

Albuquerque Entrepreneurial Co-op Capital

Request For Proposals

Issue Date: March 5, 2018

Submission Deadline: April 14, 2018, 11:59 p.m. MST

Inquiries: info@coopcapitalnm.com

Request To: Organizations

Albuquerque, New Mexico



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1. Overview of the Requirements

The main objective of this Request for Proposals (RFP) is to determine which organization(s) have the ability, vision, and commitment to successfully implement and manage a Co-op Capital entrepreneurial pilot project.

This RFP is intended for existing and established organizations serving Albuquerque, New Mexico interested in addressing economic challenges in their communities in new and innovative ways.

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, equitable, and culturally adept financial opportunities for lower-income entrepreneurs and entrepreneurs of color in Albuquerque.

Implementation and expansion of the Co-op Capital program is crucial if we wish to see entrepreneurs in our city: **a) create new jobs, and b) sustain investment in Albuquerque.** The Co-op Capital model provides a much-needed, fresh perspective on how alternative lending could be designed and become a widely accessed source of financing for entrepreneurs looking to start new businesses or expand existing ones.

2. Description of Co-op Capital: Program Specifics

Access to capital is one of the greatest barriers to starting and growing businesses. The Co-op Capital program is challenging how businesses and entrepreneurs can access and receive financial assistance.

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.

We anticipate that Co-op Capital loans will accelerate progress towards multiple results, including supporting entrepreneurs to start and expand existing businesses. We also anticipate that this program will accelerate and showcase your organization's commitment to community and interest toward the common good in the areas you serve.

Organizations funded under this RFP will conduct the following:

- Identify and recruit prospective borrowers who are otherwise unable to access affordable capital.
- Evaluate prospective borrower loan requests based on their criteria, prior relationships, and other measures of creditworthiness (income, business plan, etc.) to determine program eligibility.
- Determine the appropriate size of loan given to prospective borrowers based on their needs and likeliness to successfully repay the loan.
- Provide tailored support to prospective borrowers and work with Nusenda to optimize a successful repayment plan.
- A 10% collateral for all loans they facilitate to secure the loans.
- Provide or link borrowers to financial literacy class(es) to support repayment. Nusenda Foundation can offer technical assistance to meet this required service.

3. Non-Negotiable Components of Co-op Capital

Co-op Capital under this program is subject to the following non-negotiable components:

- Grantee organizations must become a Select Employer Group (SEG) and member of Nusenda Credit Union.
- Grantee organizations must provide 10% of the collateral for all loans they facilitate as collateral. In the event of delinquencies, the Grantee Organization's collateral is the first funding to be utilized.
- Nusenda will charge 5% APR interest on the loans*. Grantees do not earn any of the 5% interest, but 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;
- Loan payments must begin within 90 days after loan approval*;
- Loans under this program cannot exceed \$10,000*;
- Repayment terms range from 12 to 180 months. Loan repayment terms do not need to be consistent amongst borrowers*;
- Borrowers must receive financial education. If requested, the Nusenda Foundation will work with your organization to develop a financial education plan and provide curriculum.

See **Appendix B: Co-op Capital FAQ** for more details.

4. Grantee Requirements

Organizations that receive funding from the Co-op Capital Program will be required to engage in the following activities:

Planning Phase: Must be completed prior to approving Co-op Capital loans. The planning phase will take between three and six months. During the planning phase, grantees will work with contracted Nusenda Foundation Project Managers to establish the loan criteria, loan approval process, application, data collection system and more. See **Appendix C: What to Expect** for more details.

Borrower Management: Grantee will approve loans and engage in ongoing borrower management efforts aimed at supporting borrowers to successfully repay their loans and build their credit.

Quarterly Reporting: For the purpose of evaluating this micro-lending program, grantee organizations are required to collect demographic and social outcome data for borrowers, and to report on that data on a quarterly basis. The Nusenda Foundation will provide a reporting template to grantee organizations that includes data to be reported to the W.K. Kellogg Foundation and other funders supporting this initiative.

Peer-to-Peer Learning Advisory: Grantee organizations are required to participate in no less than three peer-to-peer learning activities with other grantees organizations also participating in Co-op Capital. The intention of the peer-to-peer learning activities is to identify and share promising practices. Peer-to-peer learning activities may take place in person, via webinar, or via teleconference.

5. Request for Proposals

5.1 ***Inquiries***

All inquiries related to this RFP are to be directed, in writing, to the email address: info@coopcapitalnm.com. Information obtained from any other source is not official and should not be relied upon.

5.2 ***Closing Date***

A completed electronic copy of each response must be received before **11:59 p.m. MST, on April 14, 2018** at info@coopcapitalnm.com. Responses must not be sent by facsimile or via US Postal Service.

5.3 ***Late Responses***

Late responses will not be accepted.

5.4 ***Proposals Review Committee***

The Nusenda Foundation and its contracted project managers will conduct a review process.

5.5 Review and Selection

The proposal review committee will check responses against the mandatory criteria. Responses not meeting all mandatory criteria will not be considered for review. If you were not selected for funding and you would like to discuss why, please email us to set up a meeting.

5.6 Signed Responses

An electronic signature from the Executive Director and/or Program Director will be required on the 'Respondent Information Form' document.

5.7 Acceptance of Responses

The RFP is not a binding agreement to purchase goods or services. Responses to this RFP will be assessed in light of the qualification review criteria.

6. Capacity Grant Funding Availability and Award Period

Nusenda Foundation anticipates funding two to three organizations in this cycle. Capacity grants will range in size, up to \$30,000. Grant size will be determined based upon availability of Nusenda Foundation funds.

The grant award period is 12 months. Grantees will receive 25% of the grant award upon signing of grant agreement. The remaining 75% of the award will be paid upon signing of approved Co-op Capital Memorandum of Understanding between organization and Nusenda Credit Union, expected to happen after the three-month planning period. It is important to note that there is no guarantee of future grant funding beyond this grant cycle, even though loan terms extend beyond 12 months.

7. Evaluation Criteria

We will evaluate proposals on the following criteria:

1. Alignment between Co-op Capital and stated organizational mission;
2. Organizational capacity to successfully implement Co-op Capital;
3. Level of relationship organizations have with proposed target population;
4. Demonstrated experience and/or interest in growing Albuquerque entrepreneurs;
5. Demonstrated experience and/or interest in utilizing innovative strategies;
6. Size and number of loans organization proposes; and
7. Support services to be offered.

8. Submission Requirements

- A. A completed Respondent Information Form (see **Appendix A**)
- B. Organizational Budget
- C. Board of Directors List

9. Conflict of Interest

The respondent should disclose conflicts of interest, in writing, to the review committee who will consider the nature of the respondent's responsibilities and the degree of potential or apparent conflict in deciding the course of action the respondent needs to take to remedy the conflict of interest.

A conflict of interest exists wherever an individual could benefit directly or indirectly from access to information, or from a decision over which they may have influence, including a perceived conflict where someone might reasonably perceive there to be such benefit and influence. A conflict of interest occurs when a staff member or consultant attempts to promote a private or personal interest that results in an interference with the objective exercise of their job responsibilities, or gains any advantage by virtue of his/her position. Conflicts of interest may be real, potential, or perceived.

10. General Conditions

a. Awarding Entity

Nusenda Credit Union Foundation will be the contracting entity in regards to this RFP.

b. No Obligation to Award

This solicitation (RFP) does not oblige Nusenda Credit Union to award a contract to any respondent. Nusenda Credit Union may, at its discretion, revise the selection process as described in Section 3, the schedule of events, or may request further information from any respondent; or may withdraw or modify this RFP in part, or in its entirety.

c. Proposal Participation

Participation in this RFP is voluntary and can be withdrawn at any time by submitting written notice to info@coopcapitalnm.com.

11. Appendices

- **Appendix A: Respondent Information Form**
- **Appendix B: Co-op Capital FAQ**
- **Appendix C: What to Expect When Your Organization Becomes a Co-op Capital Partner**

**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).*

Respondent Information Form

Name of Organization:

Email Address:

Address:

Phone Number:

Director Name/Title:

Electronic Signature:

Organizational Information:

1. **What is the mission of your organization?**
 - a. How old is your organization?
 - b. What is your geographical focus area?
2. **Can you provide some examples of your programs?**
 - a. How do people qualify for your programs?
3. **Who is the target population for your organization?**
 - a. Do they experience barriers accessing capital and if so, why?
4. **Does your organization support entrepreneurship/small business development?**
 - a. If yes, what support do you provide? (examples: training, incubation, mentorship, classes, certification, and/or financing)
 - b. If no, why is it important for your organization to support entrepreneurship?
 - c. Does your organization currently or previously have any direct lending programs? If yes, please describe.

Proposed Pilot:

1. How much funding are you requesting? Please describe how you propose to use those funds.
2. Why are you interested in participating in the Entrepreneurial Co-op Capital program?
3. How many Co-op Capital loans to entrepreneurs do you estimate approving in year one? How is your estimate calculated?
4. Knowing that there is a cap of \$10,000 for loan size, what do you anticipate the average loan size you would approve would be? How is your estimate calculated?
5. **Who is the target population for your proposed loan program, and how are they experiencing barriers to accessing capital?**
 - a. Is your organization's mission statement explicitly focused on serving that population?
6. **What kind of support will you provide to your borrowers that would be helpful to increase repayment?**
 - a. Are those supports you are currently providing, or are they new supports you are proposing to provide?
7. **Do you currently have the capability to participate in the Co-op Capital project, including active engagement with borrowers and at least three in-person, peer-to-peer advisory sessions?**
 - a. If no, what would your organization need in order to participate?
8. How will you measure success for this loan program?

Please refer to the document titled: **Respondent Information Form.doc** to complete and submit your respondent information.



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.

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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).*



What to Expect When Your Organization Becomes a Co-op Capital Partner

The following list of activities is not exhaustive. It is intended to provide applicants with a good sense of some of the activities that will take place during the planning phase, the grant implementation phase, and after the grant ends. The planning phase is anticipated to take three months, but could take as long as six months. The implementation phase will not begin until the planning phase is complete.

Please contact your assigned Nusenda Contracted Program Manager with any questions.

<p>Phase One: Planning: Months 1 to 3</p>	<p>Establish select employer group membership with Nusenda Credit Union; work with Project Managers to finalize organizational loan criteria, including identification of eligibility, internal loan approval process, and strategy for borrower management; participate in peer-to-peer learning session with other partner organizations; identify an internal data collection system; complete planning questionnaire; sign Memorandum of Acceptance with Nusenda; open Co-op Capital-specific account at Nusenda with 10% collateral.</p>
<p>Phase Two: Implementation: Months 4 to 12</p>	<p>Approve loans; conduct borrower management; work on sustainability planning with Contracted Program Manager; participate in monthly check-in meetings (can be telephonic) with Program Manager; participation in peer-to-peer learnings among other partner organizations (in-person, webinar, or satellite); collect data and submit quarterly data reports, including demographic data and qualitative borrower success stories*; participate in Nusenda's evaluation efforts; participate in Nusenda's public relations and marketing efforts around this initiative.</p>
<p>Sustainability Plan: (ongoing for the life of loan terms)</p>	<p>Conduct ongoing borrower management; continue relationship with Nusenda.</p>

*Note: Nusenda Credit Union Foundation receives grant and investment support from a variety of external funders to support the Co-op Capital program. Data and evaluation requests may come directly from Nusenda or from those external funders, and all data may be shared by Nusenda with any or all of those external funders at the discretion of Nusenda Foundation.