



Community Loan Funds

Community Loan Funds offer short-term, micro-loans (usually less than \$20,000 with a repayment of 12 months – 48 months) to enterprising individuals or groups for whom traditional sources of credit are inaccessible. With a viable business plan and idea, entrepreneurs can increase their self-sufficiency through self-employment. Community Loan Funds recognize an applicant's work experience/history, credit history and assets but also their character and ability.

The funds themselves are relatively new (earliest established in 1997) while the organizations administrating them can be quite mature (one was established over 75 years ago).

A credible and established credit union or bank usually hosts the fund. CEDTAP recipients are urban based and working in low-income communities.

Following industry standards, the fund sets aside 10% of total loans out to protect the fund and its investors.

***Patient* investors receive up to 3 per cent on their investment and include credit unions, churches, businesses, government and private philanthropists.**

As a loan fund grows, new loan products and services are created, increasing the need for a larger pool of loan capital.

Other features of Community Loan Funds include:

- **step-lending approach**
- **monthly meetings with loan staff**
- **business support services**
- **one-time administration fee**

**CEDTAP support ranges from :
\$3,000 - \$20,000**

CEDTAP offers a variety of technical services to organizations at different phases of development. The types of technical service accessed in this cluster include sectoral business expertise, administrative systems development and implementation, and results based management.



*"We thank CEDTAP for supporting our objective
in ensuring long-term financial viability."*

Brenda Richardson, Managing Director, OCLF, January 2002

Case Studies:

Riverdale Community Business Centre, Toronto, Ontario

In 1997 the Riverdale Community Business Centre was incorporated as a non-for profit without share capital. "Acce\$\$ Riverdale" was one of its first programs delivered in partnership with Metro Credit Union to give access to credit to entrepreneurs in the low-income neighbourhood. It uses a "step-lending" approach for small businesses that require more than one loan to meet start-up or expansion needs. The centre also provides *free* business support services to loan recipients.



Ottawa Community Loan Fund, Ottawa, Ontario

Established in 2000, OCLF enlists donations and loans from the Ottawa community, local business, government and other non-profit groups to create a pool of loan funds. OCLF loans begin at \$1,000 and go up to a maximum \$15,000 with interest rates that range from 3-7% above the current prime rate. Loan repayment terms range from 12 to 48 months. Loan capital is then lent out to individuals and groups who meet the eligibility requirements and have successfully completed the loan application and review process. Dedicated representatives from the private and public sector have joined together to form a Board of Directors which provides ongoing support and direction to ensure the success of the OCLF.

Other Community Partners:

1997-2000:

The Social, Ecological & Economic Development Society, British Columbia
Saint John Community Loan Fund, Atlantic Region

2001-2003

CEDCo Victoria, British Columbia

The Loan Circle Society, Prairies

PARO: A Northwestern Ontario Women's Community Loan Fund, Ontario

Fonds d'emprunt économique communautaire, Québec

Saint John Community Loan Fund, Atlantic Region

The CEDTAP Contribution:

The Business Centre sought to strengthen the reach of its other programs within the local economy. To undertake this growth, the Centre first needed to measure the effectiveness of its loan fund.

CEDTAP support allowed the Centre to hire the technical services of Lutherwood CODA for a fund evaluation and internal monitoring system implementation.

A secondary component provided an assessment of how the organization was progressing in building a community base and its organizational capacity.

By expanding its mandate to include "self-reliance" lending, the OCLF has been able to make 8 loans in the past few months to Foreign-Trained Teachers and Nurses who are enrolled in accreditation programs.

In 2002, \$125,000 was raised from an individual and a foundation, which enabled loans to be given from donated capital. The Board understands that the OCLF is capable of raising in excess of \$1 million dollars to meet community needs.

