



# Tennessee Rural Opportunity Fund

Stimulating Economic Development in  
Distressed Communities

March 17, 2010

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## Presentation Agenda:

- About Southeast Community Capital (SCC)
- Target Market & Demographics
- Tennessee Rural Opportunity Fund
  - Partnerships
  - Economic Development Strategies
  - Program Impacts
- Conclusions & Questions



# Southeast Community Capital:

**Southeast Community Capital** provides loans to businesses lacking access to traditional financing.

**Founded:** 1999

## **Strong Partnerships:**

- ‘Endorsed Product’ of the Tennessee Bankers Association; and
- 42 Investors – 34 Banks, 2 National Intermediaries, and 6 Government Agencies.

## **Lasting Community Impacts:** (As of 12/31/2009)

- 461 Loans to 345 Tennessee Companies totaling \$37.25MM
- Created 1,500 and Retained 2,600 Jobs in Tennessee

## Considered Lending:

### SCC offers four primary loan products:

- **Term Loans** up to \$250,000;
  - (Working Capital, Growth Capital, Equipment Purchase)
- **Lines of Credit** up to \$250,000;
- **Purchase Order Financing** up to \$250,000; and
- **Real Estate Secured Term Loans** up to \$500,000

### SCC terms are as follows:

- **Loan Period:** From 6 months to 10 years
- **Interest Rates:** From Prime + 2% to Prime + 4%
  - Currently 5.25%-7.25%, but will not exceed 10%

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# Southeast Community Capital: Target Markets

## **Target Market Business Characteristics:**

- Located within low- and moderate-income areas;
  - Started in urban communities, but has expanded to rural communities as demand has grown
- Owned by a low- or moderate-income individual; or
- Hires low- and moderate-income individuals.

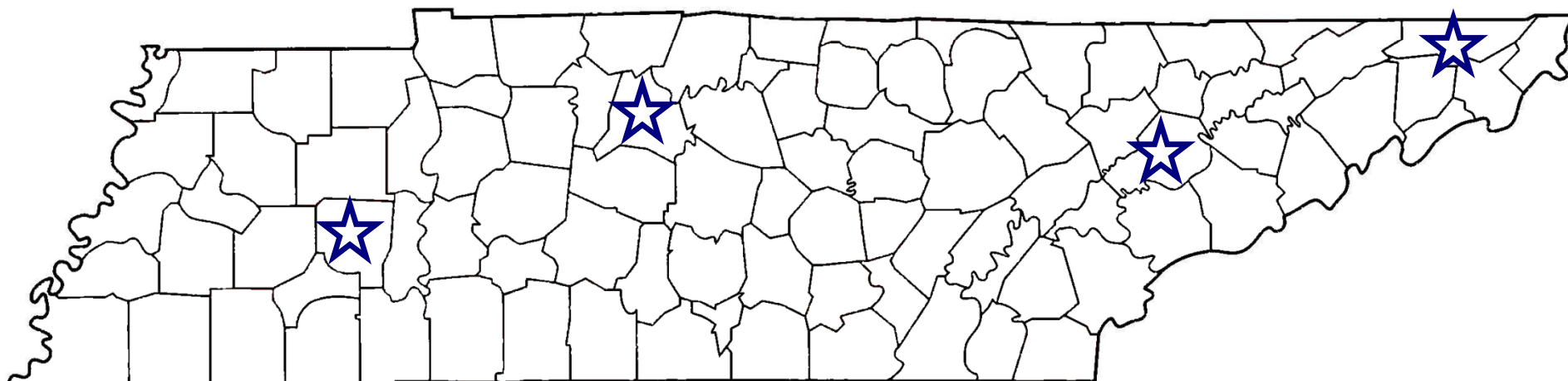
## **Other Targeted Populations:**

- Female and minority-owned businesses.

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# Southeast Community Capital: Office Locations



SCC serves Tennessee from four office locations:

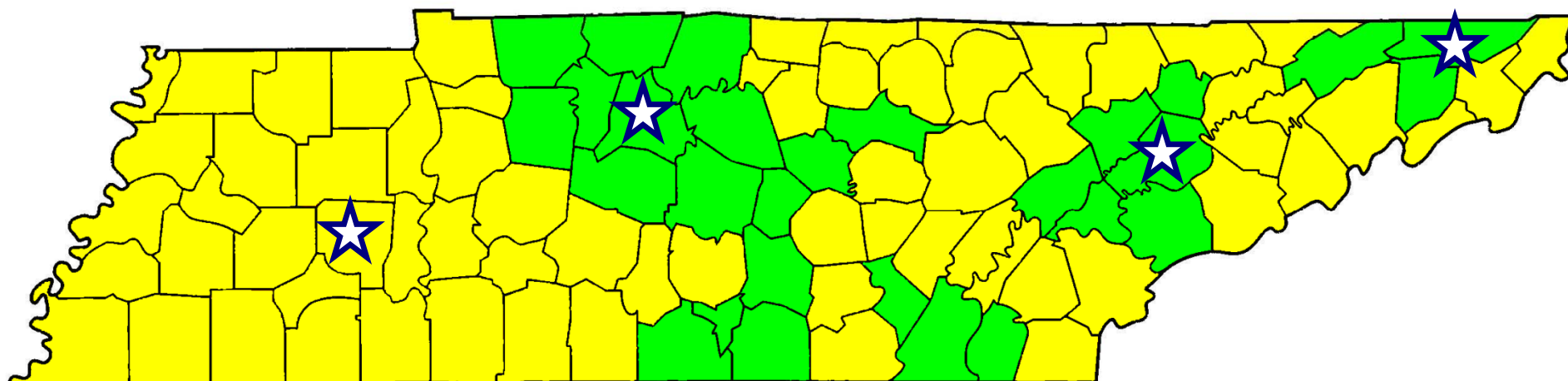
★ Nashville

★ Jackson

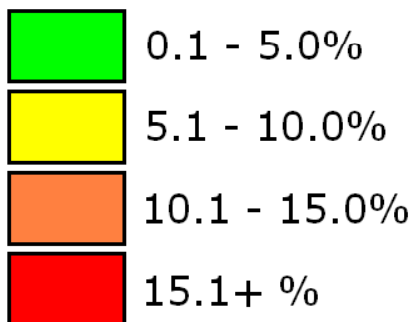
★ Knoxville

★ Tri-Cities

# Tennessee Unemployment Rates: December 2007



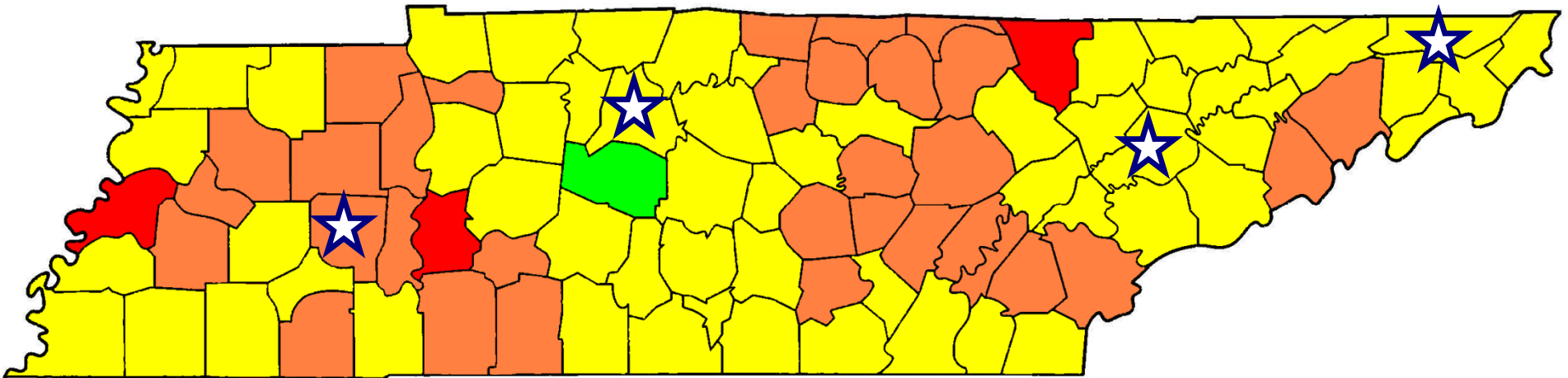
Unemployment Rate:



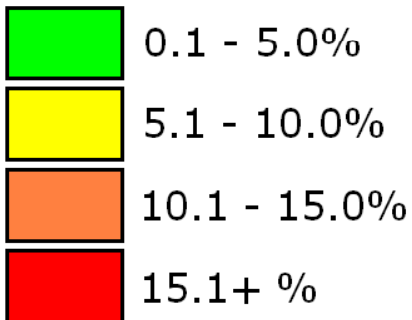
Tennessee Unemployment Rate: **5.0%**

United States Unemployment Rate: **5.0%**

# Tennessee Unemployment Rates: December 2008



Unemployment Rate:

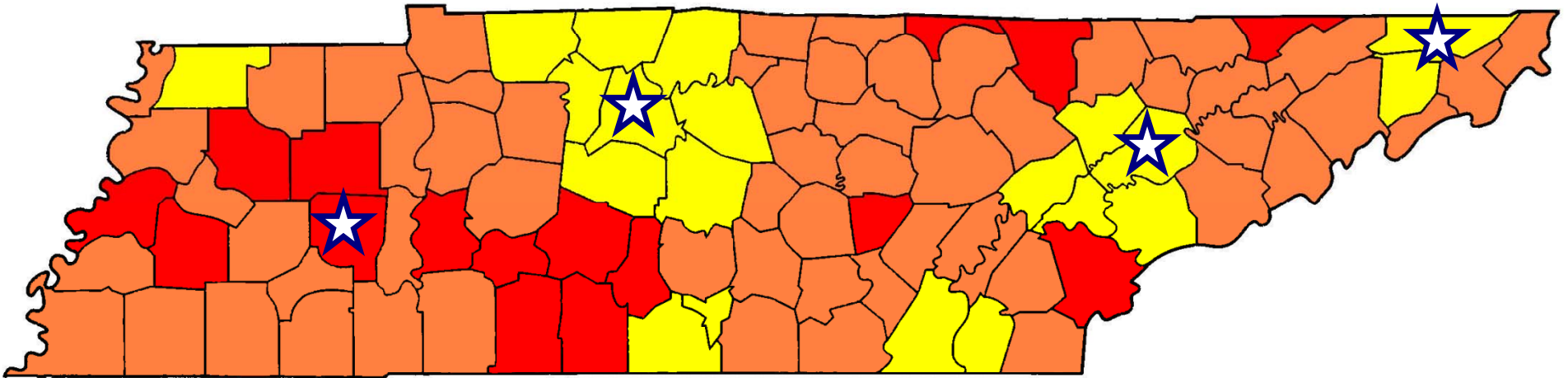


Tennessee Unemployment Rate: **7.6%**

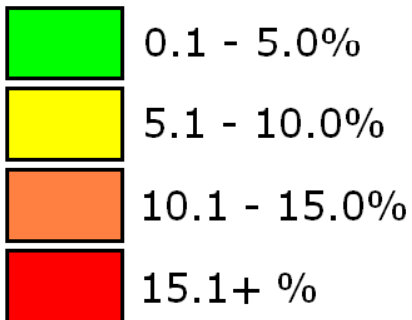
United States Unemployment Rate: **7.4%**



# Tennessee Unemployment Rates: December 2009



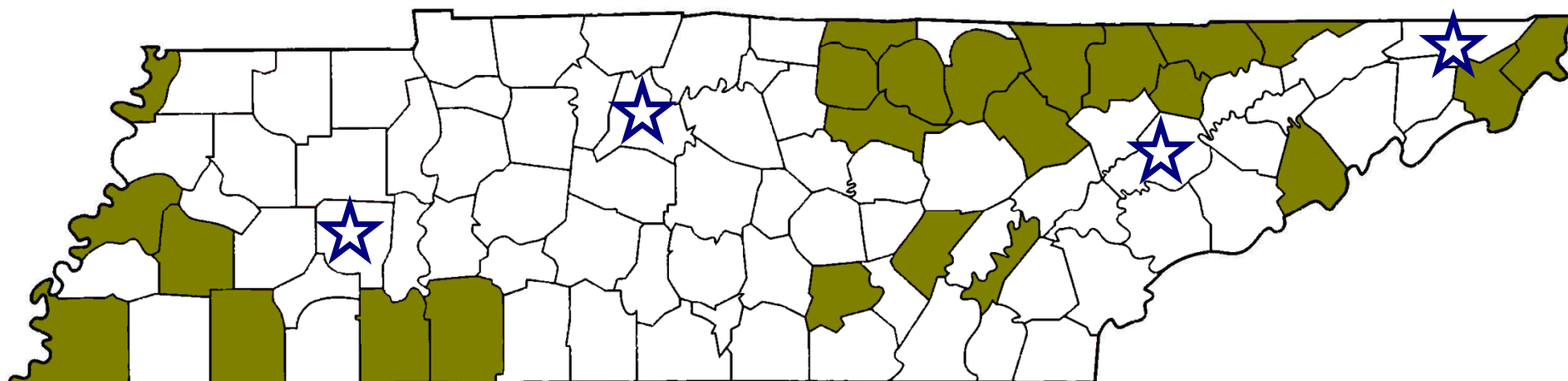
Unemployment Rate:



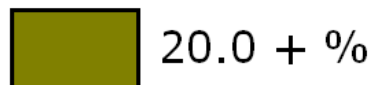
Tennessee Unemployment Rate: **10.9%**

United States Unemployment Rate: **10.0%**

# Tennessee High Poverty Counties: December 2007



**Poverty Rate:**



Just 2 of the 24 Tennessee Counties with high poverty rates are in Major Metropolitan Areas.

*Rural counties experience higher poverty, unemployment, and often lack access to affordable business capital.*



## Product Development Strategy:

### Southeast Community Capital Operates as a “SOLUTIONS MODEL”

- **IDENTIFY PROBLEMS** with other stakeholders, typically government agencies and officials;
- **BUILD PARTNERSHIP NETWORKS** to understand problems at the local level; and
- **CREATE PRODUCTS THAT FILL MARKET GAPS** and appropriately meet the needs of the Target Market



# Tennessee Rural Opportunity Fund:

## **Partnered with the State of Tennessee**

- Created 10% F&E Tax Credit to build permanent, self-sustaining loan capital
- Governor's Rural Opportunity Initiative provided \$1.25 million commitment for launch and operation over 5 years
- Loan Loss Reserve (up to \$2 million) from TN Treasury Department SMOB Program

## **Partnered with the Tennessee Bankers Association**

- Gained TBA "Endorsed Product" Status
- Raised \$10 Million from Member Banks: 23 Community Bank Investors, including 12 First-Time CDFI Investors

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# The Tennessee Rural Opportunity Fund:

**SCC has combined a number of “firsts” to successfully develop and launch the TN ROF:**

- **Partnerships**
- **Endorsements**
- **Capital Raise Strategy:**
  - Focus on Community Banks
  - Develop a targeted tax credit incentive for investing banks
- **Target Market:**
  - State-wide
  - Rural small business



# Tennessee Rural Opportunity Fund:

## A \$10 Million Revolving Loan Fund Dedicated to Tennessee's Rural Communities:

- **IMPACTS: (As of 12/31/2009)**
  - 62 Loans to 44 Businesses
  - \$9 Million + in Loan Originations
  - 197 Jobs Created
  - 382 Jobs Retained
  - 67% of loans to Women or Minority-Owned businesses
  - Overall loan loss of less than 2%



# Tennessee Rural Opportunity Fund:

## Projected Impacts:

- By 2018:
  - 350 Small Businesses Financed
  - \$20 Million + in Loan Originations
  - 800+ Jobs Created
  - Loan Capital Permanently Granted to Southeast Community Capital upon expiration of 10-year tax credit.

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Questions:



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