



Farmer Fund

In collaboration with University Bank in Ann Arbor, we are able to administer a sustainable agriculture lending program. Individuals will be able to put funds on deposit at the bank without commitment to a specific project or any other immediate risk exposure. These funds will be placed in 5-year CDs (currently earning 2%). Additionally, these deposits will earn the Farmer Fund program a donation from the bank (see Community Unity program, explained below). Investors will then have the opportunity to pledge a portion of these funds to secure specific projects as they come online. The bank will originate and service these loans to our farmer participants. And investors will be able to withdraw their funds from the program after secured projects are paid off, without interest penalty.

The Program in a Bit More Detail

Selma Cafe will solicit participation in the program and will direct depositors to the bank to buy 5-year CDs in increments of \$1000 with the “soft commit” letter in hand (which spells out the “no early withdrawal interest penalty CD” policy). Using 5-year CDs means that we do not have to coordinate precisely the lending and securing aspects of the program. And the waiving of early withdrawal penalties means that investors can get a substantial interest rate while maintaining flexibility.

Selma Cafe will then arrange backing for each farmer loan from among deposits to the program (approximately 70% from individuals in the program with a minimum of 30% from the Selma Cafe breakfast funds).

University Bank will originate and service loans to borrowers (approved by Selma Cafe) at 6% interest. University Bank will receive 2% above the CD rate for their services. Selma Cafe will receive the difference between this 6% loan rate and the sum of the CD rate and the 2% bank fee. All loans will be additionally secured by the hoop-house kits or other assets as collateral.

If any loans go 15 days into default, University Bank will notify Selma Cafe, who will work to remedy the situation. If loans ever go 90 days into default, University Bank will close the loan and the backing CDs. Selma Cafe will have the opportunity to re-possess collateral and pay off the balance. If any balance remains, Selma Cafe funds linked to the loan will be used first to pay off the loan (subordinated position). If necessary, additional funds from Farmer Fund backers will pay off the remaining balance. Once the loans have been paid in full, University Bank will notify Selma Cafe. Selma Cafe will notify Farmer Fund depositors so that they have the opportunity to close existing CDs and open new ones to back additional loans. There are no early withdrawal penalties for individual lenders to the program, before or after loan commitment.

Community Unity Program

The bank has an existing program in place that awards funds to non-profits who bring business to the bank. It basically works by donating .5% of deposits that individuals make in the bank to the related non-profit. For example, every \$1,000 that is deposited at the bank as described above will result in an immediate \$5 credit to the Farmer Fund program, regardless if these funds are ever used to back loans. (See bank policy for specifics of the program.)