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Lender to nonprofits has invested \$71 million

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IFF, a lender to nonprofits, started 27 years ago in Chicago to fill a tricky financial need: Nonprofits need capital to operate and grow, but traditional lenders such as banks were reluctant to lend to them.

“Traditional lenders couldn’t get comfortable with the nonprofit model,” said [David Desai-Ramirez](#), IFF’s executive director for its southern region, based in St. Louis. They couldn’t get comfortable because the organizations not only had no profits, they often had deficits plugged by benefactors.

With a \$1 million investment from the Community Trust in Chicago in 1988, IFF began making loans to nonprofits. It now has \$371 million in assets under management and has made more than 1,200 loans totaling \$536 million in the Midwest, including \$71 million in the St. Louis area.

The loans involve no origination fees, operating covenants or pre-payment penalties, and they are not based on appraisals. “We evaluate how much debt they can afford,” Desai-Ramirez said. The maximum loan is generally \$2.5 million but exceptions can be made. The average loan is about \$600,000.

It’s a big market: The U.S. has more than 1.5 million tax-exempt organizations, accounting for 9.2 percent of all wages and salaries paid and 5.3 percent of GDP, according to the National Center for Charitable Statistics.

As it gained expertise, IFF branched out into nonprofit facility design, real estate development, and consulting and policy research. A specialty is early childhood education centers, what used to be called day care. It also can make loans to for-profit businesses if they involve affordable housing or fresh food. Among its recent projects was a \$4 million Save-A-Lot grocery in East St. Louis.

In the city of St. Louis, IFF has made loans to 42 organizations including Boys and Girls Club of Greater St. Louis, City Garden Montessori School, Neighborhood Houses, Paraquad, and South City Preparatory Academy. Recent loans included \$1.5 million to Hawthorn Leadership School Foundation to buy and renovate a building for its new school, \$1.5 million to Provident Counseling Inc. for refinancing and renovations, \$315,000 to St. Louis Artworks for leasehold improvements, and \$103,500 to Technology Entrepreneur Center to replace the building's cooling tower.

IFF also partners with banks, foundations and private investors on low-interest loans, enabling banks to fulfill federal Community Reinvestment Act responsibilities in poor areas. "It's a fast and efficient way for banks to get those credits," Desai-Ramirez said, "and when we partner with banks, they are more likely able to make a loan because of our expertise in nonprofits."

Locally, IFF has teamed TIAA-CREF, Scottrade Bank and U.S. Bancorp Community Development Corp., among others. A typical loan for an early childhood center, for example, would be \$500,000 from IFF and \$500,000 from the bank, Desai-Ramirez said. Desai-Ramirez, 35, joined IFF in January after eight years at Desco Group, where he rose from analyst to senior manager of finance. Also in the St. Louis office are Michelle Gleason, senior loan officer, and Edgar Velazquez, senior project manager. IFF has 75 employees nationally.

One of Desai-Ramirez's immediate goals is to attract more local investors. Most of the \$50 million in the city of St. Louis IFF investments over the years came from Chicago. "I want to change that," he said.

Banking, Financial Services