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Prospective Programs

National Commonwealth Group, Inc. (NCG) has developed a public benefit banking strategy designed to help get credit flowing again on Main Street through a combined program of strengthening existing community banks and developing new community bank programs implemented in partnership with those banks or through new publicly owned banking structures.

The range of programs includes the majority of those offered by the Bank of North Dakota, as described in this BND Services document,[2] along with those proposed by NCG and others that potential bank partners may develop.

Primary Mechanisms

A venture can use any of the following mechanisms:

Loan guarantees – the venture can provide a loan guarantee to a client bank, i.e., the client bank makes a loan to a borrower and the venture guarantees the loan.

Co-lending – the venture becomes a co-lender with a client bank where the client bank can serve as the lead lender to the borrower, with the venture as a passive co-lender. The venture can fund a minority or majority of the loan. In either case, the client bank manages the loan and client borrower relationship.

Loan syndication – the venture can be the lead lender on a larger transaction that is beyond the capacity of a client bank and syndicate the loan package so that two or more client banks can be co-lenders on the transaction.

Asset acquisition – the venture can purchase loans and loan portfolios, along with other client bank assets (such as REO properties) from client banks.

Direct lending – the venture may engage in direct lending where existing community banks are not serving a client base (for example, no local bank) or doing so in a manner inadequate to meet the needs of the community. Such direct lending may result from government sponsored programs that provide targeted funds for such things as low interest loans intended for specific programmatic areas (such as low income housing, energy projects, etc.).

Interest rate buy-down – the venture may buy down a portion of the interest due on a loan, thereby reducing the cost of the loan to the borrower but allowing the client bank to still realize its full normal profit on the loan. This kind of program is more in the form of a grant program (government or non-profit) and would normally require a pool of funds.

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[2] *http://www.commonwealthgroup.net/docs/BNDservices.pdf*

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Sample Programs

A venture can establish one or more programs. Examples include:

1. Small business loans - general – one of the most important areas where credit needs to be stimulated is with the small business community. Programs can be established to:

- Provide startup and working capital
- Refinance an existing loan
- Provide for construction, conversion, expansion, repair and modernization
- Provide for the purchase of land, buildings and equipment and the repair and modernization of the equipment
- Business and industrial acquisitions
- Any other reasonable business purpose

2. Small business loans – specific industries – A venture program can be structured to help support the flow of credit to specific target industries. Examples include:

- Farming and other agricultural projects including but not limited to:
    - Beginning farmer loan programs and family farm loans
    - First time farmer finance programs and established farmer programs:
        - Real estate loans
        - Operating loans
        - Livestock and dairy operations loans
        - Irrigation loans
        - Livestock waste management
        - Biofuels project loans
- Energy related projects including:
    - Renewable energy generation such as:
        - Wind
        - Solar (thermal and electric)
        - Biomass/biofuels
        - Geothermal
        - Landfill methane capture
    - Energy conservation and efficiency projects including:
        - Insulation, caulking, weather-stripping, air sealing, windows and doors
        - Energy control systems
        - HVAC
        - Lighting fixtures and day lighting systems
        - Electrical systems to charge PEVs and HPEVs
        - Water use reduction or efficiency
        - More energy-efficient or water-efficient manufacturing processes or equipment

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- Local foods projects including:
    - Urban farming
    - Fish farming
    - Food cooperatives
    - Food transportation
    - Waste recycling and reutilization

3. Small business loans - underserved market niches - one of the most important areas where credit is needed is for specific underserved market niches like minority-owned businesses, non-profit organizations and micro-credit.

4. Land bank projects – provide for the acquisition of foreclosed and abandoned land and buildings and refurbishment to put them back into productive use.

5. Asset acquisition projects – to purchase assets from banks and credit unions which can include:

- Loans and loan portfolios
- REO (real estate owned) properties
- Other asset classes

6. Mortgage bank projects – residential and commercial mortgage programs such as negotiating alternatives to foreclosure and providing a secondary market for mortgage loans.

7. Residential and commercial real estate rental company projects – property rental for properties acquired from other banks and credit unions.

8. Low-income housing programs - to establish or improve low-income single family and multi-family housing.

9. Capital and credit programs – to establish cooperatives and other forms of worker-owned enterprises. Can be for startups and to buy existing enterprises.

10. Investment banking - crowdfunding programs - provide capital formation for Main Street businesses too small for Wall Street brokers.

11. Community economic development programs - provide capital and credit for various forms of community economic development rather than individual businesses.

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