



Angel Rogers.
Angel's
Learning Center.
Photo
courtesy of
WomenVenture.



Case Study: How Minnesota Bank & Trust Supports LMI Entrepreneurs Through an Innovative Partnership

SCENARIO

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

HOW EBA FUND HELPED

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 EBA Fund. EBA Fund plays a unique role with CDFIs and banks by marrying a national presence with local impact. In this case, EBA fund introduced a community and mission driven lender at the local scale, WomenVenture, to Minnesota Bank & Trust because of EBA Fund's work in other markets. The team behind EBA Fund has recently worked with Bank of Blue Valley in Kansas City, a fellow member bank of the Heartland Financial USA, Inc., operating under the brand name HTLF. This connection helped establish a relationship quickly and helped Minnesota Bank & Trust have confidence in EBA Fund's recommendation of WomenVenture as a partner. The connection also expedited legal review and onboarding as EBA Fund already knew the format and kind of information Minnesota Bank & Trust would need. On the other side of the transaction, WomenVenture's previous knowledge of EBA Fund's expertise helped leadership feel confident that EBA Fund 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 EBA Fund 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.

EBA FUND'S PROCESS

- 1** After connecting with Minnesota Bank & Trust 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 Minnesota Bank & Trust transaction came from WomenVenture.
- 2** EBA Fund provided legal documents to Minnesota Bank & Trust 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** Minnesota Bank & Trust and EBA Fund reviewed the available loans using a loan tape with key risk variables as well as a third-[party risk rating from PayNet. 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.*

\$229,417

in microloans purchased



20 small
businesses
supported

\$45,000

grant capital to EBA Fund

Average loan size

\$11,470

All loans were to
businesses with

\$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 Minnesota Bank & Trust's CRA evaluation.

6 EBA Fund provides monthly transaction reports and a single transfer of all payments each month.

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.¹ The location of these loans within the bank's assessment area provides positive consideration, regardless of if they were directly originated by the bank or purchased. The interagency CRA Rule indicated that a bank's lending performance considers both originations and purchases of loans.² Donations provided meet the definition of qualified investment in the interagency CRA rules, and promote economic development in Minnesota Bank & Trust's assessment area, which in turn provides positive CRA consideration.

¹ CRA Guidance ____22(a)(2)-6

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

Michealene Colestock, Spence Specialties. Photo courtesy of WomenVenture.



"We are proud to work with EBA Fund. The contributions we make improve our CRA results and we know it will make an impact in our community"

-Minnesota Bank & Trust