

Massachusetts Department of Housing and Community Development 2018  
Community Investment Tax Credit Program Allocation Application  
**Community Investment Plan**

**Section 1: Community or Constituency(ies) to be served by the organization**

MCCI's service area is comprised of an investment area and a target market (TM). Our investment area is comprised of contiguous low-income census tracts between the cities of Lowell, Lawrence and Haverhill (a copy of the list of geocoding of the low-income census tracts is attached in the Appendix section). Our target market is low income families in Essex and Middlesex Counties of Massachusetts, that meet 80% or below the area median income as per HUD standards. MCCI was recertified by the CDFI Fund in October 2016 and it must recertify yearly. To maintain certification, MCCI must continue to meet CDFI activities to its approved service area.

MCCI's financial products and services are meeting the need of its target market and investment area on both a short and long-term basis. Short term, businesses have received loans that have created jobs and allows them to grow out of startup. The development services provided to these businesses are intent on producing long-term results, as these businesses will create financial records and an established payment history that will allow them to access traditional financial facilities that provide much needed capital. We have created and preserved 95 jobs. On the residential side, MCCI provides financing that is not available to homeowners through traditional funding sources due to a variety of reasons. Short term these residential investments are helping to improve conditions in homes that are falling in major disrepair and removing hazardous health conditions, making housing safer for the residents. Long term, these short-term benefits, coupled with the development services offered in partnership with long standing community partners that have a long history of pre, post purchase, financial literacy training programs, will provide financial stability for these families allowing them to preserve their major asset and improving the overall quality of life issues in their neighborhoods.

No other CDFI are based in MCCI's area. Larger Boston CDFIs offer different lines of business, which MCCI does not offer. Most of MCCI's loans are under \$50,000, with no other loan fund, or CDFI competing for these loans. Small business loan funds exist but are targeting a single municipality and are small scale. Business lending is typically targeting English speaking markets and large enterprises. MCCI plays a strong role in addressing the need for small business started by low income and immigrant entrepreneurs. MCCI has no competition in the lead remediation loan market. MCCI is the #1 lead paint remediation lender in MA.

Banks are unwilling to do small loans for low fees and other loan funds do not have the State lending license that MCCI has, a requirement of the Housing Finance Agency. Rehab lending varies by community. MCCI partners with several communities to leverage grant funds for rehab work. In some more affluent communities, conventional banks are more than willing to take on rehab lending.

MCCI target market and investment areas are very diversified. In 2016, MCCI serviced 106 clients with the following characteristics: 70% Hispanic, 5% African American, and 25% other.

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Female head of household represented 42% of borrowers, and 19% headed the business served. Our client's household incomes were compiled with 67% of the clients were low income, 9% above moderate, 9% moderate and 10% very low income. 5% were extremely low income.

The target market median household income is \$56,516 with 13.5 % living in poverty, both at the same level as the statistics for national poverty and national income levels.

(source:[HTTP://www.census.gov/contact/dam/census/library/publications/2016/demo/p60-256.pdf](http://www.census.gov/contact/dam/census/library/publications/2016/demo/p60-256.pdf))

MCCI's target market is home to 2.2 million people. Anchoring the TM are the 3 cities of Lawrence, Lowell and Haverhill, which have lost much economic vitality with the erosion of textile manufacturing. The cities face many challenges, including deteriorated housing, volatile housing prices, low educational attainment and a diminished jobs base.

More than ½ of Lawrence's housing was built before WW2 and 83% before 1980. An estimated 40% of Lawrence residents spend more than ½ of their income on housing (City of Lawrence 2015 housing study). According to the 2010 US Census, the 2014 ACS and the Mass DET, the core cities' population struggles with higher unemployment, lower housing values, lower incomes and lower educational attainment. Unemployment in Lawrence is twice the state's average. Compared to 11% statewide, 29% of Lawrence's people live below the poverty line. Childhood poverty is acute, with 39% of people under 18 living in poverty. The aggregated poverty rate of the cities is 20%. Major gaps in small business financing exist, as identified by the MA Community Banking Council (2007-2011 MCBC).

While the cities suffer from concentrated poverty, the suburbs house even larger numbers of poor people. The cities house only ¼ of the total 194,513 people living below the poverty line in the TM and much of the suburban poverty is unaddressed. Cities and towns here are independent and there are few mechanisms to coordinate regionally. MCCI is one of the few regional platforms to deliver needed financing and technical assistance not just in the cities but also in the towns where poverty is less obvious. By having financial products that work well for low income people, including first time homebuyer support, rehab and remediation financing, we support the wealth and asset building of low income people throughout the region.

In a state with stagnant population and aging and unaffordable housing stock, the growing population and cultural diversity of the cities are critical to the region's future. By providing a region-wide affordable housing and economic development financing platform, MCCI aims to ensure that the populations of both the cities and the suburbs have access to financing to make housing more affordable, have access to housing options throughout the region, and to create jobs through small businesses. Segregation is a significant issue. According to CUNY Albany, Lawrence is the most segregated PMSA for Latinos in the US and Lowell is the 7th most segregated for Asians. The 2010 census bears this out: Lawrence's population is 74% Hispanic,

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whereas Essex County is 15%. Lawrence's population is 36% foreign born and Lowell's is 25%. MCCI's trilingual loan staff and regional platform allow us to make headway in breaking down some of the segregation by providing needed financing and technical assistance regionally and encouraging people to seek out opportunity. For example, MCCI financed three low income homebuyers from the cities to purchase a home in Westford, a high-income suburb of Lowell. We find and work with low income families to have the capacity and financing to move into high opportunity communities, and to break down economic and racial segregation.

**Section 2: Involvement of community residents and stakeholders.**

MCCI assists low and moderate-income persons and families, community organizations and entities to develop, acquire, improve, operate, renovate and/or refurbish property for housing and mixed use through loan programs and technical assistance. MCCI develops resources and partnerships that will allow low and moderate-income persons and families to acquire financial literacy and financial skills that will help them improve the quality of their lives. MCCI encourages and support the startup and expansion of small businesses, as well as the creation of employment opportunities for the benefit of low and moderate-income persons.

The organization board of directors is comprised of 12 volunteer members. The organization does not have an election process but board composition is made mostly of constituents and some community minded individuals whose skills and expertise provide valuable contributions to the governance of the organization. 8 directors live in the target market area, one being LMI representative, 4 directors are representing two well know CDC as per bylaws (2 from Coalition for a Better Acre and 2 from Lawrence CommunityWorks). Together 9 out 12 board members (75%)are constituents of the organization with 8 residents of target market and one representative of CBA. Lowell Community Loan Fund Inc. holds quarterly meeting and an annual meeting, with committee meetings happening more often with at least on meeting each quarter. Board members are asked to attend as many as possible but the bylaws do not stipulate a specific number. Standing committees are Executive Committee, Finance Committee, Fundraising committee, residential loan committee, small business loan committee, audit committee. Most of the directors have attend at least 2/3 of the meetings each year. Two of the board members are Hispanic and two members are Asian.

**Section 3: Plan goals**

The strategic goal of MCCI is to meet its mission. By providing financial products in both residential and small business areas, we are meeting our mission. MCCI strategic goal is to deliver affordable financing and education to residents and business owners of our TM. Financing activities will provide as many lead free, hazardous free home that are in good

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physical condition for the low to moderate income residents of our geographic investment area as well as our target market. Job creation through business creation and expansion is also part of our core mission. By creating loan funds that provide much needed capital to underserved markets and small businesses, along with the value of the technical assistance provided is very much a key component of our strategic goals. Our achievable, strategic goals for the next two years are delineated below in two categories: lending goals and operational goals. The goals are developed annually by the board and executive director and are tied to our strategic plan.

Lending Goals

Expand the Small Business loan fund: MCCI launched small business lending in 2015, capitalized at \$1.1MM. Within the first 6 months, we deployed or committed 50% of capital. The initial success has attracted an additional 6 banking partners with the line of credit now at \$2.5 million. Our lending partners are focused on the core city of Lawrence, which has the highest need in the region. MCCI is a regional lender however, and demand exists throughout the region. MCCI is in the early stages of creating a similar lending tool in the City of Haverhill and already has \$500,000 in commitments from private sector banks. This initial investment will further leverage additional investments from bank partners.

- 2-years small business lending goal: \$2.5MM in lending volume, and 100 jobs created.
- Continue as #1 volume lead paint remediation lender in MA.
- 2-years lead remediation goal: 70 loans per year
- 2-years lead home improvement goal: 25 loans per year

Operational goals

Over the next 2 years MCCI will transition from a start-up CDFI to a stable and largely financially self-sufficient organization. We will accomplish this by continuing to build staff capacity, and by expanding our current team in order to meet the demand for our services already in the community. We will bring on board two additional staff, both positions at lending capacity. Increasing our loan originations and underwriting capacity will increase the number of low and moderate-income households and businesses that will benefit from our lending activity. As MCCI loan pool grows, Community Tax Credits will be used to raise much needed financial resources which will contribute to the cash flow needed until loan capital deployment generate the expected revenue. The CITC Program will help to leverage private sector investments and will be instrumental in MCCI self-sustainability goal of becoming independent of grant income in the mid-long terms.

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**Section 4: Activities to be undertaken.**

MCCI’s main activities in its Residential Department are directly linked to increasing the volume of our current products to homeowners who would otherwise differ or forgo much needed costly maintenance related upgrades in their home. In 2017, eight-five percent of our residential deployment were to cover the removal of lead from homes. Many homeowners in this situation, are mandated by the court to remove lead from their homes because children under 6 years of age, either a family member or a child of tenants have shown concerning lead levels in lab work. In 2017 alone, we have funded 57 loans, \$1.757MM to make homes healthier. In addition, we have funded 10 Home Improvement loans in the amount of \$179,874.

MCCI’s main activities in its Commercial Department are directly linked to job preservation and creation as well as increasing the number of businesses who resolved an operational, legal, financial issues through/by having access to one-on-one technical assistance, group training and education, and capital infusion (direct lending and loan packaging). Since our commercial lending took off in late 2015, we have closed 16 loans, \$694,000.

<b>Activity</b>	<b>Expected impact</b>	<b>Stakeholder involvement</b>
Originate, underwrite, and fund lead removal loans for low-moderate income homeowners	Remove health hazardous conditions that cause lead illness	Borrower receives financial educational and meets state mandated requirements
Originate, underwrite, and fund home improvement loans for low-moderate income homeowners	Improve housing stock and/or preserve housing for low to moderate income families	Borrower receives financial educational and chooses terms for a loan
Provide technical assistance to micro and small business owners.	Increase the number of businesses who are resolving financial, operational challenges.	Help businesses establish processes and record keeping that would assist in the managing of the business
Originate, underwrite, and fund small business loans	Provides much needed capital not offered by traditional financial institutions.	Help to start, stabilize, and/or growth businesses, create and preserve jobs.
Capital raising and partnership development	Increased funds available in our lending pool and non-financial resources	Help to start, stabilize, and/or growth businesses, create and preserve jobs.

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**Section 5: How success will be measured and/or evaluated (10 points)**

The impact of our residential products will be measure by the number of households below 80% AMI who are able to remove health hazardous conditions and improve housing stock and/or preserve housing. As part of our underwriting process, borrowers receive financial educational and work with lending staff to choose loan terms that fits within their means.

The impact of our commercial services will be measured by the number of businesses who are successful at resolving the issues that they have identified, as well as issues that came up in the technical assistance process. Impact will also be measured by the number of businesses started, stabilized, number of jobs retained and number of jobs created.

**Section 6: Collaborative efforts to support implementation.**

MCCI has a broad base of support for lending and operations from bank partners, public and quasi-public agencies and social impact investors. MCCI presently partners with 13 for profit lenders and has already secured 2.5 million for the Lawrence Fund. MCCI has \$100K from Loring and Wolcott, a socially responsible investor in Boston. Conversations are ongoing to attract additional investments. In addition, MCCI has a line of credit of \$50K with Peoples Bank and also \$50K line of Credit with Enterprise Bank to use as additional lending facilities. The leveraged private and private funding is projected to increase total equity 2.4M and revenues to 1.1M in 2018.

MCCI has ongoing partnerships with private sector lenders, public and quasi-public agencies social responsible investors, foundations and individuals. Private financial institutions are partners that are willing to leverage MCCI equity through the credit facilities. Public and quasi-public partners which include the City of Lawrence, the city of Haverhill, the Commonwealth of Massachusetts, the State Housing Finance Agency and Massachusetts Capital Growth, help MCCI leverage its capital through funds that finance development services and lending activities. Private donors and foundation provide funds that supplement earned income to sustain the CDFI operations.

MCCI relies on formal and informal partnerships to accomplish all of its goals. From its inception, MCCI grew out of a partnership of local community development corporations who saw the need for a regional investment vehicle. MCCI has formal partnerships in place with Lawrence CommunityWorks, to provide technical assistance, and Coalition for a Better Acre, which provides bookkeeping and administrative support to MCCI.

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MCCI Partners and Collaborators		
City of Lawrence, <b>board member*</b>	Groundworks Lawrence, <b>board member*</b>	Lowell Development Finance Agency
Lawrence CommunityWorks, <b>board member*</b>	Merrimack Valley Credit Union	Northeastern Legal Aide
City of Haverhill	Eastern Bank	DCU
Coalition for a Better Acre, <b>board member*</b>	Reading Cooperative Bank	Small Business Development Center
Jeanne D’Arc Credit Union, <b>board member*</b>	Merrimack Valley Small Business Assistance Center	Align, Residential Loans Committee Member
Lawrence Venture Fund	Enterprise Bank	Boston Social Impact Initiative
The Savings Bank	EForAll	TD Bank
Pentucket Bank	EParaTodos	

**Section 7: Integration of activities/consistency with community strategy and vision**

MCCI has experienced tremendous growth and demand for its small business technical assistance and loans. The growth made MCCI headquarter location in Lowell inadequate to provide the necessary resources needed to maintain the present demand and sustain the growth. Key factors such as adequate space for staff and TA services, lack of accessibility for the clients due to no parking, privacy issues and geographic location to the target market, dictated that MCCI explore a more suitable location. After careful analysis and consideration, MCCI staff and board identified a location on Island Street in Lawrence that accommodates present and future demand for all MCCI offers as well as addressing the factors previously outlined. In August 2017, MCCI moved its headquarters to 50 Island Street Suite #103 in Lawrence, MA. As part of the strategic move that will place MCCI headquarters in the geographic center of its target market, MCCI has identified community partners that will make space available for MCCI staff, in the Cities of Lowell and Haverhill, as satellite offices to conveniently service MCCI clients in these two cities. MCCI’s new office has generated a lot more traffic.

We are projecting being able to provide services to 80 unique businesses, including those MCCI has made loans to. In the upcoming year, we expect to provide business education to at least 45 businesses in workshop settings, and 35 in one-on-one counseling. Rigorous technical assistance will be provided to start ups, as well as existing small businesses poised to grow, or facing challenges. CITC Funds will provide the capital necessary to allow MCCI to continue to expand and support the operations of our business services, as well as those offered to homeowners on the residential side.

In 2018, MCCI will actively work on cultivating a network of 10-20 women entrepreneurs across its investment area, aiming to augment our impact in that segment of the population. By

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augmenting MCCI's business services to this network, we are aiming to create an incubator-type feeling that will also strengthen long-term personal finances. Through a partnership with the American Association of Financial Planners, clients will be able to receive free advice and coaching to help them better position their financial household. MCCI will also educate clients on how to get certified as a woman owned business (if applicable).

**Section 8: Financing strategy**

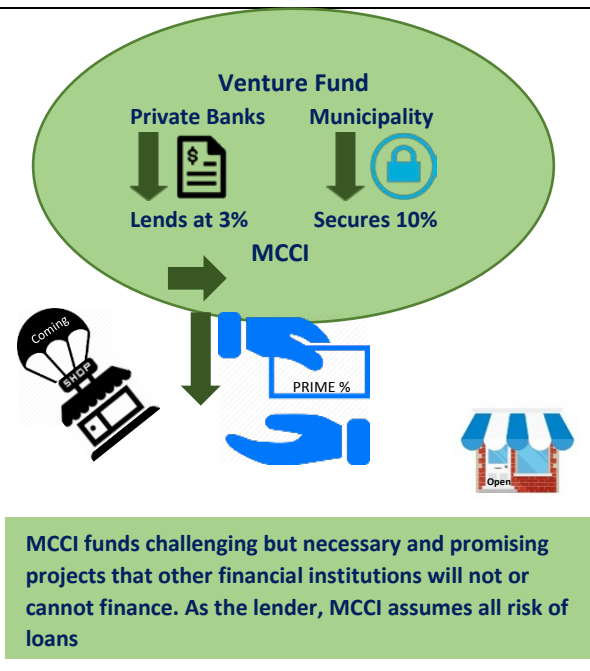
Formal financing partnerships exist with the Lawrence Partnership, which facilitates a \$2.5MM line of credit through a local Bank, Enterprise Bank, leading a consortium of banks. The Lawrence Partnership provides marketing and outreach for the loan fund, and screens proposed investments to align with its mission.

The success of the Lawrence Partnership model has spurred a similar, new initiative in the City of Haverhill, which is formally partnering with MCCI in 2017 to bring its model of small business lending, particularly targeting low income borrowers, to the neighboring mill city of Haverhill. Negotiations are ongoing with the city of Haverhill to provide loan loss reserve funds of \$25,000 and local banks will provide a line of credit to MCCI of \$500,000. MCCI provides technical assistance, underwriting and lending. The loans remain on our balance sheet.

MCCI will be applying to become an SBA microlender and community advantage lender in 2018, accessing additional capital to deploy.

**Loan Fund Capitalization Model: Private-Public-Nonprofit Venture Funds**

This model partners MCCI with local banking institutions and the municipalities to create loan funds targeting our investment areas. Local banks are hesitant to make loans to the types of businesses identified above particularly startup businesses. In this model, MCCI provides pre loan technical assistance to potential borrowers, borrows the funds from the banks and relends it to the businesses with a marginal margin to cover its costs. The municipalities provide MCCI with sufficient funds to create a 10% loan loss reserve for each loan made. MCCI services the loan and continues to provide technical assistance to the businesses.





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The Section should identify the level of commitment of other funding sources to implement the Plan including capacity and strategies related to donations that result from available investment tax credits.

**Section 9: History, track record and sustainable development (20 points)**

<b>MCCI's Private-Public-Nonprofit Venture Funds</b>	
<b>LENDING CAPITAL</b>	
Lawrence Venture Fund, 10 banks Businesses located in Lawrence, up to \$100,000	\$2,500,000
Haverhill Venture Fund, 4 banks Businesses located in Haverhill, up to \$50,000	\$ 500,000
CDFI Fund	\$ 1,050,000
<b>Total Program Lending Capital available for businesses</b>	<b>\$4,050,000</b>
<b>LOAN LOSS RESERVES</b>	
The City of Lawrence	\$250,000
<b>Total Loan loss reserve</b>	<b>\$250,000</b>

The CDFI financing position is strong as indicated by the positive net income for the last three years ratios. 2016 current ratio of 2.17 to 1 is good as well as its liquidity ratio of 1 to 1. Net assets ratio of 54% is also good. The self-sufficiency ratio is heading in the right direction going from 32% in 2015 to 33% in 2016 and projected to be at 39% in 2017. Self-sufficiency ratio was slowed down by the board decision in 2015 to add staff to allow for the organization's growth due to increased opportunities in the CDFI target market. The self-sufficiency ratio is projected to grow to 57% in 2018 and to 77% beyond 2018. These projections are based on increased loan volumes, generated by the additional staff. The loan demand has substantially increased and the trend is to continue to grow. Net income has been steady and positive with results of \$134K in 2014, \$50 K in 2015 and \$120.4K in 2016. The MCCI loan portfolio ratios are strong with minimal delinquencies. MCCI has internal goals to grow the loan pool to over 6 million in the next 2 years. To support the growth, MCCI anticipates it may add another 2 full time equivalent staff in the next 2 years. The only major difference between the audited report and the financial report discussed with this application is that MCCI has indicated 2.5 million in off

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balance sheet lending capacity that is not discussed in the audit. MCCI auditors have determined that the 2.5M credit facility is in the form of a commitment to lend rather than in the form of a note, therefore it does not belong on MCCI balance sheet.

Investments tax credit donations are expected from our lending partners, social investors, and individual donors who have supported and continue to support the mission of MCCI.