

Dawn Medley, Vice President, Business Finance Programs  
Prince George's Financial Services Corporation (FSC First)

Good Morning Senator Cardin and Members of the Committee on Small Business and Entrepreneurship. My name is Dawn Medley. I am the Vice President of Business Finance Programs with Prince George's Financial Services Corporation aka FSC First. As such I provide oversight of our Loan Administration team and all 8 loan products including SBA Community Advantage (aka as Small Business Growth Fund) and SBA 504. It is my pleasure to serve on this panel today. It's always a great day to speak about what's working to assist small businesses with access to capital and what can be done to further improve that effort.

FSC First has a 40 year successful track record in the industry. FSC was established in 1978 as a 501 c (3) non-profit organization and in 2000 was designated as a Certified Development Financial Institution (or CDFI) by the U.S. Treasury. In 1982, 36 years ago, through the U.S. Small Business Administration, FSC First was designated as a Certified Development Company (or CDC). We have been an SBA Community Advantage Lender for 5 years receiving our approval in March of 2013 and then received Delegated Authority in March of 2017. We also serve as fund manager and lender service provider for a Microenterprise Fund, the County's \$50 Million Economic Development Incentive Fund, the Maryland Video Lottery Terminal (VLT) Small Business FLEX Fund, the City of Bowie Revolving Loan Fund and 2 Green Energy Programs (C-PACE and Green Energy Loan Guaranty Program). Our business loan programs have assisted businesses that created over 7,600 jobs in the last 20 years. We operate very like a community bank in that we fully underwrite all our loans and we retain the loans and service them from origination to maturity; however, we also focus on business sustainability. There is no need in providing capital with terms so burdensome that they are impediments to healthy cash flow and liquidity at the outset of the business.

Our experience as a Community Advantage lender is that this program has been an invaluable asset to our ability to provide capital to small and minority owned business in Prince George's County Maryland. We could do more if we were not limited by having to provide loan loss reserves because our \$4 Million loan pool is limited to serving Prince George's County based businesses due to the funding source for those loan loss reserves. Just this past fiscal year, we had to turn away or attempt to source another program for \$3.4 Million in applications from small and minority businesses throughout Central and Southern Maryland across 7 Counties. We became a Community Advantage lender to better service this un-met need for capital but are still restricted from helping due to this requirement. Still without this guaranty provided by Community Advantage, we would not be able to utilize our loan pool at the rate we do now because our bank pool of participating lenders requires that we have a guaranty in order to lend. Nevertheless, we manage to do a very good job providing loans in our underserved communities utilizing CA where we can.

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FSC First's portfolio of Community Advantage loans is diverse consisting of 100% of our loans being made to minorities and 55% to women-owned businesses. 66% of the loans are to Black or African owned businesses; 22% are to Asian-owned business and 11% are to American Indian or Alaskan Native owned businesses. Our industry mix is just as diverse consisting of restaurants, food service & caterers, media & broadcasting, professional staffing and construction. 77% of our loans have been made in underserved markets as defined by the SBA creating 122 jobs and retaining 94 jobs.

The Community Advantage portfolio is quite healthy. FSC has experienced zero losses. No defaults, no charge offs, no workouts, no liquidations. There is one caveat. One borrower filed for personal bankruptcy which of course is a technical default of the loan documents but continued to pay as agreed and paid the loan off early. Our borrowers realize that but-for the Community Advantage loan guaranty, their business ownership and expansion dreams would not be possible and so they have been diligent in being good stewards of the financing that has been made available to them.

Many of our businesses are start-up or immersing businesses who have been turned away by banks. We manage risks starting with the application package requiring a business plan, not a business paragraph, which includes a viable marketing strategy and financial assumptions based on current industry data and site location demographics. A good business in a bad location can be just as detrimental as unrealistic revenue projections. We use common sense and best practice underwriting to give the business the best chance to be able to repay the loan. We stay close to our borrowers through site visits, financial statement and tax return analysis and regular personal engagement, so we can try to detect any tremors in the business early enough to help. We utilize this approach to be an instrument in eliminating barriers to capital and to graduate businesses to being bank-able. One of our borrowers, a media & broadcast company, has been able to expand nationally after receiving a \$100,000 CA loan that had a severe collateral shortfall has paid her loan off 3 years early and is now bank-able.

Prior to Community Advantage, the SBA 504 program was our organizations flagship program. It is our desire for it to be so again. We have obtained SBA Authorizations for 90 loans in our 40 year history most of them not in the recent past due to competition with banks utilizing the 7a program over the 504 program, increased regulations, increased compliance and reporting requirements, loan submission software limitations and surprise new policies not clearly communicated or included in the SOP. Even though SBA has been responsive to our inquiries and addresses our questions rapidly, the latter makes utilizing the program more difficult and is a barrier to making more loans and creating more jobs. Of those 90 loans, 29 (or 32%) were to minority-owned businesses and 12 (or 13%) were to women-owned businesses.

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We would like the opportunity to increase 504 lending again as our pipeline and our target market areas are revealing many new possibilities.

FSC First's specializes in blending our diverse loan products to create capital solutions for businesses that then create jobs and increase economic growth.

I thank you for inviting me to testify today.

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