



Ownership & Economic Opportunity for All

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Self-Help's Rural Impact & Partnership with USDA

Self-Help¹, a lending national community development financial institution (CDFI) headquartered in Durham, has always had service to rural families, businesses and communities as part of its core mission. Indeed, half of Self-Help Credit Union's branches and a quarter of its members are located in rural areas.

Self-Help supports the economic development of rural communities with loans to small businesses, individuals for car loans and other finance, home buyers, and community facilities. In rural communities² Self-Help has made 8,479 home loans totaling \$581 million, 1,882 commercial loans totaling \$499.7 million, 15,883 consumer loans totaling \$82 million, and funded 26,192 secondary market loans totaling \$1.1 billion.

The U.S. Department of Agriculture (USDA) has been the key partner in Self-Help's rural lending. Since its first use of USDA programs in 1991, Self-Help's USDA-supported lending has spurred 218 rural home loans and 290 commercial and community facilities loans totaling over \$465 million. This paper provides a summary of Self-Help's USDA partnership, a history of Self-Help's efforts to help strengthen rural economies, and a table breaking down Self-Help's rural lending.³

USDA Loan Capital Programs

Self-Help has used two USDA loan capital programs to help make loans in rural areas to small businesses, and nonprofits to help create jobs and spur economic development.

USDA's Intermediary Relending Program (IRP)

IRP was Self-Help's first use of a USDA program. IRP provides non-profits and public agencies low cost (1 percent) long-term (30 years) loans to relend to small businesses with a loan size cap at \$150,000. Self-Help's first IRP-backed loan in 1991 was to a small laundromat start-up. IRP requires that the borrowers provide two bank turndown letters. Self-Help has provided 179 IRP-backed loans totaling \$17 million that have helped create 495 jobs and saved over a thousand jobs.

Self-Help's IRP lending provided rural, locally-owned businesses with critical capital to start up or expand, which helped fuel economic growth in rural North Carolina. Even more so than large chains, local companies regularly invest more back into the local economy and spur development, creating a "multiplier effect" that expands local economic impact. One of Self-Help's earliest IRP loans reflects the program's impact. In 1992, Self-Help used IRP support to provide a rural, local food distributor with a \$163,000 to increase the business's empowerment by 150%. Our Pride Foods is still successful 25 year later, providing local grocery stores with prepared products.

Of the 179 IRP loans Self-Help provided between 1991 and 2008, 61 were to child care facilities serving rural communities and many went to child care businesses owned by African-American women. In addition to ensuring working parents affordable and high-quality daycare, child care business also provide employment for child care providers. IRP's support helped Self-Help become a national model in child care facilities lending. In the early 1990s Self-Help published a business manual: "The Business Side of Child Care," and later a curriculum for child care providers called "Child Care Business Basics," in English and Spanish. Self-Help's

¹ Self-Help has provided over \$7 billion in financing to 131,000 families, individuals and businesses since its 1980 founding. Today, Self-Help has over 700 employees and two credit unions, Self-Help Credit Union and Self-Help Federal Credit Union, serving over 130,000 members in North Carolina, California, Chicago, Florida, and Wisconsin. Self-Help also makes loans nationwide through its non-profit loan fund, Self-Help Ventures Fund.

² Rural as defined by a USDA program or outside a Metropolitan Statistical Area defined by the census.

³ Special thanks to Self-Help Intern Connor Randolph for leading the research and writing of this report.

child care lending staff leader was tapped to share her expertise at a USDA training gathering of lending program staff in Wisconsin. A good example of an IRP-backed child care loan was a \$117,000 loan to Children “R” First Children Care & Resources in Selma, NC in 2000. The loan enabled the owner to expand her facility, create five new jobs, and 51 new slots for children.

Rural Business Development Grant (RBDG)

RBDG (formerly RBEG, “E” for Enterprise) is the second USDA program utilized by Self-Help. RBDG supports targeted technical assistance, training, and other activities that lead to the development and growth of small private businesses in rural areas. Self-Help used five RBDGs totaling \$1.5 million to provide loans to over 30 rural businesses and one equity investment to a business development center.

RBDG is unique in prioritizing lenders and businesses that provide technical assistance. Self-Help’s RBDG loans mirrored the program’s priorities by providing technical assistance often not included with traditional loans. Rural businesses are often isolated and lack access to financial information. Self-Help provides businesses with important operational, financial, and technical assistance. Self-Help assesses the needs of potential borrowers and their markets and walks them through applying for the loan. After the business has received the financing, Self-Help maintains regular contact with the borrower to identify any emerging issues. Through this technical assistance, Self-Help increases the likelihood that these borrowers are successful.

The first two RBDGs from 1993 and 1994 allowed Self-Help to lend over \$1.1 million to 16 businesses in rural communities, helping create an estimated 120 new jobs and stabilizing many others. One loan of note was to a minority-owned concrete contracting firm. The loan allowed the company to expand and create 25 new jobs in Robeson County, which historically has one of the highest unemployment rates and lowest median incomes in the state.

A landmark project undertaken with RDBG support was the redevelopment of the historic Mercy Hospital in Wilson, NC into the Mercy Business Training and Development Center (MBTDC). The redevelopment was done in partnership with the local nonprofit community development corporation, the Wilson Community Improvement Association, BB&T, the City of Wilson, and the NC Division of Community Assistance. Unlike Self-Help’s other RDBG projects, funding to MBTDC was provided directly as an equity investment instead of a traditional loan. The MBTDC was formerly the Mercy Hospital which was the only hospital in Eastern North Carolina serving African-Americans in the early 1900s. RBEG support helped Self-Help and other partners completely renovate the building in 1997. Through MBTDC, the site serves as a launch pad for new startup businesses in Wilson through small business training and technical assistance, access to business loans, and affordable office space helping small minority-owned businesses start and grow.

Self-Help’s 1996 and 1997 RBDG grants supported roughly \$2.5 million in loans, helping create an estimated 100 jobs. A 1996 loan to a wrapping products producer is of particular note. The facility owner wanted to refinance their current loan but could not find a bank that would make the relatively small loan in a hard-to-serve, rural community. Self-Help stepped in and provided the loan when others wouldn’t, and helped save nearly 50 jobs.

Loan Guarantee Programs

Self-Help has used three USDA guarantee programs that allows Self-Help to take more lending risk in disadvantaged rural areas. Without these USDA guarantee programs, Self-Help’s rural lending would not be nearly as impactful. The guarantees have helped Self-Help provide loans to a variety of rural enterprises that spur innovation, revitalization and job creating, ranging from rural charter schools and food co-ops to contemporary forms of energy like biofuels and solar.

Business and Industry Loan Guarantee (B&I)

USDA’s B&I program guarantees loans made by private organizations to rural businesses and nonprofits, allowing lenders like Self-Help to take on more risk and provide loans to rural enterprises that otherwise would

not be bankable. Since starting to use the program in 2007, Self-Help has made over \$39 million in B&I guaranteed business loans.

One project demonstrating the unique opportunities the program has supported is a \$5 million loan to a solar-energy company in Candor, NC. The loan allowed the company to open the first biomass energy facility in a Tier 1, rural Eastern NC County. The business successfully expanded and also helped the local community become more sustainable through renewable energy. Projects like this highlight how Self-Help's B&I-guaranteed loans boost economic opportunity and innovation in rural communities.

A loan to Blue Ridge Biofuels is another noteworthy B&I-guaranteed loan to a biomass energy company. Located in Asheville, NC, Blue Ridge Biofuels provides sustainable fuel for companies in Buncombe County by converting the used vegetable oil of local restaurants into diesel. A 2015 B&I backed loan allowed the company to meet growing demand by moving to a larger facility and buying a new truck. With the support of the USDA and Self-Help, many western North Carolinians can now use a clean renewable fuel source for a variety of purposes, including fueling their cars and heating their homes.

Self-Help's B&I guaranteed lending has also been critical to our rural charter school lending nationwide. In 2007, Self-Help made a B&I-guaranteed charter school loan to Pineywoods Community Academy in rural Lufkin, Texas. The 80% B&I-guaranteed loan enabled the school to purchase and renovate a former high school. Pinewoods serves an important role in educating disadvantaged children in a diverse environment, as 41% of students are on free or reduced lunch. The school has been recognized as it has received the Texas Gold Performance Acknowledgment for excellence in academic performance.

Community Facilities (CF) Guaranteed Loan Program

This USDA program provides lenders guarantees for qualified loans to rural community facilities. Self-Help has primarily used the CF program to fund charter schools in marginalized, rural communities. Using the CF program, Self-Help has provided over \$31.2 million to 14 charter schools in Texas and North Carolina.

While it may seem obvious that USDA's program for community facilities could fund charter schools, this was a new idea in the late 1990s as the CF program was traditionally used to fund projects like rural fire stations. Self-Help saw broader potential use when looking to help fund charter schools serving very low-income rural communities. Self-Help's first CF guaranteed charter school loan was to Gaston College Preparatory in Gaston, NC in 2001. The \$1.7 million loan helped with the school's construction and increasing enrollment.

Self-Help also used the CF program to guarantee a loan to an IDEA Charter School in its early days. IDEA has since become a network of 32 public charter schools primarily in San Antonio and the Rio Grande Valley in Texas. Self-Help's CF-guaranteed loan to IDEA's first charter school in Donna, Texas was used to add more classrooms and build a gym. The Donna school currently provides high quality education to 1,500 students, 99% of whom are African-American or Latino. The school has a 100% graduation rate and has been nationally recognized by *U.S. News & World Report*.

Neuse River Charter School in rural Johnson County, NC is another good example of Self-Help's CF guarantee program use. Since the school's founding in 2007, Self-Help has provided the school three CF-guaranteed loans, helping it expand from 200 to 750 students, purchase a permanent facility and 12 modular classrooms, and acquire new land to construct new classroom buildings. The school serves a diverse student population and has been ranked as one of the state's best high schools.

Rural Energy for America Program (REAP)

REAP allows lenders to provide guaranteed loans for efficient renewable energies in rural communities. Self-Help has primarily used REAP to provide rural solar farms with critical financing to expand. Self-Help has made 40 REAP-backed loans totaling over \$140 million to rural enterprises across North Carolina and in Indiana.

REAP has allowed Self-Help to provide larger scale solar loans that benefit rural North Carolina communities. To assure the projects have a positive impact on the community, the USDA assesses if the loan project will have negative impact on the local water system, forestry, or any Native American tribal land. The

loans help provide clean renewable energy and also have a direct positive impact on rural farmers as many of the solar enterprises lease land directly from farmers, creating a new and valuable income stream.

Self-Help's first REAP loan was to a solar energy company in Asheville, NC in the fall of 2013. The \$5.4 million loan allowed an established solar company to add 25 megawatts to the power grid in rural NC counties. In total, the company has worked on nearly 100 solar projects and many more short-term construction projects. To date, Self-Help with REAP have supported the addition of 242 megawatts of clean energy to North Carolina's energy grid.

Single Family Housing Program (SFH)

Self-Help has used two parts of the USDA's SFH program to provide rural home buyers affordable mortgages. Using USDA guarantees from 1999 to 2010, Self-Help made loans to 52 rural North Carolina families. The second part of the SFH program combines direct funding from USDA. This allowed Self-Help to lend to over 152 rural families from 2001 to 2005. Outside of USDA program, Self-Help has a long history of home lending in rural counties. As of 2017, Self-Help has made 1,802 home loans totaling over \$150 million in rural North Carolina communities with and without USDA support.

Healthy Food and Food Access Initiatives Involving USDA

Using a variety of USDA programs, Self-Help makes loans to support enterprises increasing rural access to healthier foods, local food providers, and to provide markets for farmers.

Healthy Food Initiatives through B&I Guaranteed Loans

Two of Self-Help's larger food-related loans to co-op markets utilized USDA's B&I loan guarantee program. As B&I guaranteed loans are intended for rural communities, it requires that the loan recipient be in a town with a population of less than 50,000 and not in an urban Metropolitan Statistical Area (MSA). Because of this restriction, a potential loan to a co-op grocery store in Hendersonville, NC was ineligible. Although the town only had a population of 13,000 in 2010, Hendersonville was placed in the Asheville MSA and was technically no longer considered rural. As the co-op market would offer healthy, locally sourced food to rural Hendersonville, Self-Help worked with USDA's North Carolina office to find a solution. Self-Help demonstrated that Hendersonville Community Co-op would source significant amount of produce grown by local, rural farmers, which made the loan eligible under USDA's local farmers program. This problem solving allowed Self-Help to make a \$2.47 million loan in 2014.

A similar, more recent situation arose when Self-Help wanted to lend to a co-op in Minneapolis, quite clearly located in an urban MSA. Relying on its experience with USDA's North Carolina office, Self-Help worked with USDA's Minnesota office to make the loan eligible because of the co-op's work with farmers from rural communities surrounding Minneapolis. USDA's participation in this \$9 million project helped Eastside Food Co-op with a significant expansion.

Additional Uses of USDA Programs for Healthy Food Initiatives

Currently, Self-Help has two USDA-related programs that help improve access to healthy food options in schools. In Asheville, Self-Help is participating as a distribution site for the Buncombe County Schools summer food program. Part of the USDA Buncombe County School Nutrition department, the program provides low-income school children with free lunches during weekdays. As a distribution site, Self-Help supplies children with these important meals.

Another Self-Help food initiative helps students create healthier menu options at Henderson Collegiate Charter School in Henderson, NC. Self-Help has made two USDA guaranteed CF loans to Henderson Collegiate, a high performing charter school that serves mostly low-income students. Working with graduate students at the University of North Carolina's School of Public Health, Self-Help has developed a program called Students Power Over Our Nutrition (SPOON). The SPOON model helps the school form a student counsel tasked with shaping the school's menu to be healthier for all students. By connecting the school with the

graduate students, Self-help was able to help the program succeed in helping children learn how to eat healthier and understand food systems. The graduate students and Self-Help are currently working with Durham Public Schools to expand the SPOON program there.

Innovative Uses of USDA and New Market Tax Credits (NMTC)

Established in 2000 by Congress, the NMTC provides tax credits to companies and other investors that invest in lenders like Self-Help to fund qualified loans in low-income communities. Self-Help's innovative twinning of USDA programs with the NMTC program has helped Self-Help significantly expand its lending in hard to serve, rural, low-income communities. In total, Self-Help has combined NMTCs with other USDA programs to provide 51 loans totaling \$132 million dollars since 2004.

Pairing USDA programs with NMTCs has been particularly useful in funding rural, charter schools. Combining the B&I and CF programs with the NMTCs, Self-Help has provided 17 charter school loans over the past 13 years. Self-Help's USDA/NMTC lending to Gaston College Preparatory charter school is of particular note. Gaston Prep, a KIPP charter school, serves mostly minority (84% African-American or Latino) and disadvantaged students (72% on free or reduced lunch), and is in one of the poorest and most rural parts of Eastern North Carolina. The school's success has been nothing short of astounding. Every student who has ever graduated has been accepted to at least one college. The combination of USDA programs (B&I and CF) and the NMTC, made the loans for Gaston Prep affordable.

Self-Help also has combined USDA programs and NMTCs to support multiple healthy food access and renewable energy projects. The two previously mentioned loans to food co-ops in Henderson and Minneapolis also employed NMTCs. In terms of renewable energy lending, Self-Help has used NMTCs with USDA programs on 28 loans totaling \$83 million dollars.

Most recently, Self-Help used of NMTCs and a B&I guarantee to make a \$3.8 million loan to a manufacturing company in rural Washington, NC. The loan helped the business restructure its operations, and retain 64 well-paying jobs in a rural, highly distressed community.

Conclusion

An important part of Self-Help's mission is sharing its lending experience to leverage greater impact. The organization has spread its knowledge of rural lending through workshops and reports. After using multiplied IRP backed loans to fund childcare facilities in rural NC, Self-help was mentioned as a Capital Investment Partner in the 2001 in the child care financing report by the Ewing Marion Kauffman Foundation. Self-Help also collaborated with the Rural Advancement Foundation International (RAFI) on two reports. "Funding the Harvest" and "The Farmer's Guide to Agricultural Credit" highlight the barriers to accessing rural credit and strategies to overcome common them.

With its experience using USDA programs, Self-Help has supported other lending organizations use of USDA programs to help rural communities. In the mid-1990s, Self-Help's then director gave a presentation in Wisconsin about how to use the IRP program to help rural childcare have access to credit. Later, Self-Help gave a presentation in 2015 in Washington D.C. demonstrating how lenders could use the REAP program to make renewable energy loans in their state.

Self-Help's service to rural communities has been significantly enhanced by and often made possibly by the great support and collaboration of the USDA. This support extends from small start-up business loans, to home loans, to major community facilities and large renewable energy enterprises and is critical to our ability to help spur rural economic activity.

Breakdown of Self-Help's Rural Lending Since 1980

Table 1: Self-Help's Rural Lending (All of Self-Help's entities, with and without USDA)

Type of Loan	# of Loans	\$ Amount
Direct Rural Home Loans	8,479	\$581,047,410
Secondary Market Rural Home Loans	26,192	\$1,160,992,374
Rural Commercial Loans	1,882	\$499,755,741
Rural Consumer Loans	15,833	\$82,445,982

Table 2: Self-Help's Rural Lending with USDA Programs (All of Self-Help's entities)

USDA Supported Loans	# of Loans	\$ Amount
<i>All USDA-Supported Rural Commercial Loans</i>	289	\$458,449,194
<i>All USDA-Supported Rural Home Loans (Single Family House Program)</i>	218	\$6,819,035
By USDA Program		
<i>Intermediary Relending Program</i> provides nonprofits and public agencies low cost (1%) long-term (30 years) loans to relend to small businesses, capped at \$150,000 (requirement: less than 50,000 for rural or urbanized area).	179	\$17,268,113
<i>Rural Business Development Grant</i> provides grants to lending organizations that supports targeted technical assistance, training, and other activities that lead to the development rural small private businesses.	35	\$1,500,000
<i>Business and Industry Guarantee</i> guarantees loans made by private organizations to rural businesses and nonprofits (population must be less than 50,000 and not in a census MSA).	16	\$39,286,873
<i>Community Facilities Guarantee</i> provides guarantees to private lenders for loans towards community facilities, defined as facilities providing an essential service for the community (requires population less than 50,000).	22	\$31,264,611
<i>Rural Energy for America Program</i> allows lenders to provide guaranteed loans towards efficient renewable energies in rural communities (requirement: any area besides town with population greater than 50,000 and the urbanized area of that city).	40	\$140,405,000
<i>Single Family Housing Program</i> allows lenders to provide low-moderate income households with suitable housing as their primary residence through either a guarantee or direct funding. (Eligibility based on online web tool).	218	\$6,819,035

Self-Help Credit Union has 16,291 members living in rural North Carolina and ten of its 20 credit union branches are located in rural areas.

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