

MMS Report – Year Two

August 2014 – July 2015

Year Two Goals

The table below lists the individual goals set by each cohort member, as well as their actual year-end numbers.

	Applications Created	Auto-Reviews	Loans Sent To Underwriting	Loans Approved
CDC Goal	60	54	30	12
<i>Year-End</i>	<i>52</i>	<i>41</i>	<i>9</i>	<i>5</i>
OD¹ Goal	195	176	98	39
<i>Year-End</i>	<i>82</i>	<i>67</i>	<i>38</i>	<i>20</i>
WEV Goal	160	144	80	32
<i>Year-End</i>	<i>59</i>	<i>56</i>	<i>23</i>	<i>26</i>
WS Goal	600	540	300	120
<i>Year-End</i>	<i>270</i>	<i>251</i>	<i>158</i>	<i>81</i>
Cohort Total	1,015	914	508	203
<i>Year-End</i>	<i>463</i>	<i>415</i>	<i>228</i>	<i>132</i>

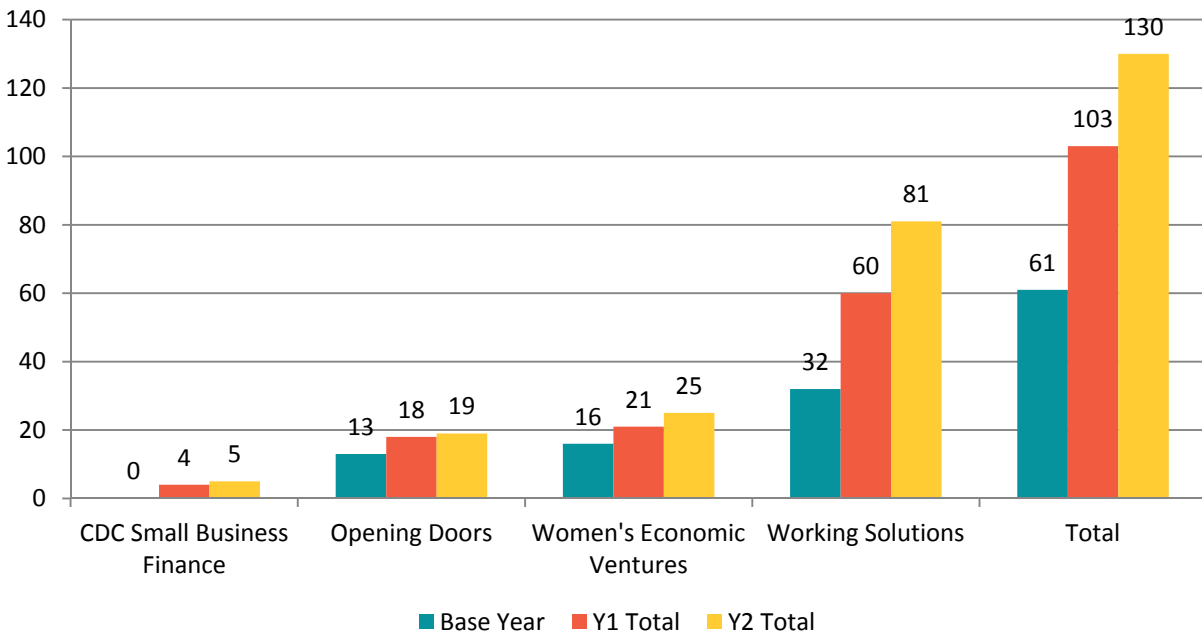
Additionally, CAMEO has set benchmarks for the MMS process, given below in days²:

	Cohort Median	Benchmark
Auto-Review	3	2
Doc Collection	16	14
Underwriting	3	3
Decisionmaking	24	14
Total	46	33

¹ Opening Doors joined the cohort during the second program year; their Year 1 information is drawn from the 2013 microTracker census.

² Medians are for the current program year.

Deals Approved



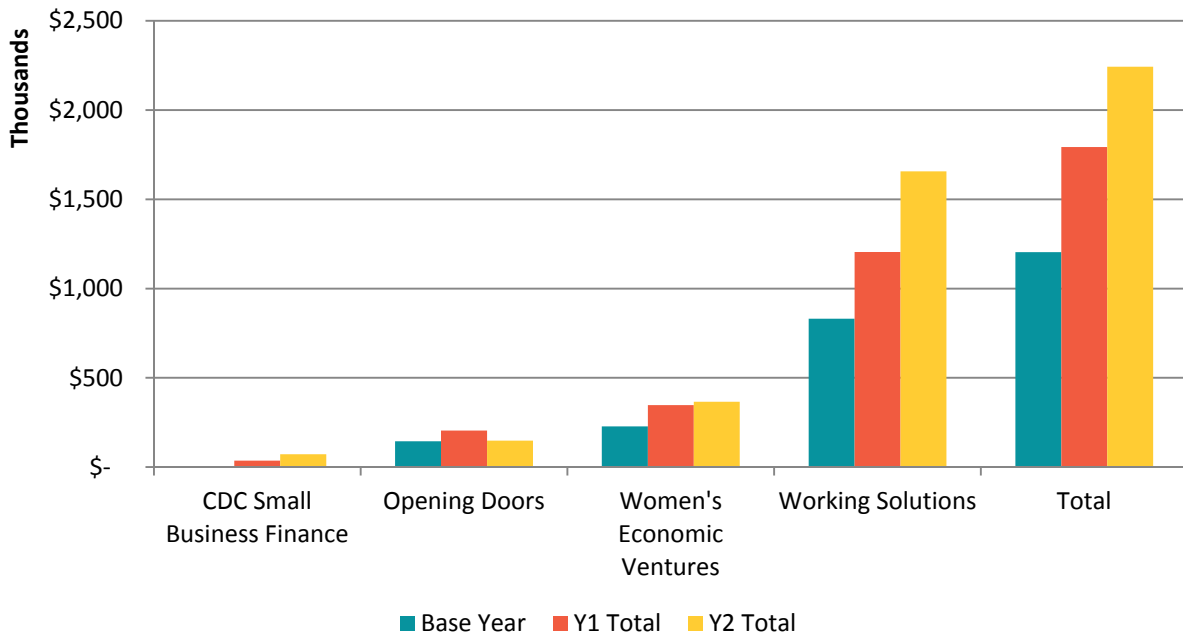
	Base Year (2012)	Year 1	Year 2	Increase over Y1	Increase over BY
Total	61	103	130	26%	113%
<i>CDC Small Business Finance</i>	0	4	5	20%	--
<i>Opening Doors</i>	13	18	19	5%	46%
<i>Women's Economic Ventures</i>	16	21	25	19%	56%
<i>Working Solutions</i>	32	60	81	35%	153%

Every member of the cohort grew their lending; by anywhere from 5% to 35%. The cohort as a whole grew by 26% over last year, and 113% over the base year, more than doubling the number of loans made. Working Solutions especially has seen substantial growth in the past two years, almost tripling its lending activity.

Other organizations are primed to grow; Opening Doors has brought on a new management team to replace the retiring Phyllis Guillory, and Women's Economic Ventures has hired a second loan officer to cover their Santa Barbara service area. CDC Small Business Finance has been pleased with the performance of the nine loans they've sent through MMS, and are now planning on submitting their entire microloan portfolio through the system; they had previously capped applications at \$20,000 and limited the geographic region served by the program.

Loan Volume

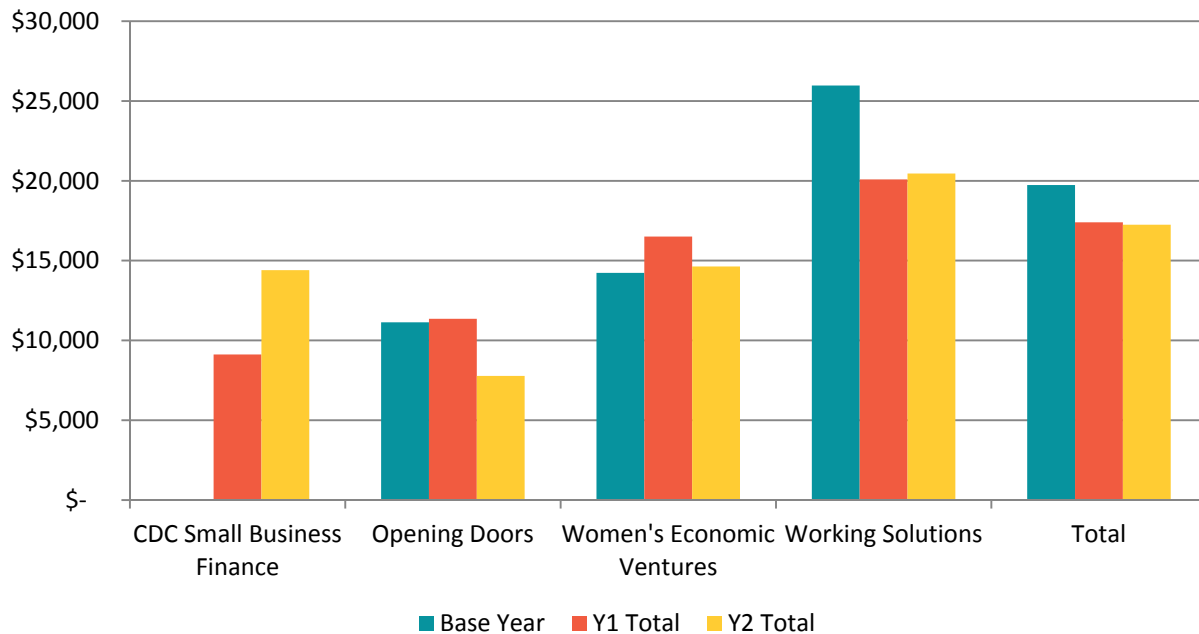
Dollar values have not been adjusted for inflation.



	Base Year (2012)	Year 1	Year 2	Increase over Y1	Increase over BY
Total	\$1,203,601	1,792,622	\$2,242,583	25%	86%
<i>CDC Small Business Finance</i>	\$0	\$36,487	\$72,000	97%	--
<i>Opening Doors</i>	\$144,758	\$204,385	\$147,792	(28%)	(2%)
<i>Women's Economic Ventures</i>	\$227,650	\$346,750	\$365,791	5%	61%
<i>Working Solutions</i>	\$831,193	\$1,205,000	\$1,657,000	38%	99%

Loan volume has grown since the start of the program, but more slowly than the number of loans, reflecting a decline in average loan size across the cohort. We anticipate a larger jump in volume for CDC Small Business Finance as they put more of their applications through the MMS process in the next program year.

Average Loan Size



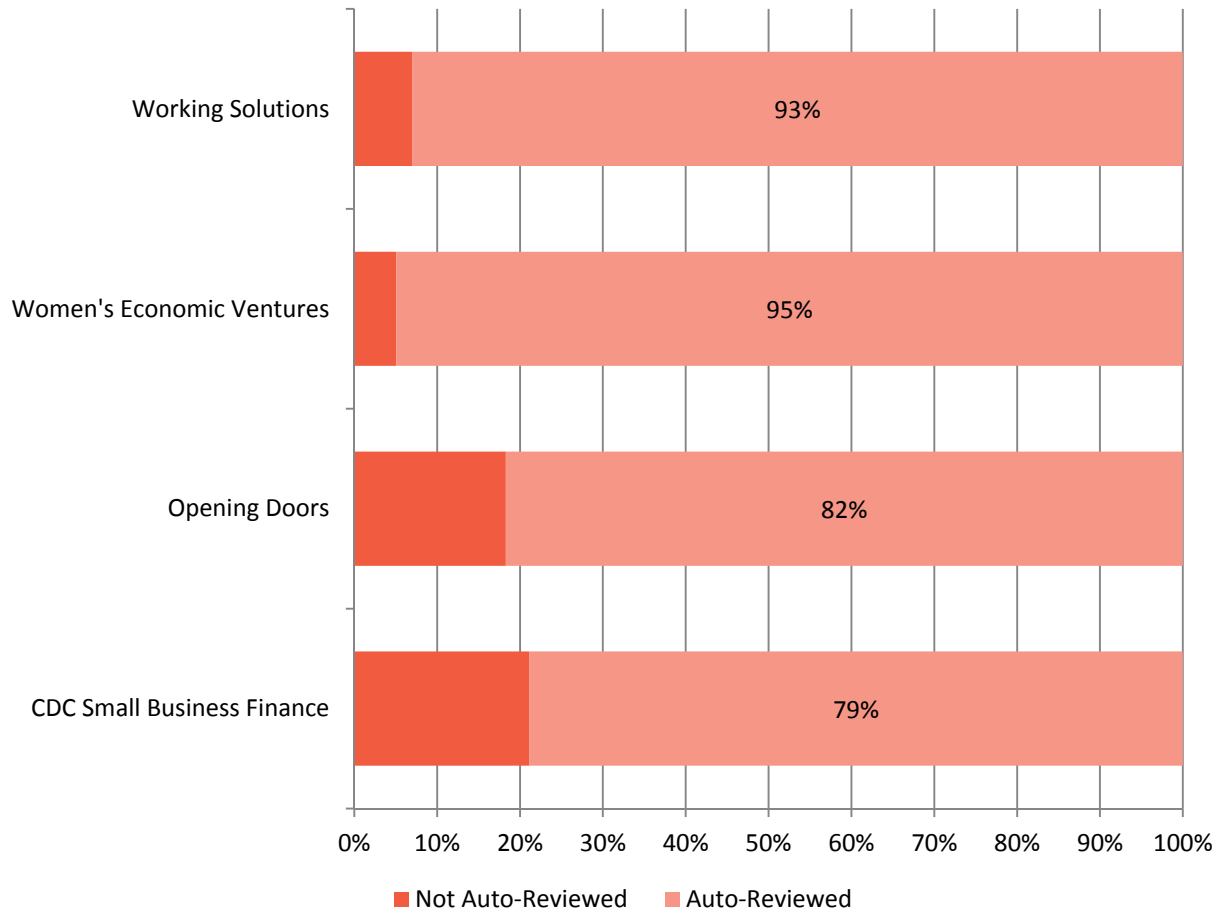
	Average BY	Average Y1	Average Y2	Increase over Y1	Increase over Y2
Total	\$19,731	\$17,404	\$17,251	(1%)	(13%)
<i>CDC Small Business</i>	--	\$9,122	\$14,400	58%	--
<i>Opening Doors</i>	\$11,135	\$11,355	\$7,779	(31%)	(30%)
<i>Women's Economic Ventures</i>	\$14,228	\$16,512	\$14,632	(11%)	3%
<i>Working Solutions</i>	\$25,975	\$20,083	\$20,457	2%	(21%)

For various reasons, using MMS tends to lead to more, smaller-dollar loans. There are exceptions to this – CDC Small Business Finance has intentionally limited the size and type of loans they were putting through MMS, and we expect to see their loan size stabilize in the next year as they remove those limitations. Women's Economic Ventures had been limited by their staff capacity before starting MMS, and so saw a surge of activity as the program enabled them to utilize their full fund; we expect their average loan size to decrease in the third program year.

Auto Reviews

Auto-Review Rate

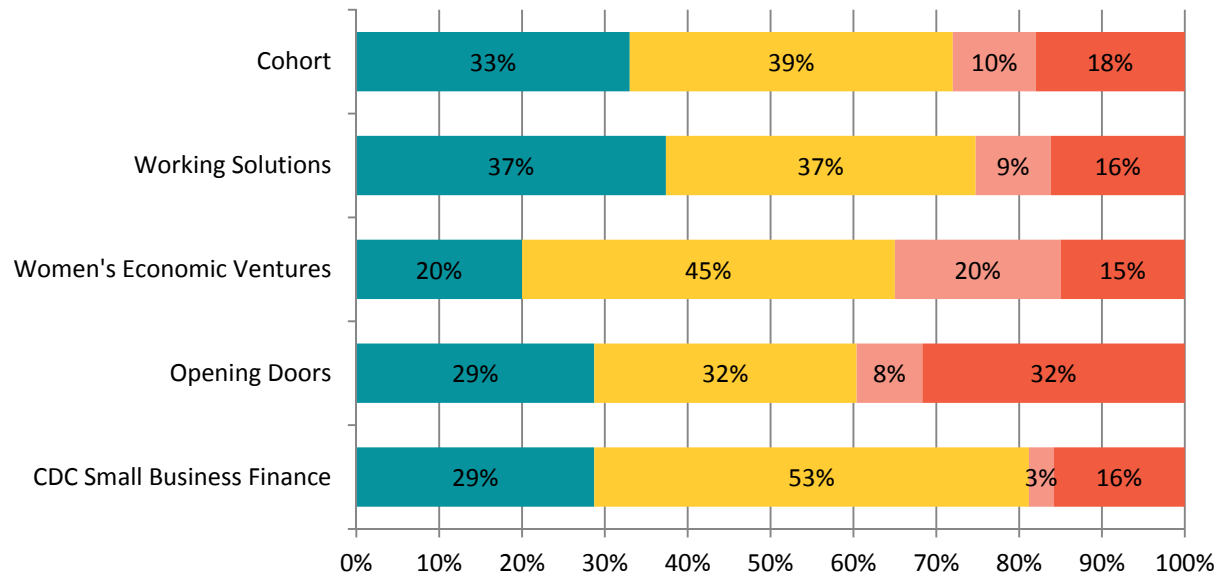
The majority of applications received by cohort members were put through Auto Review. CAMEO sets an expected benchmark of 90% for the auto-review rate. The most common reasons for not running an auto-review are non-payment of an application fee or if the borrower's application is clearly non-viable in the loan officer's opinion. LiftFund began integrating payment methods into the application process in 2015, which should increase the rate of payment.



Auto-Review Status

After an application is entered into MMS, the loan officer imports the borrower's credit report and runs the auto-review. Auto-reviews return a tier and a color rating:

- Green: OK to move forward
- Yellow: Need Further Review
- Light Red: Denial-OK to appeal
- Dark Red: Automatic Denial³

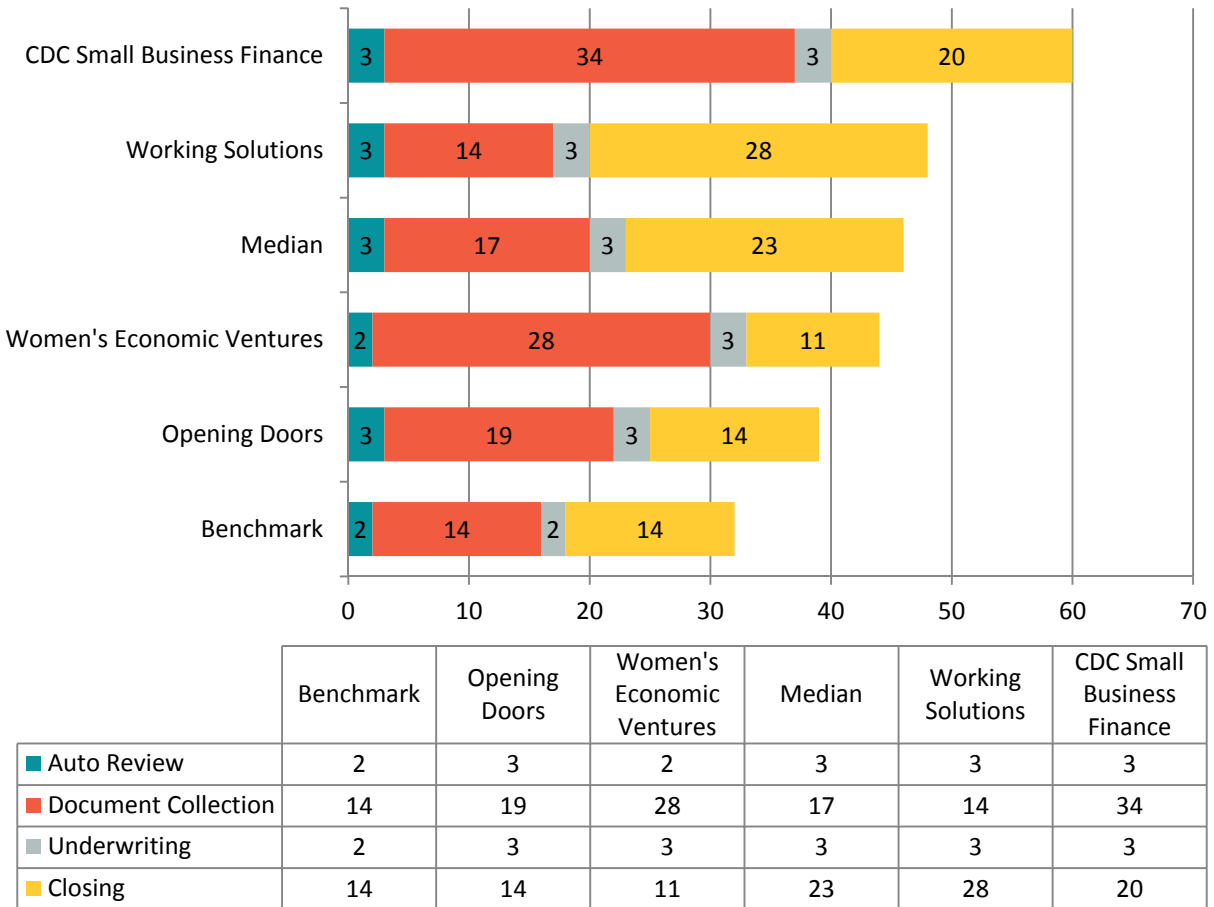


	CDC Small Business Finance	Opening Doors	Women's Economic Ventures	Working Solutions	Cohort
Green	29%	29%	20%	37%	33%
Yellow	53%	32%	45%	37%	39%
Light Red	3%	8%	20%	9%	10%
Dark Red	16%	32%	15%	16%	18%

The majority (72%) of applications that undergo auto-review receive a yellow or green rating, with only 28% receiving a preliminary denial from MMS. Individual organizations receive between 61% to 82% green or yellow auto-reviews.

³ Auto-Review may also give a Public Record Flag warning; not tracked in this report.

Days Per Milestone



Average Auto Review Time

Goal: 2 days

The median time between receiving an application and running an auto-review was 3 days for the entire cohort.

Average Document Collection Time

Goal: 14 days

The median time between running an auto-review and submitting a request for underwriting was 17 days for the entire cohort.

Average Underwriting Time

Goal: 3 days

The median time between submitting a request for underwriting and receiving a response was 3 days for the entire cohort.

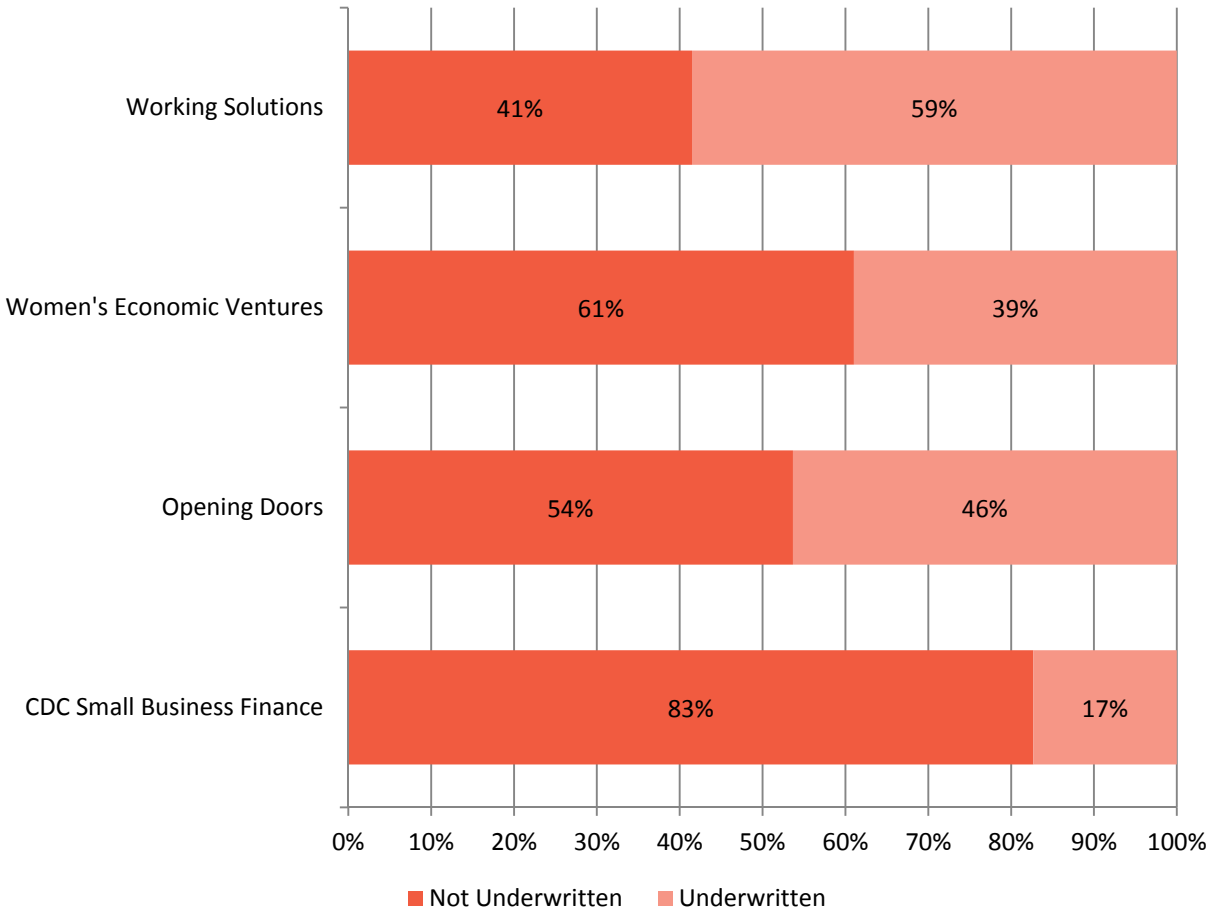
Average Decision Time

Goal: 14 days

The median time between receiving a recommendation from underwriting and approving or denying the loan was 23 days for the entire cohort.

Underwriting

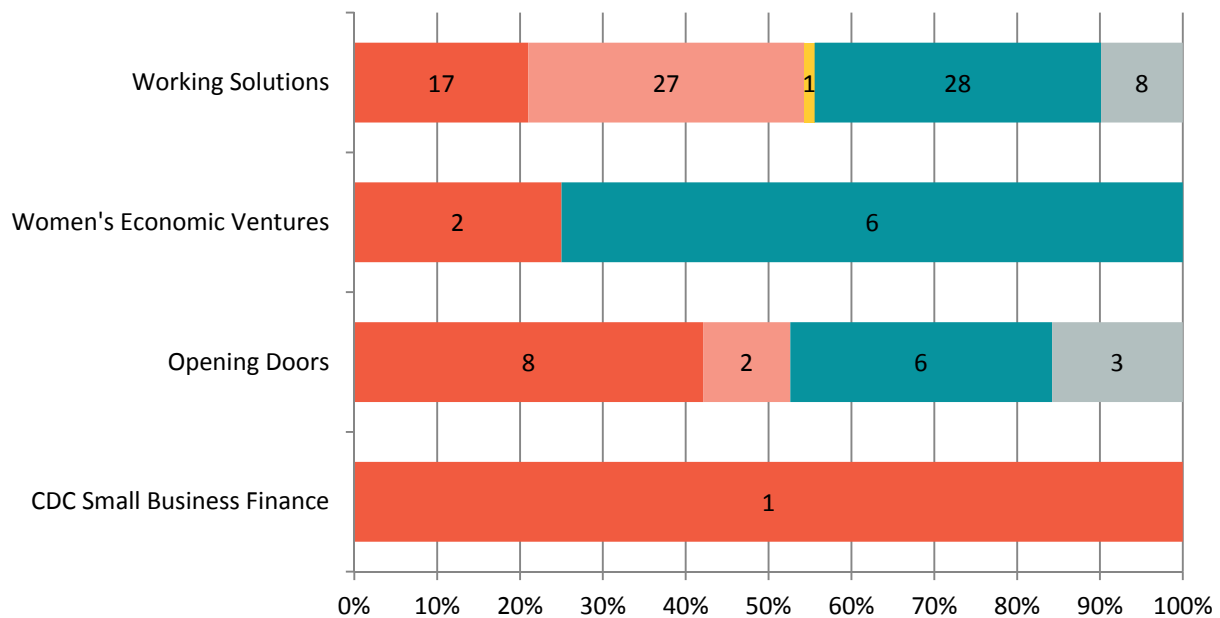
Several MMS users closed the majority of their applications before submitting them to underwriting, with an underwriting rate of between 17 and 59%. CAMEO's benchmark for underwriting is 50%. The most common reasons for applications closing prior to underwriting were negative auto-reviews, loan officer decision, or applicant withdrawal/non-response. Organizations that provide more support to borrowers during the document collection phase are more likely to put loans through underwriting.



Underwriting Denials: The Aftermath

A denial by underwriting does not always mean the end of the application; organizations retain complete ownership of their portfolios, and may decide to fund an application over an underwriter's denial if it fits into their mission. Of the 109 total denial recommendations received by the cohort,

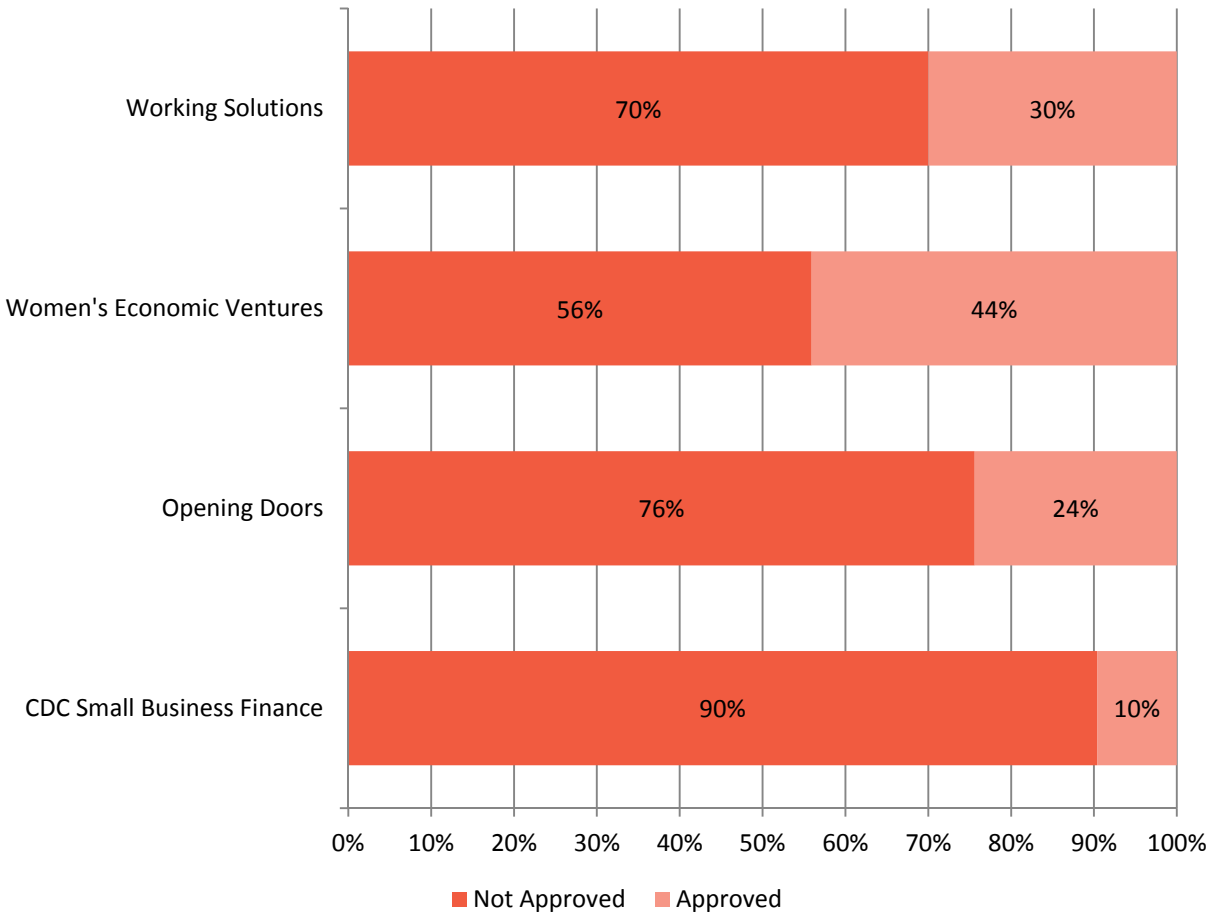
- 11 (10%) remained open on July 31st;
- 40 (37%) were approved;
- 29 (27%) were denied;
- 29 (27%) were withdrawn by the borrower or closed due to lack of response;
- 1 (1%) was transferred to an internal committee for a decision.



	CDC Small Business Finance	Opening Doors	Women's Economic Ventures	Working Solutions
Denied	1	8	2	17
Withdrawn/No Response	0	2	0	27
Loan Committee	0	0	0	1
Approved	0	6	6	28
Open	0	3	0	8

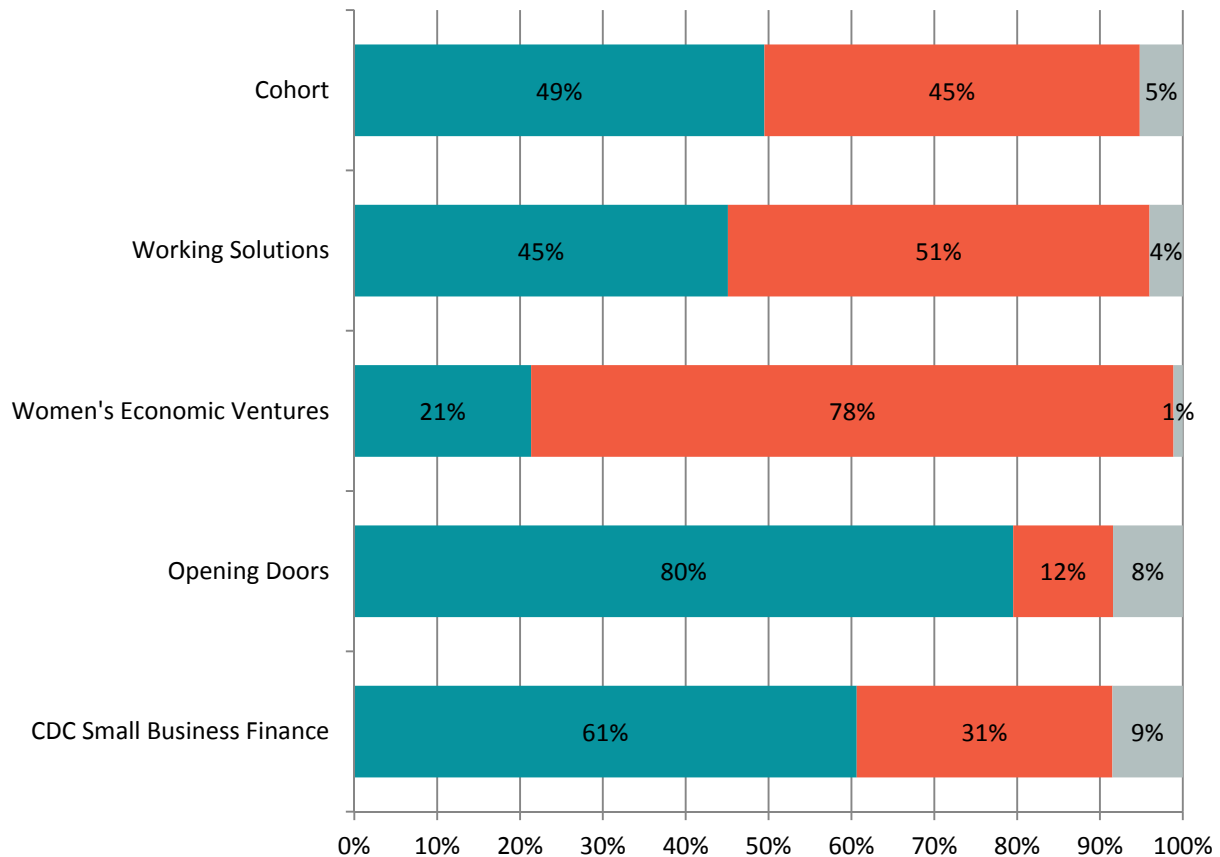
Conversion Rate

CAMEO set a conservative conversion rate of 20% for organizations using MMS, and most organizations have surpassed that, converting from 24 to 44% of their applications to loans. CDC Small Business Finance is again an outlier, due to the strictures placed on their portfolio discussed above. We will set a benchmark conversion rate of 25% for future years; this seems more in line with observed performance.



Demographics – Gender

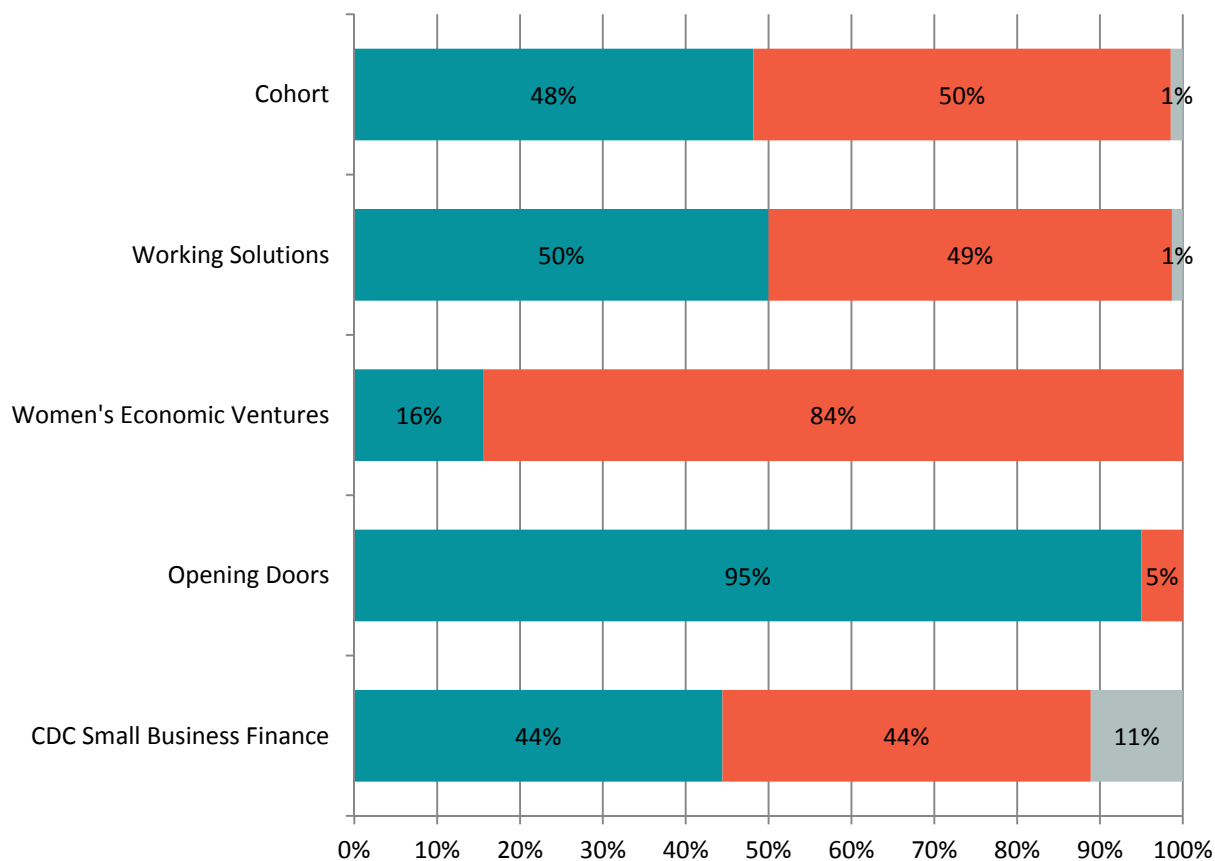
The MMS cohort as a whole received an almost equal number of applications from men and women, though there was significant variation between organizations. Opening Doors and CDC Small Business Finance saw mostly male applicants, while Working Solutions was about equally split, and Women’s Economic Ventures unsurprisingly worked with mostly women.



	CDC Small Business Finance	Opening Doors	Women's Economic Ventures	Working Solutions	Cohort
■ Male	61%	80%	21%	45%	49%
■ Female	31%	12%	78%	51%	45%
■ Unknown	9%	8%	1%	4%	5%

Approved Loans – Gender

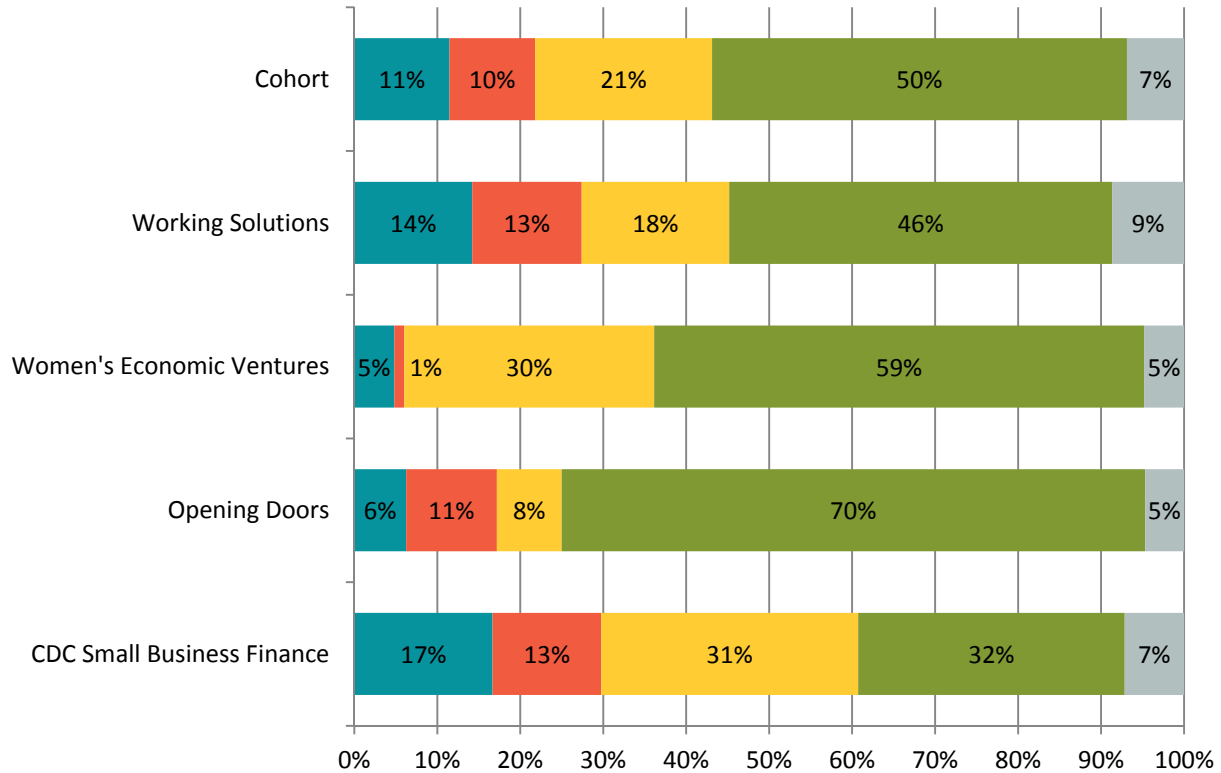
There was no clear pattern in the gender of approved borrowers. The cohort as a whole made slightly more loans to women than to men. Working Solutions made 1% more loans to men than to women, and received 6% fewer applications from men. WEV grew from a 78% female applicant pool to a 84% female approval pool, a 6 point change, while Opening Doors went from 80% male applicants to 95% male borrowers, a fifteen poin jump. Sixty-one percent of CDC’s applicants were male, but only 44% of their borrowers were.



	CDC Small Business Finance	Opening Doors	Women's Economic Ventures	Working Solutions	Cohort
Male	44%	95%	16%	50%	48%
Female	44%	5%	84%	49%	50%
Unknown	11%	0%	0%	1%	1%

Demographics – Ethnicity

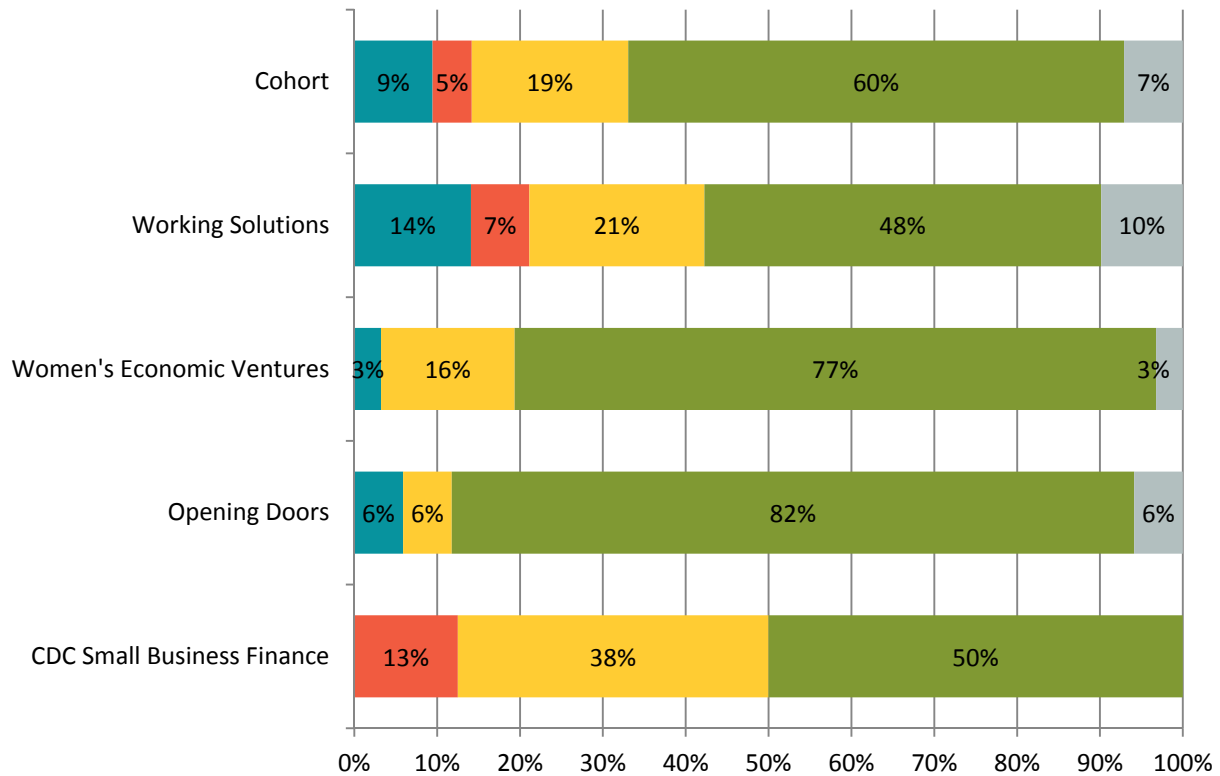
The MMS cohort receives applications from a diverse pool of applicants. Eleven percent of all applicants were African-American, 10% were Asian, 21% were Latino, 50% were white, and 7% were some other ethnicity. Each organization had a slightly different pool of applicants: WEV and Opening Doors served a mostly white applicant pool, while Working Solutions and CDC Small Business Finance served a mostly non-white population.



	CDC Small Business Finance	Opening Doors	Women's Economic Ventures	Working Solutions	Cohort
■ African-American	17%	6%	5%	14%	11%
■ Asian	13%	11%	1%	13%	10%
■ Latino	31%	8%	30%	18%	21%
■ White	32%	70%	59%	46%	50%
■ Other	7%	5%	5%	9%	7%

Approved Loans - Ethnicity

Approved loans were whiter than the application pool as a whole. Sixty percent of all loans approved went to white borrowers, compared to a 50% white pool of applications. This was true across all organizations, with a shift toward white applicants of between 2 to 18 percentage points per organization.



	CDC Small Business Finance	Opening Doors	Women's Economic Ventures	Working Solutions	Cohort
■ African-American	0%	6%	3%	14%	9%
■ Asian	13%	0%	0%	7%	5%
■ Latino	38%	6%	16%	21%	19%
■ White	50%	82%	77%	48%	60%
■ Other	0%	6%	3%	10%	7%