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20, 2020

# With zero-interest loans and deposits, wealthy families rush capital to rural lenders and impoverished communities



[Amy Cortese](#)

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*ImpactAlpha*, April 20 – The single-family office Ceniarth is committing \$3 million in zero-interest loans to help community development financial institutions, or CDFIs, accelerate lending to communities largely neglected by the federal government’s relief program for small businesses hit hard by the COVID crash.

The allocation, along with deposits in a Mississippi-based credit union, demonstrates how impact investors can help bridge gaps in the federal Paycheck Protection Program, or PPP, by giving community-based lenders the liquidity they need to move quickly and serve a broader range of businesses.

Ceniarth has so far enlisted Candide Group and Money in Motion, two other wealthy family offices, and hopes to ultimately inject at least \$10 million into rural CDFIs. The liquidity lets the nonprofit lenders expand their capacity and build a pipeline of loan applications to quickly submit as soon as the federal relief program is re-funded (the Paycheck Protection Program’s first allocation of \$349 billion ran out last week; a congressional deal to replenish the PPP with another \$300 billion [seemed close \(https://www.politico.com/news/2020/04/19/pelosi-coronavirus-aid-package-194315\)](https://www.politico.com/news/2020/04/19/pelosi-coronavirus-aid-package-194315) on Sunday).

“This is going to be another race,” says Ceniarth’s Greg Neichen. “Larger regional banks have already built up a queue of applications that they’re immediately going to push into that machine” as soon as new funding comes online, he said. “If we can get \$10 million in the pipeline in the next three to five days, that will be a small win,” he told *ImpactAlpha*.

# How community banks and local lenders are bridging racial gaps in COVID recovery

ImpactAlpha, April 9 – When President Trump gathered bankers for a video conference about financial relief for small businesses, CEOs of Goldman Sachs, Bank of America, Citigroup, Wells Fargo and other big banks skirted responsibility for the slow start of the federal stimulus package’s Paycheck Protection Plan, or PPP. A less familiar face, Southern Bancorp’s ... Continue reading



Under the Paycheck Protection Program, lenders make loans guaranteed by the Small Business Administration that are forgivable if businesses maintain their payroll and avoid layoffs. Lenders are reimbursed by the agency in two to three months if the business qualifies for forgiveness. But CDFI lenders face liquidity constraints because, unlike depository banks, they are not able to tap Treasury Department facilities to borrow cheaply against their PPP loans.

“What’s needed right now is fast, cheap-to-free money so that CDFIs can make these advances,” says Neichen.

Ceniarth, with about \$400 million in assets, has been an advocate of ‘impact first capital preservation’ strategies. As co-founder Diane Isenberg, whose father was CEO of Nabors Industries, a major oil and gas driller, wrote in *ImpactAlpha* last year, “If you’re rich today and invest in a manner that generates deep impact, and returns your capital with a yield in line with inflation and reasonable expenses, you will still be rich tomorrow.”

**We are lenders, not heroes: Ceniarth's**

# We are lenders, not heroes: Centiart's three-part response to COVID-19



There are real heroes in this historic, global healthcare crisis filled with fear and uncertainty. Doctors and nurses working overtime in hellish conditions, faced with life or death choices. First responders continuing to protect our cities and towns.

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By getting capital into both approved PPP lenders and those outside the system, Ceniarth is seeking to demonstrate the value and leverage of “catalytic” or low-risk, low-return capital that high net worth family offices can easily add to their portfolios. CDFIs operate primarily in underserved communities that banks abandoned long ago. That makes them essential to an equitable distribution of relief funds.

## **Rural lifeline**

Ceniarth has committed an initial \$3 million in zero-interest loans to extend the lending power of the Rural Community Assistance Corp., or RCAC, a West Sacramento, Calif.-based CDFI that serves rural communities in 13 western states and western Pacific islands. It also deposited an additional \$750,000 in the HOPE Credit Union, an approved PPP lender headquartered in Jackson, Miss., that serves five southern states. Both CDFIs are members of Partners for Rural Transformation, or PRT, a consortium of CDFIs working in persistent poverty regions of the U.S.

Ceniarth’s aim was to act quickly so HOPE and RCAC can build up a

pipeline of applications and be ready to submit them as soon as the program restarts.

RCAC is an established SBA lender and therefore eligible to participate in the PPP program, a rarity among CDFIs working in impoverished rural areas. That lets it process PPP loans for not just its own borrowers, but for CDFI partners that are not eligible to do so themselves.

RCAC's partners – all members of the PRT – include the Community Development Corp. of Brownsville, which targets housing for low-income families in the southernmost tip of Texas; Communities Unlimited, which serves seven southern states from Tennessee to Texas; the Kentucky-based nonprofit lender Fahe, which also works in the Appalachian regions of Tennessee, West Virginia, Virginia, Alabama and Maryland; and First Nations Oweesta, a national lender to Native communities based in Longmont, Colorado.

By Monday, Candide Group's Olamina Fund and the family office Money in Motion LLC had also committed to the effort. The Olamina Fund has deposited \$2 million with HOPE Credit Union and is working to join the loan facility as well. Money in Motion has committed to depositing funds with HOPE.

## **Candide Group raises \$40 million fund for community lenders advancing racial justice**



ImpactAlpha, Nov. 5 – A lack of capital has made it harder for



entrepreneurs in underserved communities to build wealth. The few funders working in these communities, such as community development finance institutions and nonprofit lenders, are often undercapitalized as well. A new \$40 million fund from the Candide Group aims to boost the financial capacity ... Continue reading





Ceniarth's loans are zero-interest for the first six months, and a half-percent thereafter for the two-year term. The companies expect two-third of the loans to be reimbursed by the SBA before the six months is up.

For RCAC, the funding is a lifeline. "From the start, we saw the PPP as a great resource for rural communities, small businesses and entrepreneurs," said RCAC CEO Suzanne Anarde. But "it's hard to make it work in a positive cashflow way."

The no-interest loans from Ceniarth, "will transform our ability to meet the unprecedented challenges facing rural areas of persistent poverty," she said, "providing a lifeline to marginalized and vulnerable business owners who may otherwise be unable to access PPP funds."

RCAC, which has a AA rating from AERIS, made over \$850,000 PPP loans in the week before it ran out of funds, ranging from \$40,000 to \$260,000.

RCAC is also putting together a grant-funded loan fund to help businesses and restaurants re-emerge post-shutdown. Since 1978, the CDFI has lent over \$600 million in rural communities that face economic challenges and persistent poverty.

## New models

Ceniarth, which had primarily focused on lending to boost livelihoods of smallholder farmers in emerging markets, expanded its work to the U.S. two years ago. The family office had already been a lender to a number of the Partners for Rural Transformation members. After hearing from RCAC of the challenges it faced with the PPP program, Neichin and Isenberg made a decision within 24 hours to help create liquidity. The deal was signed within a week to help get loans to businesses within the network.

The urgent response from impact investors to help CDFIs channel government relief funds to the neediest businesses suggests a broader role for private investors in community financing. The new models and partnerships could help CDFIs keep money flowing to perpetually underserved communities even post-COVID.

“There’s an entire persistent-poverty part of the economy that is always left out,” says Neichen. “Whenever these programs are set up, there is never consideration for how to get dollars into these most vulnerable communities.”

### How Ceniarth is seeking higher impact on rural livelihoods – while preserving its own capital



ImpactAlpha, January 14 – Last summer, Diane Isenberg, founder of our family office Ceniarth, went public in ImpactAlpha with our firm’s



pledge to shift more than \$300

million over the next decade into a

strategy we call "Impact-First Capital Preservation." The portfolio of managers and direct investments that support enterprises directly serving demonstrably poor and ... Continue reading

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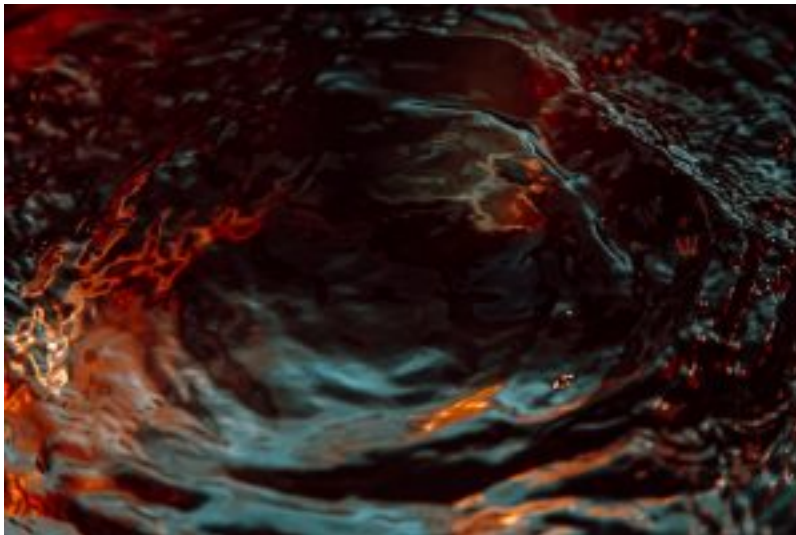
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