Entrepreneurs & Their Communities
Monthly Webinar Series

Establishing a Collaborative
Microenterprise Lending Program
The Nuts and Bolts
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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
  o Mission Statement
  o Location
  o Organizational structure

• Existing entity needs
  o Past experience
  o Full time staff

Staff

• Staff support
  o Full time Coordinator
  o Chamber
  o Auditor
  o RPC

• Inventory volunteers “staff”
  o University partners (counseling)
  o Bankers/financial institutions
  o 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
  o unable to secure a bank loan
• May have:
  o Less than 650 credit score
  o bankruptcy
  o 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?**
  o Are loans being made regularly (every year)
  o Is committee staying engaged, informed?
  o Is education a prominent piece of the program?
  o Is the community aware of the program?

• **What kind of impact is it having?**
  o Number of businesses started
  o Number of direct and indirect jobs
  o Number of entrepreneurs assisted
  o 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

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
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