Leveling the lending playing field for under-resourced Northeast Florida borrowers

Target: $650,000
High Demand for Personal Loans

~170,000 NE Floridians rely on high-interest lending.*

“...20.8 million Americans owed money on at least one personal loan—more than one-third of which came from a fintech company.”

*Extrapolated from data that 1 in 10 U.S. residents borrow money using some form of short-term lending outside of traditional banks.

Jessica
Duval County Public School Teacher

Salary $47,500 (DCPS)

Single mom

Situation:
Tire blew-out on I-10 on the way to work.
Needs $373 to replace worn tires.
Like Jessica, U.S. residents are:

- Living paycheck-to-paycheck (63%)
- No emergency savings (43%)
- Can’t afford $500 emergency (80%)
- Rent burdened (34%)

Jessica’s short-term option: High-interest fintech for emergencies
High Demand for Small Business Loans

Demand:
Only 136 SBA Loans made in Duval County in 2019.

Bank Lending Barriers:
- Lengthy timeline
- Complicated application process
- Strict underwriting criteria (lack of credit history, etc.)
Imene
Jacksonville Culinary Solopreneur

Operating 10 years
~$150,000 annual revenue

**Situation:** Unable to qualify for a term loan from a CDFI to enable her to move into a new space and hire one FTE.
Like Imene, U.S. small-business owners:

- Receive no outside funding (83%)
- Undercapitalize (53%)
- Imene applied to a high-interest online lender (32% APR)
<table>
<thead>
<tr>
<th>Company</th>
<th>Cost of Capital</th>
<th>EST. APR</th>
<th>Term</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fundbox</strong> <em>(Fully amortizing term loan)</em></td>
<td>18% interest rate + Additional weekly fee determined by Fundbox.</td>
<td><strong>32% – 79.8%</strong></td>
<td>52 Weeks</td>
<td>Personal guarantee / business lien required.</td>
</tr>
<tr>
<td><strong>Square Capital</strong> <em>(Merchant Cash Advance – uses a factoring rate to borrow against future earnings)</em></td>
<td>Factor rate of 1.1 – 1.16 (set percentage of future sales)</td>
<td><strong>42%</strong></td>
<td>Must be repaid in 18 months (likely 10 and increases APR)</td>
<td>Must be a Square point-of-sale customer and meet credit card volume threshold of $10,000 monthly.</td>
</tr>
<tr>
<td><strong>Kabbage</strong> <em>(Merchant Cash Advance and Line of Credit)</em></td>
<td>9% – 36% interest rate + monthly fee .25% – 3.5%</td>
<td><strong>26.5% – 37.5%</strong></td>
<td>6 – 18 months</td>
<td></td>
</tr>
</tbody>
</table>
Where are Under-Served Borrowers Going?

Online fintech lenders are the lead source of personal loans in the U.S., surpassing banks.

Fintech Competitive Advantage:

- AI and data analytic-informed credit scoring focused on under-served borrowers
- Ease of access and discretion (online vs. in-person)
- Quick loan decisions
Opportunity for Equitable Fintech Alternatives in NE FL

- Equitably expand local lending ecosystem beyond traditional lenders
- Drive capital to women and communities of color
- Reduce reliance on storefront lenders purposely locate in urban communities of color
- Ensure interest rates are below predatory lenders
Theory of Change: Increase Access to Affordable Fintech

**Phase 1:**
- Reduce online lending from high-interest lenders
- Invest in equitable fintech

**Phase 2:**
- Attract program grants
- Decrease online lending from high-interest lenders

**Equitable Access to Affordable Capital:**
- Low-wealth individuals
- Low-wealth entrepreneurs

**Improve Credit:**
- Connect to local lenders

**De-Risk Loans:**
- Increase CDFI lending

**Phase 2 Ecosystem:**
- Attract program grants
JAX Microfinance Fund, LLC
501(c)(3)

DEBT FACILITY

TERMS:
7-year Investment Period
Pro-rata share of return / losses

OBJECTIVE:
Increase equitable access to affordable capital for individuals/consumers and entrepreneurs, prioritizing low-income, women, and borrowers of color.
Benefits of the JAX Microfinance Fund

- Identifies and vets mission-oriented fintech platforms
- Shares investor/lender risk and return
- Decreases co-lender costs for underwriting and administration
- Provides deal access to non-institutional co-lenders
- Offers at-cost administration (*no additional fees or commissions*)
<table>
<thead>
<tr>
<th><strong>JMF Investments</strong></th>
<th>Approximately 3–4 debt investments in fintech lending platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commitment Sizes</strong></td>
<td>$100,000 to $350,0000 depending on expected number of loans deployed and average loan amount</td>
</tr>
<tr>
<td><strong>Sector</strong></td>
<td>Equitable and inclusive economy</td>
</tr>
<tr>
<td><strong>Geographic Focus</strong></td>
<td>Northeast Florida (Baker, Clay, Duval, Flagler, Nassau, Putnam, and St. Johns counties)</td>
</tr>
<tr>
<td><strong>Investment Period</strong></td>
<td>Maximum 6-year investment in online platforms</td>
</tr>
<tr>
<td><strong>Pipeline / Deal Flow</strong></td>
<td>Local outreach and platform-staffed deal sourcing focused on low-income communities and communities of color</td>
</tr>
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</table>
Small Business Investment (June 2022): Honeycomb Credit is JMF’s first small business platform investment. Honeycomb drives crowdfunded capital to small businesses, many of which are unable to access loan capital from traditional banks. Crowdfunding campaigns receive intangible benefits from the company’s process, including coaching, media buzz, and increased customer engagement.

Sample Impact: Successful NE Florida small business borrowers could realize 60% increases in year-over-year revenues. 46% of loans could be deployed in low-income communities, and 49% of loans to women borrowers.
JAX Microfinance Fund: Portfolio

INITIAL FOUR JMF-SUPPORTED CAMPAIGNS (JUNE - JULY 2022)

100% Woman and/or Person-of-color owned local businesses

- **Kravegan**
  - Orange Park, FL
  - LaTasha is scaling up her vegan sauce line!
  - Funded: $51,500
  - Minimum Target: $40,000
  - Maximum Target: $200,000
  - Time Left: 0
  - 10.25% Interest Rate

- **Cultural Kitchen**
  - Jacksonville, FL
  - Annet & Ravetkey are growing their restaurant!
  - Funded: $38,300
  - Minimum Target: $50,000
  - Maximum Target: $100,000
  - Time Left: 11 Days
  - 76% Interest Rate

- **Irie Diner**
  - Jacksonville, FL
  - Peter is building an outdoor patio for his Caribbean restaurant!
  - Funded: $61,495
  - Minimum Target: $50,000
  - Maximum Target: $125,000
  - Time Left: 4 Days
  - 122% Interest Rate

- **Murray Hillbilly**
  - Jacksonville, FL
  - Murray Hillbilly is purchasing a mobile food trailer!
  - Funded: $26,411.11
  - Minimum Target: $25,000
  - Maximum Target: $75,000
  - Time Left: 18 Days
  - 105% Interest Rate
Individual Lending Example: *Company A* creates an online lending marketplace that connects prospective lenders to borrowers seeking capital on their own terms. These short-term microloans (<$1,000) are in great demand—over ¾ of U.S. residents live paycheck-to-paycheck—and enable NE Florida borrowers to bypass predatory, high-interest online lenders and credit cards.

**Sample Impact:** Estimate that nearly 10,000 loans could be deployed to individuals, save borrowers about $300,000 by avoiding high-interest fees.
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<th><strong>JAX Microfinance Fund: Key Terms</strong></th>
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<td><strong>Fund Size</strong></td>
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<td><strong>Close Date</strong></td>
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<tr>
<td><strong>Structure</strong></td>
</tr>
<tr>
<td><strong>Deployment</strong></td>
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<tr>
<td><strong>Administration Fees</strong></td>
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<tr>
<td><strong>Targeted Return</strong></td>
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<tr>
<td><strong>Lenders to the Fund</strong></td>
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<tr>
<td><strong>Minimum Commitment</strong></td>
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<tr>
<td>Category</td>
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<tr>
<td>-------------------------------------------------------------------------</td>
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<tr>
<td>Small business loans deployed (# and $)</td>
</tr>
<tr>
<td>Individual / consumer loans deployed (# and $)</td>
</tr>
<tr>
<td>Small business loans repaid (#, $, and %)</td>
</tr>
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<td>Individual / consumer loans repaid (#, $, and %)</td>
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<tr>
<td>Borrowers connected to JMF via platform (# and %)</td>
</tr>
<tr>
<td>Borrowers connected to local lender (# and %)</td>
</tr>
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Structure & Executive Team

Sole Member of JAX Microfinance Fund, LLC (JMF)

Mari Kuraishi
President
JMF Co-Manager

Chris Crothers
Director of Impact Investing
JMF Co-Manager

Direct debt lending and account management experience:

20 program- and mission-related loans deployed totalling about $20 million.

Among others
Structure & Executive Team

Sole Member of JAX Microfinance Fund, LLC (JMF)

Mari Kuraishi
President
JMF Co-Manager

Direct debt lending and account management experience:

5 long-term loans matured/closed and 15 active (0% loan loss and one intentional grant conversion)

Staff & 3rd party due diligence

Admin: loan accounting, invoicing, reporting, and tax and audit consultation/coordination

Chris Crothers
Director of Impact Investing
JMF Co-Manager
<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organization</th>
</tr>
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<tbody>
<tr>
<td>James Coggin</td>
<td>Senior Program Director</td>
<td>The Community Foundation for Northeast Florida</td>
</tr>
<tr>
<td>Anikka King</td>
<td>Economic Development Program Officer</td>
<td>LISC JAX</td>
</tr>
<tr>
<td>Megan Nissley</td>
<td>Area Manager</td>
<td>Self-Help Credit Union</td>
</tr>
<tr>
<td>Melanie Patz</td>
<td>Vice President of Community Investment and Impact</td>
<td>Baptist Health</td>
</tr>
<tr>
<td>Travis Williams</td>
<td>Vice President of Operations and Impact</td>
<td>LIFT JAX</td>
</tr>
</tbody>
</table>
Professional Team

**INTERNAL**
Jessie Ball duPont Fund:
Chris Crothers, Director of Impact Investing
Geana Potter, Senior Manager of Operations

**EXTERNAL**
Legal: Fisher, Tousey, Leas & Ball
Audit: Batts Morrison Wales & Lee, PA
Accounting/Tax: Northern Trust
THANK YOU

For more information, please contact
Chris Crothers
ccrothers@dupontfund.org
904-353-0890
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This Presentation includes certain forward-looking statements that are subject to a number of risks and uncertainties, some of which are beyond the control of the JAX Microfinance Fund (“JMF”). In light of these risks, uncertainties and assumptions, prospective lenders should not place undue reliance on any forward-looking statements. The forward-looking events discussed herein may not occur, and the JMF undertakes no obligation to update or revise any forward-looking statements.

Any loan made to the JMF is subject to various risks, including debt investments in companies that are leveraged and other debt investment practices that may increase the risk of principal and interest loss, illiquidity risk, lack of market penetration and borrower pipeline, and complex tax structures and potential delays in providing tax information to lenders. Risks should be carefully considered by prospective lenders before they make any lending decision.

In considering any performance information contained herein, recipients should bear in mind that past or projected performance is not necessarily indicative of future results, and there can be no assurance the JMF will achieve comparable results or that target returns, if any, will be met. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.