CLIMBER Small Business Loan Program

Oversight Board

Meeting Minutes

September 24, 2020

Board Members In Attendance:
Treasurer Dave Young, Board Chair
Akasha Absher
Peter Calamari
Rosy McDonough
Doug Price

Additional Attendees:
Emily Buckley, Assistant Attorney General
Erin Gallegos, Treasury Staff
Sean Gould, OEDIT Staff
Steve Johnson, CHFA ED
Jeff Kraft, OEDIT Staff
Emma Ragona, Treasury Staff
Mary Wickersham, Treasury Staff

2:05 — 2:06 Welcome, roll call: Treasurer Dave Young

2:06 — 2:08 Meeting minutes from previous meeting: Dave Young

- Rosy moved approval of the minutes from the September 17, 2020 meeting. Akasha seconded the motion.
    - Akasha Absher – yes
    - Peter Calamari – excused
    - Rosy McDonough – yes
    - Doug Price – yes
    - Dave Young - yes

2:08 — 2:52 Updates:

- **Tax Credit Sale RFQ:** Mary Wickersham
    - Mary announced that the tax credit sale RFQ is ready, and she will send it out after this meeting. She also asked the Board members to distribute the RFQ to anyone in their networks that might be interested, and to let Mary know who they send it to so Mary can add them to the distribution list. The goal is to get responses by October 6th. The Board also discussed putting the RFQ on social media through the Treasury and OEDIT.

- **Treasury Position:** Dave Young, Mary Wickersham
    - Dave announced the Board that the Treasury selection team has narrowed the applicants to six and are working on scheduling interviews with up to three applicants. Board members discussed a variety of ways that they could be involved with the selection process. The details are still being worked out and will be discussed further at next week's meeting.
- **Small Business Focus Groups:** Jeff Kraft
    - Through two focus groups, Jeff has talked with owners of seven different Western slope businesses. He is working to set up more focus groups to interact with business owners in southern and eastern Colorado. During the focus group discussions, some restaurant owners indicated they were unsure if they need loans, but still wanted to be included in the focus groups. Additional feedback indicated that the number of business start-ups are down, and participants wondered how CLIMBER might help improve that situation. Jeff highlighted that there was a lot of engagement from minority- and women-owned business. See notes that were distributed with the board book for more information.

2:52 — 3:01 Geographic distribution—period of time over which allocation is in place: Rosy McDonough, Sean Gould

- Sean presented options for the period of time that capital for geographic distribution would be allocated according to the Board's previously approved geographic distribution formula before unused funds would be returned to the general pool of funds. Rosy and Sean recommended the period be two months, and that the oversight Board be allowed to extend the period based on the level of participation. Rosy indicated that the two-month period will give the Board time to review the results during the first tranche and adjust, if needed.
- Doug moved to approve the two-month period for capital to be allocated for geographic distribution with the option for the Board to extend that period of time, if needed, Akasha seconded the motion.
    - Akasha Absher – yes
    - Peter Calamari – excused
    - Rosy McDonough – yes
    - Doug Price – yes
    - Dave Young – yes

3:01 — 3:27 Women-, minority-, and veteran-owned businesses and rural business targets: Rosy McDonough, Sean Gould

- Sean again presented the table with the proposed targets. Nothing has changed from the last time the table was presented to the Board, however he stressed that these are not mutually exclusive targets. When Sean and Rosy were developing these targets, it was decided to set a low-high boundary to mark success. They explained that even though the program may try to achieve higher than these targets, exceeding the upper bound would not stop the marketing efforts. The Board agreed to try to get more data on bank lending to minority and women owned businesses in order to get a better understanding of the targets. There was also discussion on whether to use the federal definition.

3:27— 3:58 CLIMBER products and underwriting terms—credit enhancement: Akasha Absher, Doug Price, Jeff Kraft

- Jeff described conversations he had with lenders regarding interest rates for the Colorado Enterprise Gap Fund. He said lenders seemed to like the "payback less money" piece. He indicated more discussion with lenders is needed to determine the appropriate terms such as the newest interest rates. There was also a discussion regarding how to structure a product that is attractive to CDFI's in terms of margins but also keeps the interest rates low for borrowers. There is potentially a lot of loans that can be originated through CDFI's not for their traditional clients, but they could distribute a higher amount of CLIMBER. There was also discussion on a strategy on how to interact with these potential borrowers and there is still tweaking to be done. There was also talk in the participation model giving some kind of a contribution to a pool loan loss reserve even for the 20% that the bank holds to make that model more attractive, although Doug argued that the 20% may be too generous.
- Steve Johnson from CHFA explained that these products should be available to all types of lenders and provide 15-25% pooled or dedicated collateral coverage, may be good for banks, but CDFI's would like it but don't like being restricted on what interest rate to charge. Jeff also explained the anti-abuse provisions of the product. Steve added during the presentation of the CLIMBER credit enhancement contribution table that the best part is that lenders are using their own capital and would be enhancing collateral or creating a pool. Steve recommended using a smaller percentage for the pool program.

3:58 — 3:59 Public comments: facilitated by Dave Young

- Written Comments
  - There were no written comments
- Verbal Comments
  - There were no verbal comments

3:59 – 4:00 Next steps/meetings

- Oct. 1, 2020
- Oct. 8, 2020

Meeting was adjourned at 4:00 p.m.