



CAPACITY PLUS LOAN PROGRAM

The Challenge

Nonprofits rely on some combination of support from government contracts, grants from private foundations, donations from individuals, and earned income from special events and fundraising campaigns. However, even those nonprofits with a robust and diversified funding base still experience frequent lags in their cash flow. Payments from government contracts via a vouchering system are often held hostage by politics; fundraising from individuals or earned income from special events typically spikes at calendar year end but may be preceded by months-long dry spells; and foundation grants are awarded and paid according to each foundation's own annual grant cycle rather than on the cash flow needs of grantees.

The cash flow projections of many nonprofit organizations reflect these varying cycles. While the nonprofits can predict that available funds will dip dangerously low during certain months, too often they don't have a resource to assist them through these periods because they do not possess sufficient collateral to secure a loan. ShoreBank's Capacity Plus Loan Program is designed to address uneven funding schedules by strengthening collateral and offering technical assistance. By participating in the loan program, nonprofits will gain the discipline and expertise required to use credit as part of an overall organizational financial management strategy.

ShoreBank's Solution

At ShoreBank, we encourage foundations to safely and creatively leverage their assets to achieve greater philanthropic impact. Through the Capacity Plus Loan Program, charitable foundations have the opportunity to provide cash security for bank loans to qualified nonprofit organizations via FDIC-insured CD deposits (up to \$50 million of FDIC insurance is available in some options). Alternatively, the foundation may elect to guarantee the loan without moving cash assets into a new deposit account at ShoreBank. In either scenario, the foundation assists qualified nonprofit borrowers in accessing credit with advantaged pricing, ending the cycle of boom/bust funding. For those foundations who elect to participate by making a below market deposit, the CD investment securing loans to nonprofits may also qualify as a Program Related Investment.

With cash security in place, nonprofit borrowers can partner with ShoreBank to build internal capacity for cash management, financial discipline, and infrastructure development. In some cases, participating nonprofits will create a formal credit history with a banking institution for the first time.

An ideal solution for foundations seeking to leverage their assets beyond grants to support capacity building initiatives, this program complements the financial education and other cash management programs ShoreBank offers as added value services to nonprofit organizations and foundations.

Structure and Pricing

Triple Impact CD

Foundations open ShoreBank jumbo CDs that are leveraged to create a credit enhancement pool for loans to qualified nonprofit borrowers that is 300% the size of the total CD amount (eg, \$1MM deposit yields \$3MM loan pool).

Interest Rate:	Fixed at or below ShoreBank published rate for term elected.
Term:	Two year minimum.
Balance requirement:	\$250,000 minimum opening balance
Fees (Foundation)*:	2% of total deposit amount
Interest Payment:	Simple interest accrued daily and credited quarterly.
Philanthropic Impact:	Highest – From day 1, all funds on deposit support the mission and work of ShoreBank, the nation’s leading community development and conservation banking company. A pool of loans with principal amounts up to 300% of the total on deposit are collateralized by the funds on deposit. Risk sharing parameters: ShoreBank covers losses for first 5% of any defaulted loan, remainder of losses drawn from pool.

** Interest rate for nonprofit loan is 2.5% over the rate of return of the CD paid back to the foundation; if a group of foundations elect to pool together the interest rate to the nonprofit borrowers is 2.5% over the blended rate of return on the CDs deposited. Nonprofit customer opens a transaction account at ShoreBank for disbursement of funds. Minimum loan amount of \$50,000, maximum loan amount of 20% of total loan pool. Nonprofit responsible for all out of pocket closing fees. Nonprofit may request line renewal with a \$250 annual renewal fee and out of pocket expenses to the nonprofit organization.*

100% Cash Security CD

Foundations open CDs to cash secure a pool of loans to qualified nonprofit borrowers.

Interest Rate:	Variable, at or below ShoreBank published rate for term elected.
Term:	Two year minimum.
Balance requirement:	\$50,000 minimum opening balance
Fees (Foundation)*:	2% of total deposit amount if under \$1MM 1% of total deposit amount if \$1MM or more.
Interest Payment:	Simple interest accrued daily and credited quarterly.
Philanthropic Impact:	Extremely High – From day 1, all funds on deposit support the mission and work of ShoreBank, the nation’s leading community development and conservation banking company. As each loan to a qualified nonprofit moves through closing process, ShoreBank places a hold of equal dollar value on a

portion of foundation funds on deposit, as 100% collateral for that organization.

** Interest rate for nonprofit loan is 2.5% over the rate of return of the CD paid back to the foundation. Nonprofit customer opens a transaction account at ShoreBank for disbursement of funds. Minimum loan amount of \$50,000. Maximum loan amount of 100% of foundation deposit. Nonprofit responsible for all out of pocket closing fees. Nonprofit may request line renewal with a \$250 annual renewal fee and out of pocket expenses to the nonprofit organization.*

Limited Loan Guarantee

Foundation provides all required documentation to be pre-approved as a guarantor for 100% of loan amount on loans to qualified nonprofit organizations.

Interest Rate:	N/A
Term:	2 year minimum
Balance requirement:	N/A
Fees*:	2.5% of total amount of guarantee under \$1MM; 2.0% of total amount of guarantee of \$1MM
Philanthropic Impact:	High – Guarantor significantly improves credit risk and pricing for qualified nonprofit loan candidates, up to limit of total guarantee pool amount.

** Interest rate for nonprofit loan ranges between Prime plus 1% and Prime + 3% based on risk assessed through credit analysis process. Nonprofit customer opens a transaction account at ShoreBank for disbursement of funds. Minimum loan amount of \$50,000. Nonprofit responsible for all out of pocket closing fees. Nonprofit may request line renewal with a \$250 annual renewal fee and out of pocket expenses to the nonprofit organization.*