



MINNESOTA

CDFI COALITION

Portfolio Management:

A practical discussion on
managing loan risk and growth
in today's environment

Minnesota CDFI Coalition Conference



Welcome & Objectives

- Introductions
- Current economic realities impacting borrowers and CDFIs
- Focus on portfolio management and organizational response
- Shared experiences and observations across mission-driven lenders

Discussion informed by issues identified through the Minnesota CDFI Coalition Pulse Survey
grounded in reported statewide sector concerns.



What Are We Seeing

The expanded impact of current economic realities



Current Economic Realities

- Increasing operating costs continue to compress margins
- Consumer spending remains uneven across sectors
- Access to affordable capital remains constrained
- Borrowers are carrying more layered debt
- Funders increasingly expect stronger portfolio performance and impact reporting
- Higher interest rates increasing debt-service burden
- Greater uncertainty for small business planning



Beyond Economic Challenges

CDFIs Are Managing:

- Rising delinquency concerns
- Increased modification activity
- Potential revenue losses
- Loan loss reserve pressures
- Growing demand for technical assistance



What Minnesota CDFIs Are Monitoring

Portfolio Health

- Delinquencies
- Defaults
- Revenue loss
- Portfolio stabilization

Risk Management

- Loan modifications
- Reserve adequacy
- Underwriting activity, criteria, and procedures

Organizational Capacity

- Staffing needs
- Technical assistance demand
- Technology investments
- Budget pressures



Expanded Impact

Impact On Borrowers

- Increased cash flow pressure
- Repayment challenges and slower receivables
- More modification and deferral requests
- Growth in use of high-cost alternative financing
- Economic uncertainty and funding constraints

Impact on CDFIs

- Increased servicing demands
- Higher workout activity
- Increased technical assistance needs
- Reserve adequacy concerns
- Pressure on staffing capacity



How Are We Responding

What is working and what comes next?



What Helps Borrowers & Organizations Succeed?

Borrower Support & Loss Mitigation

- Loan modifications and deferrals
- Payment accommodations
- Proactive borrower outreach
- Technical assistance and reassessment

“How do we support borrowers while protecting portfolio health?”



Organizational Resilience

- Additional staffing
- Contractor support
- Expanded technical assistance
- Technology improvements
- Working capital strengthening

"How are organizations balancing increased borrower support needs with finite operational resources?"



What Are We Monitoring?

The Pulse Survey specifically Identified:

- Delinquency levels
- Default levels
- Future default projections
 - Driven By Trend Identification and Analysis
- Loan modification activity
- Loan loss reserve adequacy
- Underwriting activity trends

"What early warning indicators are most effective in identifying borrower stress before default occurs?"



Key Takeaways

Borrowers Need

- Early intervention
- Technical assistance
- Flexible support

CDFIs Need

- Adequate reserves
- Operational capacity
- Sustainable funding

The Sector Needs

- Strong partnerships
- Shared learning
- Continued advocacy

"The Challenge: Managing Organizational Capacity While Supporting Borrowers"





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