To: Kevin Baffa and Karen Simons, Chester County Community Foundation

Community First Fund’s COVID-19 Emergency Fund

Overview: In March of 2020 the global pandemic disrupted our communities. To protect the health and safety of residents, Governor Tom Wolf ordered nonessential (non-life sustaining) small businesses to shut their doors and essential businesses, like restaurants, to drastically change their business model. All Pennsylvania residents were ordered to stay at home. This disruption in the economy has created incredible challenges for our region’s micro and small businesses—businesses which give communities their unique identity: filling store fronts, providing jobs, and contributing to the economic vibrancy that make these areas amazing places to live, work, and play. The impact of the Commonwealth’s mandate is evident. We are seeing that 70% of businesses have furloughed employees, reduced staff salaries and/or hours, most have had to change their business model, or stopped operations entirely. For those that are able to remain open – such as restaurants that are now open for take-out only – they are seeing revenues reduced by more than 50%.

Challenge: Small businesses, many of those with limited cash reserves are facing significant cash flow issues: unable to pay employees, vendors, insurance bills, and make their existing debt payments. A report issued by in April by McKinsey notes that 50% of small businesses have less than 30 days of available cash for operations. Community Development Financial Institutions (CDFIs), like Community First Fund, are poised to act “first responders” for the small business community.

While the federal government and the Commonwealth of PA have responded with emergency funds, these resources will not be enough to address the full impact that the mandated shutdown has on businesses. Furthermore, most of the very small “mom and pop” businesses are not able to meet the state and federal application requirements. Due to the nature of the CDFI model, the risk tolerance is higher than a bank. Typically, the banks that offer government-backed loans, focus on businesses with annual revenues of $5,000,000+ offering them loans of $500,000+ for business with strong credit scores (700+). Revenues for Community First borrowers are below $5,000,000 and the average credit score is 600-650. In summary, while the amount of federal resources are extensive, we have already seen that demand has outweighed the needs, and we expect larger businesses to have the capacity to access those funds more rapidly than the small business owner.

Community First’s COVID-19 Response: We have developed a multi-tiered approach to support our clients and the local small business community. Each of these emergency response components require an immediate need for new grants to bolster our loan fund.
Tier 1: Comprehensive Technical Assistance for Existing Clients – We are providing extensive business technical assistance and financial assessments of our most vulnerable businesses. We are providing our clients relief by waiving late fees and deferring loan payments for up to 90 days.

Tier 2: We are supporting our clients through the various, and often complex, federal program applications, including the CARES Act resources from the U.S. Small Business Administration (SBA), which offers several flexible loan products to eligible businesses.

Last week, we began processing SBA Payroll Protection Program loans; within 72 hours we processed more than 100 applications for $15 million, and now await approval of these loans from the SBA. While the SBA guarantees payment of these loans, Community First directly deploys our loan capital to the borrowers. Due to the overwhelming demand, we are in need of new grants to support funding of these loans.

Tier 3: Community First Emergency Loan Fund – We have designed favorable and cost-sensitive emergency loan fund products for qualifying small businesses located throughout our market. We are prioritizing businesses that meet our mission, including those that are located in low-income communities or those owned by People of Color. We also are prioritizing existing clients, and those that have the most promise to rebound, once they are permitted to restart operations.

- Micro Business Loan Fund - Up to $25,000 loan for businesses with annual revenue less than $250,000
- Small Business Loan Fund – up to $50,000 for businesses with annual revenues between $250,001 and $1,000,000.

Key Loan Features:

- 12 months interest only
- 6 months at 0% interest, followed by amortization up to 5 years with favorable interest rates
- Expedited underwriting procedures

Our Request: In order to offer the most favorable interest rates to our borrowers we are seeking a $100,000 grant from Chester County Community Foundation for our emergency loan fund.

A grant to Community First Fund ensures:

- Replenishment of the general loan fund account for Community First clients.
- Additional Emergency Loan Fund capital for small businesses in need.
- Money to support operations and cushion us from potential loan losses due to the current economic environment.

Long term you’re helping our community’s small businesses survive and recover from the pandemic supporting our most vulnerable neighborhoods and families with the means to weather the storm.