

# HOW ALTERNATIVE LENDERS SUPPORT LOCAL SMALL BUSINESSES



BY RON BROOKS, PRESIDENT OF RCC

**RIVER CITY**  
CAPITAL INVESTMENT

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[www.rivercitycapital.org](http://www.rivercitycapital.org)



## WHO IS RON BROOKS?

- U of M grad - Go Tigers! 
- Over 19 year banking career
- Community Bankers of GA  
Lending Compliance School grad
- Deployed over \$1.27B in  
consumer, small business, and  
and commercial loans
- Volunteers at Streets Ministries  
and the Career Support Network
- Shelby County Health,  
Education, & Housing Board  
Member
- Entrepreneur in real estate and  
business consulting
- Along with his dad built the  
largest ferris wheel out of straws  
ever in Lisle, IL in 1987!
- President of River City Capital

# WHAT IS RIVER CITY CAPITAL?

**MISSION:** TO ACCELERATE SHARED PROSPERITY AND REVITALIZATION IN UNDERSERVED COMMUNITIES THROUGH THE PROVISION OF CAPITAL IN MEMPHIS AND SHELBY COUNTY.



- Launched November 2010
- Affiliate of Community LIFT
- Certified by the U.S. Dept of Treasury in 2016
- We provide low cost loan capital and technical assistance
- Our target audience are underserved small business owners in Shelby County
- In FY 2022 we deployed over 182 technical assistance hours and \$814k in new loan originations
- 81% of our FY 2022 loan originations were to business founded by women of color

# CDFIs Create Impact

Community development financial institutions (CDFIs) provide responsible financial products and services where mainstream finance doesn't traditionally invest.



## Since 1973

CDFIs have worked for economic, social, and racial justice.



## More than 1,300 CDFIs

There are more than 1,300 certified CDFIs nationwide, of which more than 390 are OFN members.



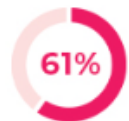
## \$222 Billion

Nationwide, the CDFI industry manages more than \$222 billion, creating jobs, affordable housing, financial health, and opportunity for all.

Sources: CDFI Fund 2021 and OFN 2021



Low-income



People of Color



Women



Rural

## CDFIs Lend Where It Counts

CDFIs serve Black, Latinx, Native, and rural communities, and other areas of persistent poverty.

Source: OFN Annual Member Survey, FY 2021



## CDFIs Leverage Capital

CDFIs make \$1 do the work of \$8. CDFIs leverage \$8 in private sector investment for every \$1 in public funding.

Source: Janet Yellen, U.S. Secretary of the Treasury



## CDFIs Recycle Capital

As borrowers repay their loans, CDFIs recycle the money back into the community through new borrowers.

# Cumulative CDFI Impact

Source: OFN Annual Member Survey, FY 2021

Through 2021, OFN members have originated nearly \$100.4 billion in financing in rural, urban, and Native communities. This financing has helped to create or maintain more than...



**13,600** Community  
Facilities



**696,000** Business and  
Microenterprises



**2.6 Million** Jobs  
Created or Maintained



**2.3 Million** Housing  
Units



# High Interest Rates At Banks Make Alternative Lenders More Attractive For Small Business Borrowers

Rohit Arora Senior Contributor @

I write about small business lending and growth.

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Feb 24, 2023, 06:15am EST



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Small business loan approval percentages at big banks slipped again in January, falling from 14.5% in December to 14.4% in the first month of 2023, according to the latest *Biz2Credit Small Business Lending Index*<sup>™</sup>. However, lending rates at small banks and non-bank lenders improved.

Approval percentages of business loan applications at small banks rose from 21.2% in December to 21.4% in January. Among non-bank lenders, approval rates of alternative lenders increased from 27.6% in December to 27.8% in January. Similarly, institutional lenders granted 26.1% of funding requests last month, up from 25.9% in December.

ACCORDING TO THE 2020 OPPORTUNITY FINANCE NETWORK (OFN) PERFORMANCE REPORT, WHICH INCLUDES DATA FROM CDFIS ACROSS THE UNITED STATES, THE AVERAGE APPROVAL RATE FOR CDFI SMALL BUSINESS LOANS WAS 61%. HOWEVER, IT'S IMPORTANT TO NOTE THAT THIS RATE CAN VARY SIGNIFICANTLY DEPENDING ON THE CDFI, THE BORROWER, AND THE LOAN PROGRAM.



**61% APPROVAL RATE FOR  
CDFI SMALL BUSINESS  
APPLICANTS!**



Here's a property I purchased  
with no money out of pocket

Purchase Price:	\$70K
rehab Cost:	\$185K
Funding Source:	Hard Money and Credit Card
Total:	\$255K
Asset Value:	\$485K
Bank Loan (75% of value):	\$363K
Mortgage Payment & Expenses:	\$2,100
Net:	\$1175
Difference:	\$1075
Cash-out:	\$112,000



(@realestateking)



I'm now on my 6th rehab and I've made \$135,000. I closed my first deal only 2 months after being reformed by Allyyah. I also raised \$200,000 to help me fund my deals. I filed bankruptcy before meeting Allyyah so I didn't know if I could do it but she made me confident that I could.  
-Sheveir



I'm so excited.



Since Allyyah's class I have done two flips. I acquired a single rental and just closed multi-family rental. Invested myself with The Real Estate paid me back tenfold.  
-Alicia



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# THE 5 C'S OF CREDIT



**CHARACTER**



**CAPACITY**



**CAPITAL**



**COLLATERAL**



**CONDITIONS**

# VIRGINIA COMMUNITY CAPITAL - NOMAD DELI

**Nomad Deli**  
*Richmond, Virginia*





# ARE CDFIS / ALTERNATIVE LENDERS BANK ADVERSARIES?

**THE SHORT ANSWER : NO!!!**



- No financial institution can be everything to everybody!
- Banks serve a vital role in the small business ecosystem, just not as primary small business lenders!
- Alternative lenders and CDFIs serve a crucial role in communities where banks don't have presence
- Banks provide millions of dollars to CDFIs annually supporting loan funds, general operations, and technical assistance as part of their CRA requirements!
- The ecosystem works best when there is collaboration, trust, & confidence

**RIVER CITY**  
CAPITAL INVESTMENT

*an affiliate of Community LIFT*

**SCORE** 

FOR THE LIFE OF YOUR BUSINESS

**QUESTIONS?**

**SPECIAL THANKS TO THE TERRIFIC TEAM**  
**AT SCORE!**

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