

Rainier Valley Community Development Fund

Five Year Projection and Sustainability Model

The attached spreadsheet has part parts:

1. Loan portfolio outstanding and changes from Yr 2012 through Yr 2016
2. Loan production (new loans booked) for each of the five years, and broken down into CDBG-funded loans and loans funded from the CDF's revolving funds
3. Loan Earnings from interest rate and loan fees
4. Projection of CDF operating expenses and how these would be funded, under the terms of our Trust Agreement

As of the beginning of 2012, the RVCDF has approximately \$10 Million outstanding in the loan portfolio. This is net of any charge-offs and nonperforming assets

The CDF has approximately \$7.985 million carryover funds and current 2012 allocation of \$3.317 Million. For 2013, the carryover CDBG funds would be reduced to \$3.1 Million with another \$2 Million in 2013 allocation. It is the goal of the CDF to fully disburse out CDBG funds by the end of 2013 in loans.

We have also projected loan repayments in the form of monthly payments as well as balloon balances due (or prepayments), year by year. Per the Trust Agreement, the CDF may draw up to 30% of the repayments for the previous year to build up the working account for operating expenses.

We have made certain assumptions as to our average interest rate yields on our loans, as well as loss allowances. We are projecting an average yield rate of 5% on business loans and 3.75% on real estate loans.

Loan fees are projected at 1% of new loans funded and booked each year. These are immediately available to fund our operating costs.

On business loans, we are basing our projections on 20% of this portfolio not performing, so that only 80% of the loans would be making their monthly interest payments, at an average rate of 5%.

On our sustainability projections, we start with our base budget for 2012 at \$932,000 (which is an approved budget by OED). Each year, we are projecting a 5% increase from the previous year.

If the CDF spends its entire budgeted amount of \$932,000, we would have approximately \$444,000 remaining in City allocation for the CDF's operating budget. We would then dip into our working capital account to fund the remainder of the operating costs, going forward from the second half of 2013.

As indicated in the projections, the loan income generates enough money on an annual basis to cover the operating costs. If we are able to maintain our loan portfolio outstanding of \$25 Million or over, the CDF can sustain itself from its loan interest and fee earnings.

Presented by: Wayne Lau, Executive Director, June 5, 2012

**RVCDF 5-Year Loan Production Projections
2012-2016**

	2012	2013	2014	2015	2016
Loan Portfolio Outstanding and Changes					
CDBG Funds					
Carry Over CDBG Funds	7,985,500	3,103,000	-	-	-
CDBG Funds Available Current Year	3,317,500	2,000,000			
Less: CDBG Funds Disbursed Current Year	<u>(8,200,000)</u>	<u>(5,103,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CDBG Carry Over	3,103,000	-	-	-	-
Revolved/ Repaid Loan Funds					
Beginning Balance	3,000,000	3,810,000	3,170,000	2,930,000	2,730,000
Balloon Payments	1,910,000	2,000,000	2,000,000	2,200,000	2,300,000
Monthly Loan Payments	750,000	800,000	1,000,000	1,300,000	1,500,000
Less: Revolved Funds Disbursed	<u>(1,850,000)</u>	<u>(3,440,000)</u>	<u>(3,240,000)</u>	<u>(3,700,000)</u>	<u>(3,700,000)</u>
Year Ending Balance	3,810,000	3,170,000	2,930,000	2,730,000	2,830,000
LESS: Withdrawal for Operating Expenses		(798,000)	(840,000)	(900,000)	(1,050,000)
Available Combined Loanable Funds Year End	6,886,000	2,372,000	2,090,000	1,830,000	1,780,000
Loan Portfolio Outstanding	18,467,159	25,010,159	26,250,159	27,750,159	29,150,159
Loan Production					
CDBG Funds					
Small Business Loans (under \$50,000)	100,000	120,000	-	-	-
Large Business Loans (Over \$50,000)	100,000	427,000	-	-	-
Real Estate Loans	<u>8,000,000</u>	<u>4,556,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	8,200,000	5,103,000	-	-	-
Revolved/ Repaid Loan Funds					
Small Business Loans (under \$50,000)	50,000	240,000	240,000	200,000	200,000
Large Business Loans (Over \$50,000)	800,000	1,200,000	1,000,000	750,000	750,000
Real Estate Loans	<u>1,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,750,000</u>	<u>2,750,000</u>
	1,850,000	3,440,000	3,240,000	3,700,000	3,700,000
Interest Earnings	720,219	975,396	1,023,756	1,082,256	1,136,856
Loan Fees Collected	100,500	85,430	32,400	37,000	37,000
Total Loan Earnings	820,719	1,060,826	1,056,156	1,119,256	1,173,856
Sustainability:					
Projected Operating Budget - assume 5% annual increase	932,000	978,600	1,027,530	1,078,907	1,132,852
City Funding	932,000	444,000			
30% of Prior year receipts (balloon payments & loan payments)		798,000	840,000	900,000	1,050,000
Loan Fees	100,500	85,430	32,400	37,000	37,000
Carryover Working Capital Account	100,500	449,330	294,200	152,294	106,442