

2020

LiftFund Small Business Harvey Relief Fund

Impact Report



DREAM IT. FUND IT.



Tenisha Rasul, Pak Fair Logistics
Tenisha is proud to be in the trucking industry because she knows it is critical to the country's economy. After Hurricane Harvey, Pak Fair Logistics needed a new flatbed trailer. LiftFund worked with Tenisha to get her business back on its feet through a disaster relief loan. "The business allows me to support my family" said Tenisha.



Dana Alsop knew her life would change as Hurricane Harvey hit Refugio, Texas, in August 2017. The storm impacted her home and damaged the roof and interior of her event space, A Little Britt of Heaven, and floral shop, Britt's Floral. In Houston, Chef Yolonda Henry was in her 15th year managing Nusky's Fine Catering, a full-service catering business. Flooding from the storm ruined her equipment, her inventory, and the business' building.

Despite the devastation, Dana and Yolonda, like many other small business owners, refused to let the storm change their commitment to their communities and their businesses. Yolonda, knowing that there were clients who relied on her business, started looking for a new location and funding to reopen. Dana used the side of her damaged building as a supply and grocery distribution center for individuals



Dana Alsop, A Little Britt of Heaven and Britt's Floral

and families in need, all while trying to figure out how she would get the money needed to repair and reopen her business.

"In the beginning it was very concerning. We didn't know where funding was going to come from, we didn't know how the insurance process was going to work... that, to me, was the most frightening - the unknown," said Dana.

Help for Dana and Yolonda came in the form of a loan from LiftFund, who, along with a community of generous donors and supporters, created a disaster relief loan fund designed to support small businesses affected by Hurricane Harvey. Through the fund, Yolonda secured a loan to rent a new, larger location near downtown Houston, purchase new equipment, and ultimately expand her business by introducing new services and event space for rent. To manage and sustain her recent growth, Yolonda has plans to grow her team and hire additional employees. In Refugio, Dana received a relief loan to help repair her event space and storefront. Her two businesses are up and running and her venue continues to serve as a community gathering space.

Harvey's Impact

Dana and Yolonda represent two of the millions of people and businesses impacted by Hurricane Harvey. The category 4 storm brought 130 mile-per-hour winds and 60+ inches of rain over just 4 days. Over 8 million residents across 41 counties were affected. Over 100 people lost their lives due to the storm and there was more than \$125 billion in total damage, making Harvey the second costliest

hurricane in history after Hurricane Katrina. A few years on, many communities are still struggling to rebuild.

According to the Federal Emergency Management Agency (FEMA), more than 40% of businesses will never reopen after a disaster and, of those that do, only 29% will still be in operation after two years. As is often the case with natural disasters, Harvey was more devastating for low- and moderate-income (LMI) communities and minority communities. According to the Rebuild Texas Foundation, more than 700,000 LMI-owned and minority-owned businesses were affected by the storm. Businesses suffered building damage, equipment damage, lost inventory, and disruptions in sales. Many business owners found it difficult to obtain, or were ineligible for, financial relief from the Federal Emergency Management Agency (FEMA) and the Small Business Administration (SBA). And only 17 percent of businesses affected by Harvey had business disruption insurance. One year after the storm, according to the Rebuild Texas Foundation, an estimated 51 percent of LMI-owned and minority-owned businesses had yet to reopen.

Small businesses are an engine for economic prosperity, and they form the backbone of the U.S. economy. They are key sources of employment and economic activity for cities and towns across the



Chef Yolonda Henry, Nusky's Fine Catering

Clients Served



73%
Minority
entrepreneurs



45%
Female entrepreneurs



61%
Low-and-Moderate-
Income entrepreneurs

country. But beyond that, as the stories of Dana and Yolonda make clear, small businesses are an integral part of the life of their communities. When a natural disaster like a hurricane strikes, small businesses are critical to rebuilding communities, but they often need support to get back on their feet.

Disaster Relief Lending: Our Impact

In response to the devastation brought by Harvey, LiftFund created a disaster relief loan fund with the support of national and local partners. Through the fund, LiftFund has provided interest-free loans up to \$35,000 and business support to businesses to help them stabilize, recover, reopen, and grow in the aftermath of the storm.

Since Harvey, LiftFund has lent \$7 million to over 320 affected businesses. Our borrowers are overwhelmingly minority entrepreneurs, a majority of them are LMI, and almost half are women. In addition to lending, we have provided almost 700 hours of business counseling and technical assistance to over 300 individual business owners. As a result of our lending, the businesses we have supported have retained over 1,000 jobs and have created an additional 700 jobs.

Our Impact



\$7million

Total relief funds loaned



323

businesses

Supported with relief funds



701

Jobs created as a result of relief lending



1,188

Jobs retained as a result of relief lending



778

Counseling sessions



40

Take Action Now

Workshops and resource fairs



619

Workshop attendees



50+

Community partners

Disaster Relief Lending: The Backstory

When Harvey hit, our first concern was to find ways to support our existing clients. Our staff contacted our clients immediately to understand the magnitude of the damage and their needs. Beyond the disruption to their businesses, we knew that our clients were struggling to cope with the impact of the storm on their homes, schools, and neighborhoods. We also know from our 25 years of experience that when our clients fall behind on their payments, it gets harder and harder for them to catch up. In the immediate aftermath of the storm, we offered our existing clients who were located in affected areas, the option to modify their loans to defer payments for up to 4 months. Our staff contacted them directly to explain the details. Eligible clients also received an email that allowed them to opt into the loan modification program with the click of a button. Clients decided if they wanted to participate, and if so, how long they wanted to defer payments, up to the 4-month maximum. Of the clients who were eligible for loan modifications, approximately 50 percent opted in.

Toña's Taqueria

One of the 323 individuals that received a loan from LiftFund was Maria Castanon, owner of Toña's Taqueria in Corpus Christi, Texas. Toña's Taqueria has been around for over 20 years and was originally owned by Maria's dad. She acquired the business from him in November 2016 after he suffered a heart attack and had to change his lifestyle in order to maintain his health. Like for many small business owners, the business is Maria's only source of income and the means to support her family. When Harvey hit, the wind blew off a portion of the restaurant's roof, and the rain damaged the appliances inside and ruined her food supply. Having no insurance, Maria applied to FEMA and the SBA, but was declined because of credit. Her Credit Union considered the restaurant a startup business, so she was unable to borrow sufficient funds to begin the repairs. With support from LiftFund, Maria was able to begin the repairs needed to reopen her restaurant.

Our next concern was how to get funds into the hands of more small business owners in order to help them recover, reopen, and operate their businesses.

The Loan Fund

As a result of many conversations among staff and with funding partners, clients, and community partners, we designed a Harvey relief loan fund that provided 0% interest loans with no payments for the first 90 days to established businesses (meaning those with at least 6 months of operations prior to the storm). The loans initially were capped at \$15,000, but we soon learned that business owners needed more capital, so we raised the maximum loan amount to \$25,000. Later on, as businesses transitioned from stabilization to rebuilding, we increased the maximum loan amount to \$35,000. As with all of our lending, we also provided business owners with technical assistance to help them strengthen and grow their business. Our long-time partner, JP Morgan Chase, seeded the interest buy down for the program.

The Funding Partners

Immediately after the storm, we were receiving calls on how funders could help. Goldman Sachs provided a low cost \$5 million loan fund for the program.

Through the generous support of Goldman Sachs, the Rebuild Texas Fund (a joint effort of the Michael & Susan Dell Foundation in collaboration with the Office of the Texas Governor's OneStar Foundation), JPMorgan Chase, Groupon, and other generous donors, we were able to capitalize the loan fund, buy down interest rates, create a loan loss reserve, and provide financial support to our community partners. Our investment partners supported us beyond their financial contributions. Goldman Sachs connected us to organizations that had experience helping small businesses recover from Hurricane Sandy, which improved our loan fund design efforts. Rebuild Texas Fund helped facilitate community partnerships in the Coastal Bend region, which helped us to reach small businesses.

The Community Partners

To get funding into the hands of small business owners, we worked with over 50 community partners throughout the counties affected by Harvey. Our partners included local chambers of commerce, community colleges, Small Business

Development Centers, and others who helped us conduct outreach to small businesses and help individuals apply for loans.

The Lending Process

Given the devastation of the storm and the precarious situation many small business owners were in, it was important to find ways to be flexible and expedite the lending process while still conducting due diligence. We created and utilized a Business Recovery Form questionnaire that asked applicants about their recovery needs, their plan for using funds, and any other recovery funding they expected to receive. The form was available online and was also administered in person by our staff and community partners. Our outreach efforts included co-hosting 40 Take Action Now events with our community partners. At these events, small business owners learned about the 0% interest loans and were able to complete the Business Recovery Form and loan application on site.

For existing customers, with whom we had a relationship and for whom we understood their capacity to take on additional debt, we were able to add the relief funding to their existing loan without requiring a new credit report or additional documentation. For new customers, different types and amounts of documentation were required depending on the size of the loan request. Once business owners completed the Business Recovery Form, we visited with them to gather the necessary documentation.

Keys to Success

Our ability to successfully design, capitalize, and deploy a disaster relief loan fund, and achieve the impact described above, depended on a variety of factors. Some of the keys to our success included:

Institutional knowledge and experience

We have a track record of assisting small businesses and communities to recover from hurricanes, including Katrina (2005) and Ike (2008). Our team was able to draw best practices from these experiences, and then incorporate those lessons into our response

to Harvey. Furthermore, with 25 years of lending experience, we have a deep understanding of our clients and their capacity to borrow. This knowledge allowed us to quickly respond to their needs while maintaining our portfolio quality.

Community partnerships

Our relationships with community partners were crucial in helping us reach small business owners that needed help. In the Houston area, we were able to leverage our existing relationships, while in the Coastal Bend, part of our recovery efforts involved strengthening and building relationships. The local chambers of



Sophie Macey, Bayou City Interpreting

commerce we worked with were familiar with the small businesses in their community and were key to organizing Take Action Now events in spaces that were accessible to those businesses. Small Business Development Centers provided business guidance and lent our staff and partners laptops and tablets to take out into the field to help business owners apply for funding in places that had lost equipment and internet connection. Our community partners were also important in building trust between small business owners and LiftFund. In the wake of disasters, it is common to see an increase in fraudulent activity. By partnering with trusted entities, we were able to clearly communicate to small businesses that they could trust us and our commitment to helping them. Underlying the strength of our partnerships was our ability to financially support their participation with pass-through grants made possible by our funders.

Balancing speed and due diligence

In the aftermath of the storm it was important to help businesses, many of whom did not have easy access to the documents usually required for a loan application, get funds quickly while also maintaining diligent underwriting criteria. Our ability to move quickly was aided by systems we had in place prior to the storm, new systems we developed, and our staff's ability to dedicate the necessary time and resources. For existing clients in good standing, we were able to waive normal documentation requirements in order to get them additional funding quickly—we could do this because we understood well their capacity for additional debt. The Business Recovery Form, which we developed specifically for the disaster relief loan, was crucial in helping us to quickly understand the funding needs of applicants from their own perspective. Businesses could complete the form online, with staff and partners that visited them on site, or at the Take Action Now events we co-hosted with community partners. Our tiered underwriting system gave us flexibility to offer smaller loans to businesses with less documentation available. For businesses that needed, and qualified for, more funding than we could provide through the disaster relief loans, we were able to create bifurcated loans that provided them additional funding from other sources of capital at our disposal.

Listening to and learning from clients, and adjusting our products accordingly

The success of our relief loan program depended heavily on our ability to listen to and learn from our clients, and to adjust our loan product accordingly. This was true, for instance, when determining the appropriate size of loans. In the immediate aftermath of a natural disaster, the full scale of resources required for recovery is often uncertain. As client needs came into focus and changed as the rebuilding process took shape, it was important that we had the flexibility to increase the size of loans. The Business Recovery Form was a key mechanism for understanding the needs of our borrowers. The questionnaire provided small business owners with a space to explain their recovery needs and how they would use a loan in conjunction with other sources of recovery funding they were expecting to receive.



Governor Abbott, members of the Rebuild Texas Fund, LiftFund and Goldman Sachs at the 2018 press conference announcing the Texas Small Business Rebuild Initiative.

Our staff used this information to size the loans appropriately, increasing the maximum loan amount from \$15,000 to \$25,000 to \$35,000 over the last two years in response to the changing needs.

Use of technology and high-touch approach

The destruction of the storm created communication challenges for our team and our small business clients. Technology allowed us to move quickly and efficiently—we used email marketing to offer loan modifications to existing borrowers in good standing and the Business Recovery Form could be completed and submitted online. All of these forms were connected to our database, which is accessible to our staff. But many of those impacted by the storm did not have access to internet or phone, so our staff and partners went out into the field with laptops, tablets, and internet hotspots to meet with clients and help them apply for loans. Our Take Action Now events were hosted in places accessible to small business owners and included laptops where individuals could apply for loans with the assistance of our staff and partners. The dedication of our staff, many of whom

were personally impacted by the storm, was the foundation for all our efforts. They put in countless hours visiting with and assisting small business owners.

Interest rate buy-down

The ability to offer a 0% interest rate is a large reason why the relief loans have been successful and, we think, why our portfolio of disaster relief loans has a higher percentage of female entrepreneurs than the rest of our portfolio. This was made possible by grant funding from the Rebuild Texas Fund and JPMorgan Chase, which we used to buy down interest rates. Our loans to borrowers were made with a 10% interest rate, which is lower than the interest rates on our regular micro- and small business loan products. We then used our grant funding to buy down the interest rates on these loans, making them 0% loans for the small business borrowers.

Leverage

The scale of our impact was only possible because we leveraged our grant dollars to attract additional capital in the form of debt, which allowed us to deploy more loan capital to help small businesses



LiftFund client, Chef Yolanda, owner of Nuksys’s Fine Catering, addresses Governor Abbott and Liftfund’s Richard Gianni, during a press conference announcing the Texas Small Business Rebuild Initiative.

recover. In particular, we were able to use grant funding from JPMorgan Chase and Rebuild Texas Fund to create a loan loss reserve, which facilitated the \$5 million loan from Goldman Sachs.

Data tracking and reporting infrastructure

Critical to securing the \$5 million loan from Goldman Sachs was our ability to produce data on the quality of our emergency lending portfolio, separate from our overall portfolio quality. Before investing in the disaster relief loan fund, Goldman Sachs required data on our previous disaster relief lending in order to better understand their risk and estimate their own losses. In the aftermath of Harvey, our team was able to pull this information from our lending database. In the future, having this information readily available will decrease the time it takes to bring investors on board.

Next Steps

A few years from Harvey, recovery is still ongoing. Dana Alsop wants people to know that, after a big storm like Harvey, it can take 3-5 years before

there is even a “twinkle of normality,” let alone a full recovery. Like Dana, we have learned a lot from the experience of helping small businesses recover from Harvey. As we continue to support recovery efforts, we are also looking at how we can help small businesses prepare for the next natural disaster and how to make sure we are able to mobilize quickly to support disaster recovery efforts in the future.

We have recently received funding from the U.S. Department of Commerce’s Economic Development Administration and local investors to help businesses prepare for natural disasters. With this funding, we will create and disseminate a disaster preparedness toolkit, offer one-on-one coaching, present seminars, and publish free, online video tutorials on how to prepare for a natural disaster. We are also working on establishing a pool of capital that will be ready to deploy immediately after the next disaster hits our region. Having a disaster relief fund ready to deploy immediately after a disaster would ensure that we can help even more small businesses survive and recover when the next disaster strikes.

Join Our Movement

To learn more about our disaster relief work and to join our efforts to help businesses prepare for, and recover from disasters, please contact us at: info@liftfund.com.



“We were in a hard place, ...nobody would lend to us. [At LiftFund], I was approved for the full \$25,000 literally the day before payroll was due. It really was like a Christmas miracle.” — Sophie Macey, owner of Bayou City Interpreting

About LiftFund

LiftFund transforms lives by opening doors, leveling the financial playing field and building a community of shared success through entrepreneurship. We provide capital, financial coaching, tools and resources to entrepreneurs who do not have access to loans from commercial sources. We’re more than a community small business lender - we are a change agent fueling our clients to grow their businesses and the communities we serve.

Since 1994 LiftFund has provided over \$300 million in capital, propelling the dreams of over 20,000 diverse small businesses throughout our 13 state footprint.

Funding and Financing Partners

Our Small Business Harvey Relief efforts were made possible with the generous support of the following donors and investors.

Corporate Donors

- Capital One
- City of Corpus Christi
- Coca-Cola Southwest Beverages
- Comerica Charitable Foundation
- Federal Home Loan Bank of Dallas Texas
- Goldman Sachs Foundation
- Groupon
- JPMorgan Chase & Co.
- Opportunity Finance Network
- RBC Trust Company
- Rebuild Texas Fund, a project of The Michael & Susan Dell Foundation and OneStar Foundation
- The Meadows Foundation

Investors

- Goldman Sachs
- Robert Boehlert

Individual Donors

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