A LOAN FUND FOR WORKER-OWNED HOMECARE COOPERATIVES:

A FEASIBILITY ANALYSIS

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I. EXECUTIVE SUMMARY

The cooperative homecare financing market is an attractive one from a mission perspective, but small, fractured and complex in execution. The number of actual homecare cooperative in the sector is very small (13 at this time) and thus any conclusions to be drawn from a sample this small must necessarily be speculative. However, there are a number of seasoned practitioners in the field, and lessons from previous successes and failures are being actively applied to current practice. The moment may be right for a more comprehensive solution, a vehicle that combines direct and facilitated lending, and acts as a repository of best practices and support and a national advocate for training and technical assistance.

Amongst the findings of our study are:

- In the absence of significant collateral in the form of hard assets or personal guarantees, even CDFIs struggle to make loans to individual homecare co-ops.
- Collateral is not the only issue however, as past experience reveals that even those co-ops with large bank balances and long histories sometimes have difficulty getting traditional lenders to understand and support their enterprises.
- The risk involved in lending to the homecare sector is significant, and for the most part due to factors that are not in the direct control of caregivers, issues such as reimbursement rates, labor conditions and public policy requirements.
- That said, there are a number of things that cooperatives and their allies can do to mitigate risk, chief amongst these advocating for the delivery of consistent technical assistance for each enterprise, and a coordinated effort around common issues such as policy development, rate setting, and governance practices.
- Financial training and financial controls are particularly important.
- Homecare co-ops, in general, are not well-served by the existing landscape of financial resources, and there is room—and need—for a new approach more along the lines of the supportive sector-based funders and secondary cooperatives that are seen more often in Europe and Canada.
- While there is not necessarily agreement yet amongst homecare co-op allies about what the specific next steps should be, there is a shared understanding of need and a broad consensus about the important role that worker-owned cooperatives can and should play in the future of care in America. This level of alignment is a big asset, and should be leveraged.

- Caregivers themselves must be an integral part of any new financing fund or organization, serving in a formal advisory capacity regarding product development, and most importantly, lending approach.
- Such an approach will require philanthropic subsidy as well as capital.
- However, technology and human resource capability do not present significant obstacles—the expertise to manage such a fund is within the community and the technology would not be difficult to acquire.
- Financing is a necessary, but not sufficient part of the answer to the big picture issue of job quality and care— it has a lot to contribute to success, but cannot be seen as a lone solution.
- However, given the positive history of the CDFI industry in general, financing may be a good place to start from a fundraising perspective.

II. INTRODUCTION

This feasibility analysis is undertaken to investigate the financing needs and options for U.S.-based worker-owned homecare cooperatives. It was conducted for the Cooperative Development Foundation (CDF) and funded by the United States Department of Agriculture (USDA).

Over the past decade, CDF has taken on a leading development role in the emerging homecare cooperative sector, commissioning marketing studies, developing resources, providing funds for technical assistance, and convening a national steering committee of cooperative leaders interested and active in the field, many of whom were interviewed for this study. The group has been cautiously optimistic to see the emergence of half a dozen new homecare cooperatives in recent years, yet concerned at the slow pace of growth and continued daily struggle for most of these enterprises.

Key questions for the sector include:

> *"What would it take to make it easier for worker-owned homecare cooperatives to launch and grow?"* and
>
> *"Are there key ways to work together on a national sectoral level to limit risk and expand opportunity in the sector?"*

This financing feasibility study is undertaken as part of CDF’s comprehensive approach to supporting the development of worker-owned homecare cooperatives, to look at the role of appropriate financing in contributing to the cooperatives’ success.

III. INDUSTRY BACKGROUND

THE HOMECARE SECTOR

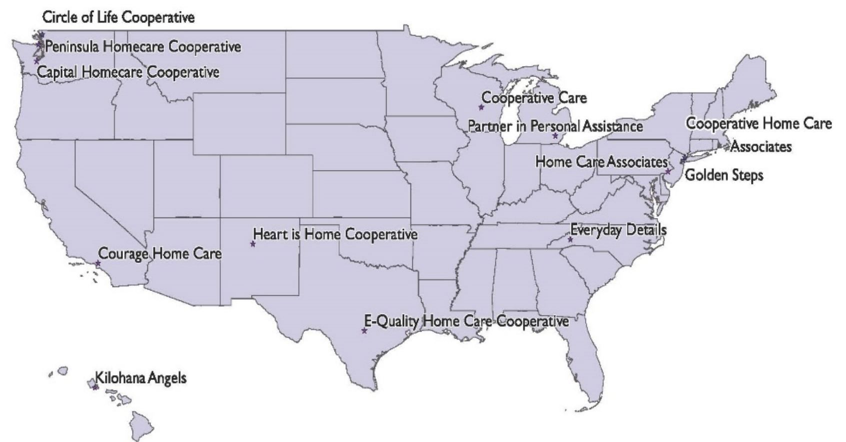
Homecare in the U.S. is a $90 billion industry, with a little over half of that revenue going to traditional homecare and residential care businesses. The industry experienced significant growth over the period 2011-2016 of 4.5% per year, and growth over the next five years is expected to be even greater, at a 6.7% annualized rate. An unprecedented increase in the nation's elderly population, paired with a cultural shift towards aging in place, is driving this pace. By 2030, seniors aged 65 and over, will represent 20% of the U.S population (an estimated 71.5 million people) and nearly nine in ten seniors hope to age at home. Adjusting for turnover, millions of new homecare workers will need to be hired and trained over the next few decades to meet demand.

Agencies and clients will have a difficult time finding these workers. For many years, experts in the field have warned of a coming caregiver gap. Despite the growing demand and importance of the work, the reality is that caregiver jobs remain low paid, benefits are limited, hours are inconsistent, training is insufficient, career ladders are nearly non-existent, and the job is emotionally and physically taxing. With few incentives and little support, it is not surprise that even firms that put job quality at the center of their decision-making face difficulty in recruiting workers. With an improving overall economy, turnover rates within the homecare industry remain exceedingly high (67% nationally) and agencies small and large struggle to recruit from a limited pool of workers, which continues to decline as today’s caregivers age out of the workforce. Without a material improvement in job quality, there will be an insufficient number of workers to provide homecare services.

To bring new workers into the field to meet growing demand, homecare jobs need to be improved and the agencies that employ these workers must be stabilized. Homecare cooperatives, which are owned and governed by caregivers, are uniquely positioned to accomplish this. With the right kind of supports, worker-owned cooperatives have improved working conditions and outcomes, increased recruitment and retention, and created business stability and sustainability. To expand their reach and improve job quality across the sector however, will require greater investment and support than has been available to date.

WORKER-OWNED COOPERATIVES

There are currently 13 homecare cooperatives in the US. These co-ops range in size from the largest worker owned cooperative in the country, Cooperative Home Care Associates (CHCA), with over 2,000 caregivers to nascent start-ups with less than 10 caregivers. The sector is highly bifurcated with two large mature public pay cooperatives CHCA and Home Care Associates (HCA) in Philadelphia. Of the remaining 11 cooperatives, the largest two are Circle of Life in Bellingham, WA and Cooperative Care in Washington which both have between 35 and 40 caregivers. Cooperative Care, HCA, and CHCA are the only public pay homecare cooperatives the ten other cooperatives only work in the private pay sector. There is also a developing cluster of homecare cooperatives in Washington state with three existing coops and three more in development.



IMPLICATIONS FOR THIS PROJECT

It is clear that worker-owned cooperatives represent a small segment of a troubled industry. They may hold the promise of solutions as we will see later in this analysis, but the challenges of working in this industry in the current political environment should not be underestimated.

IV. MARKET

THE MARKET FOR LOANS

Homecare cooperatives and allies identified the need for five distinct loan products to support the worker-owned homecare sector. In addition, two other products are outlined below that, while not foundational to the businesses' future, would be beneficial as a means to add value and lessen risk for individual cooperative members.

Start-up financing:

By far, some of the most difficult financing to secure is for the costs related to starting up a new homecare agency. These costs are approximately $35-$50,000 for private pay agencies, more if the new agency aims to serve the public market. Collateral is slight, and the number of unknown factors generally high. Successful financing to date has been provided by affiliate nonprofits, cooperative development centers, and local social investors. Others sources include family funds and lots of unpaid labor. Approximately 2 – 3 new homecare cooperatives have been launched per year nationally in the past five years.

Lines of credit:

Virtually every homecare cooperative we contacted for the study expressed a need for, or at least a desire for, a business line of credit. An important distinction can be made here between the external constraints of the industry and internal issues of management. The unpredictable nature of the payment stream in homecare paired with the relentless need to make weekly or biweekly payroll catches even the best of agencies short once in a while. It is so common as to be an expected element of the industry. Most cooperatives have been able to negotiate such lines with their primary bank, but the strategy has come with a cost. Large cash collateral balances, and in some cases personal guarantees, have often been needed to leverage the necessary credit. Also, cooperators report feeling misunderstood by their bankers, and somewhat demoralized by the need to go begging annually to a powerful institution that does not—in most cases—either value or understand them. The size of the line of credit needed is related to the revenue stream of the cooperative, but generally should be enough to cover approximately 45 days of receivables.

A further risk that cooperative (and indeed all such small businesses) face is the historic undependability of banks as partners in times of crisis. During the financial crisis of 2008, traditional banks routinely cancelled lines of credit for businesses small and larger just overnight, with no justification and no redress. If that were to happen again, worker-owned homecare cooperatives—low status, misunderstood, lacking collateral and political clout—would surely be amongst the first to lose access to bank credit. Some cooperatives with sufficient retained earnings would be able to weather such a crisis, but several others routinely depend on their lines of credit as a core financing strategy. These businesses are at significant risk in the current situation.

Working capital term loans:

Several co-ops also reported having had, at some time in the past, to turn a working capital line of credit into a term loan because they simply were not able to pay the line down to

zero annually, as is typically required of a line of credit. What this really speaks to is a need for more permanent working capital to fund growth, a resource that for most businesses is provided by the entrepreneur but for homecare cooperatives have more often come from borrowed funds.

It would also be conceivable to develop a product that would not just be available to co-ops reactively, as cash flow problems arose, but rather be offered proactively to encourage homecare cooperatives ready for growth to expand into a new geographic market for example, or invest in the licensing and other costs involved to enable them to take on public pay clients. Medicaid and Medicare represent about 70% of the homecare market, and as such represents the greatest opportunity for wide-scale growth and scale. In a volatile industry, a varied book of business is probably the safest bet, and co-ops that are able to reach a certain scale, are much more sound credit risks than tiny, vulnerable ones. A loan product could be designed to help an existing co-op with such diversification and growth. Such a loan would have to be tied to close and ongoing technical assistance, but it might be a catalyst to help the sector expand more quickly in a methodical and thoughtful manner. It is hard to estimate the size of such a loan but the range here for a mature co-op might be in the $100 - $200,000 range.

Equipment or technology loans:

Cooperative leaders themselves did not typically identify equipment or technology loans as a vital need, largely because homecare is such a labor-intensive industry. It is conceivable, however, that if an easy financing scheme were available to implement some efficiency-enhancing improvements like new scheduling software, more smaller cooperatives might adopt such systems. As it is, their focus has largely on more immediate financing needs, such as working capital. But if there were a useful technology improvement to be made, particularly if a central source could arrange for a group discount, it might be worth considering a financing element.

Conversion loans:

An appealing part of the potential market for homecare cooperatives, as discussed above, is not only the start-up of new agencies but the conversion of successful existing agencies. The only such deal that has happened to date is the conversion of Cooperative Care from essentially a county-led program to a private business. In that case, there was no need to pay a departing entrepreneur and the co-op could get along with only a $125,000 loan for working capital. In a similar case, it would be logical to ask for some form of owner financing, but there still might be a need for $250,000-$500,000 in financing. While this

market is purely speculative at this time, a recent analysis by the ICA Group noted about 40 mid-sized independent homecare firms per year close due to owner retirement, with an average cost potential cost per transaction of about $500,000. [i] Our projections conservatively estimate 1-2 transactions per year initially, but with concerted effort, the number could be as high as 5-7 transactions per year particularly as existing homecare cooperatives also look at the potential for acquiring smaller agencies to add to their book of business.

Additional financial products that do not exist now, but would be useful to develop to benefit for co-op members include:

Loans to facilitate small scale lending to members:

All three of the oldest worker-owned homecare cooperatives have formal or informal programs to allow members to borrower against their paycheck or equity in the co-op for short-term personal financing needs. These "pay day" loans have generally been given at no interest, and are limited in size (about $250 per person right now, although at one-point CHCA allowed members to borrow against their full $1,000 of equity), and can be drawn only once or twice a year. CHCA, with its 2,000 employees, has had great demand for this product and have recently partnered with a local nonprofit to give workers access to financial literacy training and build credit from these loans. HCA and Cooperative Care simply run the programs internally, and in the case of Cooperative Care, it is not a formal "program" but an occasional service.

While there is obviously little profit to be made from small scale, 0% loan, these kinds of loans are very popular with co-op members, and could be part of a powerful retention strategy. Linking the loans to member equity underscores the difference of ownership, and allowing members—whom we know are low-wage and frequently face financial stresses as a result—a simple, easy and respectful way to deal with their inevitable financial strains could be an important part of living the cooperative difference.

A central financing source could give each co-op access to a ready line of credit to finance these loans, as well as a simple and consistent program materials to make such a program easy to implement. Additional "add-ons" from the central funder could be financial literacy curriculum, and grouping the loans for credit reporting and credit building purposes.

Business-backed credit cards:

A relatively small issue, but constant annoyance for cooperative leaders is the frequent need to personally guarantee a business credit card (or, in the absence of a business card,

to use their own personal credit cards for business expenses and request reimbursement). It is an unfair ask of such leaders, and is another indication of the lack of understanding of the cooperative model by conventional lenders.

A national funding resource could potentially negotiate with some cooperatively-aligned large bank or credit union and offer to back business credit cards for a group of select homecare cooperatives in order to let co-op members personally off the hook. Such a guarantee would be backed by an agreement between the central homecare funding source and the individual co-op so the co-op would ultimately cover any debt.

This would be another "product" that would not add profit to a central loan fund's coffers, but would instead be part of building a book of standardized tools (both financial and not) that would relieve co-ops leaders of individually researching and negotiating each step of their growth, and instead allow local leaders to concentrate on marketing and recruitment, the issues where local knowledge and relationships have the most impact on success.

THE MARKET FOR CAPITAL

Where would a new national financing entity for worker-owned homecare cooperative find the capital? The answer is likely to be as varied as the loans:

Such an effort would almost certainly have to start with grant equity from a philanthropic source. An amount of "first loss" money is needed in almost every case to leverage additional capital from social and philanthropic investors. The most likely source would be a national foundation.

The CDFI industry is by now, fairly well-established, and many banks, foundations, religious orders and other socially-motivated investors are familiar with how CDFIs work and their social and financial value proposition. CDFI debt can typically be leveraged with a minimum of 20% equity, but more likely 30% for a new venture so that $300,000 in grant funds housed in an organization committed to well-established CDFI best practices could reasonably attract an additional $700,000 in capital, at a cost of 0-4% per year. The Adrian Dominican Sisters (amongst the long ago "rescuers" of Home Care Associates) for example, have a deep and long-standing commitment to worker cooperatives, and would be a key collaborator to approach.

In addition to the well-established CDFI investors, it is possible that a well-organized appeal to everyday social investors might bear fruit. The homecare worker coop story is a touching and evocative one; telling that story is a clear and compelling way, with a specific "ask" attached to

it could bring capital from a number of socially-motivated or “angel” investors, who might not have previously worked with other CDFIs.

For some of the products discussed (business credit cards and lines of credit) it would be necessary for the new Fund to partner with some cooperatively-minded but much larger bank or credit union. Amalgamated Bank in New York might be one possibility, NCB another, or, given the rural nature of many of the projects, even CFC, the financing arm of the rural electric cooperative sector.

Finally, once a national entity of some kind was established, it might be possible to go to federal agencies such as USDA or SBA to discuss a collective way to provide loan guarantees or collateral pools for this emerging sector. While there is no one specific government program that immediately fits our project (other than the CDFI Fund, discussed below) a national entity, once established, could work with national co-op leaders to advocate for homecare co-ops access to existing programs like USDA’s B & I or SBA’s Community Advantage.

EXISTING FUNDERS SERVING THIS MARKET

Existing homecare cooperatives are of course currently accessing financing in a variety of ways, and these other entities could be viewed as competition for any new financing pool that is developed. However, given the community development nature of the financing need, many of these entities could just as well serve as potential collaborators, meeting a portion of the capital needs of the sector, if not comprehensively. A review of current activity as well as potential for future collaboration in detailed in the following section.

V. COMPETITORS AND POTENTIAL PARTNERSHIPS

BANKS AND CREDIT UNIONS

Conventional banks have played a core role in the start-up of at least one homecare cooperative, Cooperative Care in Wisconsin, and provide ongoing business lines of credit in a number of situations.

In the start-up case, the loan was collateralized by a contract for services from the local county, which was shifting management of homecare services from their office to the newly created cooperative. A number of unique aspects of the situation—the active and explicit backing of the County as core customer, the existing workforce and client base making this start-up more

like a business conversion than a new enterprise, and the close personal relationships between a number of key partners—enable the new co-op to access conventional financing for their launch. While this strategy worked well in this particular case (the co-op was successful and the loan repaid in full) it is unlikely such a confluence of events will happen for future start-ups. With the lack of hard collateral and no single owner to personally guarantee a loan, it is difficult to see regulated lenders playing a large role in start-up, or even ongoing financing for the homecare sector.

Lines of credit from banks have been, and continue to be, an important source of financing for the sector. Many homecare agencies rely on such lines of credit to balance the timing of their receivables with the need to make payroll. Because of the technology involved, this is a role that is cumbersome for small organizations like CDFIs to play, but easy (technologically) for larger regulated lenders. Ensuring the continuation of such a resource is important to the stability of the sector, but the existing situation is not without some peril.

Even mature homecare cooperatives with large bank balances report having had some difficulty on occasion with renegotiating their lines of credit. Banks in general, do not understand worker-owned cooperatives, and when a Co-op's loan officer changes, explanations must be done all over again. Personal relationships can help to smooth over any concerns about a business owned by dozens or even hundreds of homecare workers. But the current situation exposes homecare cooperatives to an ongoing degree of risk as lines are traditionally reviewed annually and can be cancelled at any time.

This might not always be the case. As a market for the conversion of existing agencies to worker co-op grows, the sector may begin to gain some positive notice from conventional lenders. Coordinated efforts to address lenders as a group, rather than engaging them one-by-one may also hold some promise. As the situation exists now, however, rural co-ops are particularly at risk because of the relatively smaller number of banks serving their communities.

Credit unions might be considered a more "co-op friendly" alternative to banks, but in reality, they have not lived up to this potential. Most credit unions do not undertake business lending at all, and if they do so, they do it at only a very small level (loans under $50,000 are exempt from the higher level of regulatory review for most business loans). Because they do not do much business lending, few credit union lenders are knowledgeable about small business underwriting (and credit union regulators even less so) with the result being that credit unions may actually be more conservative and less flexible business lenders than their banking counterparts.

It is possible that a large, cooperatively-oriented bank or credit union could be a strong partner for this project at a macro-level (see recommendations below) but on an individual's level, the regulated lending sector does not present either much in the way of competition or collaboration for our cooperatives.

COMMUNITY DEVELOPMENT LOAN FUNDS

There are currently four certified Community Development Financial Institutions (CDFIs) which specifically specialize in cooperatives. One of these, Shared Capital Cooperative (SCC) has made loans to two worker-owned homecare companies, and a second CDFI the Local Enterprise Assistance Fund (LEAF) has shared one of the above loans with SCC, and made another loan to a different organization; the others have not entered the sector yet. Thus, the current experience of lending to this sector, even from a community development perspective, is sparse at best.

Both of the CDFIs with experience in the industry admitted to struggling with the projects. Collateral value is low, and even in the best of situations, homecare is a precarious and low margin proposition. The CDFIs in general understood well the mission-related value proposition of lending in the sector, which was the driving reason behind their going to some amount of trouble (additional levels of board review because of low collateral coverage ratios etc.) to make the few loans they have; however none of the CDFI leaders and staff we spoke with expressed the appetite to take on a large number of additional transactions without some kind of organized risk mitigation strategy such as a special pool of high risk funds, loan guarantees etc. "A sector like this needs specialization" noted one. All of the CDFI lenders interviewed also emphasized the importance of access to ongoing technical assistance for the co-ops as a key factor in leveraging loan money, and the importance of leadership and resources being directed to this end. Absent that, the CDFIs would continue to review and commit to deals on a case-by-case basis as they have been doing, but would be unlikely to launch a special sector-focused program on their own.

"A sector like this (homecare) needs specialization"

- CDFI Lender

One possible role for a CDFI in this proposal might be as a partner to underwrite and/or manage a separate pool of funds. This could be done either as part of the CDFI's core fund by making a loan to the CDFI and directing them to act as an intermediary and in turn make loans to the homecare co-ops; a different, more indirect approach would be to set up a separate pool of funds and then hire a CDFI to manage it.

Both approaches have advantages and disadvantages for both parties: In the intermediary approach, the CDFI would be responsible for making all underwriting decisions, would get “credit” for the loans with their investors, but would also have to bear the financial and reputational risk of any failures. In the indirect “hired manager” approach, the homecare pool directors could maintain ultimate control of underwriting so the host CDFI would bear less risk; however, in this scenario the task of managing the homecare pool would also likely be an “add on” to an already over-worked CDFI staffer’s plate, and thus might not get the same management attention as projects undertaken with the CDFI’s own resources. A homecare loan fund that was positioned as a “special project” of another organization would also be unlikely to benefit from deep industry expertise, as CDFI lenders must necessarily be generalists.

CDFIs have been key supporters of homecare cooperatives in the past, are mission-aligned, and have both financial resources and business expertise to bring to bear; they could clearly be key partners and collaborators in a more comprehensive solution to homecare cooperative financing needs, although the exact role they would play would need to be determined.

PRIVATE SOCIAL INVESTORS

In two recent instances, homecare cooperatives have successfully secured start-up financing from private social investors. In one case, an organized group of local philanthropists provided core funding, and in another a single investor played this role. One of the larger, more established cooperatives also benefited a number of years ago from a “rescue loan” from a local foundation and the Adrian Dominican Sisters.

While certainly useful on a case-by-case basis, the involvement of private social investors is serendipitous, at best, and does not (yet) represent a promising sectoral strategy. Most communities do not have organized groups of local investors ready to put money in a start-up co-op (or a local foundation willing to rescue an established one). In the absence of a pre-existing group of investors, a general appeal to the public through “Go Fund Me” campaigns and the like have not been successful. The involvement of local social investors also brings with it the potential for conflict-of-interest if the investor is well-known to the Co-op or active in its operations. Even if these issues are resolved, social investors also do not generally bring the kind of savvy small business technical assistance that might be available from CDFIs.

A small number of other cooperatives, notably Equal Exchange, have been very successful at raising outside capital from a wide range of social investors, in their case, through the use of preferred shares. It is conceivable that such an effort might be possible for the homecare

sector as well; many people are concerned about elder care, and the mission value of worker-owned solution could be compelling to many people at both a small-scale level, and potentially to angel investors able to deliver a larger block of funds. However, such an effort would have to be done on a much more comprehensive and sophisticated level than simply putting together a bunch of "Go Fund Me" pages. Right now, social investors may be a promising additional partner in a specific situation. They are not likely to play a role in a comprehensive solution, however, absent a specific campaign to pursue this avenue of funding in a coordinated and sophisticated way.

COOPERATIVE DEVELOPERS

One of the cooperative development centers that has been especially active in this market, the Northwest Cooperative Development Center (NWCDC), has also acted as a lender to several of the start-up homecare cooperatives that they have assisted. This model of combining the roles of developer and lender raises obvious conflict-of-interest concerns regarding whether one can actually be an impartial lender to a business that one has also helped to launch. However, it is this very model that was used successfully in the early and even mid-growth stages of the impressive manufactured home park cooperative development work undertaken initially by a statewide CDFI, the New Hampshire Community Loan Fund.[ii] Manufactured home park cooperatives remain one of the most successful sector-based cooperative development strategies undertaken in the US the last 80 years.

NWCDC addresses the potential for conflict-of-interest (or simply, the very human tendency to view a project that is close to you with overly-rosy glasses) with the use of an outside loan committee, that reviews all loan requests and makes final decisions. NWCDC credits much of the success of their projects to the existence of their small loan fund, and the ability to monitor and influence the start-up phase as a lender as well as a developer. The ability to fund projects on a schedule determined by the needs of the co-op and not the lender is also an important advantage, and contributes to the success of projects. And indeed, there are by far more homecare cooperatives in Washington state than anyplace else, leading to the conclusion that working directly with developers may be a very successful strategy for start-up financing.

NWCDC's approach has been to incubate the start-up of several smaller, independent cooperatives. Another approach, of course, is for a large nonprofit to play an ongoing role in both the start-up and continued development of a homecare cooperative, the approach that was used with so much success with Cooperative Home Care Associates (CHCA) in the Bronx, with over 2,000 employees, the largest worker co-op in the country. These strategies are not

mutually exclusive, and a national homecare financing initiative could be a fruitful partner in both cases.

THE ROLE OF "COMMUNITY"

Two of the most successful start-up stories in recent years, Cooperative Care in Wisconsin and Peninsula Homecare Cooperative in Port Townsend, WA illustrate the vital role of community connections in the launch of an unconventional business model in such challenging, low margin industry. Peninsula Homecare Cooperative was able to rely on funds from a local investment club of community members for the entirety of their start-up funding, while the Cooperative Care team's personal relationships with their community bank and steadfast support from County officials ultimately secured the bank financing they needed to launch. The fact that the cooperative is a major employer in a sparsely populated area likely contributes to their continued positive relationship with the local bank.

One challenge for any new financing vehicle will be to replicate the role that "community" played in these two successful start-ups, to essentially be the "community" for all of the co-ops located in areas where they are not fortunate enough to have such stalwart local support. One thing a new lender with enough technical assistance resources could do, for example, would be to engage with potential social investors in a local area prior to the launch of a co-op project. Just replicating another bank or CDFI with a bank-like approach to lending with a dash of industry expertise thrown in will not have nearly the success of an entity that is able to engender mutual trust and transparency with homecare co-op leaders.

VI. OPERATIONAL AND TECHNICAL ISSUES:

UNDERWRITING CONSIDERATIONS

What we investigate in this study is the prospect for specializing in a high risk, not particularly profitable business with a difficult to understand ownership structure. It is in many ways not surprising that the response of conventional lenders—and even alternative ones—has not been overwhelming.

There are a number of underwriting considerations that must be addressed, as each would present a distinct source of risk for a potential loan pool. These include:

Collateral:

Homecare is a labor-intensive service industry without an advanced technical footprint. A vast majority of its financing needs are for working capital rather than asset-based lending, and as such any practitioner in the industry may struggle with financing, not just cooperatives. Cooperatives are uniquely disadvantaged, however, in their inability to offer a personal guarantee for loans, a practice that is common for traditional entrepreneurs. While it might make sense to require a sole business owner to guarantee company debt, in the case of a worker-owned cooperatives with dozens of low-wage owners none of whom owns a controlling interest in the company, the practice simply does not make sense, from an ethical, financial or administrative perspective. In a time of pressing labor shortages, requiring personal guarantees of co-op members would also effectively be a "deal breaker" for most workers, making the cooperative unable to fill its positions.

This leaves a lender to homecare cooperatives with minimum collateral, and a need to pay close attention to cash flow issues, a practice that requires additional labor on the part of the lender, as well as additional loan loss reserves in the case of a default.

An additional issue from a cash flow perspective is that there are few economies of scale in the homecare business. While in some industries, a larger operation can be significantly more secure in its cash flow for various reasons (and therefore more secure for a lender), that is not really the reality for homecare agencies. Larger agencies still need to manage cash flow carefully.

Equity:

A related issue, and weakness of the worker cooperative model from a traditional lending perspective, is the lack of owner equity. Homecare is a low wage industry, and homecare workers are low-wage workers. This means that they have little in the way of member equity to contribute to the start-up or expansion of their business. In the absence of grant funding, this means that homecare cooperatives depend to a large degree on debt financing, a factor that increases risk for lenders.

Governance:

As a cooperative, worker-owned co-ops are governed by their members, many of whom may not have had previous experience serving on boards. This situation again requires an astute lender to make sure of the availability of additional technical assistance and support. Caregivers can certainly act as effective stewards of their enterprises (in many cases better than

a single owner), but to make sure governance is ongoing and sound, a lender would want to ensure that each borrower had access to training and support.

Public Policy:

In a field where, public payers make up over 70% of the total market, public policy has an outsized impact on wages and working conditions, even in the private segment of the industry. Public payers set consumer expectations for cost of care, for example, effectively depressing reimbursement rates. State policy also affect homecare cooperatives, by setting agency licensing requirements, limiting the maximum number of licensures, and setting mandatory training requirements for workers. In all of these examples, homecare agencies including cooperatives, must largely be reactive—they cannot just decide to sell to a different customer, or in a different market. For a national lender, then, state-level policy would have a measurable effect on the risk level of loans with no real means to mitigate that risk, other than to avoid lending in states with a poor public policy climate.

Worker Recruitment and Retention:

In addition to cash flow, probably the biggest risk factor faced by homecare agencies is the significant, and growing, shortage of homecare workers. A company that is not able to find and keep good caregivers will not prosper in the future of this industry. In this aspect of underwriting, homecare cooperatives do appear to have a potential advantage. Being able to recruit good workers and keep them in the job has the potential to significantly reduce the costs of turnover that are borne by most companies in the industry. Whether a specific cooperative is able to effectively put this advantage to work is an open question, but the potential to build a stronger, more resilient brand of homecare agency is certainly implicit in the worker cooperative model.

FUND MANAGEMENT AND LOGISTICS

If a new resource for lending to worker-owned cooperatives were to be created, how would it be managed?

Term loans:

For the management of straightforward term loans, there are a number of sound options in this regard.

First, a new fund could simply contract with an existing CDFI for underwriting and management services. There are currently four CDFIs that specialize in cooperative enterprises, and dozens of others with expertise in small business lending.

Second, it would not be overly complicated to set up a new CDFI with a specialization in homecare lending. The existing CDFI industry has many resources available about how to start and manage a new fund, and many consulting firms with expertise in this area. There is specialized software available to manage CDFIs operating at different levels, and even large CDFIs still frequently manage portions of their data in excel spreadsheets.

A third option would be to combine these strategies, potentially working directly with cooperative developers like NWCDC or CDFIs who have specific expertise in start-up enterprises for certain kinds of loans, and managing other kinds directly.

Lines of Credit:

Lines of credit, however, which are a particular need for this industry, represent more of a challenge. CDFI software is cumbersome in general, and is not set up to facilitate the multiple draws and frequent repayments that characterize a true line of credit. Regulated lenders, on the other hand, can easily manage this kind of facility because the software governing their depository activities requires it. This is why the homecare cooperatives in our survey universally turned to regulated lenders for lines of credit, even when they were treated poorly in those relationships.

For a CDFI with access to a bank account, it is actually not that difficult to manage the technological aspects of a true line of credit. It is quite easy today, for example, to send money back and forth between accounts. PayPal does this every day for many businesses, and RSF Social Finance also has a platform for such things. A CDFI with the required accounting expertise and daily monitoring of requests and repayments could easily facilitate this. The difficulty comes more in two areas. The first is the cost of frequent or large cash transfer transactions may be prohibitive (although recent technical innovations like PayPal may make this much less of a concern). The second which is more confounding is the cost of keeping adequate funds liquid and available for draw by line of credit customers.

Banks and credit unions manage this risk in part through their access to large amounts of short-term deposits, which cost them very little in interest, and through their membership in central agencies that allow them to draw on their own lines of credit when needed to fund those of their customers. CDFIs, as independent financial entities, have neither of these advantages.

It would be challenging, but interesting, to see if the cooperative community might be able to come up with a way to solve these issues for a homecare loan fund. Might a large cooperatively-focused bank or credit unions simply give our little fund a "deal" on the cost of cash transfers? Might they also be convinced to provide a backstop line of credit to the homecare fund, to cover any instances where draws from client lines of credit exceeded the amount set aside for that purpose by the loan fund? These are not easy issues to overcome, but do represent specific and identifiable ways that large financial cooperatives could—without too much trouble and expense—contribute in a very meaningful way to the quality of life in rural communities, by helping homecare worker cooperatives to grow and thrive.

Business Credit Cards:

The offering of credit cards is not a service that CDFIs frequently offer and would be a difficult primary product for a new lender. This represents another area where a large, cooperatively-aligned, regulated lender could be a useful partner. A cooperative bank, for example, could offer homecare cooperatives business credit cards backed by the guarantee of the loan fund instead of the personal guarantee of workers. The loan fund could then require a guarantee of the card by the cooperative in question, essentially giving each co-op as a business the opportunity to back their own card instead of having their workers do so.

RISK MITIGATION STRATEGIES AND ELEMENTS OF SUCCESS

Clearly there are many risks involved in the homecare sector, and little collateral in the event of a default. A lender simply interested in risk mitigation would not deal with this industry.

That said, we know from the last decade of practice in the worker-owned homecare sector, that there are clear practices that make enterprises more successful, and that the more we can encourage these practices, the more successful everyone (including our loan fund) will be. These include:

- Support co-ops directly and specifically in the area of worker recruitment and retention. Evidence has shown that worker co-ops have a natural advantage in this vital area, and the agency that gets and keeps the best caregivers will be the agency that succeeds.
- Ensure the availability of technical assistance for all homecare borrowers, particularly in the areas of governance and financial analysis.
- If we believe, for example, that cash flow management and worker retention are two over-riding elements for success, then we must make sure that each homecare borrower is trained to understand and monitor these crucial factors. The Cooperative

Care management team provides a solid example of how to successfully build internal capacity in this manner.

- Workforce training is another aspect of success that it is often difficult for individual cooperatives to tackle on their own; a centralized national effort to organize and fund training for cooperative members would strengthen all borrowers.
- Continue to explore ways in which the industry could offer consolidated backroom support to all homecare cooperatives, on issues of training, insurance, accounting, policy development, software, technology and systems.
- Internal financial controls are also crucial; making sure these controls are rigorous in form and practice can prevent, halt or eliminate many potential problems.
- An effective national funder in this sector must also act with other national players to identify resources and solve policy issues at a national scale that directly impact the prospects of individual co-ops, but are beyond their ability to confront individually; this will help everyone to be more successful.

A final word should be said on the issue of attitude. Too often, funders of all kinds, including CDFIs, start and end the financing discussion with what they are willing to do, rather than what the customer needs. As a lender, there are many reasons not to get involved in a low margin, unpredictable, uncollateralized sector managed collectively by groups of people with little previous business experience or training. Trying to fit such businesses into conventional lending paradigms will only be frustrating to all involved. Being a different kind of lender means not only looking at products, services and underwriting in a different way, but also modeling a different way of interacting with customers.

Much of the success in lending to a marginal, cash flow dependent business in ultimately related to the ability to build a relationship of trust and transparency with the borrower. You will only be successful if the borrower has both the knowledge and skill to identify problems early on, and trusts that someone with resources will act to help them rather than shame them if problems are disclosed. All of the homecare worker-owners we spoke with had examples to share of being treated in a dismissive or disrespectful manner by bankers and other lenders. For a challenging sector with many needs that do not fit neatly into existing credit boxes, it is in many ways a better—in fact, the best— long-term strategy to alleviate risks by acknowledging them, and problem-solving to find new ways to provide financing in a transparent, supportive and straightforward way. ***"What they need, not what you can do"*** should be the core organizing principle of any new financing venture in the sector.

Modeling this approach will mean that a lender specializing in this sector will need to operate differently than lenders do in other circumstances, even some experienced CDFI lenders. "You need to know who you are talking to" summarized one homecare working when asked about an effective lender relationship. Any lender specializing in this sector will need to go to some effort to be approachable and communicate effectively in clear, friendly and accessible language. They will need to seek and take advice from actual caregivers, and involve them broadly and deeply in policy decisions. Building trust through effective communication and reliable actions will ultimately serve as one of the biggest risk mitigators in an industry with so many challenges.

"You need to know who you are talking to"

- Homecare worker-owner

VII. FINANCIAL PROJECTIONS

LOAN PRODUCTS, RATES AND TERMS

As part of this study, we have prepared basic projections of what a targeted loan fund for homecare cooperatives might look like. Considering the annual rate of new start-up projects as well as the potential for replacing current bank financing with more beneficial terms as well as the potential for the conversion of existing businesses to cooperative status, we have estimated a conservative volume of $375,000 to $1,78,000 in loan volume annually over the next five years, and between 8 and 30 loans per year. These projections include activity in all five of the product categories discussed above, as illustrated in the chart below, and would involve our loan fund in having a financial relationship of some sort with most of the homecare co-op in the country. We believe this assumption is realistic, as we would be offering some new products in the market, and the existing cooperatives are ill-served by traditional lenders; In cases where a co-op has an existing strong relationship with another CDFI, our fund would just supplement rather than replace that relationship.

Interest rates have been calculated at an average of 7.5% annual interest (current market rates for CDFI business loans) with terms between five and seven years in most cases.

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
ASSUMPTIONS:						
Loan Activity						
# of worker-owned coops	15	16	20	26	32	38
Start-up Loans		1	3	4	4	4
		$ 50,000	$ 150,000	$ 200,000	$ 200,000	$ 200,000
Business Lines of Credit		3	4	6	8	10
		$ 225,000	$ 300,000	$ 450,000	$ 600,000	$ 750,000
Term Loans		1	2	2	3	3
		70,000	140,000	140,000	210,000	210,000
Technology/Equipment Loans		3	5	8	10	12
		30,000	50,000	80,000	100,000	120,000
Conversion Loans		-	1	2	2	2
		-	250,000	500,000	500,000	500,000
Total Loans		8	14	20	25	29
Total Volume:		375,000	890,000	1,370,000	1,610,000	1,780,000

CAPITAL, LABOR, AND PHILANTHROPIC REQUIREMENTS

For the attached projections, we have assumed an initial philanthropic capital grant of $300,000, as well as a starting social investment of $200,000 for an initial capitalization of $500,000. Subsequent investment of social capital is assumed at a rate that is consistent with the growth of similar loan funds, albeit on the optimistic end, which may be justified given the attractive story we have to tell. We assume a successful CDFI Technical Assistance grant of $175,000 in year two and CDFI Financial Assistance grant of $600,000 in year 4, as well as smaller additional equity capital infusions totaling $300,000 over the five years.

We assume an initial staffing expense of $80,000 per year (a part-time CDFI professional) with additional staff capacity added in Years three and five. This would assume a professional director, who would not only be responsible for lending, but would also be charged with investor and philanthropic relations, and with working with others in the field to develop the technical assistance and workforce development training needed to support the loans, as well as working with partners to deliver the additional financial products (member loans and business credit cards) identified in our study.

In addition to the initial capital grant and ongoing smaller investments, running such a fund would require $100,000, - $160,000 annually in philanthropic operating grants. This is a large, but not insurmountable ask. The opinion of many in the field is that the philanthropic world would support our work, if only they were given a specific, distinct and meaningful way in

which to do so; our loan fund idea might just be such a vehicle to rally grant dollars to make meaningful change. A similar effort (under obviously quite different industry and circumstances) was successfully built in the manufactured home park cooperative sector, which now has its own dedicated CDFI.

All other assumptions (loan loss reserve allocation etc.) have been made to keep our projections within the current CDFI industry norms for minimum prudent standards given the high-risk nature of our potential loan pool. The assumptions could also be changed if, for example, a partner organization took on the entire responsibility of ensuring technical assistance funding, or agreed to "host" our project at little additional cost.

An alternative to fielding a new fund with a dedicated staff person would be to contract with an existing CDFI to manage funds raised by CDF, the homecare steering committee, or a combination of allies. The cost of contracting with an existing CDFI would likely be significantly lower than the staffing cost included in our model; the cost to the program, however, would likely be the loss of a dedicated industry professional to lead in fundraising efforts, build core relationships, and provide a measure of supplemental technical assistance, particularly in coordinating and expanding on existing successful efforts at financial training for homecare cooperative leaders that are already in place.

Alternatively, we could also budget for not a part-time, but a full-time professional leader for the new entity. That idea would likely increase the philanthropic need to $200,000+ per year, but would result in additional attention and staff capacity, and likely faster results.

In any of these scenarios, our Fund could work in concert with others like cooperative developers and other CDFIs to provide the most beneficial range of products to each geography, supplementing where resources are not available locally.

Home Care Co-op Loan Fund Projections Summary

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Loans Receivable	-	307,500	946,950	1,899,899	2,828,117	3,728,656
Loan Loss Reserve	-	(25,000)	(55,000)	(115,000)	(150,000)	(185,000)
Total Assets	500,000	660,712	1,317,365	2,220,586	3,680,133	4,438,090
Financing Liabilities	200,000	350,000	850,000	1,600,000	2,450,000	3,200,000
Net Assets	300,000	306,712	463,366	616,586	1,226,133	1,234,090
Revenues	-	175,587	228,464	255,690	313,836	364,382
Earned Revenue	-	13,406	51,492	113,607	185,351	254,779
Expenses	-	168,875	221,810	252,469	304,289	356,426
Staffing expense	-	80,000	84,000	113,200	118,860	149,803
Net Income	-	6,712	6,654	3,221	9,547	7,956
Operating grants	-	160,000	175,000	140,000	125,000	105,000
Capital grants	300,000	-	150,000	150,000	600,000	-
# of New Loans Issued	-	8	14	20	25	29
$ of New Loans Issued	-	375,000	890,000	1,370,000	1,610,000	1,780,000
% growth			137%	54%	18%	11%
Loan Loss Reserve/Loans	0.0%	8.1%	7.6%	7.2%	6.3%	5.9%
Net Asset Ratio	60%	46%	35%	28%	33%	28%
Self-sufficiency ratio	0%	8%	23%	45%	61%	71%

SCALE AND EARNINGS POTENTIAL

Given the right parameters and concerted support by partners, we believe it is feasible that a specialized loan fund for homecare cooperatives could grow to a size in excess of $2 million by the end of three years, and by that time could be earning close to 50% of its own operating expenses. Such a fund could be reaching almost every homecare cooperative in the country in some way or other, and could play a leadership role in encouraging efficiency, building local capacity, mitigating risk, fostering success and focusing national philanthropic attention on these vital enterprises.

VIII. SUMMARY RECOMMENDATIONS

There are obviously many difficulties in financing any small players in the homecare sector. Yet that means there are also many opportunities to show leadership in crafting creative solutions that might also prove an example for other cooperative development efforts. The fact is that the operational cost of doing a tepid job in this area (forming a loan fund, or gathering capital, but not really changing the products or approach of the lending) is nearly as high as the cost of taking a more comprehensive and visionary approach, which would have a much greater potential for long-term success.

The answer may not be one fund, but rather one effort that centralizes and coordinates several different streams of funding for the sector, directed at different financing needs.

There is a great deal of unacknowledged opportunity cost in this field when co-op leaders spend their days going hat-in-hand to bank after bank looking for basic financial resources, often without success, or only at a personal (guarantee) cost for those on the board or in leadership. Or maybe they don't even do that, after becoming so discouraged after meeting with the first one. In such cases, co-op leaders don't even consider asking for (or even thinking about) what they really need to help their business grow, because getting the most basic financing such as a line of credit or a business credit card is difficult enough.

What should happen instead is for national cooperative support organizations to work together to make it as easy as possible for local co-op leaders to succeed, by offering dependable and standard financial business tools (lines of credit, terms loans, credit cards etc.) with clear eligibility guidelines so that local leaders can know what they need to do, and concentrate their time and energy on marketing and recruitment, which are the two areas where local relationships and knowledge contribute the most to success. Not all the products in the mix would be profitable, but they would all be useful and respectful.

Such a national effort would:

- Make small pools of funds available to developers (who show evidence of being able to manage them) to link financing and TA most closely.
- For start-ups without a high capacity developer, a central loan fund could play that role, or it could be assigned to a CDFI that specializes in working with start-up organizations.
- Since cash flow lines of credit are a common need for enterprises of all sizes in this sector, consider building a centralized national system to do this. It might be somewhat cumbersome to set up, but would alleviate all of the co-ops of the problem of begging

their local bank for a new line of credit every year and every time the loan officer changes, and also relieve them of the significant risk they all face that credit would be withdrawn entirely with the next financial crisis. This product would also be something that would solve problems for co-ops at all stages of growth, not just start-ups. Having a dependable source of cash flow would alleviate a lot of stress for finance managers, and better enable them to thoughtfully balance the needs for member earnings with the need for prudent financial management at the cooperative level.

- Expansion and even “rescue” loans should be on the table too. All of the largest and most successful cooperatives seriously struggled at some point or another, and were “rescued” by sympathetic financiers.
- A loan product that would be completely unprofitable, but at the same time would not take an enormous amount of resources and would potentially make a big difference to homecare workers would be the development of a co-op share loan, as an alternative to pay day lending. Several co-ops do these kind of short term, small loans now, and they are very popular and would be one more way for cooperatives to differentiate themselves in a very competitive market for workers.
- Similarly, it would likely not be profitable, but would be helpful to undertake further investigation about collaborating with a cooperatively-aligned bank to be able to offer the cooperatives access to business credit cards without the need for personal guarantees; perhaps a central homecare fund could act as a guarantor.
- Outside of the financing arena, but essential to risk mitigation is the development of a dependable and aligned source of technical assistance, as well as regular funding for staff training;
- The technical assistance needs to be conceptualized, developed, and administered in a manner that is steadfastly focused on building capacity at the local level, and in particular financial capacity. Benchmarks are good. But the caregivers running their co-ops need to understand the benchmarks, have a role in choosing the ones that are most important for their co-op, and then be supported in their work to utilize their own financial data and experience to track and improve operations. That approach will make the most difference in the long run.
- A central financial entity could also serve as a repository for best practices, policies, knowledge about how to set rates, lessons learned etc.

A useful example to look to is the development fund associated with the Arctic Cooperatives Ltd, a group of 32 independent, multi-purpose stores serving extremely remote communities in the North of Canada. “Centralize for efficiency, localize for effectiveness” is the guiding principle of this organization. Their central loan fund provides easy and accessible financing for

things that all of the stores need, such as funding for the year's large annual purchase of durable good inventory. The development fund also provides assistance, on a case-by-case basis, for things like real estate for a new store site, and the central federation provides support in many key areas such as human resources and governance in additional to acting as core supplier. Having such basic financial needs taken care of enables local leaders to concentrate more on core business issues, and helps to make this very unlikely group of enterprises working in an enormously challenging environment a collective success.

Homecare workers are another unlikely group of business owners, with a different, but equally challenging task they face on a daily basis. Developing a financing vehicle to make their job easier will help us all to be successful.

IX. APPENDICES

FINANCIAL PROJECTIONS

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
Cash	$ 500,000	$ 372,251	$ 416,495	$ 416,791	$ 977,241	$ 863,944
Loans Receivable	$ -	$ 307,500	$ 946,950	$1,899,899	$2,828,117	$ 3,728,656
Less LLR	$ -	$ (25,000)	$ (55,000)	$ (115,000)	$ (150,000)	$ (185,000)
Interest Receivable	$ -	$ 961	$ 3,920	$ 8,896	$ 14,775	$ 20,490
Other Assets	$ -	$ 5,000	$ 5,000	$ 10,000	$ 10,000	$ 10,000
TOTAL Assets	$ 500,000	$ 660,712	$ 1,317,365	$2,220,586	$3,680,133	$ 4,438,090
Financing Liabilities	$ 200,000	$ 350,000	$ 850,000	$1,600,000	$2,450,000	$ 3,200,000
Other Liabilities	$ -	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
Equity	$ 300,000	$ 306,712	$ 463,366	$ 616,586	$1,226,133	$ 1,234,090
TOTAL Liabilities & Equity	$ 500,000	$ 660,712	$ 1,317,366	$2,220,586	$3,680,133	$ 4,438,090
Interest earnings - loans	$ -	$ 11,531	$ 47,042	$ 106,757	$ 177,301	$ 245,879
Interest earnings - cash		$ 2,181	$ 1,972	$ 2,083	$ 3,485	$ 4,603
Fees revenue	$ -	$ 1,875	$ 4,450	$ 6,850	$ 8,050	$ 8,900
Grant revenue	$ -	$ 160,000	$ 175,000	$ 140,000	$ 125,000	$ 105,000
TOTAL Revenue	$ -	$ 175,587	$ 228,464	$ 255,690	$ 313,836	$ 364,382
Staffing	$ -	$ 80,000	$ 84,000	$ 113,200	$ 118,860	$ 149,803
Travel	$ -	$ 12,000	$ 12,360	$ 12,731	$ 13,113	$ 13,506
Office	$ -	$ 15,000	$ 15,450	$ 15,914	$ 16,391	$ 16,883
Loan Loss Reserve	$ -	$ 25,000	$ 65,000	$ 60,000	$ 85,000	$ 85,000
Interest Expense	$ -	$ 6,875	$ 15,000	$ 30,625	$ 50,625	$ 70,625
Fiscal agent/partner		$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Other	$ -	$ 20,000	$ 20,000	$ 10,000	$ 10,300	$ 10,609
Total Operating Expense	$ -	$ 143,875	$ 156,810	$ 192,469	$ 219,289	$ 271,426
TOTAL Expenses	$ -	$ 168,875	$ 221,810	$ 252,469	$ 304,289	$ 356,426
Net Operating Income	$ -	$ 31,712	$ 71,654	$ 63,221	$ 94,547	$ 92,956
Net Income	$ -	$ 6,712	$ 6,654	$ 3,221	$ 9,547	$ 7,956
		3.82%	2.91%	1.26%	3.04%	2.18%

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
KEY RATIOS						
Net Assets	60%	46%	35%	28%	33%	28%
Self-Sufficiency		7.9%	23.2%	45.0%	60.9%	71.5%
Deployment		47%	72%	86%	77%	84%
LLR/Loans Receivable		8.1%	7.6%	7.2%	6.3%	5.9%

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
ASSUMPTIONS:						
Loan Activity						
# of worker-owned coops	15	16	20	26	32	38
Start-up Loans		1	3	4	4	4
		$ 50,000	$ 150,000	$ 200,000	$ 200,000	$ 200,000
Business Lines of Credit		3	4	6	8	10
		$ 225,000	$ 300,000	$ 450,000	$ 600,000	$ 750,000
Term Loans		1	2	2	3	3
		70,000	140,000	140,000	210,000	210,000
Technology/Equipment Loans		3	5	8	10	12
		30,000	50,000	80,000	100,000	120,000
Conversion Loans		-	1	2	2	2
		-	250,000	500,000	500,000	500,000
Total Loans		8	14	20	25	29
Total Volume:		375,000	890,000	1,370,000	1,610,000	1,780,000

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
ASSUMPTIONS:						
Capitalization						
New Investments	$ 200,000	$ 150,000	$ 500,000	$ 750,000	$ 850,000	$ 900,000
Investors paid back						$ (150,000)
New Capital Grants	$ 300,000		$ 150,000	$ 150,000	$ 600,000	
Other Elements						
					CDFI	
Operating Grants		$ 160,000	$ 175,000	$ 140,000	$ 125,000	$ 105,000
Principal repayment		$ (67,500)	$ (215,550)	$ (417,051)	$ (631,782)	$ (829,461)
Loan Write-offs			$ (35,000)		$ (50,000)	$ (50,000)
Contributions to LLR		$ 25,000	$ 65,000	$ 60,000	$ 85,000	$ 85,000
New staffing, other expenses				$ 25,000		$ 25,000
			CDFI		CDFI	

Assumes for simplicity that grants are received and expended in a single year, so there are no grants recievable.

INDIVIDUALS INTERVIEWED FOR THIS STUDY

- Deborah Craig, *Northwest Cooperative Development Center*
- Steven Dawson, *Paraprofessional Healthcare Institute (retired)*
- Tracy Dudzinski, *Cooperative Care*
- Norah Edge, *Capital Homecare Cooperative*
- Gerardo Espinoza, *Local Enterprise Assistance Corporation*
- Mark Fick, Shared *Capital Cooperative*
- Diane Gasaway, *Northwest Cooperative Development Center*
- Nathan Hixson, *Local Enterprise Assistance Corporation*
- Rebecca Koehler, *Cooperative Care*
- Karen Kulp, *Home Care Associates*
- Brendan Martin, *The Working World*
- Brenda Pfanl*, Shared Capital Cooperative*
- Adria Powell, *Cooperative Home Care Associates*
- Alison Powers, *Capital Impact Partners*
- Robbin Richards*, Cooperative Home Care Associates*
- Candace Robinson, *Capital Impact Partners*
- Debra Schultz, *Cooperative Care*
- April Stevens, *Cooperative Care*
- Kippi Waters, *Peninsula Homecare Cooperative*

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[i] ICA Group for the Cooperative Development Foundation "The Cooperative Solution to the Caregiver Crisis: A National Strategy Analysis" p. 34.
[ii] See www.ROCUSA.org