

## THE INDIANAPOLIS CHAMBER FUND: \$4.9 MILLION (AND GROWING) BRIDGING LOAN FUND

On March 30, 2020 Mayor Joe Hogsett and the Indy Chamber launched a regional Rapid Response Loan Fund to help small businesses throughout central Indiana manage economic disruption due to the COVID-19 pandemic. Through this fund, the Indy Chamber [is providing loans](#) between \$1,000 - \$25,000 through their rapid resource hub as bridge financing to support small businesses before SBA loans become available. It also provides wraparound technical support for small businesses navigating emergency funding. We profiled it as a model Business Chamber fund.

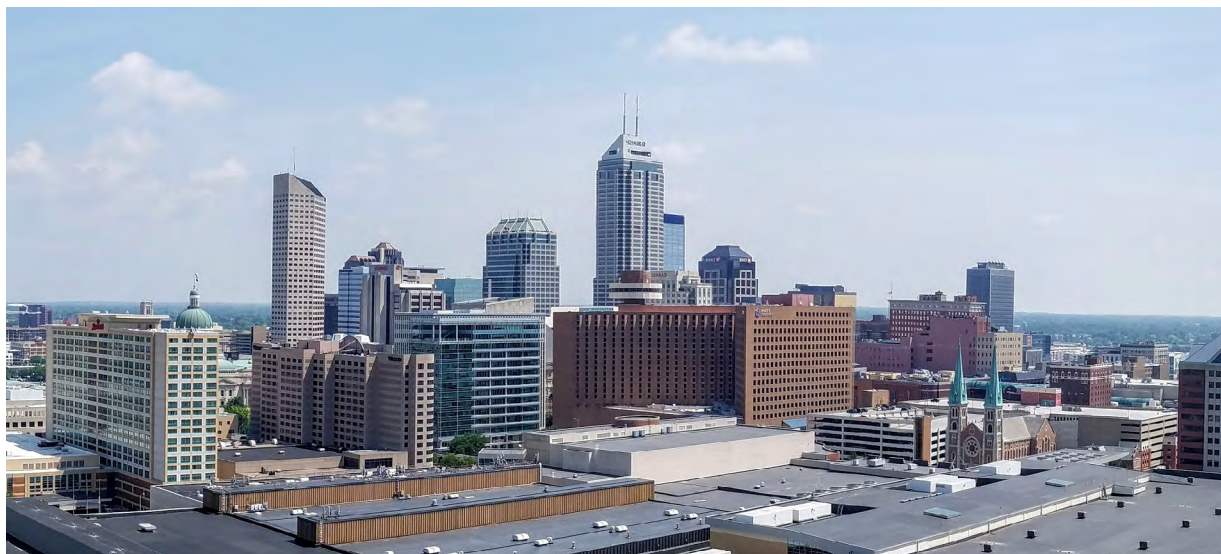
**Capitalization:** This unique public-private partnership was established with a \$10 million capitalization goal. It started with nearly \$3 million secured from local government, businesses, philanthropy and the Indy Chamber. The Fund attracted an additional \$2 million within a week of launch. Funds came from existing available loan capital, additional loan capital from the City, Capital Improvement Board, Anthem, banks, and philanthropy. The funds were raised through the head of the Indy Chamber's appeals to the City of Indianapolis, business, and philanthropic interests. Because the Indy Chamber houses a CDFI, business and philanthropic contributions to the Fund can take the form of investments or grants.

**Rationale:** The Fund fills gaps in the existing SBA framework. It services small businesses who need smaller loans than the SBA traditionally provides and work in industries not traditionally served by the SBA. Although the PPP is well-designed, it's limited by the traditional SBA distribution channels which cannot support demand and often service clients with existing lending relationships. This limits access for some of the vulnerable small businesses: recently-established businesses, those which lack lending relationships, microbusinesses, and those in sectors traditionally unserved by the SBA. The fund targeted them by providing smaller, working capital loans than the SBA to small businesses in an expedited timeframe before cash flow challenges result in unavoidable workforce reductions.

### *Logistics of running the fund*

**Administration:** The Indy Chamber houses a 501(c)(3) CDFI called the Business Ownership Initiative that is running the fund. As a microlender, SBA microlender, and CDFI with clear channels of communications with banks and the SBA, they are able to maintain a general understanding of challenges and needs within the small business funding community.

**Application process:** The application is run through a website that outlines eligibility and where interested applicants email a representative of the Chamber. The response email clarifies what application materials are required. This is to ensure a secure transfer mechanism.



Downtown Indianapolis, IN. Image Credit: [Wikipedia](#).



**Promotion:** The Indy Chamber has access to previous and current member businesses and clients. However, 70% of the loan inquiries to date are from non-member businesses. The Chamber launched a Rapid Response Hub on March 16th, which has a social media strategy that has been key to inquiries. They are also providing technical assistance to microbusinesses who apply.

**Loan sizing:** Loans range from \$1,000 to \$25,000 and interests are 3.75% across the board. The chamber has been transparent with investors that there may be more charge-offs than their usual rate, but that they expect this will allow more businesses to stay open—lessening charge offs in aggregate.

**Allocation criteria:** Loans are allocated based on traditional CDFI underwriting criteria, but with some of the time-consuming parts of the process taken out (requiring fewer years of financial statements, for example). The Chamber is also taking several steps to improve the inclusivity of the fund, including eliminating the need for credit scores and allowing immigrant entrepreneurs to use their ITIN instead of a social security number.

**Distribution Time:** The chamber has temporarily reassigned their sales, events, and economic development teams processing loan applications. They have regular training and process review meetings to streamline the process. They are processing loans as fast as they can.

**Reporting:** The Chamber will be compiling data on XBE business, geography, amount, and industry in addition to typical application criteria (detailed below).

**Results so far:** It took the chamber 72 hours to reach the \$10 million of inquiries (the fund goal) and only 24 hours to hit the mark of funds already in the fund account and committed or soon to be wired to the fund. On Friday (April 3) alone, they closed 80% of their annual loan goal for 2020. Their inquiries represent 15 times the annual volume they usually have. The vast majority of inquiries and applications have come from businesses of 10 or fewer employees, and many have represented the restaurant and personal/professional services industries.

**As of April 6, 2020:**

Total inquiries	Average loan request	Total loan requests	Current funding goal	Current funds raised	Current gap
682	\$19,234	\$13 million	\$10 million	\$4.9 million	\$8.1 million

Who is eligible?	Required on Application	Loan terms
<ul style="list-style-type: none"> <li>For profit businesses under 500 employees.</li> <li>Businesses do not need to be members of the Chamber to receive a loan.</li> </ul>	<p>In general (not exhaustive) they review:</p> <ul style="list-style-type: none"> <li>credit history; however, credit scores do not determine loan eligibility.</li> <li>organizational documentation.</li> <li>tax returns.</li> <li>paystubs and proof of personal income.</li> <li>bank statements.</li> <li>statement of profit and loss.</li> <li>balance sheet.</li> <li>debt schedule.</li> </ul>	<ul style="list-style-type: none"> <li>Terms and conditions mimic SBA Paycheck Protection Program: forgivable for 6 weeks, 1% fixed interest rate due within 2 years, with all payments deferred for 6 months.</li> </ul>

**Next Steps**

Fundamentally, the Indy Chamber needs more capital to serve these businesses that the PPP cannot. Their ability to successfully raise loan cap from private and philanthropic sources would improve dramatically if the CARES Act / PPP backing were to expand to non-traditional CDFI community lenders to participate in capital deployment. In short, their community-based program could grow exponentially to meet needs if it were included as a PPP lender.