



May 21, 2019

Chairwoman Nydia Velazquez
Ranking Member Steve Chabot
Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-0315

Dear Chairwoman Velazquez, Ranking Member Chabot and Honorable Members,

Good day and thank you for your time in hearing my congressional testimony. I am John Kropf, President of Growth Capital Corp, a private not-for-profit Mission Lender in Cleveland Ohio. We have been an SBA Certified Development Company making SBA 504 loans since 1982. Over these 37 years we have financed nearly a thousand small businesses throughout Ohio, supporting the creation of some 8,000 jobs by leveraging more than a billion dollars in project financing. I am here today to share my experience with how Growth Capital is “Investing in Community” with our participation in the SBA Community Advantage (CA) Loan Program.

Back in 2010 I was actually quite astounded to learn that SBA was rolling out what I considered to be an innovative and cost effective solution to the problem small businesses, especially those in “Underserved Markets”, have in accessing affordable financing to found, fund and grow their companies. In expanding the SBA 7a loan program to not-for-profit Mission Lenders like Growth Capital, Community Advantage linked a vital federal government loan guarantee mechanism to a healthy market based, missed based product delivery platform focused on serving those small business often times neglected by traditional bank lenders or outright exploited by non-traditional predatory lenders.

SBA Community Advantage lending was authorized for SBA Certified Development Companies, SBA Microloan Lenders, Community Development Financial Institutions and SBA Intermediary Lenders and the Pilot Program Guide originally called for the following:

- To increase access to credit for small businesses in underserved markets;
- To expand points of access to SBA 7(a) loans by engaging non-traditional mission lenders with experience working in underserved markets;
- To provide management and technical assistance to small businesses
- To manage portfolio risk by utilizing the underwriting knowledge of mission lenders with successful track records lending in underserved markets.

How astonishing it was to see such innovation come from a federal bureaucracy like SBA. There was no new department created, no new big government program initiated and no new spending required to launch Community Advantage. Instead we witnessed the confluence of community focused, impact driven organizations like CDC Small Business Finance, LiftFund and Growth Capital with the community focused, impact driven mandate of SBA. We did not initially apply for participation in the Community Advantage program due to restrictive regulatory requirements but when SBA listened to industry professionals and made improvements to the program and now Community Advantage lenders are currently operating in light of the original pilot mandate and since amended policies under the following parameters:

- \$250,000 Maximum loan maximum
- Loan Guarantees of 85% for loans up to \$150,000
- Loan Guarantees of 75% for loans over \$150,000
- 60% of loans must be to a Underserved Markets
- SBA guarantee can be sold to secondary market investors
- Cash Loan Loss Reserve requirements of 5% for the guaranteed portion sold and 5% for the un-guaranteed portion.
- Same institution debt refinance allowed after 12 month payment history
- Technical Assistance recommended but not required
- SBA SBSS score of at least 140
- Maximum interest rate spread Prime plus 6%
- Allows for use of Loan Service Providers (LPS)

In 2012 when SBA allowed for the use of Loan Service Providers (LSP) along with the sale of CA loan guarantees on the secondary market, we jumped right in and were approved to participate in the CA program and jump right in we did, having immediate impact on our communities with our CA lending joining other prestigious industry leaders that have, program to date, lent more than \$681 million dollars to some 5,100 small businesses with 70% of those loans to Underserved Market borrowers.

Those are just some of the numbers; the average size CA loan is just \$133M and demonstrates our commitment to small dollar lending to small sized companies. Other impressive numbers include a full 34% of CA lending going to Minority Owned Businesses with a charge off rate of just 1.5% and demonstrating our industry commitment as prudent lenders committed to managing and mitigating credit risk to the agency. Furthermore, the CA portfolio outstanding comprises only 0.08% of the total dollars outstanding in SBA 7a guarantees which further illustrates the overall minimal credit risk we actually represent to the agency and to the American Taxpayer. And probably the biggest number of all is the tax payer subsidy rate for the Community Advantage program; which is zero (0). Yes, zero, the SBA Community Advantage program costs us American Taxpayers absolutely nothing and actually yields new tax

payers on small business payrolls, more local income tax revenue, more income for small business owners and more wealth generated in underserved communities across America.

These numbers are actually much more than that; these numbers have names and faces. They belong to the people like my esteemed colleague, Bob Villareal's, borrower here today from Congresswoman Chu's district. They belong to borrowers like mine, (See Attached Mission Spotlights) one of which, Amy Wong of Dot Org Solutions in Akron Ohio, who testified last year before this committee on the importance of the SBA Community Advantage program. These names and faces include other such borrowers like Destiny Burns, a retired Naval Officer who owns Cleveland Urban Winery, or Kathryn Green of Sassafrass Land Design or Jake Fitzpatrick, owner of Clifton Cleaners and Mark Steinberg of Queen City Gutters in Cincinnati Ohio right in your home district Congressman Chabot.

Every one of these borrowers and indeed ALL of our CA borrowers are what I describe as the "Just Miss" bank loan. Companies that are credit worthy but just miss the bank lending requirements and many times their small loan requests miss the bank profitability requirements and are thus neglected by traditional bank lenders and many of our banking partners make direct referral to Growth Capital for CA loans. If these companies are not referred to a CA lender many times they find alternative high rate lenders and become outright exploited by non-traditional predatory lenders. We ourselves at Growth Capital just recently received a solicitation from one such lender, (See Attachment) I have it right here, got it just last week. What I did not see on this offer but later found on their website (See Appendix) is that the average interest rate 48.7%, wow, that's high and one of the reasons we refinance quite a bit of these predatory lenders with our CA loans carrying rates at about 9.5%. Weather it's catching the "Just Miss" bank loan before they reach the predatory lenders or after in any case we are committed to making these borrower bankable again, many time through connecting them with appropriate technical assistance, and getting them back to traditional financing with a bank. The aforementioned Queen City Gutters, in Cincinnati Ohio, was one such CA borrower. We made a \$250M loan in September of 2015 and after two full years of on time payments the company refinanced a \$150M balance with their bank. This is EXACTLY how we envisioned the effectiveness of the program and the banking partnerships that help make it happen.

All of these names and faces and the businesses they own are investing in community just as we CA lenders and investing in community and for that to continue, and to even expand we need action. We need the action of this committee to advance legislation that not just continues the SBA Community Advantage program but also strengthens it.

What is needed? There are several important items that I feel are critical to continue and expand CA lending.

1. Increase the Guarantee Percentage – I previously mentioned that the SBA approval of CA lenders to sell the guarantees on the secondary market was the final hurdle for Growth Capital to enter the program. Many if not most higher

volume CA lenders do not have big balance sheets and excess cash to invest into CA lending, hence the need for the liquidity provided by secondary market sales. Growth Capital has successfully sold all of our loans on the secondary market in order to leverage the limited capital we do have to fund our CA lending.

In addition to our own limited liquidity we have partnered with Cincinnati's Fifth Third Bank, headquartered in Congressman Chabot's Ohio District to provide an innovative financing structure (See Attachment) for Growth Capital. Fifth Third Bank provides us a \$2.5MM warehouse line of credit which we utilize to fund our new CA loan closings. Upon closing and funding the CA loan we sell into the secondary market, and repay the guaranteed portion on the line of credit, leaving only the unguaranteed portion on the line of credit balance. We do this with all CA loans throughout the year and the remaining unguaranteed balance converts to long-term debt that we amortize and repay with the cash flow provided by the principal, interest and servicing income provided by our CA portfolio. It's truly an innovative structure that works tremendously well for a high volume limited balance sheet CA lender like Growth Capital.

Currently CA loans under \$150M receive an 85% SBA guarantee while loans over \$150M only receive a 75%. If ALL Community Advantage loans carried an 85% guarantee it would vastly improve our ability to most effectively fund our CA lending. Our capital requirements would be dramatically improved with this small increase in the percentage of guarantee, reduce the amount of long-term debt that we would be required to service, lower our interest expense and strengthen our overall operations. Growth Capital recently closed on a Community Advantage International Trade Loan, our second such loan actually representing a full 40% of all CA International Trade loans disbursed under the program and these International Trade Loans carry a full 90% guarantee. This Cleveland company is a small exporter, selling equipment to Saudi Arabia, Egypt, Hungary and Romania and our \$250M loan required just \$25M in capital while under the regular CA guarantee of 75% the capital requirement would have been \$62,500 and a huge difference for Growth Capital. This higher guarantee amount referenced demonstrates the positive impact of extending the 85% guaranteed currently on loans up to \$150M to ALL Community Advantage loans made under the program.

2. Expand Underserved Market Definitions – Currently the CA program requires each participating CA lender maintain at least 60% of the lending to Underserved Markets. These underserved markets definition originally included just the following:
 - Low-to-Moderate Income (LMI) communities.
 - Businesses where more than 50% of their full time workforce is low-income or resides in LMI census tracts.
 - Empowerment Zones and Enterprise Communities.
 - HUBZones.

- New businesses (firms in business for no more than two years).
- Businesses eligible for Patriot Express including Veteran-owned businesses.

SBA subsequently expanded the Underserved Market definition to also include:

- Businesses located in Promise Zones
- Businesses located in Opportunity Zones
- Businesses Rural Areas

I would recommend further expansion of the SBA Underserved Market definition to also include other socially economic disadvantaged business owners such as Women, African-American, Latino and Asian owned business. Expanding the Underserved Market definition will not only allow for further targeting to such historically disadvantage borrowers while helping to improve the Underserved Market penetration beyond the current 70% and increasing the overall Mission Impact of the CA program as a whole.

3. Implement Reasonable Risk Assessment and Regulatory Oversight – The current SBA Risk Assessment through the SBA PARRiS system unduly assigns higher risk ratings to all CA lenders simply by virtue of participation in the program. This seems wholly unreasonable to expect CA lenders to serve Underserved Market borrowers who inherently bring a higher level of credit risk and expect them to perform at the same overall level as any other 7a bank lender not focused on Underserved Markets.

CA loans by definition bear a higher risk than a conventional 7a loan. Therefore the servicing of these loans requires a higher level of diligence. Once a CA loan is underwritten, approved, and funded it goes into active servicing. Basic servicing includes regular monitoring of the items required in the loan agreement. Among these items are keeping current with their loan payments, maintaining proper insurance, keeping current with Worker's Compensation if there are employees involved, staying current with property taxes, and filing annual income tax returns. Borrowers are required to submit documents periodically to verify that they are complying with the loan agreement. When tax returns and/or annual financial statements are received, the Loan Servicing Officer analyzes the data to determine the financial health of the borrower's business. Following this ratio analysis, the Loan Servicing Officer assigns a risk rating to the current status of the borrower.

When a loan goes beyond 45 days past due, a site visit is made to view the business and talk with the borrower. Workout options are provided and discussed with the borrower. The goal here is to get the borrower back on track with their payments. All efforts are focused on avoiding liquidation of the loan. Communication with the borrower is frequent and positive often times requiring intensive technical assistance.

When a borrower becomes greater than 60 days past due, the CDC must do a deep dive into the borrower's financial situation to determine if litigation action would be productive. If the borrower has a continuing source of revenue, perhaps from other employment, and/or meaningful assets then litigation is started in an effort to seek a judgment against the borrower. If however the borrower has fully depleted their revenue sources and assets, the loan is liquidated to the SBA to pursue through Treasury offset. We aggressively manage portfolio risk, consider industry concentrations and macroeconomic conditions all with a keen eye on our Mission Impact as well to mitigate as much credit risk to the SBA as possible but again CA lenders are not banks.

While I previously worked as a lender for both Wells Fargo and one of the largest CDFIs in the country I understand and appreciate the vital important of credit risk management and have seen both sides any new legislation must include a mandate to SBA that directs the agency to adopt and implement reasonable risk assessment adjustments to their PARRiS system to recognize the inherent risk CA lenders must take under the mandate of the program and adjust the risk ratings accordingly.

4. Increase the loan maximum to \$350,000 – The current CA loan cap is \$250M which it has been since inception with the average size CA loan currently around \$133M. Realizing the need to focus on small loan borrowers but realizing that many such business would otherwise be eligible for a bank 7a loan under SBA Express with its maximum loan amount at \$350M there would appear to be some misalignment of the program numbers. Also, while Growth Capital operates in Midwestern Ohio there are many CA lenders in higher cost markets around the country that serve borrowers who would necessarily require more dollars in say San Francisco or Washington DC than perhaps Cleveland.
5. Make the Program Permanent – The pilot has been operating since 2011 and will soon have a 10 year track record of performance with a maturing industry delivery platform of CA lenders along with acceptance from SBA Secondary Market participants. Permanency is needed now.

While I understand the current political conditions under which we CA lenders must currently operate I also understand the true bi-partisan approach to supporting small business that this committee takes. True bi-partisan support is for the CA borrowers previously mentioned; Amy Wong of Dot Org Solutions in Akron Ohio, Destiny Burns, the retired Naval Officer who owns Cleveland Urban Winery, Kathryn Green of Sassafrass Land Design, Jake Fitzpatrick, owner of Clifton Cleaners and Mark Steinberg of Queen City Gutters in Cincinnati Ohio right in your home district Congressman Chabot. They actually need more than bi-partisan support. They and we CA lenders need tri-partisan support!

We need to try harder as CA lenders, we need to try more as an industry and we need to advance our Community Advantage lending and really try and do more "Investing in Community". We need to try to recognize the importance of

financing underserved small business concerns, the inherent risk involved in financing underserved businesses, and the capacity of experienced mission-oriented lenders to manage risk and build sustainable, bankable businesses through our SBA Community Advantage program that I am confident this committee will support.

In conclusion I wish to personally thank Chairwoman Velazquez, Ranking Member Chabot and all Honorable Members of this important committee and know that we all share the same passion and commitment to “Investing in Community”. Thank you all and I am happy to participate in fielding your questions.

Sincerely,

A handwritten signature in black ink, consisting of a large, sweeping loop followed by a smaller loop and a short horizontal line extending to the right.

John Kropf
Executive Director

ATTACHMENTS

1. Growth Capital Mission Spotlights
2. Crains Cleveland Business Article
3. Online Business Loan Solicitation

Mission Spotlight

Providing Creative Financing Solutions to Growing Businesses in Cleveland and beyond

GROWTH CAPITAL CORP.

1360 East 9th Street
Suite 350
Cleveland, OH 44114

Phone: 216-592-2332

Fax: 216-394-0285

www.growthcapitalcorp.com



Dot Org Solutions

Dot Org Solutions LLC is a creative and fundraising consulting firm based in Akron with a focus on working with nonprofit clients with annual revenue between \$500,000 and \$20 million. While they have clients that are above and below this threshold, they have intentionally chosen to work with nonprofits of this size because of their ability to quickly adapt to change. The company finds that by working with smaller nonprofits with a smaller staff, they are able to help them implement changes that have immediate impact on their organiza-

tion and help them move toward long-term sustainability. Owner Amy Wong operates the business in and LMI neighborhood of Downtown Akron, OH and has lead significant growth since participating in the Goldman Sachs 10,000 Small Business Initiative. Developing and implementing her Growth Plan in the program required additional funding to hire more employees. Growth Capital provided a \$90,000.00 SBA Community Advantage loan for permanent working supporting the continued growth of Dor Org Solutions. Amy has been a true advocate for small businesses everywhere, recently meeting with national policy makers on Capital Hill in Washington DC.. Amy is creating value for her company, her customers, employees, community and other small business owners. Growth Capital is proud to assist with our SBA financing and support



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Primo Vino, LLC /CLE Urban Winery

Destiny Burns retired after 20 years as a Naval officer then spent more than 13 years as a business development executive in the defense industry in the Washington DC area. She was also a former volunteer firefighter/EMT and now an entrepreneur. She chose to become a wine manufacturer in an urban environment based on her years of travel and personal experiences. In 2015 she incorporated Primo Vino dba CLE Urban Winery. One year later in July 2016 she opened her doors in Cleveland Heights. A SBA loan from Key Bank assisted in the build out but the company was unable to secure additional bank financing due to collateral constraints and reached out to the local SBA District Office for assistance and a referral was made to Growth Capital. Providing an \$83M permanent working capital SBA Community Advantage loan allowed the business to fund further expansion in 2018 and it was a Mission Hit for Growth Capital assisting a woman-owned, veteran-owned business located in an LMI census tract in a local Cleveland neighborhood. The intent of the SBA Communi-

ty Advantage Program is certainly met with this exciting Under-served Market transaction.



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Cleveland Cleaners, Inc.

Cleveland Cleaners Inc. operates under the DBA Clifton Cleaners, which has been a staple in the local Clifton Blvd neighborhood of the City of Cleveland since 1956. Upon purchasing the business in 2016 Mr. Fitzpatrick initiated a Commercial Linen Rental as well which has picked up nearly 30 new customers since inception. Key commercial clients include Panini's Bar and Grill, Guys Pizza, Westwood Country Club, Canterbury Country Club, AJ Roccas, and Cleveland Bagel as well. The company was unable to secure additional bank financing due current ownership less than two full years and reached out to the local SBA District Office for assistance and a referral was made to Growth Capital. Providing an \$60M equipment loan with SBA Community Advantage allowed the Borrower to get a state of Ohio Air Quality Development Agency grant for \$18M. The equipment is eligible for the state grant due to the environmentally friendly new equipment being financed and the funds will pay down the loan principal. This is Mission Hit for Growth Capital assisting a business in LMI census tract in a local Cleveland neighborhood with an Environmentally friendly Mission Impact as well.



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KBM Business Machines, Inc.

KBM Business Machines, Inc. was founded in 1974 and provides Point of Sale (POS) products that includes sale, service, network installation and security appliance to markets that include hospitality, grocery, convenience store and gasoline businesses. They had recently expanded into school lunch POS systems and were seeking \$50M in additional working capital to support this expansion and utilized the SBA LINC product to initiate financing. Growth Capital opted in on the LINC notification and began the application process. Initial review indicated insufficient cash flow to cover the new debt. However, upon diligent underwriting and discussions with the borrower we discovered the company had several small loans outstanding with online business lender On-Deck that had a very negative impact on overall cash flow. Growth Capital discovered an opportunity to assist and support this small business. A \$117M loan structure was offered that would refinance the On-Deck high cost loans as well as a small outstanding commercial mortgage and original business acquisition loan that greatly reduced overall debt service as well as provide the additional working capital for expansion. The company was put in a good position for growth. This transaction allowed the SBA Community Advantage loan to finance a business operating in a Rural community in Ohio that is also located in an LMI census tract . This SBA Underserved Markets deal was a Mission hit for Growth Capital and a great deal for the small business !!!



SBA LINC



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Sassafras Land Design, LLC

Karlyn Green graduated from Ohio State with a BS degree in Landscape Horticulture. She went on to work for Fairlawn Country Club (which is now a client) before starting Sassafras Land Design LLC with a partner in 2013. She bought out her partner in 2015 and now owns the company. Few country clubs have on staff horticulturalists which is Green's specialty. The firm specializes in managing the horticulture for several country clubs along with landscape design, installation & maintenance for commercial buildings. Residential is a small part of revenue and work includes mulch, grading, soil, seasonal and permanent plantings, irrigation and design are all offered by the company. The company was unable to secure additional bank financing and worked with Mike Foss of Foss Business Solutions and a referral was made to Growth Capital. Providing an \$63M permanent working capital SBA Community Advantage loan to fund further expansion in 2019 and it was a Mission Hit for Growth Capital assisting a woman-owned business for an SBA Underserved Market transaction.



CRAIN'S

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Fifth Third injects \$4.7 million into Cleveland's Growth Capital Corp. to make SBA Community Advantage loans

By Jeremy Nobile



Fifth Third Bank announced a partnership with Cleveland's Growth Capital Corp. in which the Cincinnati-based bank will lend the nonprofit association \$4.7 million to support loans to small businesses through the Small Business Administration Community Advantage Loans.

The purpose of that SBA program is to increase access to credit for small businesses. Among various uses, the loans can be used to buy owner-occupied commercial buildings, expand and improve facilities, purchase new equipment, refinance debt and finance acquisitions, according to the bank.

Fifth Third also will provide some technical assistance to businesses through the Growth Capital partnership.

"The SBA Community Advantage program has become critical to getting small businesses the capital they need when they are unable to secure traditional bank financing," said Growth Capital president John Kropf in a statement. "We are a not-for-profit mission lender at Growth Capital, a social enterprise that supports small businesses right here in our communities. Fifth

Third Bank stepped up to support our work, providing financing that will allow us to fund companies with our SBA Community Advantage lending for the foreseeable future. We are making a significant impact with more than 80% of our lending supporting underserved market borrowers."

Fifth Third effectively takes over the role for Goldman Sachs, which has been in a partnership with Growth Capital since at least mid-2013.

There is also a financial donation being made to Growth Capital, the amount of which Fifth Third would not disclose.

"We understand the importance of small business to our economy and our communities. Our collaboration with Growth Capital Corp. will give more small businesses the capital they need to continue to grow. We are excited to see our investment impact lives and build stronger communities," said Fifth Third's Northeastern Ohio president, Joe DiRocco, in a statement.

DiRocco previously worked this market for Citizens Bank. He was named to his position with Fifth Third — filling a role previously held by Jerry Kelsheimer, who was promoted to regional chairman at the time but has since left — last May.

The loans range from \$25,000 to \$250,000. They can only be made to for-profit businesses, with eligible entities being in the manufacturing, distribution, wholesale, commerce and service company sectors. There is no timeline for when that money from the bank has to be deployed.

"The Cleveland District Office of the U.S. Small Business Administration is pleased to see that Growth Capital has obtained additional financial support from Fifth Third Bank so it can continue to provide funding through our Community Advantage program to new and existing businesses," said Gil Goldberg, SBA district director for Cleveland, in a statement. "It is very important that businesses have an alternative to go to when our traditional programs are not the right fit. This way, hopefully, more businesses will be able to create jobs and wealth in our community. This is what SBA and Growth Capital are all about."

Those loans made through the Community Advantage program don't affect the rankings for largest SBA lenders in the market as that's determined by loans made through the SBA's 7(a) loan program.

Nonetheless, Fifth Third ranked fifth in the Cleveland market in FY 2017 by total dollars lent out through that program (more than \$7 million over 34 loans).

Growth Capital placed sixth in the 7(a) program ranking by total dollars lending out \$2.3 million in the prior year in this market. Like Fifth Third, it also made 34 loans.

In an separate development, the injection of capital for Growth Capital follows new micro-capital venture fund Valley Growth Ventures launching last week with \$6 million. That fund is targeting startups in the Mahoning Valley in the business-to-business software, IT, energy, additive manufacturing and advanced materials industries.

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Partnership with Growth Capital Corporation

Purpose: Establish a relationship with Growth Capital Corporation thru a \$10,000,000 Warehouse LOC. The line would be used to fund transactions thru the SBA Community Advantage Program. Fifth Third's Line would replace existing Goldman Sachs credit facility.

Reasons:

- **CRA** – Fifth Third's CRA rating would be enhanced in the following categories.
 1. Investment
 2. Credit
 3. Small Business Lending
 4. Lending to underserved markets
- **SBA Growth** – Once the Community Advantage Loans have seasoned or the businesses have stabilized, Fifth Third would be in a position to refinance these notes with a SBA solution.
- **Expand the Bank's SBA lending platform to new prospects** – Most of these transactions are with businesses that are currently not banking with 5/3rd.
- **Enhance Fifth Third's reputation within the community as a Small Business Bank.**

What is Growth Capital Corp? Growth Capital Corp. was founded in 1982, as a private not-for-profit Certified Development Company, extending financial assistance to local businesses with a focus on job creation and underserved markets in Northeast Ohio. Growth Capital provides creative financing solutions to growing businesses through the SBA 504 and Ohio Regional 166 loan programs as well as the SBA Community Advantage program in conjunction with local bank lenders, assisting over 800 borrowers and leveraging nearly \$1 Billion in small business expansion projects supporting the creation of thousands of new job opportunities to members of our communities, many in underserved markets. Growth Capital is the Number One SBA 504 and SBA Community Advantage Lender in the entire state of Ohio and seeks to be the premier provider of economic development financing in the markets we serve.

What is the Community Advantage Program? The purpose of the Community Advantage Loan Program is to increase the access to credit for small business.

Program Highlights

- Maximum Loan Size: \$250K
- Maximum interest rate: Prime + 6%
- Management and Technical Assistance available when requested

Eligible Businesses

- For Profit Businesses
- Manufacturing, Distribution, Wholesale, Commerce, and Service companies

Use of funds

- Purchase, new, existing commercial buildings (owner-occupied)
- Expand or modernize facilities, purchase machinery, equipment, fixtures, and leasehold improvements
- Finance increased receivables and augment working capital, or inventory
- Debt refinance

Cash Flow

- Debt service coverage ratio on a consistent basis
- For business expansions, historical debt service coverage must provide 1 to 1 coverage with reasonable projections in line with industry RMA standards
- Underwriting will identify and include all reasonable add backs provided they can be documented

Collateral Coverage

- Collateral Advance rates as required/quoted by the SBA
- When loan proceeds are used to purchase assets a first lien position in those assets must be obtained.
- When loan proceeds will be used to refinance existing debt the loan must be secured with the same collateral
- ABA collateral on working capital loans.

Repayment

- The line would be paid down thru sale of the guaranteed portion (up to 85% with 80% average) on the secondary market. As well as P&I payments on the unguaranteed portion. Anything left over would be paid at time of payoff. Historically, Growth Capital has kept the balance paid down to a minimum.

Outcome

- 1. Improved CRA Rating**
- 2. Increased SBA Loan Growth**
- 3. Increased Business Banking Relationships**
- 4. Enhanced Reputation as a Small Business Bank**
- 5. Increased lending to Underserved Markets (Minority, Women and Veterans)**

Growth Capital Corp. — Discover the \$100,000 Business Line of Credit from OnDeck.



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Matt Bernhard
Vice President, Small Business Funding

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This is not a guaranteed offer of credit. All loans and loan amounts are subject to lender approval. Depending on the state where your business is located and other attributes of the loan, your business loan may be issued by Celtic Bank, a Utah-Chartered Industrial Bank, Member FDIC. Your loan agreement will identify the loan issuer prior to your signing. Depending on the location of your business your loan will be originated under either Virginia or Utah law.