



# NC RURAL CENTER

## **Strategic Assessment for NC Rural Center Small Business Capital Access Programs**

### **I. Overview**

The Rural Center develops, promotes, and implements effective economic strategies to enhance the quality of life for rural North Carolinians. Serving the state's 78 rural counties, we focus particularly on individuals with low to moderate incomes and communities with limited resources. With over 35 years of experience, The Rural Center is committed to excellence, authentic leadership, diversity, equity, inclusion, and delivering meaningful, measurable impact. Our work is organized into four key program areas: Leadership, Engagement, Advocacy, and Capital. This Request for Proposals (RFP) focuses on the Capital program area.

#### **Leadership**

Our leadership program is dedicated to developing leaders across rural communities. The Rural Economic Development Institute (REDI), our flagship initiative, has empowered over 1,300 rural leaders to create meaningful change in their communities. Additionally, our Homegrown Leaders training provides three-day regional programs designed to equip leaders with the skills needed to drive long-term economic growth.

#### **Engagement**

Our engagement initiatives directly enhance the quality of life in rural North Carolina. The Faith in Rural Communities program cultivates dynamic and vibrant faith communities across the state. Participating churches receive grants, coaching sessions, and peer networking opportunities to strengthen their community connections. Additionally, we host a Rural Summit to address key issues impacting rural life in North Carolina.

#### **Advocacy**

We advocate for policies and legislation that improve infrastructure, healthcare, small business, and education. Our advocacy efforts are largely guided by our legislative agenda, through which we research, develop, and promote nonpartisan policy solutions to North Carolina's most pressing economic development challenges. This work is crucial in improving the quality of life in rural areas.



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## **Capital**

Our small business capital programs are designed to address identified access to capital gaps within the state's capital access ecosystem. Programs include direct loans, as well as intermediary support for both loans and equity investments. Utilizing subsidiaries such as **Thread Capital and CornerSquare Community Capital, and federal initiatives such as the State Small Business Credit Initiative (SSBCI)**, we support small businesses, entrepreneurs, and people and communities that have been historically undercapitalized. Beyond capital funding, we offer coaching and connection (networking) opportunities to foster economic mobility. Many small businesses in all parts of the state - but particularly in rural areas - face significant challenges in accessing capital, and our programs aim to bridge this gap.

## **II. Purpose of the RFP**

The purpose of this Request for Proposals (RFP) is to seek qualified consultants to conduct a comprehensive strategic assessment of our existing Community Development Financial Institution (CDFI), Thread Capital, and to inform decisions regarding the re-deployment of available small business capital. The selected consultant will evaluate Thread Capital's current lending operations and strategy, Thread Capital's place within micro-lending within North Carolina's capital access ecosystem, and recommend strategies to enhance our effectiveness and impact across North Carolina, with a particular focus on rural communities and marginalized populations. In addition, the consultant will gather information, perform research, and recommend strategies for the re-deployment of approximately \$60 million in small business capital.

In North Carolina, there are approximately 25 CDFIs. As of 2020, they hold \$1.8 billion in assets and manage nearly 33,000 outstanding business, microenterprise, home purchase, consumer, and residential and commercial construction loans (US Department of the Treasury CDFI Fund, and CDFI Coalition). However, we recognize that even though the number of CDFIs has increased over the years, with many engaging in innovative activities and creating jobs across the state, there is still a lack of access to capital.

Thread Capital has been dedicated to serving North Carolina for just over six years, and the NC Rural Center has operated a micro-lending program continuously since 1989. Our mission is to provide capital, coaching, and connections to small businesses that traditionally face challenges in accessing resources. We place special emphasis on businesses owned by people of color, women, low-income individuals, and those in rural areas. We believe that



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CDFIs are a crucial link to financial services, capital, and financial literacy, helping to lift families and communities out of distress and onto the path to economic health. Thread Capital lending has been focused on loans ranging from \$1,000 to \$100,000.

To ensure maximum impact and effectiveness, we have temporarily paused our operations to conduct a thorough strategic assessment of Thread Capital, our direct micro-lending program. Before temporarily pausing our operations, we had a team of 10 staff members managing client services and daily operations. The team included several loan production coordinators, one bilingual loan production coordinator, two loan officers, and a Director of Loan and Client Services. During this period, we identified primary issues in our client service model, including an ineffective staffing structure and lack of accountability, a convoluted and inefficient approval process, and subpar loan production. Currently, we have part of three staff and one temporary employee who is managing our existing clients pending the outcome of this strategic assessment.

Since 2011, the NC Rural Center has also been responsible for running North Carolina's efforts under the United States Treasury's State Small Business Credit Initiative (SSBCI). Originally authorized by Congress in 2010, the Rural Center has continuously operated three capital access programs including the Capital Access Program (CAP), the Loan Participation Program (LPP), and the Venture Capital Program (VCP). The original capital allocation for these programs was \$46.1 million. Today, the portfolio associated with the 2011 SSBCI 1.0 allocation is valued at approximately \$60 million and consists of loan participations and venture capital investments.

In 2021, Congress reauthorized SSBCI as part of the American Rescue Plan Act (ARPA). The Rural Center will receive \$202 million in SSBCI 2.0 capital to be deployed across the same three programs. The consultant selected for this project will assist the Rural Center's management and board in determining how to re-deploy SSBCI 1.0 capital as loans and investments mature. This part of the project will focus on mission-driven ways to deploy approximately \$60 million in small business capital, to ensure a return and to avoid competing directly with the SSBCI 2.0 capital deployment that is actively underway.

**We are seeking a highly astute, experienced, and well-rounded consultant to lead this assessment and help us chart a strategic path forward. We expect this two-part strategic assessment to take approximately 6-9 months.**



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To enhance our strategic assessment, we are seeking comprehensive answers to several key questions:

1. **Current State of CDFIs in North Carolina:** What is the current landscape of CDFIs across North Carolina, including specifically the current impact of all CDFIs engaged in small business microloans? How can Thread Capital become a strategic partner to both the State of North Carolina and private institutions, such as banks and other CDFIs, in revitalizing the state's economy? What additional affordable capital and investments are necessary to meet the growing demand for capital and financial services?
2. **Future Vision for Thread Capital:** If we continue the operations of Thread Capital, what would its future look like in order to maximize rural North Carolina impact and among other CDFIs? What is the optimal staffing plan to run a CDFI effectively and efficiently?
3. **Maximizing Micro-Lending:** How can we maximize our micro-lending program to focus more on capital formation and lending, while still incorporating a holistic approach that includes coaching and connections? What objectives should we set to ensure we are a sustainable and reliable source of revenue, supporting Thread's mission and goals? What are the opportunities for innovation?
4. **Determining a program mix across that maximizes growth and impact of the Rural Center's small business capital assets.**
5. **Role as a Community Lender and as a Statewide Intermediary:** What should our role be as a community lender, especially given that stricter lending standards have made accessing capital more challenging for entrepreneurs, even those who could previously secure funding? What should our role be as an intermediary nonprofit with statewide reach?
6. **Supporting Other CDFIs:** How can we better support other CDFIs in achieving self-sufficiency? Considering that raising adequate and affordable lending capital is crucial, what strategies can we implement to overcome the barrier of high debt costs?



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## III. Scope of Work

Expectations of the consultant include:

### 1. Review and Analyze Current Operations

- Conduct a thorough review of our existing micro-lending program and internal operations.
- Evaluate the effectiveness of our capital, coaching, and connection services.

### 2. Constituent Engagement

- Engage with key constituents including CEO, COO, CFO, compliance, board members, and community partners.
- Facilitate an engaged working group of the Rural Center's board of directors to assess input and feedback.
- Hold meetings once a month with our working group and board members as needed.
- Provide progress reports to CEO and COO monthly, in addition to meeting the CEO, COO, and CFO bi-weekly to discuss progress and concerns.

### 3. Market Analysis

- Analyze the market needs and trends in North Carolina, with a focus on rural communities and underserved populations.
- Assess the gaps in the current landscape and identify potential opportunities for collaboration and partnership.
- Assess program options that are particularly mission driven.

### 4. Strategic Recommendations

- Provide actionable recommendations for the next phase of our micro-lending program and what the overall service delivery can look like.



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- Provide actionable recommendations for the re-deployment of approximately \$60 million in SSBCI 1.0 small business capital.
- Develop a strategic plan outlining short-term and long-term goals, metrics, and key performance indicators (KPIs).

## **5. Implementation Plan**

- Offer guidance on the implementation of recommended strategies.
- Provide a timeline and resource plan for executing the strategic initiatives.

## **IV. Qualifications**

The ideal consultant will possess the following qualifications:

- Extensive experience working with CDFIs, particularly in North Carolina.
- Experience working with CDFIs focused on small business micro loans.
- Proven track record of conducting strategic assessments and developing actionable plans.
- In-depth knowledge of the challenges and opportunities facing small businesses, specifically in rural communities and for women and people of color.
- In-depth knowledge of the design of small business capital programs both debt and equity.
- Strong analytical, communication, and stakeholder engagement skills.
- Familiarity with financial services, micro-lending, and rural economic development.



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## **V. Proposal Requirements**

Interested consultants should submit a proposal that includes:

### **1. Executive Summary**

- A brief overview of the consultant's background and qualifications.

### **2. Approach and Methodology**

- Detailed description of the proposed approach and methodology for conducting the strategic assessment.

### **3. Work Plan and Timeline**

- Outline of the work plan, including key milestones and a timeline for completion.

### **4. Experience and References**

- Description of relevant experience and three references from similar projects.

### **5. Budget**

- Detailed budget, including a breakdown of costs for each phase of the project.

### **6. Supplemental Information**

- Any additional information that supports the proposal.

### **7. Vendor requirements**

- Include feedback from previous clients



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## VI. Evaluation Criteria

Proposals will be evaluated based on the following criteria:

- Relevant experience and qualifications
- Understanding of CDFIs, program design related to small business capital and rural economic and community development challenges
- Quality and feasibility of the proposed approach and methodology
- References and past performance

### Rubric Scoring Sheet: Evaluation of Consultant Conducting Strategic Assessment for Thread Capital

Criteria	Description	Score Range	Weight
Expertise and Experience	Knowledge of CDFIs Demonstrates extensive understanding of CDFIs, their operations, challenges, and opportunities.	1-5	10%
	Relevant Experience Proven track record of conducting similar strategic assessments for CDFIs or related organizations.	1-5	10%
Assessment Methodology	Comprehensive Approach Utilizes a thorough and structured approach to assess the CDFI, including data collection, analysis, and reporting.	1-5	15%
	Constituent Engagement-Proven track record of clients worked with in the past, testimonials, involvement with Boards and working groups.	1-5	10%





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Analytical Skills	Data Analysis Demonstrates strong ability to analyze financial, operational, and market data relevant to the project.	1-5	10%
	Strategic Recommendations Showcases clear, actionable strategic recommendations based on previous assessment work. Ability to effectively present findings and recommendations, using presentation skills, delivery of a well-organized, comprehensive and easy to understand reports.	1-5	15%
Implementation Plan	Action Plan Development Ability to provide a detailed action plan for implementing recommendations, including timelines and resource needs.	1-5	10%
Professionalism	Timeliness Submits proposal within the agreed timeframe.	1-5	5%
	Responsiveness Responds promptly to communications and is available for follow-up questions.	1-5	5%
Innovation	Innovative Solutions Ability to propose innovative and creative solutions tailored to the unique needs of the Rural Center, its small business capital subsidiaries, and its capital access programs.	1-5	10%



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## Scoring Guidelines

- 1-2 (Poor): Consultant fails to meet expectations in this area. Lacks necessary understanding, experience, or execution.
- 3 (Average): Consultant meets basic expectations but with notable gaps or limitations.
- 4 (Good): Consultant exceeds basic expectations with minor improvements needed.
- 5 (Excellent): Consultant demonstrates exceptional capability and execution, significantly exceeding expectations.

## Weight and Score Calculation

- Weighted Score: Each criterion score is multiplied by its weight.
- Total Score: Sum of all weighted scores.
- Overall Evaluation:
  - 90-100: Excellent
  - 80-89: Good
  - 70-79: Satisfactory
  - 60-69: Needs Improvement
  - Below 60: Unsatisfactory

## VII. Submission Details

Proposals must be submitted by August 15, 2024. Please send proposals, as well as follow-up questions, electronically to [CDFlconsultant@ncruralcenter.org](mailto:CDFlconsultant@ncruralcenter.org). For all follow-up questions, please expect a two- to three-day turnaround time. We will not begin responding to follow-up questions until after August 1, 2024.

## VIII. Selection Process

Following the submission deadline, proposals will be reviewed by our Selection Committee. Shortlisted candidates may be invited for an interview or to provide additional information. The final selection will be based on the evaluation criteria outlined above. We will notify all candidates of our decision by September 20, 2024, via email.

We look forward to receiving your proposal and partnering with a consultant who can help us enhance our impact and support for North Carolina's small businesses.