



Written Testimony for the Record

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Colorado Housing and Finance Authority (CHFA) finances the places people live and work.

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Introduction

Chairwoman Stabenow, Ranking Member Roberts, and Members of the Committee, thank you for the opportunity to speak with you today. It is a privilege to come before you to discuss several of the Rural Development programs authorized in the Farm Bill, and how Colorado Housing and Finance Authority has utilized these programs to support economic development in our state.

I am Masouda Omar, manager of business finance loan production for Colorado Housing and Finance Authority, also known as CHFA. I have worked for CHFA's business lending team for 13 years serving customers in both urban and rural communities, utilizing a variety of financing tools including programs administered by the U.S. Department of Agriculture, the Small Business Administration, and the U.S. Department of Treasury.

Colorado Housing and Finance Authority

CHFA is a quasi-governmental, public-purpose entity created by the Colorado General Assembly in 1973 to increase the availability of affordable housing in the state. In 1982, the Colorado General Assembly expanded CHFA's mission to include business finance for the purpose of providing access to capital for economic development across Colorado. It is CHFA's economic development mission that I will direct my comments to today.

CHFA works in partnership with the regional economic development agencies, as well as large and small lenders in the state to finance business activities. We primarily support real estate and equipment purchases for existing businesses seeking to expand or improve their operations. We do this by offering fully amortizing fixed rate mortgages, with lower down payment requirements which is helpful to small and rural businesses seeking to preserve cash to grow their operations. Historically, CHFA has issued both taxable and tax-exempt bonds to capitalize our efforts. Additionally, we manage resources on behalf of different state partners, such as the Colorado Office of Economic Development and International Trade, and the Governor's Energy Office.

Since 1982, CHFA's business finance efforts have provided nearly \$900 million in capital to over 2,200 businesses, supporting 37,479 jobs. Historically, over fifty percent of our small business loan production has occurred in Colorado's rural communities.

CHFA's Partnership with the U.S. Department of Agriculture

Among CHFA's partners is the USDA Office of Rural Development. Since 1997, CHFA has utilized Rural Development's programs to support our work in Colorado's non-metro areas. During that time, we have financed a number of small businesses and nonprofit organizations using Rural Development's Business and Industry Guaranteed Loan Program, the Community Facilities Loan Guarantee Program, and the Intermediary Relending Program.

As part of CHFA's partnership with Rural Development, we rely heavily on the expertise of their regional offices. There are seven regional offices in Colorado, six of which are located in rural communities. These local offices provide an essential service by acting as an intermediary between CHFA and the local businesses. They are also instrumental in ensuring the smooth delivery of the Rural Development's programs statewide. Our work with the regional offices from the initial stages of structuring the financing and even after the loan is closed to help maintain the ongoing relationship with the borrower as we service the loans.

In CHFA's experience we have found that establishing trust with our rural customers is critical to ensuring a successful outcome. Rural communities take pride in conducting business with someone from the area who is known and reliable. And even though CHFA is a local entity with offices in Denver and Grand Junction, the day-to-day relationship that Rural Development's regional offices provide is invaluable to us. Rural Development's local offices serve as a 'one-stop' shop that connects rural communities with resources that generate economic opportunities. They take on the responsibility of being familiar with other program resources, ensuring that they serve as a conduit for businesses to access help even if it means going outside of Rural Development's programs. I believe USDA's strong track record of financing rural businesses speaks to the service they provide.

Business and Industry Guaranteed Loan Program

CHFA's first experience using Rural Development's programs was through the Business and Industry Guaranteed Loan Program. The Business and Industry Guaranteed Loan allows CHFA to directly originate loans for small businesses, or businesses employing fewer than 500 individuals. Similar to the SBA program, the Business and Industry program is a loan guarantee, however it is distinct from SBA loans in that it allows non-traditional lenders such as CHFA to participate. It also allows for a larger loan size than SBA programs.

An example of how CHFA was able to use this unique feature of the Business and Industry program is the Durango and Silverton Narrow Gauge Railroad. Using the Business and Industry Guaranteed Loan, CHFA was able to provide the Durango and Silverton Narrow Gauge Railroad with \$16.5 million in long-term financing to replace short term variable rate debt that was coming due. The \$16.5 million loan amount would have exceeded SBA's maximum loan size. However, CHFA's ability to assist the Railroad was an important economic development opportunity for our state.

The Railroad is a popular tourist attraction in southwest Colorado drawing over 200,000 visitors to the Four Corners area each year. It provides jobs to over 200 people and is responsible for nearly \$100 million in annual economic impact to the area. Small businesses such as the Durango & Silverton Narrow Gauge Railroad are the backbone of Colorado's economy. Tourism accounts for 25 percent of the economy in the Four Corners area, and the Railroad is estimated to impact 16 percent of total employment in La Plata and San Juan counties.

Community Facilities Loan Program

Another Rural Development program CHFA utilizes is the Community Facilities Loan which, as you are aware, is similar to the Business and Industry Guaranteed Loan except that it is used to finance nonprofit organizations. To our knowledge, USDA is the only agency that guarantees loans to nonprofits which is critical to ensuring that these organizations have access to capital to meet their mission. Oftentimes nonprofits, due to a higher risk profile, can face difficulties securing financing through traditional outlets, which is why the support provided through the Community Facilities Loan program offers solutions to help lenders extend credit.

Young Tracks Preschool and Childcare Center is an example of a project that CHFA financed using the Community Facilities program. This nonprofit daycare center is located in Steamboat Springs Colorado, a community of less than 10,000 people whose primary industry is tourism. Young Tracks was referred to CHFA by a local bank who was unable to provide financing because the request was outside of the bank's traditional underwriting criteria. CHFA partnered with USDA who not only provided a Community Facilities Loan Guarantee, but also funded a direct loan which together provided the necessary dollars to build a new facility. Once the permanent financing was arranged, the local bank was able to reach a greater level of comfort and provided Young Tracks with an interim loan to fund the construction costs.

Building the facility has greatly enhanced Young Tracks ability to serve the community. It allowed them to add a new infant care program that was previously not available, as well as an expanded classroom capacity for its preschool activities. Still today, Young Tracks is the only infant and toddler program open to the public for a 27 mile radius. They have nearly 100 children enrolled in their services, and their clients are all low and moderate income households.

Intermediary Relending Program

Another way that Rural Development benefits the communities they serve is by providing low interest rate loans to lenders allowing them the flexibility to establish their own revolving loan fund programs to generate economic activity in underserved areas. This program, called the Intermediary Relending Program (IRP), targets small businesses in communities of 25,000 and under. CHFA has been one of a number of lenders in the state and nationally that have received IRP funding. We leverage the funds with our own internal resources to provide long-term fixed rate mortgages to small businesses located in remote areas of Colorado. CHFA's goal in deploying IRP funds is to reach counties with the greatest need based on their levels of out-migration, unemployment, and poverty rates. Thirty-two of Colorado's 64 counties have benefitted from CHFA's use of the IRP funding.

Eastern Colorado Seeds is an example of CHFA IRP beneficiary. Colorado native, Clay Smith founded Eastern Colorado Seeds in 2002. The company specializes in seed which is used as

feed for livestock. Eighty percent of the company's revenue is generated through the sale of forage crops.

Eastern Colorado Seeds' success can be attributed to the expertise and local connections of Mr. Smith. Raised in Burlington, Colorado, he first started to learn the business from his father who was a fertilizer and seed consultant to the local agricultural community. Clay graduated from Colorado State University with a degree in Agriculture and worked for several organizations that helped build his understanding of Eastern Colorado and Western Kansas farmers' needs.

Clay was operating Eastern Colorado Seeds from his personal residence and a rented warehouse. However, as his business grew, Clay secured a lease-purchase agreement for two new buildings located one mile north of Burlington to provide greater storage capacity and a conditioning facility for his business. CHFA helped finance the purchase of the buildings using our rural lending program that provides borrowers with a 20-year fixed rate term. The payment stability helps Clay control costs as he continues to grow his business.

Opportunities

As you can see, Rural Development's programs are very valuable to Colorado. As such, ensuring their ongoing and efficient delivery is critical. One of the ways that Rural Development could enhance their customer experience would be to consider allowing multiple federal financing programs to be leveraged or stacked together. For example, currently lenders are prohibited from using both a Rural Development program together with the New Markets Tax Credit program. CHFA is the managing partner of a Community Development Entity (CDE) called the Colorado Growth and Revitalization Fund (CGR Fund). We use this fund to support businesses in historically underserved areas. To date, the CGR Fund has received two New Markets Tax Credit allocations totaling \$75 million. Eighty-eight percent, or \$66 million, of the credits have been committed or deployed to eight projects across the state. These resources supported over 1,800 jobs. The fund has \$9 million in tax credits remaining and targeted for use in rural areas. However, the costs associated with completing a New Markets Tax Credit transaction, as well as the various program criteria has made it difficult to deploy these resources in non-metro areas. By allowing Rural Development's programs to be used in conjunction with New Markets Tax Credits additional opportunities for financing rural businesses could be created, which would be very helpful particularly in today's economic environment.

Thank you again Chairwoman Stabenow, Ranking Member Roberts and Members of the Committee for allowing me to speak with you today. I applaud your leadership as you continue your work to support the nation's rural communities. I look forward to answering any questions.