



Stephane Bamigbade,
Little Bugs
Learning Center.
Photo courtesy
of Allies for
Community
Business.



Case Study: Making Small Deals a Reality with Leaders Bank

SCENARIO

Chicago area community bank searched for 5 microloans to help small businesses in the bank's service area.

HOW EBA FUND HELPED

Typical bank buyers of EBA Fund microloans (small business loans <\$50,000) are motivated by a desire to create positive change in their communities while meeting regulatory requirements. The Leaders Bank wanted to increase its number of small business loans. Finding a CDFI partner able to devote time and energy to a small transaction can be difficult, especially when loan sales is not a core business practice. EBA Fund buys loans from CDFIs throughout the year. As a result, the CDFI is selling much higher volume to one party. EBA Fund also has infrastructure and systems to efficiently sell small and big amounts. By marrying volume and systems together, EBA Fund was able to provide the Leaders Bank with the number of small businesses loans it needed. The Leaders Bank's liquidity helped EBA Fund increase financial access to entrepreneurs, particularly entrepreneurs of color, women, and those in LMI areas.

EBA FUND'S PROCESS

- 1 After connecting with The Leaders Bank and learning about their goals, EBA Fund identified available loans in their footprint and credit box to determine if a transaction would be possible.

Note: Loans in the Leaders Bank transaction came from Allies for Community Business (a4cb.org).

- 2 EBA Fund provided legal documents to the Leaders Bank for review.

Note: EBA Fund has standard legal documents to make transactions easier. A nonrecourse master participation agreement governs the initial CDFI purchase. EBA Fund then transfers its interest to the bank.

- 3 The Leaders Bank and EBA Fund reviewed the available loans using a loan tape with key risk variables. After loans were narrowed, key documents for each loan were provided to review in EBA Fund's online portal.

Note: EBA Fund encourages banks to size their credit box in light of the total capital at risk. Well-seasoned loans are often available. CDFIs lend to businesses outside a bank's typical credit box.

\$36,644.91
in microloans purchased



5 small
businesses
supported

\$10,993.47
grant capital to EBA Fund

Average loan size
\$7,329

All loans were in
LMI census tracts &
\$1M or less Gross
Annual Revenue

- 4 EBA Fund confirmed the final portfolio and price, then prepared all documents and set a closing date.
- 5 EBA Fund sent formal acknowledgement letters with CRA qualification information for both the loan purchase and grant request to use in Leaders Bank's CRA evaluation.
- 6 EBA Fund provides monthly transaction reports and a single transfer of all payments each month.

RESULTS

The transaction came together between June 9th and June 29th of 2021. Leaders Bank purchased \$36,644.91 in microloans and provided \$10,993.47 in grant capital to EBA Fund. The Leaders Bank will receive both CRA lending test and investment test credit. The transaction helped direct new capital to Allies for Community Business, a Chicago CDFI microlender.

CRA DETAILS

By taking on the risk of loan loss and providing capital for loans in the bank's assessment area, Leaders Bank made a direct and consequential impact. The purchase of small business loan participations is unequivocally considered part of a bank's CRA lending in the interagency Q&A. Donations provided meet the definition of qualified investment in the interagency CRA rules, and promote economic development in the bank's assessment area, which in turn provides positive CRA consideration.

Juan Betancourt, ArePA George. Photo courtesy of Allies for Community Business



¹ CRA Guidance ____22(a)(2)-6

² CRA Rules: 12 CFR 25.12(t) and 12 CFR 25.04(c)