**Appalachian Development Corporation’s**

**Use of Prudent Lenders, LLC**

[www.appalachiandevelopmentcorp.com](http://www.appalachiandevelopmentcorp.com/) | [www.prudentlenders.com](http://www.prudentlenders.com)

**Prudent Lenders**

Prudent Lenders is a Lender Service Provider which has developed a unique platform designed to empower Community Banks, Community Development Financial Institutions, and SBA Certified Development Companies to best implement and manage the U.S. Small Business Administration’s 7(a), 504, and Community Advantage loan programs. Prudent Lenders combines the processing, closing, and servicing platforms of two of the nation’s largest SBA Lenders, CDC Small Business Finance and New York Business Development Corporation, with specialized SBA 7(a) and 504 sales, marketing, and training resources. The lender originates the loans while Prudent Lenders will process, close, and service the loans. Prudent Lenders increases the efficiency of SBA lenders by ensuring that the lending program is materially compliant and by mitigating the risk of losing the guaranty.

**Appalachian Development Corporation**

*The Appalachian Development Corporation (ADC) is a nonprofit economic development lending corporation offering multiple financing options that can be structured to meet the needs of its borrowers using “gap financing” and other loans. The target market of ADC is Anderson, Cherokee, Greenville, Oconee, Pickens, and Spartanburg counties in South Carolina with a secondary market of the rest of the state. The ADC works with local lending institutions to provide a loan structure that enables long-term, fixed-rate funding sources that lower the overall debt service requirements and allows for the maximum leverage of the applicant’s resources. The ADC’s mission is to promote job creation in its service area.*

*The mission of the ADC is to benefit the community by fostering increased employment opportunities and the expansion of businesses and industry for its target markets. The ADC offers microloans, small business loans, 504 loans, and USDA Rural Cooperative Business & Industry loans.*

This case study demonstrates **the use of a shared service for growth.**

**Action:**

When the SBA announced that it was going to offer the Community Advantage loan program to nonprofit CDCs, Appalachian Development Corporation (ADC) knew it wanted to become a lender. It thought it would have to scale up its staff to handle the paperwork and compliance associated with the program, but with a third party service provider, it could focus staff capacity on sourcing deals. ADC identified Prudent Lenders, LLC as a lender service provider that combines the processing, closing, and servicing platforms of two large SBA lenders – CDC Small Business Finance and New York Business Development Corporation. ADC’s goal is to expand its market to include all of South Carolina. To accomplish this goal, ADC plans to employ its loan officers to cover the increased outreach and loan sourcing.

**Process:**

* Appalachian Development Corporation sources and originates the loans for the Community Advantage and USDA Rural Development programs while Prudent Lenders processes, closes, and services the loans. Prudent Lenders does not offer its services à la carte, since all stages included in the Prudent Lenders package are critical to maintaining the guaranty.
* Prudent Lenders’ services include: an initial eligibility assessment, processing, underwriting, closing, servicing, and post-closing loan review.
* ADC still maintains its own loan policies and procedures, including a loan committee that makes lending determinations, and accepts payments.
* As they have worked through the SBA lending process together, Prudent Lenders has helped ADC build knowledge and understand how to do SBA lending.

**Outcomes:**

* ADC has found the relationship with Prudent Lenders to be beneficial, so it decided to have its USDA Rural Business & Industry loan servicing outsourced to Prudent Lenders in addition to its Community Advantage 7(a) lending.
* As ADC works to scale up its lending activity to reach a larger target market in South Carolina, its use of Prudent Lenders will allow it to utilize staff to focus on outreach and loan sourcing, while leaving loan processing and servicing to Prudent Lenders.
* Prudent Lenders is designed to facilitate a “45-day from handshake to close” model of lending, which benefits borrowers seeking to take advantage of current business opportunities.

**Organization Profile: Appalachian Development Corporation**

**Founded:** 1982

**Organization Type:** Loan Fund

**Target Market:** Six counties of upstate South Carolina

**Types of Lending:** Business, Commercial Real Estate

**Loan Products:** Small Business, Microloans, SBA 504, and USDA Rural B&I loans

**Asset Size:** $11,973,189 (FY 2012)

**No. of Employees:** 12