



### **Q: What is Co-op Capital?**

A: Co-op Capital is a relationship-based, micro-lending program funded and supported by the W.K. Kellogg Foundation and Nusenda Credit Union, and is part of the City Alive collective impact initiative. Its aim is to widen access to affordable, accessible, and culturally adept financial opportunities for lower-income entrepreneurs and entrepreneurs of color in Albuquerque.

While character-based, community-circle micro-lending is not new to the field of financing, especially internationally, the foresight to offer these loans through partner organizations versus a banking institution is largely untried in the United States. Co-op Capital flips the traditional model of a borrower applying for a loan through a financial institution. Instead, a partner organization, such as a nonprofit, community organization or educational institution, applies for this Co-op Capital funding and, in turn, sponsors a loan on behalf of one of their member affiliates.

This micro-loan program does not rely on the traditional “5 Cs of Credit” (character, capacity, capital, collateral, conditions), but on trusted relationships between partner organizations who receive this funding and potential borrowers in the communities they serve.

This program has been called the “alternative to the alternatives” as it does not require credit, collateral, or status; and shifts the decision-making authority to community organizations, nonprofits, and institutions based on character, goals, and determination so entrepreneurs can build businesses that succeed. It also fills a gap – allowing access to capital to those who may not qualify under other lenders’ criteria; it also offers another avenue besides predatory lenders.

The partner organization (applicant) sponsors a low-interest loan through its Nusenda Credit Union deposit account; Nusenda in turn provides the origination, servicing, and credit reporting.

Partner organizations decide whether to make the loan based on their own criteria and relationship with a prospective borrower. Credit reports from potential borrowers are not required; instead, the relationship between the partner organization and the borrower drives the loan approval process. Partner organizations work with Nusenda to provide comprehensive supports and communication with borrowers to ensure repayment. Additionally, those organizations that make timely payments and follow the terms of their agreements could also see positive impact on their credit reports.

**Q: Does my organization need to have prior lending experience to become a Co-op Capital partner?**

A: While your organization does not need to have prior lending experience, it does need to have trusted relationships with potential borrowers in the communities it serves. Once approved for the program, your organization will make its own loan approval decisions based on knowledge of the potential borrower. Nusenda Credit Union will provide the origination, servicing, and credit reporting; and will work with organizations to help borrowers successfully repay their loans.

**Q: If we wanted to work with another organization, is partnering possible?**

A: Partnerships with other organizations are encouraged as a way to provide additional borrower support, and to add to organization's ability to fulfill program requirements.

**Q: Will my organization get help in developing our Co-op Capital program?**

A: This program is committed to supporting organizational partners so they can successfully implement Co-op Capital. At the beginning of the process, organizations will engage in a comprehensive planning process. At this time, organizations will develop loan program criteria, decide on loan approval processes, establish data collection systems, and develop a loan application, and more. Ongoing support and learning opportunities will also be available.

**Q: Do organizations need to provide financial education to borrowers?**

A: The program requires borrowers to receive financial education. Either the Co-op Capital team can help develop a plan with you, or can provide customized financial education to meet specific needs.

**Q: What is the Co-op Capital loan interest rate?**

A: Nusenda charges a non-negotiable 5% APR interest on all Co-op Capital loans.\*

**Q: Do partner organizations earn any of that interest?**

A: Partner organizations do not receive any of the 5% interest rate.

**Q: Can partner organizations earn revenue through the Co-op Capital program to offset implementation costs?**

A: There are multiple options that organizations can pursue to earn revenue. For example, organizations could charge an application fee, a one-time service fee based on the loan amount, or a "pay it forward" fee. Organizations are not required to charge any additional fees.

**Q: Do partner organizations need to provide collateral for these loans?**

A: Partner organizations are required to provide 10% collateral. Collateral is also provided by Co-op Capital partners Nusenda Credit Union (20%), and by private foundations such as the W.K. Kellogg Foundation (70%). Collateral funds will be stored in three separate accounts; all collateralizing loan funds are frozen, meaning that partner organizations cannot withdraw funds until all loans have been repaid.

**Q: Do partner organizations earn interest on the 10% collateral?**

A: The account will accrue interest proportionate to Nusenda's current savings account rates. Organizations will not earn interest on matching collateral provided by Nusenda, W.K. Kellogg Foundation, or any other funders.

**Q: What are the repayment terms?**

A: Each community partner can determine the loan terms offered to borrowers, ranging from 12 to 180 months. Loan repayment terms do not need to be consistent among borrowers\*.

**Q: Do Co-op Capital partner organizations need to become a Nusenda SEG (Select Employer Group) member?**

A: Yes, because Co-op Capital is a product/service available only to Nusenda Credit Union members. Becoming a SEG member also enables partner organizations to provide access to affordable financial services at no obligation or cost.

**Q: Does a borrower need to become a Nusenda Credit Union member?**

A: Yes, because funds must be disbursed to a Nusenda account.

**Q: If a borrower doesn't pay back the loan, how is payment collected?**

A: All defaults are charged to the partner organization first, Nusenda Credit Union second, and the W.K. Kellogg Foundation last. Per agreed upon terms and after prior notice, default payments will be withdrawn from organizations' accounts that hold the 10% collateral.

**Q: Does Nusenda report payments to credit bureaus?**

A: Yes, borrowers that make timely payments and follow the terms of their agreements could also see positive impact on their credit reports.

**Q: What happens if a borrower is located in a place that doesn't have a Nusenda Credit Union branch?**

A: Borrower can access funds via shared branching, co-op ATMs, foreign ATMs (may have associated fees), bonded checks, or Nusenda's Internet Banking and Mobile Banking apps.

**Q: When is borrowers' first payment due?**

A: Borrowers have up to 90 days until the first payment is due. Payments cannot be deferred for longer than 90 days.

**Q: Are borrowers required to have a Social Security Number?**

A: No. An Individual Taxpayer Identification Number (ITIN) can be used in lieu of a Social Security Number.

*\*For example, you could pay as little as \$87.76 per month for a \$2,000 loan, 5.00% Annual Percentage Rate for 24 months. APR effective date of loan inception; the program could change per the conditions of each Memorandum of Understanding (MOU).*

