



Photo: Christine Collette, Specialties, for WomenVenture.



MINNESOTA BANK & TRUST

Minnesota Bank & Trust sought to assist WomenVenture, a trusted community partner, and help Scale Link increase the flow of capital to LMI entrepreneurs and business owners

AT A GLANCE

TRANSACTION

- \$229,417 in microloans purchased
- \$45,000 in additional grant capital provided

PORTFOLIO

- Average loan size: \$11,470
- 20 small businesses
- 100% of loans to businesses with <\$1M in Gross Annual Revenue (GAR)

OBJECTIVES

For Minnesota Bank & Trust, community service is at the heart of community banking. This commitment to provide impact through community relationships laid the groundwork for a collaboration between Minnesota Bank & Trust and Scale Link. Scale Link plays a unique role with CDFIs and banks by marrying a national presence with local impact. In this case, Scale Link introduced WomenVenture, a community and mission driven lender at the local scale, to Minnesota Bank & Trust because of Scale Link's work in other markets. The team behind Scale Link had recently worked with Bank of Blue Valley in Kansas City, a fellow member bank of the Heartland Financial Network. This connection helped establish a relationship quickly and helped Minnesota Bank & Trust have confidence in Scale Link's recommendation of WomenVenture as a partner. On the other side of the transaction, WomenVenture's previous knowledge of Scale Link's expertise helped leadership feel confident that Scale Link would be a long-term partner who valued their local impact. It can be difficult for nonprofit CDFI partners to devote time and energy to new types of transactions, especially when loan sales is not a core business practice. But Scale Link made it simple, with infrastructure and systems to efficiently sell to bank partners. This system allowed Minnesota Bank & Trust to support WomenVenture through the purchase of 20 small business loans and a \$45,000 donation.

CRA DETAILS

By taking on the risk of loan loss and providing capital for loans in the bank's assessment area, Minnesota Bank & Trust 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.

"WE ARE PROUD TO WORK WITH [SCALE LINK.] THE CONTRIBUTIONS WE MAKE IMPROVE OUR CRA RESULTS AND WE KNOW IT WILL MAKE AN IMPACT IN OUR COMMUNITY."

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TRANSACTION PROCESS

Step One

After connecting with Minnesota Bank & Trust 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 Minnesota Bank & Trust transaction came from WomenVenture (www.womenventure.org).

Step Two

Scale Link provided standard legal documents to Minnesota Bank & Trust for review (nonrecourse master participation agreement). Minnesota Bank & Trust 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 Minnesota Bank & Trust's CRA evaluation.

Step Four

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