

## Entrepreneurs & Their Communities Monthly Webinar Series

### Establishing a Collaborative Microenterprise Lending Program The Nuts and Bolts October 2012

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**WRIGHT STATE**  
**UNIVERSITY**  
*LAKE CAMPUS*



## What is a Microenterprise?

- 5 or fewer employees
- Requires \$35,000 or less in start-up funding
- AEO (Association for Enterprise Opportunity) estimates 20 million microenterprises operating in U.S.
- Microenterprises make up 16.6% of all employment



## Why Start a Program?

- **Encourage** startup of micros in a targeted area.
- **Expand** incentive tool box.
- **Erase** financing gap for microbusinesses.
- **Enable** micros to tap into flexible funding.



## Methodology

- Needs Assessment
- Organization Capacity
- Staff
- Seed capital sources
- Program plan
- Collaboration and Evaluation
  - It's the Glue!



## Needs Assessment

- Are startups able to find adequate financing?
  - If not, would gap financing make the difference?
- Do you have an existing RLF?
  - Are they doing loans for startups?
- Are banks amenable to working with a local RLF to meet financing needs?
  - Get your bankers on board

## Organizational Capacity

- New or existing
  - Mission Statement
  - Location
  - Organizational structure
- Existing entity needs
  - Past experience
  - Full time staff



## Staff

- Staff support
  - Full time Coordinator
  - Chamber
  - Auditor
  - RPC
- Inventory volunteers “staff”
  - University partners (counseling)
  - Bankers/financial institutions
  - Jobs Ohio

## Sources of Seed Capital

- State sources
- USDA/EDA
- Banks (CRA)
- Existing RLF's
- Foundations
- Private Sector
- City/County match



## Program Plan - Building Blocks



- Target (client & project)
- Geographic area
- Loan review criteria
- Approval process
- Committee composition
- Local expertise
- Collaboration = sustainable program

## Targeted Client

- Low to moderate income range, and
  - unable to secure a bank loan
- May have:
  - Less than 650 credit score
  - bankruptcy
  - Limited capital and/or excess debt
- But has:
  - Good business plan or idea
  - With loan, shows ability to cash flow idea

## Targeted Project

- **Service** is the fastest growing segment of small business
- **Retailers** with creative answers to the needs of the community.
- **Construction and Manual Labor** most likely sub-contractors that work with larger construction firms, or the “handy man”.

## Geographic Area

- Downtown
- Extended downtown
- Neighborhood(s)
- City
- County
- Multi-jurisdictional



## Loan Review Criteria

- Business Plan – good idea?
- Job creation
- Management
- Cash Flow (3 year projections)
- Personal financial (debt to loan)
- Credit history/credit report



## Approval Process

- Client prep and counseling
- Client submits application and documents
- Present to loan committee
- Prepare closing documents
- Draw down funds
- Closing/check presentation
- Follow-up to review progress

## Committee Composition

- City/County appointees
- University/SBDC partners
- Accountant or CPA
- Economic development and/or Chamber
- Private sector lending community
- Low-to-moderate income population representatives





# Using Local Expertise

Both formal *and informal*

- Legal
- Taxes
- Location
- Financing
- Business Plan
- Marketing and general business advice



Tap into University resources

# Partners

- WSU Business Enterprise Center
- Existing Professionals
- OSU Economic Development
- Chamber
- City/County
- SCORE
- Vantage Career Center
- Innovation Center
- One-Stops
- Social Media Networks



## Business Enterprise Center Lake Campus

- Integrate business training and business development in West Central Ohio
- Provide comprehensive short and long-term training to new and existing businesses
- Free, comprehensive counseling and management training to new and existing small businesses
- Pledge support from area banks, city and county governments, economic development

## Collaboration = Sustainability

- Maximize resources
- Increase efficiencies/reduce cost
- Build on strengths
- Increase impact
- Extend reach
- Demonstrate relevancy
- Leverage funds

## Keys to Program Sustainability

- Management
- Marketing
- Evaluation
- Collaborative Model



## Management

- Identify a loan fund manager who is:
  - Organized
  - Meets deadlines
  - Has proclivity for bookkeeping and/or accounting
  - Works well with people
- Assemble a RLF committee that:
  - Is engaged and informed
  - Will help market the program
  - Ensures the program has integrity
  - Is committed to the program

## Marketing

- Press conferences on all loan closings
- Referral relationships with financial institutions
- Area manufacturers, college students
- Workshops
- Union Hall(s)
- Facebook, Twitter
- Testimonials
- Radio PSA's



## Identifying/Screening Prospects

- Starting Right – monthly seminar
- Confidential counseling
- Business plan, cash flow analysis
- Market research
- Loan preparation
- Resources for business growth

## Evaluate

- **How is program doing?**
  - Are loans being made regularly (every year)
  - Is committee staying engaged, informed?
  - Is education a prominent piece of the program?
  - Is the community aware of the program?
- **What kind of impact is it having?**
  - Number of businesses started
  - Number of direct and indirect jobs
  - Number of entrepreneurs assisted
  - Number of entrepreneurial educational programs

## Entrepreneurship Outcomes

- Culture nurtures start up ideas
- 140 participants in 24 months
- Microenterprise financing program
- Monthly “Starting Right” class
- Annual Entrepreneurship Fair , business plan challenge
- Train, train, train as business needs change

## University Engagement Outcomes

- Access to post-secondary and/or higher education, research
- Acting like entrepreneurs
- Commercialization
- Community takes ownership for success

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## Long Term Program Outcomes

- Growth of RLF portfolio
- Funding to assist Main Street/CD programs
- New grants leveraged
- Increased inquiries every year
- Staff person(s) dedicated to running program
- Program replicated in other places

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## Collaborative Model

- Entrepreneurship as a regional strategy
- Connect and align (ED/education/private sector)
- Build support system
- Value added, i.e. Entrepreneurship Fair
- Promote/demonstrate impact
- Win/win – everyone has a role in impact

## Regional Growth & Outreach

- Offer **Entrepreneurship** curriculum through high schools, One Stops and Career Centers
- Match Entrepreneurs with successful mentors
- Expand microenterprise financing tools
- Expand **Starting Right** and **Business Management** training
- Expand regionally to increase new job creation and capital investment

## Questions?

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## Thank You!

Next month – Nov 8, 2012

### **How Social Networking can Promote Local Economies**

**Casey Hoy, Professor and Kellogg Endowed Chair in Agricultural  
Ecosystems Management at The Ohio State University**

