relate to organizational sustainability and growth (e.g. increase in loan portfolio, increase in number of staff, enhancement of staff expertise, geographic expansion, technological efficiency, etc.).
- You should explain how the identified strategic goals directly relate to addressing the needs and challenges of the Target Market.

AV Tips

- I would do about 1/3 - 1/2 the narrative on the needs: Demographic needs – poverty, unemployment, median income, declining industries that have driven job loss.
- If funding businesses – what are their needs
- 1/3 – 1/2 on how your products meet the needs of the TM.

Narrative Response: 1,500 Character Limit – Current Char: 1486

Our strategic goals focus on supporting our organizational sustainability and growth and addressing the needs of our Target Markets. Growing our lending activities will both move the WEI program towards self-sufficiency and provide a resource for low income African American women to start and grow businesses.

While the economic recovery of both the state of MI and the city of Detroit since 2008 has been well documented, the impact has not been equitable. The low-income African American women MWF serves have been largely excluded from the recovery and will be hardest hit by the current pandemic. Our borrowers are not able to access traditional financing options because they do not qualify. They do not have the business history (at least three years of profitable operating history), the collateral to secure a loan, or the credit scores to meet bank underwriting thresholds. Nearly all of our borrowers (95%) are start-ups with an average credit score of 593. Also, at an average loan size of approximately \$25,000, our borrowers' loan requests are generally too small to be of interest to banks.

Our clients lack the networks and expertise to take their business from the idea stage to launch to successful growth. We provide a range of gender-specific TA services to support the owners and the growth of their businesses: business plan writing, loan readiness, personal financial literacy, fiscal management, and marketing among other skills that build successful businesses.

3. If the Applicant is a prior TA award recipient, discuss the use of the previous TA award(s) and the impact the award(s) had on the Applicant's progress toward achieving its strategic goals. ANSWERED

Narrative Response: 2,500 Character Limit – Current Char: 2346

MWF was awarded TA funding in the 2019 funding round. We have begun work on the activities funded by this grant. These funds are being utilized to achieve our strategic goals of strengthening our microlending practices, utilizing CDFI industry best practices, and positioning MWF to scale its microloan volume, quality and impact.

OPERATIONAL ENHANCEMENTS

A consulting team from Eckblad Consulting conducted an assessment of MWF's microloan program against CDFI industry best practice. The analysis identified the following four key areas as opportunities for improvement: 1) strategic goals; 2) staffing; 3) loan policies and procedures; and 4) portfolio management. The team is working with MWF staff to strengthen current practices and implement new practices to align these areas to best practice. These operational enhancements will also support us in effectively managing the projected increases in delinquencies and defaults resulting from the COVID-19 crisis.

FIVE YEAR GROWTH PLAN

The consulting team is also working with MWF to develop a five-year plan to grow our microlending program in the greater Detroit area. Once fully implemented and running smoothly, MWF plans to replicate this growth model in communities throughout its service area. The model is based on strategic goals, lending projections, the development of a new credit builder loan product, a capitalization plan and an enhanced staffing plan.

BOARD TRAINING

A consultant has been hired to lead two training sessions with the MWF board about their governance and fiduciary responsibilities in overseeing a financial institution, to better understand the CDFI industry and our role in it, and to develop appropriate financial and portfolio management monitoring systems. In addition, the MWF Board will meet in June to begin discussion and adoption of a five-year strategic plan, as well as a revised mission and vision statement.

CDFI CERTIFICATION

In addition to the above, MWF has taken further steps toward achieving CDFI certification. We have defined our TM as Low-Income Targeted Population and Other Targeted Population: African American in our 25-county service area in lower Michigan. MWF board and staff leadership have also sought legal consultation regarding the

appropriate legal structure and board composition consistent with CDFI certification requirements.

4. Describe how the Applicant will use the requested TA award and explain how the proposed uses(s) of the TA award will build the Applicant's capacity to serve its Target Market, and, if applicable, achieve CDFI certification.

Tips:

- All TA Applicants should discuss the intended use of the requested TA award by describing the particular TA Eligible Activity Categories (e.g. Compensation – Personal Services, Compensation – fringe benefits, Travel costs, Professional service costs, Training and education costs, Equipment, Supplies, and Incorporation costs – Sponsoring Entities only) that the award will support. Refer to Table 4 in the NOFAs for definitions of each TA Eligible Activity Category.
- Emerging CDFI TA Applicants should explain how each requested TA Activity will have a direct impact on their ability to achieve CDFI certification.

Narrative Response: 3,000 Character Limit – Current Char: 1483

MWF requests \$125,000 of Technical Assistance funding to support our desire to continue to seek certification as a CDFI and to increase our capacity to serve our TM.

STAFF SALARY: MWF requests funding for salary support for an experienced CDFI staff member to lead our lending team, who will continue to build internal expertise and best practice policies and procedures in all areas of lending. (\$75,000)

CONSULTING: MWF is moving to a more robust financial system and will retain a consultant to assist in setting up the system to be able to efficiently run reports and calculate ratios that are required of CDFI organizations and that will be compatible with the CDFI Fund's reporting system.

MWF will also hire consultants to provide training and education for new and existing staff around implementation of the lending process improvements that were identified in this year's evaluation process. Consultants will also be used for the MWF team to develop and implement the Credit Builder loan product program. (\$15,000)

TRAINING: MWF will send staff to lending related trainings (OFN and other national providers) and provide trainings to its new board members. Also, we will send key staff to the annual OFN conference. (\$10,000)

MWF will purchase updated computers/technology for new lending staff, fund implementation of MMS software as a robust underwriting software, and update our website so entrepreneurs are able to access and complete lending applications online. (\$25,000)

7. Describe the experience and expertise of the key staff and management who are or will be responsible for carrying out the Applicant's strategic goals. ANSWERED

Guidance:

- It should be clear that key staff and management have the necessary experience and expertise to ensure that your organization's strategic goals are achieved and to effectively expend the requested TA award. ANSWERED
- You should not restate the professional experiences provided in the resumes attached to the Application in your response. Instead you should highlight the reasons the key staff and management are uniquely qualified to lead the organization (for example: demonstrated success in implementing a strategic plan, experience leading a new organization, experience in developing and/or rolling out new programs, products, or services, etc.).

AV Tips

- Care and feeding of your reader, give a one sentence overview of the key people's experience.

Narrative Response: 3,000 Character Limit – Current Char: 2975

Our loan program and development services (TA) programs are managed by a strong team of leaders.

Carolyn J. Cassin – President & CEO. Ms. Cassin has led the organization for 11 years and is responsible for MWF's focus on lending and women entrepreneurs. Her leadership of the organization has resulted in exponential growth, financial stability, innovative programming, measurable results and a path to sustainability.

Dr. Joyce Suber – Executive Director, Entrepreneurial Initiative. Dr. Suber manages the WEI, provides strategic direction, , works with funders and the Detroit business community, and organizes education and training related to relevant business entrepreneurial needs. Dr. Suber has 30 years of experience in assisting clients with analyzing, implementing and evaluating business projects. She has a PhD in Management from Walsh College, an MS in Management from Central Michigan University, and a BS in Management from Siena Heights University.

Imran Mumtaz - Program/Loan Fund Manager. Mr. Mumtaz works with entrepreneurs to guide them through the lending process as well as assist them in areas of strategic need. Mr. Mumtaz has experience in asset and portfolio management, which he gained working as an analyst at NISA Investment Advisors. He is a 2019 Venture for America Fellow and a graduate of Washington University in St. Louis with a degree in Finance and Accounting.

Julian Darden - Entrepreneurship Institute Manager. Mr. Darden is the loan officer and underwriter for the microloan program in Lansing. He brings a unique background of lending experience and deep roots in one of our TM communities. Prior to MWF, he managed a banking consulting firm for four years, focusing on their troubled debt restructuring, equity investing, and debt placement practice. He has 18 years of

progressive bank lending experience prior to coming to MWF. Darden has an MBA from Northwood University and a BS in Business Administration from Central Michigan University.

Michael Canale, Loan Fund and Portfolio Manager. Mr. Canale analyzes applicant financial information and loan documents, guides borrowers through the loan application process, and works with partners and funders. Additionally, Michael works to ensure our portfolio delinquency/default ratio are minimal. By working in both roles, Mr. Canale has a comprehensive understanding of entrepreneurs' needs. His attention to detail and very strong customer service skills make him qualified for these positions. Mr. Canale earned a BS in Business Administration from Marist College, New York.

Together, this team has worked in entrepreneurship and related areas for nearly 30 years, at MWF and other organizations. All bring valuable corporate and business experience to their clients.

In the next year, we plan to build the capacity of our leadership team with strong CDFI expertise. We will continue to hire staff to support projected lending growth over the next three years, likely hiring 8 FTEs.

8. Explain how the Applicant works or will work with other organizations to increase resources for its Target Market. ANSWERED

Guidance:

- You should demonstrate that your organization does not work in isolation and engages in or intends to engage in strategic partnerships or affiliations that benefit the Target Market. ANSWERED
- You should specifically identify their relevant partners and describe the particular benefits the Target Market derives or will derive from the affiliations. ANSWERED

AV Tips:

You may want to think of your partners in categories and how each category helps you serve your TM:

- Referral partners
- DS partners. Business loan funds – how do you get sectoral support? Do you have someone else do the business plans?
- Funding partners – focus on participation partners here.
- Space allowing, ok to mention funders – can also discuss them in the next section.

Narrative Response: 2,000 Character Limit – Current Char: **1865**

MWF works with many partners to create impact for our TM. Always committed to not duplicating programs and services, we strive to create resources to address gaps in the entrepreneurial ecosystem.

REFERRAL AND DEVELOPMENT SERVICES PARTNERS

MWF works with strategic partners in the region's entrepreneurial ecosystem to provide outreach to our TM and raise awareness of the resources offered through our microloan program and development services. We have a robust network of support services, with MWF making and receiving referrals among the collaborators including SBDC, National Entrepreneurs Association, MotorCity Match, Build Institute, Lifeline Grand Innovation (Consulting), Goldman Sachs 10,000 Small Business Detroit, Arab American Business Association, and many others. We are also making cross referrals to organizations offering COVID-19 funding and resources, including local, state and federal COVID-19 relief funds, and other local entrepreneurial support organizations.

Given the geographic size of our market, our small staff would not be able to provide the breadth of development services that we and our partners can provide together. We do this by establishing collaborative workshops, providing subject matter expertise as requested, and doing one-on-ones with their identified clientele. We are keynote speakers, panelists, mentors and counselors as the need identifies itself.

MICROLOAN PARTNERS

We collaborate and coordinate with other microlenders throughout the state, including Opportunity Resource Fund and the Good Food Fund, in addition to ongoing partnerships with Build Institute, ProsperUs, Detroit Development Fund (a CDFI), Invest Detroit (a CDFI), TechTown, ACCESS and others. It is common for MWF and these partners to share the risk by participating in loans together, thereby increasing the overall lending available to our TM.

9. For unregulated Applicants, discuss the Applicant's plan to pursue private and public financial support in order to meet its strategic goals. For regulated Applicants, discuss the Applicant's plan to maintain or increase its financial resources in order to meet its strategic goals.

Guidance:

- You should demonstrate that your organization currently has or will have the ability to obtain the necessary financial support resources in order to ensure fulfillment of your strategic goals.
- You should demonstrate that you will not rely solely on the CDFI Fund for financial support by discussing your funding pipeline, present and prospective. **ANSWERED**

AV Notes: You want to show the diversity of your funding base. If it is diverse you can talk about the largest 3 – 5 funders or break funders into categories – debt, equity, grant, OR operations and capital

Narrative Response: 2,000 Character Limit – Current Char: **1912**

Since the inception of the WEI, MWF has worked diligently to raise the funds needed to create and expand the microloan and development services needed by our clients. Our funding base has grown substantially from our initial grant from the Kresge Foundation and donations from more than 40 individuals.

Since late 2018, the Community Impact Note (CIN) program is helping us reach a new set of supporters, including bank CRA divisions, foundations, corporations and family offices. In FY19, \$1.6 million was raised in loan funds and loss reserves, and in this current FY20, more than \$4 million in prospective loan funds are in various stages of due diligence. We are projecting to have commitments of nearly \$6 million in investments for the CIN loan pool and another \$1 million in loss reserve investments by the end of FY21. We have reached out to 23 potential investors and are receiving strong support from community foundations in areas that will allow us to expand our presence in the counties we serve. Our current funders have been very supportive and we are using this campaign as an opportunity to diversify our funding base and reach out to new funders as well.

In addition, MWF has secured more than \$1.8 million for FY20-21 for operational support to build infrastructure and position ourselves for successful growth. These grant funds support hiring staff with lending experience, provide foundational support for systems, software and hardware so business operations can function efficiently and effectively. This, combined with the grant support from SBA and institutional funders, support daily lending operations. MWF applied for the SBA Payroll Protection Program funding to support staffing costs and avoid layoffs during the COVID-19 shut down.

With expanded growth in staffing, increase in lending funds available, MWF projects its earned income will increase from \$203,000 in 2019 to \$900,000 in 2022.

10. Describe the Applicant's process for tracking and reporting on the use of funds from public and private sources.

Guidance:

- You must demonstrate that your organization has the capacity to maintain compliance with the CDFI Fund and other funder's award requirements.

Narrative Response: 2,000 Character Limit – Current Char: 1063

Upon receipt of funds from all sources, private and public, MWF records them in our financial system into classes based on the program or activity that the funds are to support. All restricted funds (for purpose or time) are tracked specifically in Excel on a temporarily restricted net assets schedule. Once the purpose has been met, they are documented on a financial status report that outlines what dollars were asked for by expense from the private or public source, and the funds are released to cover related expenses for the programs. MWF is moving to a new financial system this year and we will contract with a consultant to assure that our chart of accounts is set up to allow efficient generation of CDFI financial reports.

As required by the 2019 TA Assistance Agreement, MWF will continue to file an annual financial statement and a single audit (A-133) within required timelines. MWF has also set up a schedule that identifies and tracks our performance measures and will be able to report on these by the CDFI deadlines, including by category, budget to actual spent.

11a. Discuss the Applicant’s financial health and viability including loan portfolio performance. For regulated CDFIs, discuss regulatory constraints that may impact the Applicant’s performance.

Guidance:

- You should address capitalization, earnings, self-sufficiency (unregulated Applicants only), portfolio at risk, charge offs, and loan loss reserves.
- You should discuss your organization’s performance in relation to your internal financial and portfolio management goals.
- If you have historic financial or loan portfolio data, you should discuss your projections and explain how the projections are supported by a plan for ensuring positive financial health and loan portfolio quality.

Narrative Response: 3,000 Character Limit – Current Char: **2736**

MWF is a financially strong not for profit corporation.

ASSETS AND CAPITAL ADEQUACY: Our total assets have grown from \$367,870 in 2017 to \$6 million at the end of FY 2019 and we expect them to grow to \$9.6 million by 2023 as our loan volume increases.

Unrestricted net assets (UNA) are negative in all three historic years and the current year because of expenses related to several issues, including the cost of two mergers with revenue-negative organizations that occurred in 2018, lower than projected proceeds from fundraising events, and legal fees associated with the issuance of Community Impact Notes (CINs) that were paid in 2018 and 2019. AMIS will not accept negative numbers, so we entered UNA as “0” in all historic years, which does not agree with our audited financial statements. This is the only item where the two disagree.

However, with restricted funds, MWF ended 2019 with \$440,000 in net proceeds. Future years are projected to generate net proceeds, if not on a net asset basis.

Our net asset ratio was about 40% in 2018 and 2019 and is projected to increase to 60% by 2023. MWF’s growth strategy is to secure loan dollars for microlending in combination with grant funds to increase net assets. We will continue to pursue unrestricted donations and sponsorships with the goal of achieving a positive UNA by 2023. CDFI certification will help us with equity fundraising from philanthropic and bank funders.

LIQUIDITY: Our cash position is strong and is driving high operating and current ratios that are many multiples of operating expenses and current liabilities respectively.

EARNINGS: Our net income was negative in 2018 but turned positive in 2019 and remains strong in the projected years as we raise and deploy loan capital.

ACTIVITY LEVEL: Our loan portfolio has grown from \$885,678 in 2017 to \$1.9 million at the end of FY 2019. Our annual loan volume has increased from \$422,500 in 2017 to

\$660,986 in 2019. This year we have approved 13 loans totaling \$488,600 and expect to make loans totaling \$1.1 million by the end of the FY. This slight adjustment is based on a prudent decision to slow down loan disbursement, because of COVID-19's impact on small business. Access to the SBA microloan funds and CINs has helped us increase lending.

We currently have 7 loans totaling \$118,438 that are 90 days delinquent, which is a bit less than 7% of our total loan portfolio. This is higher than we would like it to be. We are using our first TA Award from the Fund to review our underwriting policies and procedures, to create a risk rating process, and are including underwriting software in the current request. Both have and will help to strengthen our underwriting procedures to decrease future defaults.

11b. Identify and describe the financial and programmatic risks associated with the Applicant's ability to expend the requested TA and ability to achieve its strategic goals. Explain how the Applicant will mitigate the identified risks.

Guidance:

- Risks should be specific to your organization, borrower profile, geographic area, etc. Examples of risks include reductions in public and/or private funding, economic changes, overestimated demand, competition, obtaining and/or retaining staff, regulatory changes, etc. **ANSWERED**
- You must discuss in detail a mitigation strategy for each identified risk. **ANSWERED**, except fundraising, needs work and default needs a corona impact discussion
- Mitigation strategies should be appropriate based your organization's size, age, and complexity of operations. Examples of mitigation strategies include policies and procedures, training, partnerships, etc. **ANSWERED**

AV NOTES:

- Identify 2-3 risks – such as default, interest rate, larger loans/higher volume is likely to increase defaults.
- Default risk is mitigated with DS and good underwriting. Also with LLR and quick follow up on delinquencies, building relationships with borrowers, staying connected.

Narrative Response: 2,500 Character Limit – Current Char: 2185

MWF has two primary risks: default and fundraising.

DEFAULT: Managing defaults and delinquencies are the core risks that all lenders manage. We mitigate this risk with quality underwriting at the outset and comprehensive pre- and post-loan TA to help our borrowers start their business with solid business plans, strong customer acquisition plans, and good mentoring. We provide post-loan TA to maintain our relationship with our borrowers so that we become aware of any potential issue in a timely manner and can help them address it. We immediately contact our borrowers when they are late with a payment to provide assistance with getting them current. We encourage our borrowers to make loan payments automatically; presently 60% of portfolio participants are on auto payments. We are currently using our 2019 TA award to work with a team of consultants who are helping us review our current underwriting practices loan policies and procedures to align them with industry best practice. We are mindful, with the arrival of COVID-19, that many of our portfolio clients have temporarily shut down or significantly reduced their operations. MWF has secured grant funds and support services, which include cash flow analysis and recovery plans. Our goal remains that MWF will do everything possible to help them survive and get back on a path toward growth.

FUNDRAISING: In 2020, COVID-19 has brought about much uncertainty due to closure of companies and businesses. In order to mitigate losing fundraising opportunities and in response to the needs of our entrepreneurs, MWF has created a COVID-19 Resilience Fund with the intention of keeping entrepreneurs and our organization

operating. Market fluctuations have affected individual donors' ability and willingness to financially support nonprofit organizations. MWF has postponed two major fundraising events scheduled for April of 2020. Fortunately, after personal contact with our sponsors, none has requested a refund. As we go forward, our team has developed a new list of potential foundations that offer grants for nonprofits that support women and a number have expressed interest in supporting our COVID-19 Resilience Fund.