



WASHTENAW COUNTY

MICRO LOAN FUND

For Start-up and Existing Companies

Objective

The objective of this fund is to assist existing and start up small businesses who cannot obtain conventional financing. Microloans range from \$ 500 - \$ 50,000. Key indicators for success will be job creation and retention, business continuation and loan repayment.

CEED

Center for Empowerment & Economic Development (CEED), located in Washtenaw County, has been a microloan program for the past 29 years. We have made over \$ 5 million in microloans in southeastern Michigan creating 1,700 jobs and retaining many more. CEED also has several programs that provide training, counseling and market opportunities for women, minority and other small business owners.

Funding Request

CEED requests \$ 45,000 from Washtenaw County. Funding will be used to seed the loan loss reserve fund and for initial operating costs. Thirty-five thousand will be used for loan loss reserve and \$ 10,000 will be used for operations to cover loan origination and technical assistance costs.

Other Capitalization and Partners

Center for Empowerment & Economic Development would administer and capitalize the loan program through funds borrowed from the U.S. Small Business Administration. CEED has a \$ 5 million borrowing capacity from the U.S. Small Business Administration. CEED anticipates making \$ 300,000 in microloans in the next two years in Washtenaw County.

Oversight

The CEED Executive Committee and Board of Directors provide oversight of all CEED activity. A loan review committee comprised of 3 business community representatives and 3 local bankers will review all completed loan applications. More than one loan committee will be established and volunteers for the loan committee will be recruited from eastern Washtenaw County.

The committee meets virtually. Applicants may apply any time. The process for review, decision making, administering the loan and monitoring success is:

1. Application includes business plan, bios, financial statements, tax returns, legal structure documents, credit release and use of funds.
2. CEED loan staff review the application for completeness and prepare analysis for the loan committee.
3. The loan review committee makes a loan recommendation to the CEED Board Loan Oversight Committee.
4. If decision is to provide the loan, CEED Loan Services Representative prepares all loan closing documents.
5. CEED provides monthly statements to clients and maintains a loan software program which produces loan portfolio, transaction and audit confirmation reports.
6. Monthly contact is made with all loan clients. Ongoing counseling and other assistance is provided to loan clients to ensure their success.
7. Quarterly reports will be prepared for Washtenaw County on loans given, cumulative loan amounts, jobs created and retained.

Eligibility Requirements

The fund will help a range of clients. It expects to focus its resources and attention on existing businesses that cannot obtain financing.

- Business must be located in Washtenaw County
- Applicant must be turned down by two financing institutions for loans over \$ 20,000

Application Requirements

- A business plan is required for businesses that are less than 3 years old
- A marketing plan is required for businesses that are 3 years or older
- Two years of financial statements and tax returns are required
- Personal Financial Statement
- Legal structure documents
- Resumes or biographies
- Credit Release Form
- Other relevant materials

Terms and Conditions

The loan will be a standard loan with the following terms.

- A. Repayment on a monthly basis with terms up to 5 years
- B. Fixed interest rate of prime+ 4% (not below 8%)
- C. Personal guarantee required and any available collateral required
- D. Payments made directly to vendors

Application Process

- 1) Source
 - i) Referral – banks, business owners, community college, website
 - ii) Networking and training events
- 2) Loan application submitted
- 3) CEED staff prepare application for loan review committee
 - i) Review for completeness
 - ii) Meet with applicant – perform site visit
 - iii) Prepare loan analysis to be submitted with application to loan committee
- 4) Loan Review Committee makes loan decision
 - i) Loan Review Committee reviews application prior to committee meeting
 - ii) Loan Review Committee recommends approval or denial of loan, appropriate loan size, and repayment terms
 - iii) Recommendations for technical assistance are also sent forward to CEED
 - iv) If majority indicate approval, loan closing documents are drafted by CEED Loan Services Representative and a loan closing is held.

Post Closing

CEED loan staff prepares a Technical Assistance Assessment along with the borrower. A plan of action for counseling and referrals is created. An annual review of the assessment and plan of action is made.

Timeline

The micro loan fund has begun accepting applications. Request, when complete, will be forwarded to the loan review committee in about a week. Loan review committees are scheduled as soon as applications are complete and ready. Total time for decision is usually less than 45 days.

Metrics

Average loan size \$25,000

Number of companies 12

Total created/retained jobs 50

Achievements at the end of the 2 year term of loans for total portfolio

- Jobs created/retained over life of loan 75
- 5 loan clients able to obtain conventional financing

Other

CEED has 29-years of experience in providing business assistance to small business owners, focusing on women and minorities. CEED provides certification for women-owned businesses, operates an online women's business community at miwomen.com, and has a history of assisting microloan clients to obtain significant growth.

Budget

| 2 Year | Washtenaw Co. | SBA grant | SBA loan |
|-------------------|----------------------|------------------|-------------------|
| Loan Capital | | | \$ 300,000 |
| Loan Loss Reserve | \$ 35,000 | | |
| Operations/Admin. | \$ 10,000 | \$ 25,000 | |
| Total | \$ 45,000 | \$ 25,000 | \$ 300,000 |



Eastern Washtenaw County Micro-Loan Activity

July 1, 2009 – April 30, 2013

| | |
|-----------------------------|-----------|
| Total applications received | 35 |
| Applications approved | 14 |
| Applications denied | 18 |
| Applications withdrawn | 2 |
| Loan Total | \$270,000 |
| Jobs Created | 219 |
| Jobs Retained | 184 |
| Start-ups | 1 |
| Existing Businesses | 13 |