



# LEADERS BANK

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

## AT A GLANCE

### TRANSACTION

- \$36,644.91 in microloans purchased
- \$10,993.47 in additional grant capital provided

### PORTFOLIO

- Average loan size: \$7, 329
- 5 small businesses
- 100% of loans to businesses with <\$1M in Gross Annual Revenue (GAR)

## OBJECTIVES

Typical bank buyers of Scale Link 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. Scale Link buys loans from CDFIs throughout the year. As a result, the CDFI is selling much higher volume to one party. Scale Link also has infrastructure and systems to efficiently sell small and big amounts. By marrying volume and systems together, Scale Link was able to provide the Leaders Bank with the number of small businesses loans it needed. The Leaders Bank's liquidity helped Scale Link increase financial access to entrepreneurs, particularly entrepreneurs of color, women, and those in LMI areas. 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 Scale Link. 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.

## TRANSACTION PROCESS

### Step One

After connecting with The Leaders Bank and learning about their goals, Scale Link identified available loans in their footprint and credit box to determine if a transaction would be possible. Loans in the Leaders Bank transaction came from Allies for Community Business (a4cb.org)

### Step Two

Scale Link provided standard legal documents to the Leaders Bank for review. (nonrecourse master participation agreement). The Leaders Bank 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 Scale Link's online portal.

### Step Three

Scale Link confirmed the final portfolio and price, then prepared all documents and set a closing date. Scale Link sent formal acknowledgement letters with CRA qualification information for both the loan purchase and grant request to use in Leaders Bank's CRA evaluation.

### Step Four

Scale Link provides monthly transaction reports and a single transfer of all payments each month.