

# 2020-2024 BUSINESS PLAN

Approved January, 2020



# TABLE OF CONTENTS

Table of Contents	Pg. 1
Executive Summary	Pg. 2
Institutional Overview	Pg. 3
Mission	Pg. 3
History	Pg. 4
Recent Awards	Pg. 5
Administration	Pg. 5
Current Products	Pg. 6
Current Financial Position	Pg. 8
Rio Grande Valley Target Market	Pg. 9
RGV Business Growth	Pg. 11
Unemployment	Pg. 12
Real Estate & Small Dollar Consumer Market	Pg. 13
Cameron County Real Estate	Pg. 13
Hidalgo County Real Estate	Pg. 14
Small Dollar Loan Market	Pg. 15
Market Demand for RGVMB Products	Pg. 16
Demand for Mortgage Finance	Pg. 17
Demand for Interim Construction Finance	Pg. 18
Demand for Small Dollar Loan Product	Pg. 18
Demand for CLC Franchise	Pg. 19
Low Income Market Demand Summary	Pg. 19
MultiBank Strategic Goals	Pg. 20
Goal #1	Pg. 20
Goal #2	Pg. 21
Goal #3	Pg. 22
Goal #4	Pg. 23
Conclusion	Pg. 23
Appendix A Financial Projections	Pg. 24
Appendix B Interviews	Pg. 25

# Executive Summary

The Rio Grande Valley MultiBank (RGVMB or the MultiBank) is a Community Development Financial Institution (CDFI) currently working in the Lower Rio Grande Valley of Texas, bordered by Mexico to the south and the Gulf of Mexico to the east. The service area goes from Cameron and Willacy Counties along the Gulf extending west along the Rio Grande to include Hidalgo and Starr Counties. The RGVMB is a for-profit stockholder held organization owned by twelve banks and organizations: Wells Fargo, Bank of America, BBVA, Frost Bank, International Bank of Commerce Brownsville, IBC McAllen, IBC Zapata, National Cooperative Bank, Lone Star National Bank, Falcon Bank, cdcb come dream. come build., and the Cameron County Housing Finance Corp. The RGVMB current target market is the Lower Rio Grande Valley (RGV), Texas. The RGV is considered a persistent poverty area; it is one of the poorest and fastest growing regions in the United States with an estimated population of 1.4 million. The target population that the RGVMB serves is the area's growing low- to moderate-income residents, who are primarily Latino, to enable this population to receive more benefit from the area's growth.

In 1996, the RGVMB received certification as a Community Development Financial Institution from the United States Department of the Treasury. The Corporation's most recent recertification was in 2020. The RGVMB became the first CDFI to become a member of the Federal Home Loan Bank of Dallas in 2013.

Since its founding in 1996, the RGVMB has assisted **63,820** families and loaned **over \$108** million. Community impacts to date include:

- More than 700 mortgage loans totaling over \$45.5 million, all to families earning less than 80 percent AMFI.
- Over 27,500 Small Dollar Loans made to individuals in the Rio Grande Valley, with over \$25 million in total loans originated and only a 3.85 percent loan loss in 2019.
- Franchised 13 approved Community Loan Centers with local non-profits in six states since 2014, that provided an additional \$32.8 million in loans to 34,000 families.
- Interim construction financing totaling \$4.5 million to develop more than 350 new single-family homes, all for families earning less than 80 percent AMFI.
- Acquisition financing of raw land and improved lots totaling \$852,000 for purchases by local affordable housing non-profits upon which 242 new affordable homes have been built and sold to families earning less than 80 percent AMFI.

The RGVMB successfully carried out the 2017-2019 strategic goals set by the board and staff. The above listed accomplishments are a direct response to the focus of the board and staff. In the spring of 2019, the RGVMB set-out to establish new goals and outcomes for the next five-year period, 2020-2024, updating the plan annually.

Planning has resulted in the setting of aggressive, achievable goals for 2020 through 2024. These build upon the past experience, and mission of the RGVMB:

1. Increase Total Loan Originations from \$35 Million as of 2019 to \$87 million by 2024.
2. Increase Balance Sheet Capital to \$32 million by 2024.
3. Increase the RGVMB's impact on the communities served.
4. Grow and strengthen the RGVMB in order to carry out this plan.

# Institutional Overview

## Mission & Vision

The mission of the Rio Grande Valley MultiBank (RGVMB) is to provide financial products and development services in the area of affordable housing and consumer lending in Cameron, Willacy, Hidalgo, and Starr Counties. Key products include the CASA Loan (fka Affordable Housing Loan Program); minority contractor and non-profit affordable housing interim construction lending; and a small dollar consumer lending program.

The RGVMB believes that every family should have the opportunity to prosper, build assets, and become financially secure. The MultiBank helps families reach these goals by providing financial products and services that address their needs for homeownership, safe and secure rental properties, and lower cost personal loans.



The RGVMB has intentionally positioned itself as an "alternative" source of capital and is a specifically targeted product or service delivery to the low-income residents of the Rio Grande Valley investment area. At the same time, the MultiBank uses its investment to secure additional financing credit through traditional lending sources enhanced by Federal granting sources, as well as guarantees, enhancements, and other loan pools.

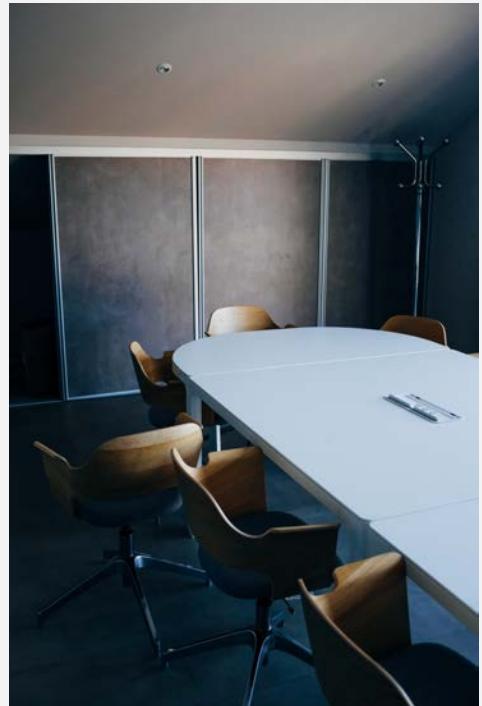


Representing the largest financial service providers in the Rio Grande Valley area, RGVMB stockholder institutions and are among some of the area's most visible and pro-active community leaders. High level leadership in the RGVMB from each of the stockholding institutions has allowed the MultiBank board to focus on envisioning a future for the region; this has made it possible to bring to the table various political, community, business, and corporate leaders for discussions on how to move forward with community and economic development projects.

## History

In February 1994 six financial institutions came together to learn about, discuss, analyze, and determine their interest in investing in an alternative financing vehicle for affordable housing within Cameron County. Two of the institutions were minority owned banks.

A series of meetings were held with the CEOs of each of the six financial institutions. Objectives included education on community development corporations and their relationship with the banking community. Participants reviewed and analyzed bank regulatory conditions, areas of focus, community involvement, structuring, administration and operations, relation to ongoing community development activities, legal, and political considerations. The six lenders also reviewed loan declinations made to small business by their commercial banks and identified the need for a flexible equity investment pool that could leverage more traditional lines of commercial credit. Next steps based on the CEO discussions were preparation of a preliminary "Investment Proposal", draft Articles of Incorporation, By-laws, and administrative agreements. Over a four-month period, participants reviewed and revised these organizational documents.



Following the initial education, consultation, and discussion process, each institution was invited to decide on participation in forming a collaborative community development financial institution and to consider their potential investment level. Five of the invited financial institutions pledged capital commitments totaling \$1.2 million dollars. The Comptroller of the Currency and State of Texas banking regulators granted permission to invest for the four federally chartered banks and one State of Texas chartered bank in April, 1995.



Members provided initial capital in April 1995, and the first board meeting took place in May 1995. Initial investing stockholder banks were Mercantile Bank (now Wells Fargo), International Bank of Commerce Brownsville, Brownsville National Bank (now BBVA), Texas Commerce Bank (now JPMorgan Chase), Bank of America, and the National Cooperative Bank of Washington, D.C. In March 2001, the MultiBank expanded its investment area beyond Cameron County to add Hidalgo, Starr, and Willacy Counties. Three new equity investors joined the initial shareholders and included Frost Bank, Lone Star National Bank, and International Bank of Commerce McAllen. In 2015 International Bank of Commerce Zapata purchased \$100,000 in stock; in 2017 The Community Development Corporation of Brownsville (now cdcb come dream. come build.) invested \$200,000 in stock, and in 2019 Falcon Bank and Cameron County Housing Finance Corp. each purchased \$100,000 of stock. JPMorgan Chase in 2016 sold their \$300,000 initial stock purchased back to the RGVMC for \$1.



The RGVMC received certification as a Community Development Financial Institution (CDFI) in 1996 from the US Department of the Treasury. It is the largest CDFI operating on the Texas/Mexico border. The Corporation's most recent recertification came in 2020. The RGVMC became a member of the Federal Home Loan Bank of Dallas in 2013.

## Recent Awards & Grants

The RGVMB has been awarded two CDFI Fund grants and loans in 2009 and 2013 totaling over \$1.6 Million. These funds enabled the RGVMB to restart the CASALoan and create and launch the Community Loan Center.

In 2015 the RGVMB and its partner franchises in the Community Loan Center network were awarded \$5.1 million from JP Morgan Chase for the PRO Neighborhoods award. These funds have gone toward increasing lending in three CLC markets in Texas (the RGV, Dallas, and the Brazos Valley) and to set up two new franchises in the State of Indiana.

The RGVMB received an award of \$1.6 million in 2016 from the Wells Fargo NEXT Awards from Opportunity Finance Network. These funds have provided lending capital in the RGV as well and for new and expanding CLC Franchises.

In 2017 the Kellogg Foundation awarded the RGVMB a program related investment (PRI) of \$1,000,000. These funds offer lending capital for the RGV as well as lending capital for new and expanding CLC Franchises in Texas, Mississippi, New Orleans and Michigan.

*Local residents so they can avoid excessive fees and a cycle of debt that traps many who take out payday and auto title loans. Dr. Rose Goven speaks Tuesday about the importance of the Community Loan Center.*

## Administration

**cdcb come dream. come build. (cdcb)** has had administrative agreement and operates the RGVMB since 1995. As such, cdcb provides the following to the RGVMB:



- Administrative and accounting functions;
- Board Management and Organization;
- Marketing; Outreach & Pre-Application Intake;
- Pre-Purchase, Credit, Debit, Predatory Lending and Savings Counseling;
- Loan Application Assistance;
- Mortgage underwriting;
- Loan processing, closing, & packaging;
- Loan portfolio management;
- SDL Management & Operations;
- Fundraising; and Capitalization Administration.

## Current Lending Products

### CASALoan (formerly known as Affordable Housing Loan Program)

The oldest RGVMB affordable mortgage financing program is the Affordable Housing Loan (AHL) program, now known as the CASALoan Program. Since its founding in 1994, the MultiBank has made over 700 loans totaling over \$45.5 million dollars in first lien loans, all to families earning less than 80 percent AMFI. During about a six-year period, starting in 2004, the loan product was dormant as it was overwhelmed by the increasingly widespread availability of no down, no doc, no income lending products in the area, followed by the subsequent housing crisis in 2009. The RGVMB temporarily discontinued the mortgage loan product due to lack of interest by clients.

The RGVMB rebranded the AHL as the CASALoan in 2013 and began utilizing its new line of credit with the Federal Home Loan Bank of Dallas. Since the relaunch of the CASALoan in 2011, the RGVMB has originated over 134 CASALoans totaling \$8.2 million.



### Interim Construction Lending

In the area of affordable housing finance, the RGVMB makes available one credit facility with its current capital to increase the production of affordable housing. This facility allows for an affordable housing non-profit to borrow funds from the RGVMB to relend as interim construction financing to small, minority contractors building affordable housing for the non-profits. Many of these small contractors are not able to secure interim financing in any substantial amount from traditional lenders.

The RGVMB lending facility allows for the non-profits to offer interim financing to their contractors in an amount that allows the contractors, under terms dictated by the non-profits, to build homes on an ongoing basis based on demand, thus increasing the number of affordable homes being constructed. The MultiBank currently provides interim financing at a rate based on prime for a term of up to 12 months.

Since 2006 local minority contractors have drawn over \$4.5 million in interim construction financing from the RGVMB for the construction of affordable housing. Currently, cdcb utilizes a \$250,000 unsecured line for interim construction in association with the Rural and Colonia Reconstruction programs.

### **Small Dollar Loan Program- Community Loan Center (CLC)**

The newest RGVMB program is its Community Loan Center's small dollar loan program creating a marketplace alternative to high cost payday, pawnshop, signature loan, car title loan, and check cashing outlets. The RGVMB operated this program over the past eight years, originating over 28,000 transactions in the Rio Grande Valley, totaling over \$25 million to date.

The program is designed to assist working families who would be utilizing the services of a high cost payday or salary advance lender to meet their needs. The amortization term and monthly payment amount are calculated to allow families sufficient time to repay instead of having to do a rollover loan with a payday lender based on an 18-day turn; at the same time, the CLC makes monthly payments affordable based on the income of the borrower.

The CLC loan maximum is \$1,000, with an amortization period of 12 months at an interest rate of 18 percent. A one-time \$20 set up fee per borrower is required, altogether equaling 22 percent APR. Current market high cost lenders have an average effective 600 percent interest rate.

The RGVMB partners with area employers to allow them to offer the program to their employees; the MultiBank coordinates and assists in taking loan applications and using payroll deductions to ensure repayment through the employee's paycheck. The CLC is an online loan origination and servicing program. This allows for less "touch" per-loan and lower expenses overall. RGVMB is able to pass these savings on to the borrower. All transactions are done on-line, including application and servicing.



### **Community Loan Center – Franchise Services**

In 2014 the RGVMB began to franchise the Community Loan Center to other CDFIs around the country. Currently, 13 franchises are active in Texas, Maryland, Indiana, Missouri, North Carolina, and Tennessee and additional two will come online in early 2020. Since beginning in 2014, the CLC franchises outside the Rio Grande Valley have originated over 34,000 loans totaling over \$32.8 million.

Working as the Franchisor of the innovative Community Loan Center business model, the RGVMB/CLC provides loan funding, servicing, and franchise services. This bifurcated model allows local non-profit and CDFI lenders to offer an alternative to high cost loans in their markets, lending their own capital within a proven model. Each local lender is required to raise its own lending capital and recruit local employers, leaving all the back-room administration and servicing duties to the RGVMB/CLC. This model has proven to be highly effective and has allowed the RGVMB/CLC to generate 40 percent of its revenue from administrative and servicing fees as well as assisting the local lender to reach breakeven within two years of launch.

As the Franchisor of the CLC, the RGVMB also assists local CLC franchises with start-up or expansion lending capital. To date the RGVMB has made available and loaned one million dollars to local franchises.

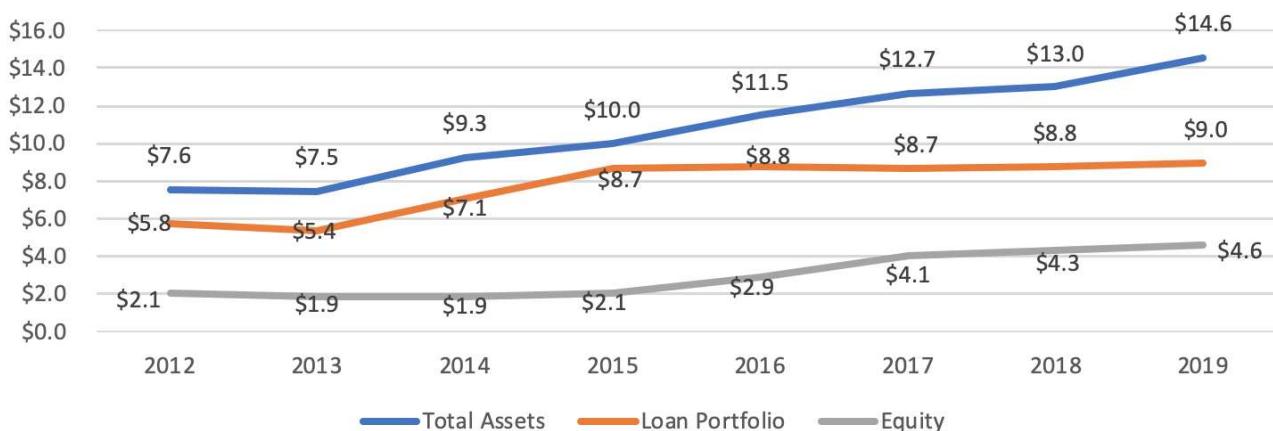
## Current Financial Position

In 2009, with the real estate market and national and local economies at a low point, the Rio Grande Valley MultiBank faced a difficult decision: close its doors or expand into the market-place with new and more lofty goals to truly impact the Rio Grande Valley. The second option was the choice, seeing opportunity to make more of a difference in people's lives and improve the chances for the MultiBank to be successful.



As indicated in Table 1, in 2012, total assets were just \$7.6 million, equity stood at \$2 million, and the mortgage loan portfolio was at \$5.8 million and shrinking. In order to increase financial strength, RGVM set out to do two things that no other CDFI had yet achieved; join the Federal Home Loan Bank of Dallas and create a small dollar loan program to compete with high cost payday lenders in the RGV. Using these two strategies the MultiBank grew Total Assets from \$7.6M in 2012 to \$14.6M by December, 2019. The loan portfolio grew to \$9 million and more than doubled equity to \$4.6 million.

**Table 1: RGVM Financial Growth 2012-2019  
in millions**



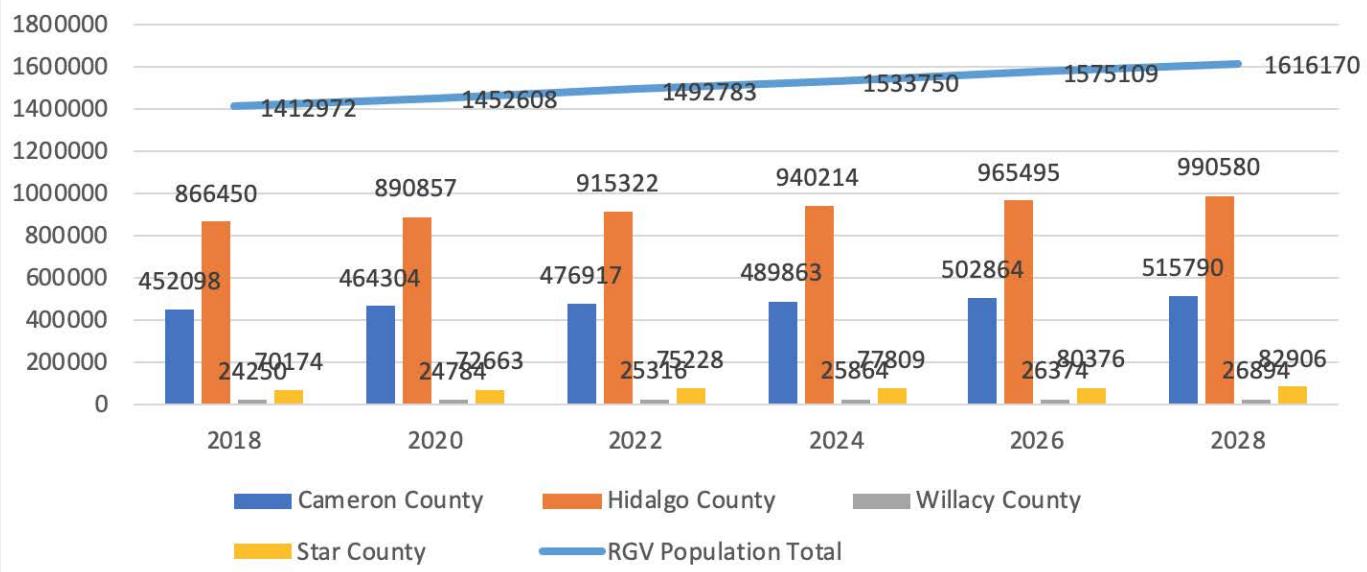
# Rio Grande Valley of Texas: The Target Market



## Population Growth

Two adjacent metropolitan statistical areas make up most of the market area of the RGVMB, McAllen-Edinburg-Mission and Brownsville-Harlingen MSAs. The Rio Grande Valley continues to be one of the fastest growing regions in the US. Estimates show population continuing to grow at least through 2018 as the figure below indicates.

Table 2: RGV Population Growth 2018 - 2028



The McAllen-Edinburg-Mission metro area became the fifth largest Texas MSA in 2015. In addition, the Brownsville-Harlingen MSA ranks eighth in the state.

Combining the two MSAs, along with the area two non-metro counties, the region had over 1.4 million people in 2018 with projections showing a total of over 1.6 million by 2028 as shown in Table 2. University of Texas RGV sociology professor Igor Ryabov noted that the region "grows approximately 20 percent per decade, which is quite impressive for the United States."

## RGV Business Growth

The continuous population growth has spurred tremendous business expansion throughout the region. In particular, the local entertainment, educational, manufacturing, and import/export economies are growing. Current economic growth is expansive and impactful:

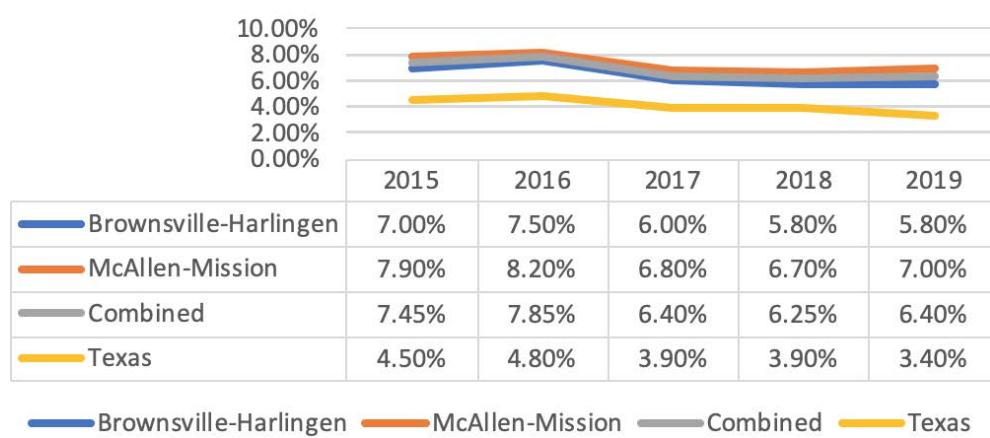
- SpaceX has been building a commercial launch facility at Boca Chica Beach, east of Brownsville, and will continue to grow its infrastructure in the region, luring professionals from numerous walks of life. The facility has brought in engineering jobs, employing over 500 people by March 2020, and provides opportunities for local students attending the region's colleges and universities.
- The Port of Brownsville has been approved to increase the depth of its port channels. The growth will create one of the deepest ports in the Gulf of Mexico and make it competitive with other national ports.
- McAllen's La Plaza Mall will continue to expand with an additional fifty stores, four junior anchor stores, and six restaurants that will add an additional 245,000-square-feet to the retail site.
- The Bert Ogden Arena in Edinburg opened in late 2017 and is the largest arena in the Rio Grande Valley. With 8,500 seats, the arena is a venue for sports, entertainment, and shows. The arena is also home to the RGV Vipers, the local NBA G League team, and serve as a venue for UTRGV teams.
- HEB Park, a 9,700 seat, state-of-the-art soccer stadium and outdoor venue, also opened in 2017. The RGV FC Toros call the stadium home, but it also serves as an outdoor concert venue and site for local soccer leagues.
- Italian-based SATA group is making an investment to establish a \$114 million manufacturing plant in Brownsville that will help to create over 300 jobs over a ten-year period.
- A \$35 million diabetes research center in the Rio Grande Valley will continue to bring in high paying jobs and economic development opportunities.
- UTRGV and its associated medical school will continue to improve the local health care infrastructure and create economic development opportunities.
- Texas LNG project is a four million tons per annum (MTA) liquefied natural gas (LNG) export terminal planned to be developed at the Port of Brownsville and operated by Houston-based Texas LNG. The terminal development will occur in two phases of 2 MTA capacity each. Texas LNG is expected to make the final investment decision on the project in the second half of 2021 and start construction in 2022

## Unemployment

As shown in Table 3, Unemployment in the Brownsville-Harlingen MSA dropped to 5.8 percent in December 2019 and remained at that level by February 2020 after being 7.0 percent in December, 2015. In the McAllen-Mission metro area unemployment went from 7.9 percent in 2015 to 7.0 percent in 2019. Although these trends are encouraging for the local market, it was well short of the statewide unemployment rate of 3.4 percent.

However, unemployment figures will change dramatically in the area and elsewhere with the impact of COVID-19, once rates are available for subsequent months. This will no doubt increase demand for the services of the RGVMB.

Table 3: Unemployment Rates 2015-2019  
RGV



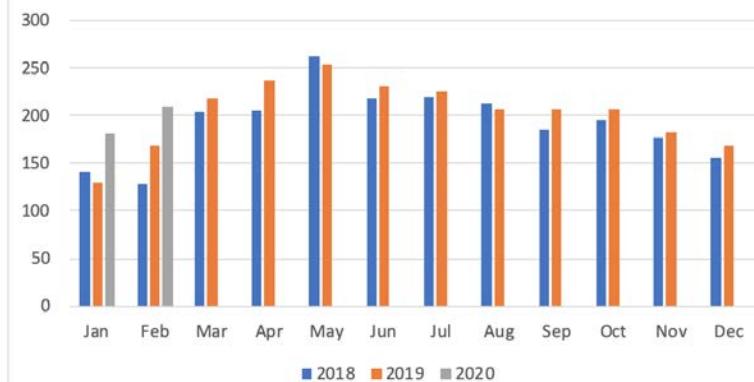
# Real Estate and Consumer Lending Market in RGV

On an aggregate basis, the area real estate market is thriving, overall, but little of the recent growth has been to the benefit of low- and moderate-income households. Below is a description of recent trends in the two most populated counties in the service area of the RGVMB. Real estate trends were similar in both counties.

## Cameron County

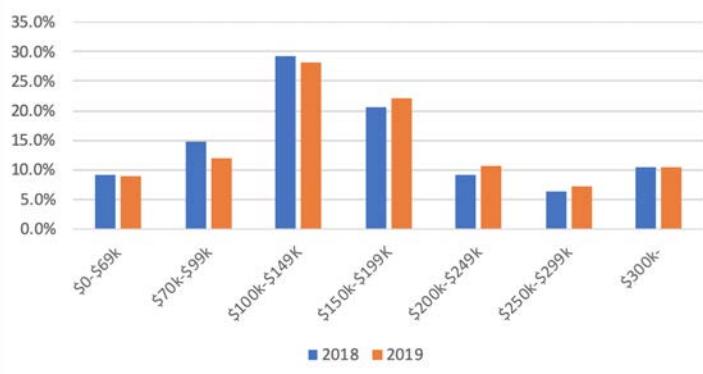
Table 4 shows that through February 2020, sales volume for single-unit residential housing increased 23.67 percent YoY from 169 to 209 transactions. Year-to-date sales reached a total of 389 closed listings. Dollar volume rose from \$26.78 million to \$39.85 million. The average sales price rose 20.34 percent YoY from \$158,447 to \$190,673, while the average price per square foot subsequently rose from \$97.65 to \$112.48. The median price rose 26.39 percent YoY from \$134,500 to \$170,000, while the median price per square foot also rose at a rapid rate from \$89.20 to \$100.57. Months inventory for single-unit residential housing declined from 7.4 to 6.0 months' supply, and days to sell rose from 135 to 148.

Table 4: Home Sales Cameron County



Monthly sales volume for single-family homes increased 12.86 percent YoY from 140 to 158 transactions. Year-to-date sales reached a total of 299 closed listings. Dollar volume rose from \$21.47 million to \$28.14 million. Table 6 shows the average sales price rose 16.12 percent YoY from \$153,376 to \$178,094, while the average price per square foot subsequently rose from \$83.05 to \$96.65. Median price rose 24.91 percent YoY from \$134,500 to \$168,000, while the median price per square foot also rose from \$84.17 to \$93.88. Months inventory for single-family homes declined from 6.2 to 5.1 months' supply, and days to sell declined from 124 to 119.

Table 5: Price Distribution Cameron County



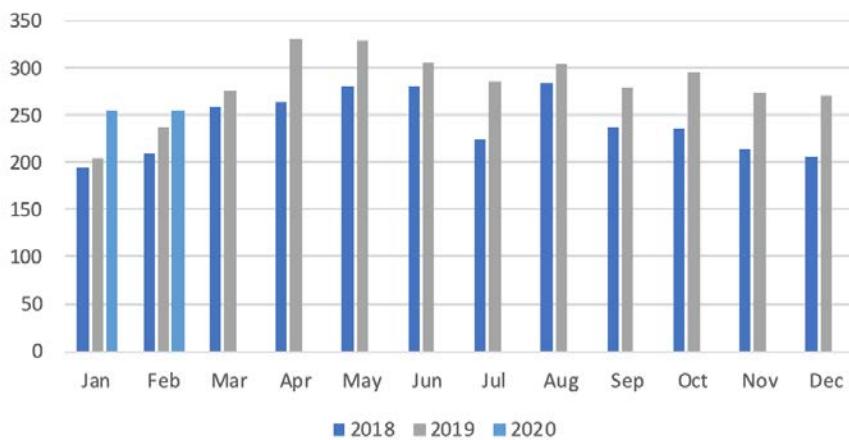
	Feb. 2020	YoY%
Home Sales	158	12.86%
\$ Volume	\$28,138,857	31.05%
Median Closed Price	\$168,000	24.91%
New Listings	272	46.24%
Active Listings	836	-11.35%
Months Inventory	5.1	-18.76%
Days to Sell	119	-4.03%
Average Price PSF	\$96.65	16.37%
Median Price PSF	\$93.88	11.54%
Median SF	1,699	-2.36%
Close to Original List Price	93.62%	0.72%

Table 6: Year over year market changes in Cameron County, Texas

## Hidalgo County

Sales volume for single-unit residential housing increased 5.88 percent YoY from 238 to 252 transactions by February 2020. Year-to-date sales reached a total of 506 closed listings. Dollar volume rose from \$36.52 million to \$45.14 million. The average sales price rose 16.73 percent YoY from \$153,465 to \$179,135, while the average price per square foot declined from \$88.95 to \$85.93. Median price rose 15.41 percent YoY from \$146,000 to \$168,500, while the median price per square foot also rose from \$79.90 to \$94.00. The size of many of the homes has been increasing.

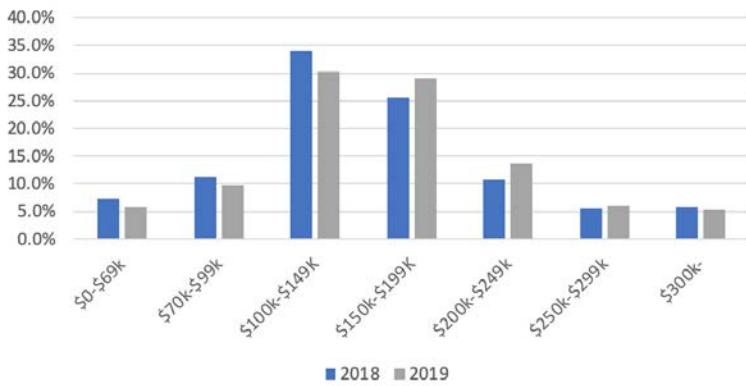
Table 7: Home Sales Hidalgo County



Months inventory for single-unit residential housing declined from 8.2 to 6.2 months' supply, and days to sell declined from 119 to 114. Sales volume for single-family homes increased 4.78 percent YoY from 230 to 241 transactions. Year-to-date sales reached a total of 487 closed listings.

Dollar volume rose from \$35.91 million to \$43.53 million. The average sales price rose 15.69 percent YoY from \$156,118 to \$180,620, while the average price per square foot declined from \$88.95 to \$85.93. Median price rose 14.03 percent YoY from \$149,000 to \$169,900, while the median price per square foot also rose from \$79.90 to \$94.00. Months inventory for single-family homes declined from 7.9 to 6.1 months' supply, and days to sell declined from 120 to 112.

Table 8: Price Distribution Hidalgo County



	Feb. 2020	YoY%
Home Sales	241	4.78%
\$ Volume	\$43,529,472	21.23%
Median Closed Price	\$169,900	14.03%
New Listings	562	-1.53%
Active Listings	1692	9.28%
Months Inventory	6.1	-22.72%
Days to Sell	112	-6.67%
Average Price PSF	\$85.93	-3.40%
Median Price PSF	\$94.00	17.65%
Median SF	1,405	-30.51%
Close to Original List Price	95.25%	1.47%

Table 9: Year over Year market changes in Hidalgo County, Texas

## Small Dollar Loan Market Conditions

The stress caused by "high cost" lenders is evident in the target market, and not just for lower income people. The four-county area of the RGV has over 300 storefronts for pawnshops, payday lenders, signature loan, or check cashing. According to the non-partisan Center for Public Policy Priorities (CPPP), 176 payday lenders are in Texas, with over 3,307 payday lending/consumer service organization storefronts located throughout the state. Over 2,000 of the locations are operated by seven of the nation's largest payday lenders. Texas payday lending locations have more than doubled since January 2007 and are now expanding at a rate of three new locations per week. In the RGV are 128 payday or auto title lenders (according to the Office of Consumer Credit Commissioner – Texas). This amounts to 1.00 payday/auto title lender per 10,000 residents. In 2019 the Texas OCC reported that over 146,438 transactions occurred in the RGV through these lenders with over \$43 million advanced; 2,081 vehicle repossession occurred in the year, an average of 40 per week as shown in Table 10.

Table 10: Payday and Car Title lending in RGV Combined 2019								
		No. Transactions	Advance Amt.	Avg. Advance Amt.	Fee per \$100	Term (Days)	% Refinanced	Avg. No. Refinace.
<b>Single Payment</b>								
Brownsville	Payday	21887	\$2,461,737	\$387	\$22.29	19	41.21%	1.86
McAllen		40309	\$4,229,329	\$393	\$22.22	19	38.92%	1.91
<b>Installment Payment</b>								
Brownsville	Payday	8872	\$3,206,562	\$547	\$166.25	163	6.58%	1.27
McAllen		20768	\$8,709,393	\$529	\$156.92	166	6.66%	1.23
<b>Single Payment</b>								
Brownsville	Auto Title	12232	\$3,282,412	\$1,591	\$14.48	30	43.15%	1.64
McAllen		20723	\$6,785,439	\$1,787	\$15.47	30	44.71%	1.53
<b>Installment</b>								
Brownsville	Auto Title	7232	\$4,224,209	\$1,188	\$112.09	161	6.65%	1.31
McAllen		14415	\$10,611,112	\$1,436	\$101.29	167	7.59%	1.35
CAB Totals	Payday	91836	\$18,607,021	\$464	\$92	92	23.34%	1.57
CAB Totals	Auto	54602	\$24,903,172	\$1,501	\$60.83	97	25.52%	1.45
<b>TOTAL</b>		<b>146438</b>	<b>\$43,510,193</b>	<b>\$982</b>	<b>\$76.38</b>	<b>94</b>	<b>24.43%</b>	<b>1.51</b>
								<b>128</b>

According to a local survey of ten high cost lenders, the average APR offered was over 600 percent with an 18-day average amortization period. Many low-income Hispanics are not comfortable with traditional banks, are intimidated by their edifices, and feel more at home with a community-based facility.



The area, already impeded by low wages, low educational levels, young median age, and large family sizes, is ripe for uneducated consumers whose household economics leave no margin for unexpected expenses or emergency situations. Outside of the RGVM Community Loan Center, only traditional banking and high cost lending outlets are sources of financing. However, the ratio of banks to payday lenders is one to 22, and no bank will lend less than \$3,000 per loan.

# Market & Demand for Rio Grande Valley MultiBank Products

## Overall Low-Income Market

The larger economic conditions in the Rio Grande Valley have improved greatly since the financial crash of 2009; however, conditions for the target market for the RGVM's products have not improved as they have for the higher income populations. A strengthening real estate marketplaces locally greater pressure on lower income residents.

The Rio Grande Valley of Texas, the southernmost stretch of the Texas-Mexico border, is a federally designated "High Poverty Area", otherwise known as a persistent poverty region. Decades of persistent poverty reveal the plight of low wage working people who have not realized the country's promise of economic prosperity. Border communities have witnessed years of disinvestment, and as a result, they lack critical physical infrastructure and economic opportunity. These areas are geographically isolated from centers of innovation. Generational poverty is deeply entrenched, and individuals face seemingly insurmountable obstacles while striving to escape the cycle of financial instability. Brownsville, the region's largest city, is often referred to as the poorest city in the United States, just ahead of McAllen, the area's second largest city. The data below provide an indication of how different the RGVM four-county service area is from other parts of the US, with significantly lower incomes and other characteristics of high poverty rates.

- Population of the market - 1.41 million in 2018
- Poverty Rate - 32.5 percent, 21 percent above the US average. This rate has remained above 30 percent for over 30 years
- Median Household Income - \$33,692, \$26,600 less than US median
- Unemployment (Feb. 2020) - 8.4 percent; this was 4.9 percent higher than US average and is above the MSA rates due to much higher unemployment in the two non-MSA counties;
- Uninsured - 30 percent have no health insurance, as reported through US census; however, University of Texas studies show the actual uninsured rate may be closer to 60 percent
- Unbanked or under banked- 52 percent; 30 percent higher than US average of 22 percent.
- Median Age - 30.73; seven years younger than the US average
- Foreign born – 24 percent; ten percent higher than the US average
- Language other than English at home- 65 percent; 58 percent higher than US average
- Latino- 92 percent; 74 percent higher than US average
- Education - only 62 percent of residents who are 25 or older have high school or above almost 26 percent lower than the US average
- Owner Occupied Housing - 71 percent; just over 7 percent higher than US average
- Housing Value - \$73,000, or \$131k less than US average
- Rental Cost - \$641, over half of the population pays more than 50 percent of income on housing
- Child Poverty Rate - 45 percent or 25 percent above US average

Although some might note that the lower cost of living in the region should allow low-wage earners to stretch their incomes to cover more expenses, this assumption would be insufficient. For example, residents of the Brownsville area of the RGV need to earn at least \$14.49 an hour to afford the cost of a typical local two-bedroom apartment, according to the report "[Out of Reach 2019](#)". Given that the average area renter earns \$8.73 per hour, many rely on small-dollar loans as a consistent source of income to cover basic housing expenses. In the RGV, 30 percent of all households are renters, and 26 percent of them are severely cost burdened, according to the National Low-Income Housing Coalition's Congressional District Housing Profile. Approximately 36,000 households who rent are under 50 percent of Area Median Income (AMI), and among those under 30 percent AMI, 65 percent are severely cost burdened. Currently, the area has a deficit of 29,742 affordable and available rental units for families in dire need of safe and adequate housing. The negative residual impacts of housing costs that are higher than households can afford include increased levels of food insecurity, children living in poverty, and self-reporting of poor health, according to the [2019 County Health Rankings and Roadmaps report](#).

The focus for the RGVM products and services are families earning less than 80 percent AMI for housing mortgage programs and families earning less than 120 percent AMI for consumer loan products. Efforts focus on those individuals not able to access traditional mortgage markets and those consumers currently utilizing "payday" and other high cost lending services.

## Demand for Mortgage Finance

In the Rio Grande Valley, the mortgage finance industry has historically been dominated by subprime and predatory mortgage lenders due to the demographics of the area. Fortunately, much of the predatory lending problem dried up as the market collapsed in 2009. Unfortunately, the decline in any mortgage finance has left many lower income families seeking homeownership without an alternative mortgage product that could serve their credit profile.

The RGVM ceased to do alternative mortgage lending in 2004 as the sub-prime lenders dominated the marketplace. The collapse of this market in 2009, and the tightening of credit standards by mortgage banking institutions, has created the demand necessary for RGVM to reinitiate its mortgage lending efforts in 2013.

After the RGVM secured membership in the Federal Home Loan Bank of Dallas (the first CDFI to join and the only CDFI delivering mortgage product to the FHLB), the RGVM reconstituted this product and has closed on over \$8.2 million in mortgages for 134 low-income families since 2011.

Table 11: RGVM Homebuyers 2019



Table 11 shows that in 2019 the RGVM pipeline was active and productive; the MultiBank received 944 pre-applications, made 126 applicants "homebuyer ready", 68 signed EMCs, and recorded 121 loan closings. However, the majority of these clients received FHA loans. Because of the lack of funding, over 25 clients were unassisted because they could not be approved for a standard mortgage. If the CASALoan product had been fully funded, the RGVM could have assisted 146 clients.

Currently the RGVMB is able to approve 10.5 applicants per month to be homebuyer ready and assist an additional 78 clients in starting the process monthly. An applicant is deemed Homebuyer Ready for the CASALoan when all four of the following items are complete:

- Credit score above 590
- Back-end ratio no greater than 43 percent
- Sufficient savings for down payment (3 percent of sales price)
- Complete 8 hours of in person homebuyer counseling (one-on-one and group counseling)

## Demand for Interim Construction Lending

The affordable housing production market has started to improve over the past 12 months. The RGVMB's partnership with non-profit housing producers as well as small minority owned construction companies has opened up a market for interim construction lending. cdcb reported building on over 100 homes in the past fiscal year utilizing small minority contractors. As well, the growth of non-profit Low-Income Housing Tax Credit developers has had more of an impact. In Cameron and Willacy Counties alone over 120 units of rental housing will be started in 2020 by non-profit developers. The smaller non-profits have also seen a growth in rehabilitation and reconstruction work.

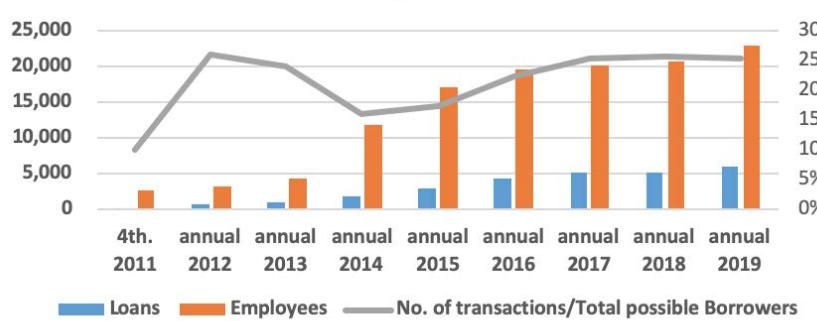
Over the past 12 months the RGVMB originated a \$250,000 construction lines of credit with a non-profit developer. All together in 2019 this line of credit assisted in the construction of 25 affordable rural and colonia homes for low-income residents.

## Demand for Small Dollar Loan Program Through the Community Loan Center

The demand for a small dollar loan product can most be seen by the huge success and number of outlets of successful "high cost" lenders. In the two largest MSAs in the four-county area of the Rio Grande Valley, 128 payday/car title loan locations are in business, without including pawnshops or check cashing outlets. The lenders originated 146,438 loans advancing \$43.5 million over the last 12 months as reported by the OCCC of Texas. The rapid growth of the RGVMB/CLC over the past eight years is also evidence of the high demand for a low-cost alternative to payday lenders.

RGVMB/CLC's product is an employer-based program. Employers sign an MOU with the RGVMB that allows their employees to participate in the program.

**Table 12: Transactions Compared to No. of Employees**

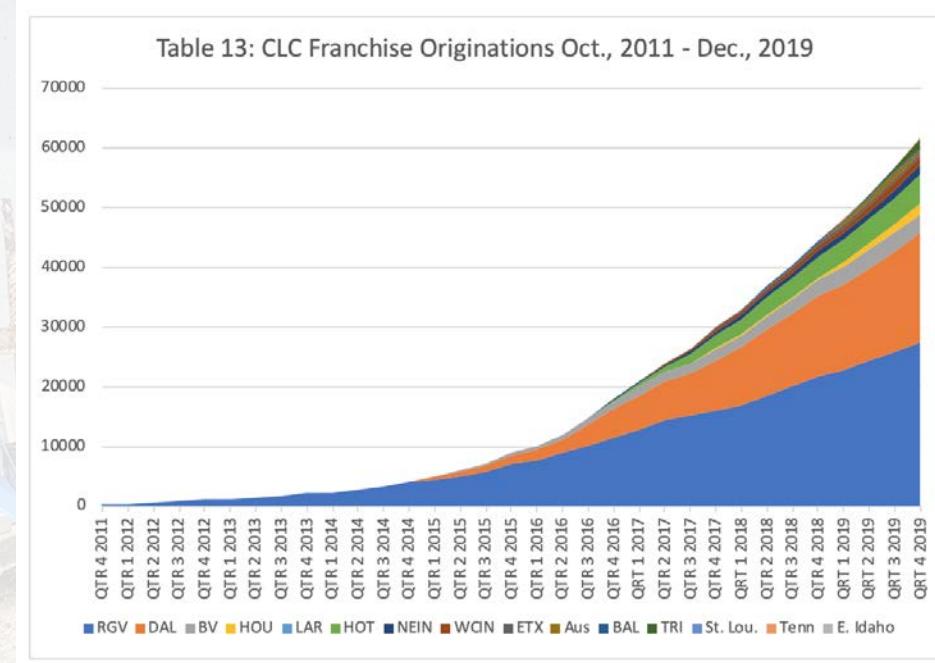


During its first eight years of activity, the RGVMB signed MOUs with 123 active employers with a total employee base of 23,000 people (eligible borrowers). During these eight years, from October 2011 through December 2019, RGVMB originated 27,552 loans (208 per month); this is a market penetration of 22 percent annually as indicated in Table 12.

## Demand for Community Loan Center Franchise Services

The RGVMB's newest product line is offering franchises of the Community Loan Center. The demand for this service has grown at a consistent pace since 2014 when the MultiBank added its first two franchises. Since that date 13 active lenders have joined, two are in reformation/organization and seven are in capital formation in 11 states. This franchise model allows local lenders to lend their own capital and recruit their own employer partners leaving the backroom duties of funding, servicing and software upkeep to the RGVMB. The on-boarding process takes between six and 12 months.

Table 13 shows the CLC franchise combined with the RGVMB/CLC has advanced just under \$60 million as of December, 2019. The average loan amount is \$952.82 and the charge-off rate is under four percent on average with some franchises under two percent.



## Summary: Market Demand for RGVMB Products

- Overall, market demand for the products the RGVMB offers is strong. A need for alternative mortgage products is evident, with a lack of loan products in the overall market and high demand from non-profit partner housing developers.
- The incredible demand for small dollar loans at low cost is demonstrated by the amount of lending that high cost lenders are doing and the lack of any real alternative until the RGVMB Community Loan Center began operations. Over the past three years, CLC originations have grown at an average of 41 percent year over year.
- Construction lending is the weakest of the products, but it has never been a major business line. Nevertheless, certain organizations and small builders have accessed it, indicating some demand.
- The Community Loan Center Franchise business is growing quickly. In five years, 13 active lenders have joined with an additional nine currently in the capital formation process.

# MultiBank Strategic Goals & Strategies

**Goal 1 – Increase Total Loan Originations from \$35.8 million at year-end 2019 to \$82.2 million by 2024.**

**TABLE 14: LOANS ORIGINATED 2011-2024**  
**\$87.4 MILLION**



1

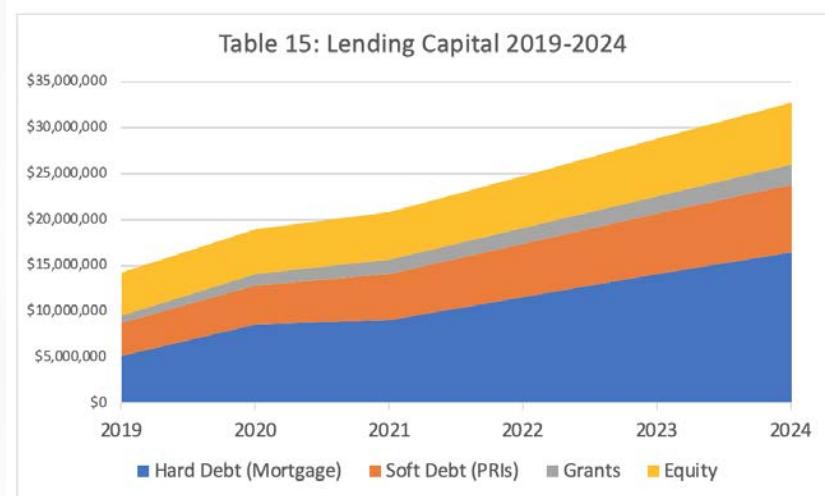
From its start in 2011 the RGVMB Community Loan Center has grown by 35 percent, annually originating on average \$3.2 million per year over the past eight years. Table 14 illustrates the Multibank plans to originate an additional \$46.4 million in CLC loans and mortgage loans by 2024.

## Strategies for Goal 1

- Double the number of employees able to borrow from the Community Loan Center.
  - Build on branding and brand awareness among local businesses by improving marketing information, sales strategies, and overall satisfaction for our product. The CLC will need to increase eligible borrowers to 40k.
  - Improve the sales pitch to local businesses. Most people who earn over \$45k are not knowledgeable about payday loans. Sell and educate local business owners that this product can help them by decreasing employee stress, absenteeism, and continuous calls from payday lenders for employee information. Increase participating businesses from 123 to 200.
- Increase the RGVMB asset value with the FHLB of Dallas from \$14.2 million currently to \$20 million. The FHLB Dallas has been a perfect fit for the CASALoan Product. RGVMB is able to secure debt, service loans, with no mortgage insurance requirements, creating its own underwriting guidelines. However, RGVMB current line of credit is hampered by the 50 percent of asset rule. By increasing our assets at the FHLB, the MultiBank can access more debt at a reasonable cost.
- Recruit two additional local non-profit developers to utilize the CASALoan product. Currently, loan originations have only moved forward with non-profits. The RGVMB has joined the RGV MiCASiTA Lending Network to gain access to more local small non-profit developers.

## Goal 2 - Increase Balance Sheet Lending Capital to \$32 Million.

Currently, the RGVMB has \$14.2 million in lending capital for all three loan products. Table 15 shows this growth will include mortgage capital from the FHLB Dallas and smaller pools with local banks; soft debt from PRIs and CDFI Fund awards; grant funds; and equity in the form of retained earnings and equity stock.

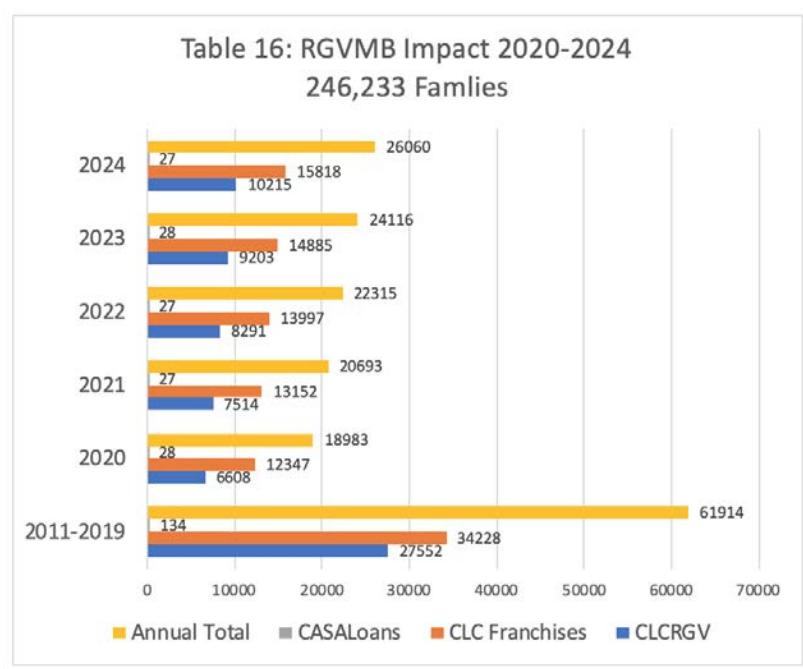


### Strategies for Goal 2

- Increase equity from \$4.6 to \$6.7 million in two ways:
  - **Increase Profits** – From 2011 to 2019 the RGVMB had realized \$767,450 in retained earnings. The 2020 budget estimates profits of an additional \$229,000 after taxes. Over five years, based on the growth of the Community Loan Center and increased mortgage lending, the goal is to increase retained earnings to \$2.5 million.
  - **Stock Purchases** – The RGVMB has stepped up its efforts to bring more banks on board with stock purchases. Discussions are ongoing with Woodforest Bank, Texas Community Bank, and First Community Bank. Over the strategic plan period, the RGVMB goal is to raise \$500,000 in additional stock equity.
- Increase lending capital grant revenue from \$826,666 to \$1.75 million.
  - The RGVMB is always searching for **grant income** for lending capital in order to blend it with debt to lower the overall cost of capital. Over the next five years, the plan is to raise an additional \$1.5 million from the CDFI-PPC fund and \$50,000 from other sources in grant funds. As a for-profit corporation, it is more difficult to raise grant dollars; through the IRS code, the MultiBank hopes to accept these grants and not pay taxes on the proceeds by limiting utilization of the funds to lending capital.
- Increase hard debt from \$5.2 million to \$16.5 million.
  - As the RGVMB increases total assets, the line of credit opens up at the **Federal Home Loan Bank**. Currently, \$300,000 is available through the line. Partner non-profit developers have \$1.4 million in mortgages ready to deliver to the RGVMB for funding. For every dollar in assets raised by the RGVMB, a half dollar of debt is available at the FHLB Dallas. The RGVMB is also putting together a plan to access portfolio debt from its member banks. Currently IBC Brownsville has up to \$10 million in two percent CIP funds from the FHLB to lend to the RGVMB for CASALoan originations.
- Increase soft debt from \$3.6 million to \$7.2 million.
  - The best source for this type of debt is the CDFI fund. The RGVMB is able to utilize equity stock purchases and retained earnings as the match. Over the next five years the MultiBank hopes to raise \$2.5 million from the CDFI Fund.
  - The RGVMB has been very successful in attracting program related investments from foundations interested in small dollar lending. Over the past two years the RGVMB has raised \$1.75 million in long term PRIs from different foundations. The RGVMB is currently expecting another investment from key development partner, cdcb, of \$2.5 million for soft second mortgages over the five years.

## Goal 3 - Increase the RGVMB impact on the communities served.

Since its creation in 1995, the RGVMB has assisted over 60,000 families. Through creation of the CASALoan, the RGVMB has assisted 134 families since 2011, the CLCRGV has originated over 27,000 loans since 2011, and the franchise CLCs have assisted over 34,000 families. Table 16 illustrates over the next five years, from 2020-2024, the RGVMB is set to impact the lives of thousands more. The strategies required to meet this goal are interrelated with the goals and strategies of Goals 1 & 2.



### Strategies for Goal 3

- Raise an additional \$16 million in loan capital.
- Double the number of eligible borrowers in the RGV.
- Increase the reach of the CLC from 13 to 25 lending franchises.
  - During this period the CLC will continue to expand across the country bringing its affordable loan product to low-income people in different areas of the United States. The anticipation is that the network will add 12 new active lenders to its 13 current lenders. As indicated in the figure below, this growth is based on an 11 percent growth rate of the CLC in the RGV, the addition of 12 new lenders in the network with a five percent growth rate each year, and an increase of 137 mortgage loans in the RGV will increase the impact of the CLC from its current level of 61,914 borrowers to 112,167 borrowers in just five years.

## Goal 4 - Grow and strengthen the RGVMB in order to carry out this plan.

The initial goal of the RGVMB was to be a "tool" both for the stockholder banks to help fulfill their CRA requirements and for local non-profit housing organizations to access lending capital for mortgage loans. The RGVMB has been very successful at this mission. However, over the past seven years the MultiBank has taken the leadership in consumer lending in both small dollar loans and mortgage lending. The RGVMB membership in the FHLB of Dallas was a breakthrough for CDFIs, and it was one of the first CDFIs nationally to deliver mortgage loans to the FHLB system under a line of credit. The RGVMB creation of the Community Loan Center has established the entity as a leader industry wide in small dollar loan production. Nevertheless, the RGVMB needs to look to the future at how to amplify its strengths and impact more lives.

After seven years of investment in the Community Loan Center and expansion into 13 new markets with the CLC, the RGVMB has a strong balance sheet, a growing staff, and a Board of Directors fully dedicated to the mission. These three points will serve the RGVMB well as it implements this plan. The strong financial outcomes from both the main lending products and supportive relationships with franchise partners helps maintain a high level of self-sufficiency. During the five-year period of this plan, RGVMB/CLC will continue to build on its strong financial performance and increase the leverage of its balance sheet. As the level of activities increases, RGVMB will recruit new staff members as needed to work under the existing operations manager to support increased loan originations, portfolio management, and financial reporting. RGVMB is currently recruiting a new deputy administrator to assume full-time management of the RGVMB/CLC. This position will focus on raising capital, creating new partnerships, and planning for future growth. At the same time, the RGVMB will work to improve and build upon the highly successful FinTech product (KENN) created for the origination and servicing of CLC loans.

### Strategies for Goal 4

- Increase self-sufficiency to 100 percent for operations and generate a minimum of ten percent net income each year of the plan.
- Grow the physical target market across South Texas.
- Develop a staffing plan to keep up with franchise growth, lending production, and asset growth.
- Regularly update all lending policies, handbooks, and servicing manuals.
- Improve accounting, lending, and servicing technology to improve efficiency in financial reporting, analysis, risk management, and impact measurement.

### Conclusion

The Rio Grande Valley MultiBank and its Community Loan Center have seen strong growth and impressive impact over the past seven years. The organization has emerged as a leader in the CDFI industry, gaining a reputation as proactive, creative thinkers and doers, introducing practical innovation. Nevertheless, as the saying goes, "What have you done for me lately?" Leadership is aware of the need to constantly be considering how to be better, how to reach more people, and how to change the landscape of community development lending. The RGVMB believes that this five-year plan will help place the focus on just that. This plan emphasizes growth (lending and financial), impact (touching more people), and organizational advancement (policies and people).

# Appendix-A

## Financial Projections 2020-2024

<b>Assets</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Cash & Cash equivalents	\$5,062,914	\$5,923,609	\$6,989,859	\$8,947,019	\$11,631,125
Mortgage Loan Receivables	\$8,189,953	\$10,075,347	\$12,184,675	\$14,226,869	\$16,204,065
Small Dollar Loans	\$3,105,780	\$3,531,580	\$3,896,770	\$4,325,415	\$4,801,210
Investments (FHLB)	\$308,761	\$379,841	\$459,362	\$536,353	\$610,893
Loans Receivable	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<b>TOTAL ASSETS</b>	<b>\$17,667,409</b>	<b>\$20,910,377</b>	<b>\$24,530,666</b>	<b>\$29,035,656</b>	<b>\$34,247,294</b>
<b>Liabilities</b>					
Loans Payable	\$12,429,747	\$15,291,175	\$18,492,465	\$22,535,703	\$27,239,027
Deferred Revenue	\$238,213	\$238,213	\$238,213	\$238,213	\$238,213
Other Liabilities	\$76,887	\$79,194	\$81,570	\$84,017	\$86,537
<b>TOTAL LIABILITIES</b>	<b>\$12,744,848</b>	<b>\$15,608,582</b>	<b>\$18,812,248</b>	<b>\$22,857,933</b>	<b>\$27,563,777</b>
<b>Common Stock &amp;</b>					
Additional Paid in Capital	\$3,742,082	\$3,842,082	\$3,942,082	\$4,042,082	\$4,142,082
Retained Earnings	\$1,180,479	\$1,459,712	\$1,776,336	\$2,135,641	\$2,541,435
Stock Holder Equity	\$4,922,561	\$5,301,794	\$5,718,418	\$6,177,723	\$6,683,517
<b>Total Liability &amp; Stockholder Equity</b>	<b>\$17,667,409</b>	<b>\$20,910,377</b>	<b>\$24,530,666</b>	<b>\$29,035,656</b>	<b>\$34,247,294</b>

# Appendix-B

## Interviews for RGVMB Plan

- Joe Gonzalez: NeighborWorks America and will be facilitating the meeting
- Kelton Averyt: Consultant to RGVMB for building the CLC platform (KENN) and 25 years of experience in e-commerce
- Ann Baddour: Texas Appleseed
- Cruz Correa: CLC program manager Dallas
- Woody Widrow: RAISE Texas
- Robin Odland: Opportunity Finance Network in Philadelphia
- Alfreda Norman: Federal Reserve Bank of Dallas and host
- David Long: Texas State Affordable Housing Corporation
- Matt Hull: Texas Association of CDCs and director of Texas Community Capital
- Levar Martin- NALCAB
- Don Baylor: Annie E. Casey Foundation
- Paul Charles: CLC of Houston
- Marie Morse: Homestead: CS in Lafayette, Indiana
- Donna Normandin: Frost Bank
- Eliza Platts Mills: UT Law School
- Edna Oceguera: CDC of Brownsville
- Keith: AdvanceNet
- Lee Reed: IBC Bank and Chairman of the Multibank
- Paul Turney: Brazos Valley CLC
- John Kinnaird: Community Bank & Trust and board member of HOT CLC
- Cathy Semans-NHS of Baltimore and CLC of the Chesapeake
- Rick Galloway: AdvanceNet
- Megan Hutson: HOT Goodwill and the HOT CLC
- Howard Porter: Texas Community Capital
- Kevin Jewell: KJ Consulting
- Lauren Gates: RAISE Texas
- Raquel Valdez: BCL of Texas
- Ron Burkins: Western Kentucky Region in Owensboro, KY
- Wendy Hanson: United Way of Southern Cameron County
- Yvette Ruiz: JPMorgan Chase
- Debbie Taylor: Citi
- Yoly Davila: BBVA Compass