



The LENDonate BYON (Bring Your Own Network) Program

*Customized Loan Agreements
for Nonprofits and their Supporters to Advance Impact Investment and Philanthropy*

Program Details

These custom private loans help both nonprofits and their supporters achieve their respective goals. For the nonprofits, this provides access to affordable capital immediately to be used for real estate purchase, program expansion, organization turnaround, and more. Supporters of the nonprofit can expand their support beyond donations and choose to receive a return on their investment. Optional loan features can be customized to include interest rate reduction, loan forgiveness, impact milestones, and more, if both parties agree.

Quick facts

- 1 LENDonate provides customizable lending and repayment structures to facilitate multi-party agreement.
- 2 Borrowers must be 501(c)3 nonprofit organizations in the U.S. Loan minimum is \$100,000.
- 3 Sources of investment capital may be from an individual's personal accounts, solo LLCs, donor advised funds, self-directed IRA accounts, and private foundations.
- 4 The effective interest rate will be determined by the nonprofit borrower and social investors. Investors can choose to be philanthropic and receive 0% or below the suggested interest rate. Interest can be accrued until loan maturity (recommended) or paid/received periodically.
- 5 Investors pay an annual \$99 fee.
- 6 Borrower pays a one-time fee that will be determined by the size, duration, and operational complexity of the loan. Fees start at \$1,500.

A photograph of two students, a boy and a girl, standing on a balcony with a glass railing. The boy is on the left, wearing a striped shirt and a blue backpack, looking towards the girl. The girl is on the right, wearing a grey polo shirt and a grey backpack, holding a yellow folder and looking back at the boy. The background shows a large glass and metal structure, likely part of a school building.

Case Study 1

Releasing a \$2M Legacy Gift from a DAF Roadblock

A donor wished to donate \$2M from his donor advised fund to purchase a building for a new school as his legacy gift. Since the new school had not yet received its 501c3 tax-exempt status, the DAF administrator declined the request. LENDonate and our partner DAF quickly got to work and structured the \$2M as a loan from the new DAF administrator (investor) to the school (borrower), with the expectation that the loan will be forgiven once the 501c3 status was attained.

Nonprofit Borrower FAQs

How is this different from LENDonate's regular loan offering?

LENDonate Marketplace borrowers have more than 3 years of operating and financial history, and most secure their loans with collateral.

LENDonate's underwriting process determines the fair market or ceiling interest rate and the loan is then presented to LENDonate Lenders for consideration.

By contrast, the LENDonate BYON Program enables nonprofits and their supporters to privately finance a loan for the organization and determine the terms that best suit their needs.

Does the nonprofit need to post collateral?

Not unless it is part of the agreement.

How do we set an interest rate?

The Borrower may suggest a ceiling rate. Your private investors may choose to lend at 0% to the suggested ceiling rate. LENDonate can provide credit analysis if requested.

Will there be monthly payments?

For simplicity, we recommend accruing interest until loan maturity, but it depends on what your private investors desire.

Can the nonprofit customize the terms?

LENDonate and the nonprofit would work together to customize terms that we believe will align with the interests of the nonprofit and investors, taking into consideration the size of the need, investors' capacities, timelines, and desired outcomes.

Can LENDonate match me with investors and donors?

No. Unlike our Marketplace loan offering, for the LENDonate BYON Program, you must bring your own supporters. LENDonate can provide communication support once we are introduced to your supporters.

If this is a private loan with our own supporters, couldn't we just do this ourselves?

While there are some cases in which borrowers and supporters can handle it themselves, there are advantages to having LENDonate, an independent party, facilitate the transactions, e.g., standardizing agreements with multiple investors. Other times, it may be required by the financial custodian, e.g. funds are within a donor advised fund.

What if we are not ready to repay the loan at maturity?

A loan modification and/or extension may be considered if agreed upon by all investors.



Case Study 2

Investor Embracing Risk for the Greater Good

An investor wished to provide high-impact funding and was not averse to taking risk alongside the nonprofit borrower. With that knowledge, LENDonate presented the investor with this opportunity: a \$50,000 loan to a nonprofit recovering from the COVID shutdown, where their mission is to serve homeless, senior veterans. This was not a good fit for the LENDonate Marketplace, and the investor gladly stepped in privately.

“If the nonprofit turns around, they can pay me back so I can keep recycling this money for good. If they don’t, I have given them more time to do good work.”

Supporter/Investor FAQs

Are there qualifications for investors?

Investors need to be accredited investors in the US. The general definition of **accredited investor** is put forth by the SEC in Rule 501 of Regulation D.

To be an accredited investor, a person must have an annual income exceeding \$200,000, or \$300,000 joint income, for the last two years with expectation of earning the same or higher income in the current year. Someone is also considered an accredited investor if they have a net worth exceeding \$1 million (excluding primary residence), either individually or jointly with their spouse.

NEW: the SEC have expanded this definition as of October 2022. Please review this update for additional ways to qualify.

Is there a minimum investment amount? How much should I lend?

No, there is no minimum unless the nonprofit borrower would like to set one. How much to lend is a personal decision based on your financial capacity and desire. It is up to you to evaluate the merits and risks of making this investment; be sure you have sufficient knowledge of the nonprofit and understand the risks involved. Please consult your own professional advisors for assistance.

Will LENDonate do any credit analysis on a loan I make under the BYON Program?

Not unless the nonprofit chooses to pay for this additional service. Unlike our Marketplace loans, nonprofits using this Program are not required to meet LENDonate's basic underwriting criteria. That means you will need to gather directly from the nonprofit all the information you feel that you need to make an informed investment decision. If you wish to receive a loan credit analysis from LENDonate, speak with your nonprofit.

Can each investor offer to lend at a different interest rate?

Yes. Each investor can choose their own rate that is between 0% and the ceiling rate.

Can I lend using Donor Advised Funds or my retirement funds?

In many cases, yes. Some providers/custodians are more accommodating than others.

Contact us at support@lendonate.com if you would like to know more.

What happens if the nonprofit defaults on the loan?

The LENDonate BYON Program allows supporters to lend to the nonprofit and share in the risk.

This is only suitable for investors who fully understand their commitment.

If the nonprofit is unable to repay the loan despite best efforts, LENDonate will assist with recovery as appropriate. Under the LENDonate BYON Program, you may consider converting any unrecoverable portion of your loan to a donation or treat it as an investment loss. Please consult your own tax advisor.

Why wouldn't I just donate the amount?

There is no question that a direct and immediate donation would be most impactful to the nonprofit. In some cases, however, donors may want to start the support as a loan even if the intent is to convert it to donation in the future. Here are some hypothetical examples:

- 1 The nonprofit needs the money now, but for tax planning purposes, you want to take the tax deductions in the following year(s).
- 2 You want to empower the nonprofit, and if they have the means to repay you, then you will reinvest your money in the next social endeavor. If not, you have given them a chance.
- 3 You want to offer a grant if a given milestone is achieved, so offering it as a loan first could give you that flexibility.

Will there be monthly payments?

For simplicity, we recommend accruing interest until the end of the loan period. Some nonprofit borrowers wish to make periodic repayments which can be accommodated as well. Interest received will be reported to the IRS on Form 1099-INT.

Are there any tax implications?

Please consult your tax advisor about your own situation. Generally speaking, interest income may be taxable. Any portion of the investment/loan that you choose to forgive may be treated as a donation that fiscal year. This allows you to manage your philanthropic plans as well as flexible tax planning.

More questions?

Please send an email to
Support@LENDonate.com

ABOUT LENDONATE | Doing Good, Only Better |

LENDonate's mission is to create a new financial ecosystem that allows capital to flow more freely in the social sector by developing an expressive marketplace that connects affordable capital with impactful projects. LENDonate raises capital by offering and selling Payment-Dependent Investment Notes to accredited investors in an exempt offering in reliance on Rule 506(c) of Reg D under the 1933 Securities Act. LENDonate lends the proceeds to borrowers, with payment of principal and interest to investors dependent on the borrower's payment of principal and interest to LENDonate. LENDonate holds California Finance Lender license no. 60DBO-75670. This is not an offering of securities, and the borrower described here is not making any securities offering. Offers are made by LENDonate via an Offering Memorandum that can be viewed at LENDonate.com, as that Offering Memorandum is supplemented for the project described here.