Homecare Financing, Needs & Opportunities:
Results of a feasibility analysis

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Background to the study . . .

- There are only 13 homecare co-ops
- But that is 4 times as many as five years ago
- **Cooperatives are the vehicle for bringing quality care and quality jobs together**
- If we want to impact the industry, we need a lot more than that
- All have experienced difficulties in locating financing, to one degree or another
- Financing is key to running a business
- What can be done?

Key Questions:

- *"What would it take to make it easier for worker-owned homecare cooperatives to launch and grow?"* and

- *"Are there key ways to work together on a national sectoral level to limit risk and expand opportunity in the sector?"*

What do Co-ops Need?

- Start-up funds ..

But also . . .

- Lines of credit
- Working capital term loans for expansion
- Company credit cards
- Conversion loans
- Equipment and technology loans
- Loans to facilitate small scale lending to members

Which have banks provided?

- Start-up funds ..
- Lines of credit
- Working capital term loans for expansion
- Company credit cards
- Conversion loans
- Equipment and technology loans
- Loans to facilitate small scale lending to members

Which have CDFIs provided?

- Start-up funds ..
- Lines of credit
- Working capital term loans for expansion
- Company credit cards
- Conversion loans
- Equipment and technology loans
- Loans to facilitate small scale lending to members

Which don’t currently exist?

- Start-up funds ..
- Lines of credit
- Working capital term loans for expansion
- Company credit cards
- Conversion loans
- Equipment and technology loans
- Loans to facilitate small scale lending to members

Which don't currently exist **as we want them to be?**

- **Start-up funds ..**
- **Lines of credit**
- **Working capital term loans for expansion**
- **Company credit cards**
- **Conversion loans**
- **Equipment and technology loans**
- **Loans to facilitate small scale lending to members**

So What's the Problem?

- Lack of collateral without personal guarantees
- Owners don't have deep pockets
- Lots of elements are not in our control

But also . . . .

- Lack of understanding of cooperative model
- Lack of respect for caregivers as business owners
- Lack of confidence
- Need for more finance-specific technical assistance for co-op members

What are the risks of inaction?

- Fewer co-ops started
- Members continue to be put at personal risk guaranteeing loans & credit cards
- Bank lines of credit vanish in the next downturn
- Existing CDFIs reach their capacity for risk in this sector
- More preventable “failures”
- Continuing problems with staff burnout and quality of care in the industry

Another observation . . .

- Success so far has relied a great deal on local “community” –
- Can we build that community for ourselves?

Ideas for a new financing approach . .

- Start a new loan fund to augment existing CDFIs
- Enable developers who have capacity and interest to become start-up lenders
- Work with larger financial co-ops to offer credit cards
- Work with larger financial co-ops to back a national facility for lines of credit
- Develop a program to enable co-ops who want to to have a member loan program
- Coordinate technical assistance and other resources as much as possible
- Take a coordinated approach -- not all products will be profitable, but all will be useful and respectful

What needs to be different?

- Recognition that financing is a necessary, but not sufficient element for expansion of the cooperative homecare model
- Caregivers need to have a specific role in product development, strategy & application
- Technical assistance—business and governance in particular–is crucial to success
- Technical assistance needs to be delivered in a way that builds long-term capacity for members and co-ops

But What about Risk?

How do you lend to a low-margin, unpredictable, uncollateralized sector managed collectively by groups of people who may have little if any business training or governance experience?

- You take a new approach . . . .

What They Need, not What You Can Do

There are a lot of hidden costs in the old way of risk mitigation . . .

- Mitigate risk based on:
  - Building skills and tools – *finance, recruitment*
  - Financial controls
  - Respect, trust and transparency
  - Coordinated national resources
- Let local co-ops spend more time on marketing and recruitment

The cost of taking a tepid approach is about the same as taking a comprehensive and visionary one . . .

Are there examples? Sort of . . . .

- CoBank, ROCUSA – sector-specific co-op financing
- Arctic Cooperatives Ltd in Canada – collectively provide development financing for “hard to lend to” group of co-ops
- Quebec, Italy, Spain, cooperative movement provides more supportive and less asset-based lending for developing sectors
- US CDFI movement has shown that many communities can successfully create their own financing vehicles for social objectives

Discussion . . . .