**WorkforceGPS**

**Transcript of Webinar**

**Introduction to the OEO Microloan Program**

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JOHN HUNTER: Hey. Thank you so much, Laura, and good afternoon, everyone, and thank you so much for joining us for today's webinar on the Small Business Administration's business association's microloan program. Again, my name is John Hunter and I work for the Employment and Training Administration and Re-entry Employment Opportunities or REO team.

I will serve as today's moderator for the webinar. Participants are welcome to ask questions after the webinar. We'll get to as many questions as possible over the next 90 minutes. Now, it's my pleasure to introduce today's presenter, Mr. Chris Webb, deputy chief of the SBA's micro enterprise development division. Chris?

CHRIS WEBB: Thank you very much, John, and thank you, everybody for your time today. And I'm really excited to talk about our micro lending program and how it relates to the reentry population. And we'll be talking about our other products that we have available here in the Office of Economic Opportunity here at the SBA.

Today, we're going to take a look at not only our programs here, but just a brief overview of what our office does and how it works with our non-profit lenders, the program changes, as I mentioned, that allow reentry population to take advantage of our microlending products, even while they're on probation or parole. And get you the resources and contacts you need to get this synergy going in regards to taking your education programs and combining it with our micro lending and capital to lead to entrepreneurial success.

So real quick, the Office of Economic and Opportunity primarily is dealing with CDFIs and other community development companies to promote economic growth on a smaller loan scale and incorporate education. The two together has led to the success of our programs. Specifically today, I'll be talking about the microloan program, such as the direct loans from our non-profit lenders up to $50,000.

And they get technical assistance grants as well to also help with education throughout the loan process and loan servicing while their entrepreneurial venture is growing and thriving. And they also do what we call pre-technical assistance in educating people getting them ready for the loan as well. So again, a synergy with you and your organizations seems to go together really well.

Another aspect of our program is our intermediary lending pilot program, which was an experimental program, which we are closing down in lieu of our community advantage program. It's a loan guarantee program and very similar to traditional lending you might see with your local banks, but it only goes up to $250,000. It's done only through, again, our non-profit lenders. And it also can incorporate the technical assistance aspect.

So if you think of it like a ladder, our microloan program is the first step and we would gradually get you into our community advantage program. Like I mentioned before, our microloan program, though, is the only program that allows somebody on probation or parole to get a loan. If they're no longer on probation or parole, the next step could be available to them is the community advantage loan, which are loans, like I said, that go up to $250,000.

And lastly, the next thing we do in our office is the prime grant program. And this program may be of interest to all of you next year, which is grants up to $250,000 for technical assistance for entrepreneurial development and education. So it's not necessarily geared just for reentry population, but for entrepreneurial development across the board for underserved markets specifically; research and development as well.

So back in the day something like we're doing today on the webinar, a lot of our participants forge the area to do online entrepreneurial education. So that program has been around for a while and has been a very successful grant that we've overseen.

But the microloan program itself was created to assist women, low income, and minorities, and veteran entrepreneurs in obtaining small amount of capital and business training in order to be that day one entrepreneurial venture. Again, all of our microloans are done through non-profit organizations, but our microloans themselves need to be for-profit business.

One exception would be a non-profit childcare business, but everything else is for for-profit lending and done through our non-profit community lenders. So keep that in mind and know that we will be developing the program year after year in not only its education content, but its lending capability as well.

So our entire goal for Office of Economic Opportunities to increase lending to underserved markets like I mentioned before. So it's not only for micro lending, but for the CA program and our grant program. So as you could see here, we also are targeting low to moderate income, the empowerment zones, enterprise communities, HUB zones, and promise zones, and start-up businesses. Very often, many banks don't want to fund a very small start-up business. Again, we gear towards veterans, minority-owned, and the entry population as of last summer 2015. Specifically in regards that I've mentioned many times already, re-entry, population that are on probation and parole.

So let's talk a little bit how the microloan program works so you kind of know the relationship that we're trying to create here. Obviously, the Small Business Administration has a pool of money and we have those non-profit lenders. We call them intermediary lenders. And these intermediary lenders work with micro businesses or day one borrowers. So we give, let's say, an intermediary a pool of money, $1 million in this example, and they divide that up and they make loans to micro businesses, some as small as $500, but the maximum is $50,000.

So they lend to the business and the business uses that money to start their entrepreneurial venture. And they can sue that for a variety of reasons. And they get up and started and then they pay back the intermediary lender, the non-profit lender, just like they would a bank but the loan terms tend to be much more agreeable for a start-up and low collateral borrowing situation.

The intermediary collects the payments and in turn pays back the SBA. And depending upon the success of their loan portfolio, you can receive a grant or the intermediary lender themselves can receive a technical assistance grant that goes to them and they in turn are able to supplement their programs in educating entrepreneurs during – well, before, during, and after their loan to help them grow, expand, or even start their businesses. So it's a continual cycle of capital and education working together to create economic opportunity, business, and growth throughout the life cycle of the business.

So again, just to drill down a little bit here on how the micro program works, we give the microlenders an allotment of money. It could be up to 200 – $2 million, $500,000, but they can never have more than $5 million outstanding debt to the Small Business Administration. But they take that pool of money and they lend it out over 10 years because that's the note term. So they can keep lending this money out in small chunks; like I said, up to $50,000.

And the loan terms they lend it out can vary, but can never be greater than six years. The repayment is based upon the five year T-bill. So the repayment from the intermediary to us and it actually averages 2 percent less than the five year treasury rate. So the advantage of that is that they have a very, very slow – low payment and it's done over 10 years. So they can actually, what we like to refer to as loan cycle or return lending capital.

The collateral for the microlender or the intermediary to us is merely bank accounts and the microloans themselves. So they have an operating fund, which we call a microloan revolving fund and then they have their loan loss reserve fund. They have to do a matching contribution. So for every dollar we give them, they have to give us 15 percent. So if we gave them a $1 million loan, they need to put $150,000 in a loan loss reserve as collateral in order to start making microloans within the community. And we also have the microloan notes themselves as collateral.

And then in turn, they go out to the public and make their loans as well as educate the public in a variety of ways, whether it's pre-education, such as helping somebody with a business plan so that they can get the loan itself. They even talk about the importance of credit. Again, most of you are in the business of educating people in how business works, how to get ready for a loan. But again, working hand in hand with an intermediary who has access to the capital is key because everybody, as you're going to see, will lend their monies in a slightly different way.

So the intermediary themselves, again, can do a maximum loan amount of $50,000, but the max loan amount or term that they can give is six years or 72 months. So remember, they're getting the money from the SBA for 10 years, but the max microloan term that they can offer is six years. Some do as little as one year, depending upon the loan size.

We control the ceiling or how high they can go on the interest rate itself and they can use the loan proceeds to make that business loan for just about anything but the purchase of real estate. So for supplies, furniture, fixtures, material, equipment, working capital, they can even use it to refinance business debt. We know that some people have a wonderful opportunity to start a business. They need to move fast and they might use, say, a credit card. And of course, that credit card could have a really high interest rate and really affect the cash flow of the business.

Well, the microlender can step in and refinance that business debt only into a more manageable loan with their microloan and allow the business to have a successful cash flow.

And as I mentioned before, the reason why we want to get your synergy together is because we don't control the underwriting decisions; the intermediary does. We have certain guidelines that we have to present and that the intermediary has to follow. But the overall underwriting decisions and how they like to see their business plan, how they want to review capital, how they want to review collateral is really down to the lender themselves.

So this is why it's going to be so very important when we get to showing the contact resources that you start that synergy amongst yourselves so you can address that knowledge and so that your borrower doesn't get frustrated having to work from left to right and then turn around and have to work right to left to get that loan. Everybody's working in the same direction towards the same goal.

And again, the intermediary themselves have their own loan policies and procedures on how they're going to disperse funds. You know, some people do it as a one-time loan disbursement; some people do it in draws. It depends upon their education program and how closely they want to emulate the commercial lending market and the individual business plan. So once again, that synergy is essential day one for you to work with the microlender since you're going to be doing a portion of the education. They'll be doing a portion of education and providing the access to capital.

So again, depending upon the success of the loan portfolio by the lending intermediary, the non-profit lender, they get a technical assistance grant. Well, most of you here already know what we mean by technical assistance, or TA. In this particular case, it's education. It's education that starts before the microloan is every made.

So people can actually understand what it means to be in debt and how to manage debt and the importance of credit. It's education that goes beyond the life of the loan in the sense that they will be taught how to do 941 contributions, how to make those tax payments for their employees, how to handle health care, even how to handle social media which is constantly changing to make them a better, more competitive business.

And again, depending upon what education services and how you work, you'll be able to create that synergy with the microlender possibly to fill in any gaps that they don't have because we know that businesses have to adapt change just like we all do and the education has to adapt to the current environment.

Just this summer, we had a success story in which one of our intermediaries took advantage of Pokémon, which was a game that everybody I guess is still playing on their cell phone, but they had figured out and had read a study where these animals, these mystical, magical electronic creatures were appearing.

And this particular intermediary specialized in food trucks and a lot of food trucks sell some special yummies and desserts, etc., and they were able to bring in their clients and say, hey, look, these magical creatures appear near historic sites. So you may want to take your food truck that – an ice cream truck, say, and be near there because there's going to be a lot of families and kids looking for these Pokémon critters.

And sure enough, some of the studies had showed that their income had jumped up quite considerably. One case, it wasn't a microloan, but a business that sold frozen yogurt chain got in contact with the Pokémon people and got these Pokémon towers that allowed these kids to meet and I guess have their Poke critters battle each other, talk to each other.

And that made the yogurt place kind of a hang-out. Kind of like an old Happy Days. I'm dating myself there. If any of you remember what Happy Days is, you'll know what I mean. Everybody hung out. For those of you who don't know what Happy Days was, you're just going to have to YouTube it and take a look at it or put a question down there in the main chat area and somebody will probably brief you.

But nonetheless, it was a great opportunity to hang out. Well, now they're doing it electronically and there they were at the yogurt shop, buying yogurt – frozen yogurt and playing Pokémon. And the numbers were quite staggering of the success. So adapting to business, social media is a constant changing environment and it's kind of the secret sauce to this type of loan that education goes hand in hand with capital and has been very successful for our program in micro lending as a whole.

As many of you already know, the technical assistance our micro intermediaries specialize more on is business plan preparation, market research, the accounting, web service, social design that I talked to. Some of them have specialties, depending upon, like I mentioned, food trucks. Some people actually work in the immigration population.

So they might be even teaching fundamental English and business English to help them be successful with their business and interaction with the public. So there's – I just really can't believe that there's a such thing as too much education and opportunity for this type of lending and community.

Now, again, like I mentioned, each intermediary is different how they lend out that capital. The big thing to understand is they're not credit score driven. This isn't like going to your local community bank. In a lot of cases, they're going to look at alternative credit. They're really making more of a character loan than they are a credit-based loan. Again, as I mentioned, the re-entry population business owners are eligible if they're on parole or probation.

And so a lot of times microlenders can work with the parole officer and help with that character determination and look at the education that was done while they were incarcerated, while they were possibly in a halfway home, and what they're doing right now to help determine, for the lack of a better word, the character score instead of a credit score. It's very subjective and that's why we allow the lenders to make that decision.

And the same thing holds true for the collateral. In a more traditional banking loan, most of you know that they would say, well, we want you to put 20, 30 percent down payment. So if you needed $10,000, they want $2,000 or $3,000. Well, that might be the barrier that allows you to start that business. Or they'll say, well, we want you to own a home or you need a vehicle that's free and clear.

Our microlenders don't have any of those requirements and in some cases, don't take any collateral. They base it upon, again, character and the amount of work they put in working with the people to develop their business plan of success.

I mentioned before that microloans can refinance existing business debt. This has really helped people get away from what most of you have heard as payday lending. So this is a great avenue to let people know to get out from underneath the yoke of, in some cases, triple digit interest rates. And the micro lending loan has a lot of dimension.

It can piggyback or work in conjunction with other lending programs, such as if you wanted to take $50,000 microloan and in a particular case where somebody is not on probation or parole, it could work in conjunction with our CA program, our community advantage program and give somebody access to $300,000 worth of money for their business. In some cases, many states and counties have microloan programs. And again, our program will work in conjunction with them to make this project workable.

So we talked about the business model of micro lending and what the SBA does. And we talked about some of the components and we drilled down on some of the particulars of the loan. Not too much so we don't want you to fall asleep, but we got to make it real. So I want to talk to you about Ricky in Atlanta.

Ricky served 13 years for a non-violent offense. And he was a hard working person. He did his homework while he was incarcerated and he got out and he started a business and he was doing very, very well. He was doing the janitorial services and he was doing well as a single operator.

And as many of you have worked with people, you know a single operator is working the long hours; the 10, the 12 hour days and then coming home and doing all their business administration work. But he was doing a great job and people respected his work and he was growing and getting lots of contracts and doing quality work and was a respected entrepreneur.

But he needed a capital loan to expand. He had an opportunity to take advantage of getting very large commercial contracts and a local bank said, you know what, Ricky? We want to help you out. We're really impressed in what you do, but it seems like you have a habit of only wanting to hired re-entry population employees and we're not a player on that. So we want you to stop that practice and we'll give you the loan. Well, you know what? Ricky said, no, I'm not doing it. Ricky believed that he kind of felt like he was obligated to help out people that were coming back into the population because he knew how hard it was.

Well, luckily, the SBA was there. He found out about us; he came to us; we gave him the capital and now he has over 400 employees. And I think the big thing to understand there, that's 400 re-entry population employees. So that was a great – one of our great success stories that our administrator loves to talk about and we're proud to say we're part of that.

But we don't have just one story. We have Katherine in Detroit. She served 10 years for transporting drugs, unfortunately for the wrong person. And she paid her time. And while in prison, she realized she needed a trade and an education. She finished her high school education. She got a construction trade job. But when she got out, she ran into what we've all seen as a barrier. Well, you're a re-entry population person. We're not interested in hiring you. Sorry.

So her only avenue was to get a little bit of business training and start her own home improvement company. And she put all of her education to work and the next thing you know, she started getting business as an entrepreneur. She couldn't get a job, but now as a reputable business building a reputation of quality, honesty, and success, she was doing great. And today, she holds over $10 million in maintenance contracts in and around the Detroit area. So it just shows that the program works.

There have been many studies, which I'm sure John and other department – governmental departments have talked about the success of entrepreneurism in and around the United States. How recidivism is reduced by double digits, large double digits in some cases, through entrepreneurial empowerment because now they have an ability to provide and they have a sense of self worth and they basically have a way to get back into society and give back on multiple levels.

So we've talked about all these things in success. Let's talk about getting started. I see some of you have asked some really great questions. So let's drill down how we can make some of this happen.

Number one, does your client have a business plan? If they don't, this is a great opportunity for you to start with them and to start working with a microlender to write that business plan the way they want to see it since they have the capital. And for a free resource tool, you can go to sba.gov, hit this hyperlink down below even when you receive the PowerPoint. I don't know if John mentioned, but everybody logged in today, you're going to be able to download this PowerPoint. So it's going to be a great reference tool for you to start to work with.

You hit this hyperlink and boom, you can use our basic business plan writer right online to create and educate your borrower, potential borrower, or client into how to write a business plan. And some cases, it might not work. It might not work in the sense that by the time you've come down and do this business plan, the numbers don't add up. It's better to find out now than to have all that debt and not have it work. That's the magic of micro lending is get the education while you're trying to figure this out. You might need to adjust your plan.

The other thing is some of you say, well, how can I find a microlender in my area? This is incredible. I want to take advantage of their free education. I want to take advantage of their knowledge. So again, here is a hyperlink to an old school, again, dating ourselves here, to a PDF and it's a list of all the SBA microlenders in your state and, or area. So feel free to hit that link.

Or again, you can go to sba.gov, type in microlenders, and it's at the bottom of the page. And you download the PDF and you look up and start talking to those microlenders to create that synergy relationship to work with and transfer your client into a capital access ability to get capital along with education to start that business so that you can, again, get them going in start earning income.

Now, again, we're going to move forward and some people are a little bit more advanced and they like to take advantage of the computer. We have a tool called LINC, L-I-N-C. It's also available on the SBA webpage. And it's kind of like the – well, what is it? Match.com where you're going to go in, you're going to hit that hyperlink. You're going to answer about 18 to 20 questions and then that's going to go out to our SBA partners.

Some are normal banks; some are for-profit because you might have a more advanced client that is not on probation and parole and might be commercially viable. You might not know or they might just miss the commercial viable and want to work with one of our commercial SBA partners as well as one of our non-profit lenders. And it'll go through and say yes, we have these umpteen people that would be interested in talking to you. And because you put your contact information in here, they're going to reach out to you.

There might be an off-chance where you'll get not hits; nobody will come back. That is definitely where you want to go back to the previous slide and start talking to a microlender because one of your questions may not be fully flushed out and be viable enough for a loan yet. But this is a great, quick reference tool to gauge where you are in the process and to help you out because, again, it's free education. Going through and answering those questions, if you go through there and realize you don't have all the answers to those questions, then you know what work you need to be doing.

So we've got some excited people out there. So how long does it take? Well, I can tell you the more prep you do, the quicker it'll happen. But I've said it many times earlier, the first rule of business, time is money and each microlender has its own underwriting rules. And so basically they got the gold; they're making the rules. I cannot encourage you enough to facilitate a relationship with a local microlender or two or three in your area, realizing that like doctors, a lot of microlenders have specialties.

Some do food trucks; some are in the construction trade; some deal with immigration population. And some, yes, we do have people that specialize in re-entry population now and have been doing so even before we got into the game. I'm the first one to say SBA, sadly, got into addressing this very much underserved market. We were late the game, but we're making up for lost time now and we know we're going to have your help to make that happen.

Again, more resource links, how to look at our specific microloan program. I saw a few of you wanting to know how to become an intermediary. That'll be a great way for you to reach out and find out about becoming a non-profit lender. Or if you, again, want to make contact with our non-profit lending or just want to get the more detailed information about the whole concept of microlending.

Again, the thing to figure out here is the Small Business Administration gives some basic guidelines to all of our lenders, but they are the ones that'll make all the final determinations. One of the things about re-entry population is not everybody that comes out of incarceration is going to be eligible. I mentioned in both of our cases non-violent offenders. That is definitely going to be a hurdle that's going to separate who can be a participant and who can't.

The other one is going to be if you committed fraud that resulted in a monetary loss. Each microlender has been trained on what they can and can't do, but ultimately they're going to have the judgment call. So please, please, please – although I have all of our SBA links and sites up here, they are leading to the microlender. So please reach out to them.

So we're going to open this up to questions. Very often, I think we get more from asking the questions than from me just excitedly drawn on about what we do here at the SBA and how our microlenders work with the public. So I see question number – we have a question here that says – I made the mistake of using governmental acronyms. I have no idea how many I actually used. So if you re-ask your question on a specific acronym I used, I'm very sorry. I came from industry and I try to avoid doing that, but I can tell you after seven years, they've indoctrinated me and I'm starting to use too many initials.

I know that I used CA, which is our community advantage program. SBA is Small Business Administration. So an acronym is a shortcut. It's where we use initials instead of the full words because we're lazy. And I apologize. So if you have a particular one – I see somebody asked what's a CDFI. It's a community development financial institution. You know, that's a great question. Let's – it's an institution that's run by treasury.

And what's important about it, everybody thinks you can only go to a bank for money. But they have these organizations out here, instead of – banks, this is no shock to any of you, they lend to make a profit. But community development lenders lend at a non-profit. They're there to do the smaller loans and do the hand holding. And they're just as viable as a bank and they're there to help not the great big guys, but the actual day one everybody out there loan that doesn't have access to $1 million trade line. So definitely take a look at that. And Google's your friend on a lot of this as well.

Let's see. I've got another one here that says does the SBA have a list of intermediaries that we can reach out to? Yes. I showed you that link. You go down there. I'm an old school guy. I'm dating myself. You can tell by John's picture, who has a much nicer picture than me, he is hip and modern. So he might want to use the LINC program, the L-I-N-C program, but you can get a PDF and it's going to give you all the states in which we have active SBA microlenders.

You click on that. Read down there. I'm telling you to call them all. I know that some of the states are really big, like California, you might be in northern California and you have a southern California zip code there. Take the time to call them anyway because you never know where your borrower will be opening their doors.

Let's see. "Can you give me an example name of an intermediary?" Absolutely. In the Midwest, we could talk about Justine Peterson; un New York, maybe Axion; in California, Community Development Company; Texas, Lift Fund; Wisconsin, Women Business Center. There's literally over 150 of them. So feel free to take a look at that list and see if there's somebody in your area that can help you out. Now, although I've only talked about SBA microlenders, there are microlenders out there that don't necessarily deal with us, but – or are in the process of getting approved with us. So keep that in mind.

Google, again, might be your best friend. You might type in microlending Oregon and there'll be a whole list that will supplement the list that we have for the state of Oregon.

Let's see. If you don't meet one intermediary lender's requirement, you can go to another to be approved. Absolutely. Excellent question. I'm hoping to make it really clear. Again, how one person does business, it might not work, it might not connect. They might specialize in, like I said, food trucks and you're trying to do construction lending and they just don't seem to get it. And you know somebody else down the street actually is in the restaurant trade. The restaurant trade is a little bit closer to food trucks than construction. So you'll definitely probably have a better chance of getting a work out deal over that way.

I mean, we're not guaranteed that everybody's going to get a loan, but we are going to guarantee that everybody's going to get the opportunity to learn. And anything you learn, even under the worst case scenario, you become a better employee because if you start looking at your job the way an entrepreneur or a business owner looks at it, you automatically, I think, open a whole new world to management.

So nothing is lost by coming in and getting education. And worst case scenario, you're going to end up starting a business. I say that because I did for 25 years and it is the greatest blessing and the greatest frustration, but ultimately it was a wonderful reward. But I think anybody that owns a business would all say the same.

Let's see. Lenders sets interest rates. So if you have two lenders in the area, you need to get the best offer. You know, why not? Most of them utilize the ceiling interest rate that the SBA puts out, but a lot of them will negotiate down depending upon the strength of your borrower. If you do have a rare moment where you might have some really good collateral, they'll take that into consideration. It's merely the ceiling. So absolutely.

One of the things you always want to teach your borrowers the art is negotiation because our ultimately goal here at the SBA is not to have a client for life, but to have a client that can transition into mainstream lending, mainstream business. So they need to know mainstream education. They need to know the art of negotiation. So you definitely want to teach them that. And I know our microlenders do as well.

"What are intermediary lending institutions or banks?" They are lending institutions, for the lack of a better term. They are non-profit lender. Is there a list of intermediaries in the area that we have access to? I gave you that answer, but I'm going to say it again. You got to SBA.gov, you type in microlending, and down at the bottom of the page there's a hyperlink to a PDF of all the microlenders in your area. Or again, you can take advantage of our LINC program, type in and answer 18 to 20 or so questions and a list will pop up. I really recommend the PDF because you guys are looking to facilitate a business relationship.

"What are the requirements to become an intermediary lender?" Well, first one is you need to be a non-profit. You also need to have the history of making microloans and providing technical assistance. Just about everybody here is providing technical assistance. So congratulations. Check that one off the box. But the other one is you need to have done some fundraising, gotten some access to capital, and done some actual microlending with your community.

Once you've done that, again, on our website, there's probably about 18 other little things you need to do to become a microlender. But we do want to see you, number one, to have a couple of years experience in microlending and you need to establish a pretty healthy net worth yourself. Now, we don't require that to be a microborrower, person that's getting money from a microlender, but our microlenders themselves need to have a pretty strong balance sheet since we could, at any time, almost give you $5 million.

Let's see. Another question. "If clients are no longer on probation or parole, might they still be eligible for a microloan?" Absolutely. They're eligible for a microloan. They can be eligible for a community advantage loan. They could be eligible for other SBA products, such as a product we talk about – and here comes an acronym. We call it the 504 program. But it's a loan that is specifically designed to buy a building and only a building that is a commercial building.

Say you're going to make pupusas and you need a building because you can't do them in your home anymore and a pupusa stand isn't getting it done. You're going to do a lot of them. You need to buy a building. And the 504 program is a neat trick because it actually tells you what it's all about in the name. A bank would do a 50 percent first mortgage. The SBA does a 40 percent second mortgage. And the borrower would have to come with a 10 percent down payment. So it's kind of 504. It's a tricky banking memory game there.

But anybody that's not on parole or probation is absolutely eligible to come on in to a microloan program. Just about anybody can come in for a microloan program. I mentioned a few exceptions, but – and even though our target is the underserved market, anybody can come in for a microloan. You know, I would say the only other requirement is they've got to be able to enter into a legal contract. They have to be over 18. Otherwise, come on in. You're – everybody's welcome at a microlender to start a business.

"What if you aren't on parole or probation, they've completed their re-entry requirements, and might even be working, would they be eligible for a microloan program?" Well, again, you don't have to be on probation. And if you've done all your re-entry requirements and everything's good – because we know there's a lot of barriers coming back in. I know and have talked with people in the state of Virginia, for example, that they have to pay their court costs before they can get a driver's license.

So sometimes they need to get some things done before they can open up that business. Again, you do not have to be on probation. You do not have to be on parole. You cannot be currently – you can't be currently incarcerated. So if you're currently in jail, you can't get a microloan then. But if you're out and you've been out for three, four years, absolutely. If you've never been to jail, you can get a microloan. Not a problem. It's wide open.

Let's see. Next question. "Are persons working with state vocational rehabilitation programs contracting with local SBA and SBDCs, small business development systems, OK, able to acquire a microloan?" Yes. Yes. Again, all persons that you work with at state program, very often they lead people right over to one of our microlenders or to our SBA office who in turn get you to a microlender. So go ahead and save yourself a step, although our local SBA offices in the state would love to talk to you and help you and support you, but you can go right to a microlender. They are there for you for day one capital to get that business started.

Again, the loan can't be more than $50,000, but some of these lenders will do a loan as small as $500. And we see it time and time again. They'll do it incrementally so that people learn number one, how to pay back a debt and understand debt and build their business step by step by step and do it in an affordable manner. Instead of just giving them one giant large loan to pay back, they do it in baby steps and work with them and hand hold them all the way to success.

Is it viable for a workforce development entity to become a intermediary lender? Or does it have to be bank like lending institution? What are the requirements in order to become a lender? Well, again, as I mentioned earlier, great question. The big thing is you need to have your own pot of money because, remember, if I'm going to give you $1 million to put out on the street, you need to have a match of $150,000.

So a lot of our microlenders have other community development programs that they do that earn income. I mentioned earlier the 504 program. It's a pretty good money maker for a lot of our non-profit lenders. And the community advantage. And they take that profit to help shore up and create their microlending program.

Very few people – and this will take a little bit of research on your part and you might want to talk. And again, I know that our microlenders are more than happy to have a mentoring relationship with you. Again, they're a non-profit. It's not like banks are competing here. Everybody wants to develop their community, especially their underserved market.

And if they can do it with help, if they can do it with a partnership, they know that they are right there because they know – what they say? Many hands make a light load. So they'll work with you. So go ahead and research that. Again, look at SBA.gov, type in microlending and we have information there that – the hurdles you'll need to do to become a microlender. They're not that hard, but they are very exacting.

What is considered a violent crime and who decides? Well, again, I mentioned that earlier. The intermediary themselves are going to take a look, but a violent crime is – the first one that we use as an example is crime against children and then again the intermediary themselves are going to have to get into the details of that. And somebody mentioned well, what if it's decades ago? Again, that's going to be the judgment call of the intermediary.

Again, we can create a lot of different scenarios and extreme issues and not extreme issues and there'll be some yeses and some noes. It all goes together. And again, like I said, they do character lending. This isn't assembly line lending. You're not going to go online putting your FICO score and get – and lose your last name and become an ID number. You are going to be an individual from day one to day two to day 10,000 when you work with that intermediary. You're always going to be known as a name and as a person and you'll be judged or analyzed on your character.

Let's see. "Is there a list of re-entry organizations that we can make contact with in our particular area?" Well, I specialize in microlending. So that is going to be my list, but I happen to know that John – John, did I put you to sleep?

MR. HUNTER: No. Chris, I'm right here.

MR. WEBB: Excellent.

MR. HUNTER: Thank you for the question. Folks who are interested in the re-entry program can go to DOL.gov and look under re-entry employment opportunities under the Employment and Training Administration and you'll find information about our REO, or re-entry opportunities, grants.

MR. WEBB: All right. Fantastic. Thanks, John.

MR. HUNTER: You're welcome, Chris.

MR. WEBB: We have another question here. Can you see what businesses in our area have already created with the assistance of microloan? Yeah. I have data on that. A lot of it is right to privacy. If you're working with somebody, they should tell you whether or not they have a microloan and what microlender there is. And here's the thing. Microlenders do report to the credit bureaus. They do that to help you establish credit. They want you to establish credit because, again, our ultimate goal is to make you a mainstream borrower. And mainstream borrowers have credit scores and credit history.

So if you think your potential client has a microloan, the odds are it's been reported on their credit report. So that's where it'll be.

Let's see. Another question. Again, is this loan only for non-profit businesses or any business – OK. I know. I hate that part of my slide and I'm going to have to work that out. The people who lend SBA money – we give a bucket of money to an intermediary or lender. Those guys have to be non-profit lenders.

But they, in turn, take our bucket of money, those non-profit lenders, and they're going to give loans to microborrowers. The microborrowers must be doing a business that is for-profit. They got to be in it to win it. So they want to make money. There's only one exception to that, is the non-profit child center because there are some tax advantages, etc., and credits that facilitate that one exception. And I'm not going to drill down on that.

OK. Let's see. Next question. Do you have any outline for moral credit that you ask probation? Not sure I get the question. But if you're asking what is the outline for character underwriting, the intermediary is your point of contact. Oh. Hang on one second. Yes.

MR. : So fraud, dishonesty – (inaudible).

MR. WEBB: Yeah. OK. I have in the background here. The real quick no's is fraud and dishonesty that result in financial loss is an automatic no-go. OK? But everything else, talk to the intermediary, the non-profit lender that gets the SBA money.

Let's see. Next question. "Do you have information that could be distributed to our clients in our job center?" Oh. Well, you got our slides there. I'll give you my contact information at the end. You can contact me. We don't have pamphlets or anything. We try to work strictly off the internet. That whole save a tree; Paperwork Reduction Act. But our intermediaries very often might have product and information as well.

But keep in mind, the Small Business Administration itself always works generally through conduits; banks and non-profit lenders. So the only exception to that is our disaster lending division, which I hope none of you ever have to deal with. Not that they're not great and wonderful people, but obviously, as the word says, it involves a disaster.

But generally, all of the normal lending the SBA does is through banks and non-profit lenders and points of contacts can be done through our LINC program, L-I-N-C. You type in your information there and bank and non-profit lenders will be glad to reach out to you.

Let's see. Another question here. "If the client meets the microloan criteria, but they are interested in starting a partnership with somebody who doesn't have background issues, is that something that could be considered?" Absolutely. You know, every business has its own structure. It could be a sole proprietor; it could be a partnership; it could be an LLC. There's another acronym. But it could be a corporation; it could be a C corp., an S corp. You know, once you start talking about business structure, we got to use acronyms. It's just way too much fun.

But you can sit down and talk to an intermediary for what is the best business structure for you. That is a huge education moment right there for either you or the micro intermediary to sit down and talk about. Certain business structures have better tax advantages than others. Generally, most start-ups are done as a sole proprietor or maybe a partnership. Very rarely do they jump right into becoming a corporation. They sometimes evolve into that. But that'll be all part of your education and varies depending upon the type of industry and business you're setting up. Great question.

Let's see. "Can I use prime grant program funds to purchase software or hardware and market my company?" Tough question. Prime money is used primarily to deal with the technical assistance. The marketing of your company, absolutely not. It is done for capacity building strictly as it relates to technical assistance. You could possibly utilize prime funds to, say, buy a server that would be utilized by clients in your community for online education. There is a real simple example, but you can read the prime grant announcement. It'll come out in the spring. And see how that might be tailor made or made for you to apply to.

Let's see. What is the minimum hours of entrepreneurial education training recommended for potential microloan program? Well, you're talking to the right person on that one. Disregard that alarm in the back. Unfortunately, we have a door that sometimes activates and makes a loud noise. There. It's gone.

So back to your question of minimum hours of entrepreneurial education. I'm the guy that would tell you that it is a lifetime of education as long as you're in business and I would say even when you're not in business. You should learn something new every day. It makes you a better anything. It makes you a better business, for sure.

You know, like I said, even if you thought you had mastered the art of marketing your business and then somebody comes up with Pokémon, you need to learn about it because if you're selling ice cream or cupcakes, those cupcake trucks are all over the place and you know there's going to be an extra 1,000 kids and families running around playing Pokémon, you need to take a moment to learn about it.

So there's not a minimum number of hours and there's not a maximum number of hours. But if you're going to make a business pitch and a business plan to get money, it needs to be enough hours that you can get the loan. So there is no magic exact number, just like there's no way to tell you which business is going to work and which one isn't.

There's a myriad of factors that are involved in that. But the bottom line is I'll tell you that the secret sauce for microlending and entrepreneurial success is constant education throughout the entire process and even after the loan is paid off. Your business success is directly related to you keeping up with the times and constantly evolving. Otherwise, you become a dinosaur and we all know where dinosaurs are now, right? They are in our gas tank. They become fossils. All right.

So if you're on probation, you can't get a microloan. No. Absolute opposite. You're on probation or parole, you absolutely can get a microloan from an SBA microloan intermediary. Absolutely. Let's say it again. If you are on probation or on parole, you can absolutely, positively be eligible to get a microloan. So definitely educate them, get them in contact, sit down and start working with a microlender and see if you can get your business started. So probation, parole, yes for a microloan.

"Can you give the types of exceptions again?" I'm assuming exceptions to not being eligible. Again, we talked about violent crime and we talked about fraud and dishonesty that resulted in financial loss. Those are two that are right off the bat that come in there. But I would tell you again, you want to reach out to that microlender to get the final determination.

And if they are not sure, I guarantee you they're going to get us the entire context of that individual's case and send it to us so we can take a look at it. But some of them are going to be clear cut yes or noes. And again, it's also to what level the intermediary themselves are able to deal, handle with, and are comfortable with.

But again, I've told you two great stories of success. Given enough time, I would be happy to tell you plenty others.

Let's see. "If you have a business that fell down during the economic downturn, can you still get a microloan to help restart or rebuild your business?" What a great question. Yes. You are the target. You are the person because remember, microloans aren't credit score driven. You are a great candidate.

You know, the bottom line is, as you sit down, talk with our microlender, that non-profit lender who's going to give you a loan for profit and you're going to tell him what about the economy caused you to fail. They're going to want to make sure that you don't make the same mistake twice. It's not saying you're not going to make another mistake, but you could make a different mistake.

But again, that's why the education is there throughout your loan process so that you can adjust to what's going on in the economy. And these microlenders, they're smart folk. They're tapped into what's going on all around the United States as well as what's in the community. So keeping that in mind, just make contact with them.

I mean, there are going to be some exceptions there. If you're actively in the middle of a bankruptcy, Chapter 13, yeah, you're not going to get the loan right now because you're not allowed to get one until you're out of bankruptcy. But otherwise, absolutely. Please reach out to a microlender and chat them up. All right?

And let's see. So microloan program funds are more flexible regarding expenditures such as marketing, software, software computer graphics type business. Absolutely. Microloan programs love graphic businesses. And you can buy software. You can do marketing. The previous question was talking about prime grant and that's for those non-profit intermediaries.

Microloan funds, as I mentioned before, can be used for working capital, business debt refinance. It can be used to buy equipment, software, vehicles, tools, anything along those lines that are going to help you successfully start your business. To buy advertisement; however you think you can advertise within your community. That's everything that would be part of your business plan that you would be talking to the microlender.

It can be used for any purpose except for buying real estate. You can't buy land. You can't buy a house. Nothing like that.

Let's see. You guys are really doing some great questions. Keep them going. I don't want to discourage any of you. I think we're getting more out of these questions than anything I had to say. We should've started with just questions, John.

OK. So let's keep going. "If a person is limited to a single microlender in their state that is several hundred miles away, could they utilize a microlender in another state that is closer to the home?" The answer is possibly. Again, many of our microlenders have the ability to do online training. Again, they have the ability to do a variety of ways to work with their community. And sometimes their community is on the internet. Some of our lenders actually work all around the area, but they do it strictly just on the internet. Now, that's a very particular type of crowd. That tends to be, quite frankly, a younger crowd, statistically showing.

But if they're 100 miles away, that might not make sense and you're right, that's a problem. But you'll need to reach out because some microlenders might be geographically limited on the state and the state's laws.

So how long after getting out of bankruptcy would it take to qualify for a microloan? You – day one. You can be qualified. I won't say the word qualified, but eligible. While you're going through bankruptcy, if you have a business plan idea, until the courts dismiss that bankruptcy, you won't be able to get the capital, but you could start talking to the microlender beforehand to start talking about plans to reestablish your credit so that you can be ready once your bankruptcy is dismissed.

All right. Let's see what else we've got. "Are there restrictions relating to creative endeavors, such as publications and videos?" Yeah. That's a good question. Generally, there's not a restriction on videos and publications as long as they do not involve the adult industry or industries with speculation, such as, let's say, day trading or how to play blackjack or win at poker or bet on the ponies; nothing like that. But generally, if you want to do child education videos, go for it. If you want to do videos on how to change the tires on a particular car, absolutely.

Again, it's going to be part of your business plan. How will these videos be made, sold, and create an income revenue stream? Because remember, you're getting a microloan. Your customer's getting a microloan. So they got to pay it back. So if you have a creative endeavor of publications and videos on an approved subject matter – the two that I mentioned are the ones that aren't approved – then you definitely can create a revenue stream off of that and the microlender thinks that's a great business plan, go for it.

You know, again, most of the businesses are eligible. Again, except for adult entertainment and things that are of a speculative nature. Again, gambling, day trading, betting on horses. Nothing like that. But again, if you wanted to start a juggling school, there you go. Chainsaw juggling even to make it more of a challenge. And there was a market and you did market research and you showed there was a lot of people that wanted to do chainsaw juggling and a microlender wanted to back that, great.

Let's see. Are there restrictions relating to creative – oh. We've already read that one. I'm sorry. OK.

So John, I'm at the end of the questions that were sent to me. Have any been sent to you? Or do you have any? Or did I miss anybody?

MR. HUNTER: No. Chris, looks like you covered all of our questions. And if there are no more questions, maybe you can give us another third success story. But if there are no more questions, and it looks like somebody's typing now. We'll let this question be addressed and then we'll conclude.

MR. WEBB: All righty.

MR. HUNTER: OK. Looks like that is the end of our questions. So Chris, I want to say thank you for a very informative and very detailed presentation on the Small Business Administration's microloan program. We really appreciate your time and effort.

And thank you, Laura and Maher & Maher for the TA. More information on the SBA's microloan program can be found at the SBA.gov and information and replays on this webinar will be available on Workforce GPS in approximately two days.

(END)