**Fact Sheet:**

**Island Loan Fund**

**Proposed project:** Expand OPAL’s existing financial services to include a nonprofit community-based loan fund that uses private investments from Orcas individuals to make real-estate-based loans to borrowers who are creditworthy, but unable to secure bank financing.

There are distinct advantages to such a loan fund being a program of OPAL:

- OPAL has in-house expertise and infrastructure in place and has been facilitating mortgage financing and home improvement loans for decades. OPAL already has a loan portfolio of $1.2 million loaned to 27 borrowers for mortgages or home repair; $600,000 of this amount was capitalized by government grants.

- OPAL has a history of success in qualifying borrowers, especially borrowers with nontraditional credit histories. In 25 years and 161 homeowners, no OPAL homeowner has ever lost their home due to foreclosure.

- Under Washington State law (Consumer Loan Act, RCW 31.04.025(2.j.)), OPAL has qualified for exemptions from some loan regulations because it is a nonprofit housing organization making loans under programs that are funded in part by federal and state programs to assist low-income borrowers with purchasing or repairing housing or developing housing.

Borrowers will be moderate-income (estimated between $40,000 and $80,000 annually) who meet underwriting requirements for creditworthiness, with ties and value to the community. They are likely unable to obtain financing from banks. The reasons for this are myriad and may include: absence of a traditional credit score; income that is erratic, though sufficient; insufficient down payment; financing for a nonconforming property.

Borrowers will pay an interest rate slightly higher than rates offered at banks. The rates offered will represent the best rates available to the borrower, and the loan fund will work with borrowers to move toward refinancing with a bank loan.

The loan fund will be staffed by two individuals, initially working part-time. One staff member will secure investments and work with investors. The other staff member will conduct loan underwriting and servicing. Administrative tasks will be carried out by existing OPAL staff.

A loan committee will monitor program implementation and evaluate market demand for products over time. Current members are Eros Belliveau, OPAL homeowner and resident ambassador for Grounded Solutions Network; Jamie Cier, Washington Federal branch manager; Alex Conrad, international business consultant; Martha Fuller, retired C.F.O.; Ian Van Gelder, local businessman and OPAL homeowner; George Zwiebel, attorney; and Michael Brennan, private lender (ex officio).

Local investors will earn a social impact rate of return of about 2%.

After a start-up period, the loan fund’s operations will be funded by the spread in interest between the investors’ return and the rate charged to borrowers. For example, 20 loans averaging $150,000 with a spread of 4% would generate about $120,000 of interest revenue in the first year to support operations.

**What’s needed to make it happen?**
Fact Sheet: Island Loan Fund (continued)

What’s needed to make it happen:

$180,000 in grants and donations in 2017 and 2018

This will result in the following accomplishments:

- Completing the operating documents, setting up loan origination software, establishing the loan loss reserve and issuing the private offering memorandum.
- Closing on loans from “investors” of up to $1 million, with amounts for each lender ranging from $10,000 to $250,000.
- Closing on loans to an estimated five individuals who will borrow funds from the Island Loan Fund to purchase a home or make an improvement. Borrowers will generally be expected to refinance with a traditional lender within five years.