



2010 SUMMARY REPORT AND 2011 GOALS

BACKGROUND: After 2 years of study and business plan development beginning in 2006, the Iowa Foundation for Microenterprise and Community Vitality (IFMCV dba Iowa MicroLoan) was organized March 2008. Subsequently, IFMCV received 501(c)(3) tax exempt status, was designated as a statewide SBA Microloan Intermediary, received a \$500,000 grant from the Community Foundation of Des Moines and Northwest Area Foundation, and established loan policies and procedures to provide access to microloans statewide in 2009.

Microloan eligibility requires a business to have 5 or fewer employees. IFMCV requires evidence of credit denial from a conventional loan source for Iowa MicroLoan eligibility and provides loan of \$5,000 to \$50,000 for terms up to 6 years at 9 7/8% interest APR. IFMCV may co-finance with a local lender and accept a subordinated collateral position. The Iowa Microloan Program goal is to provide a combination of capital and technical assistance during the loan period so as to graduate a more financially sound loan client back to a conventional loan source within 4-6 years.

During 2010, the Iowa General Assembly approved an Iowa Small Business (ISB) Loan Program to encourage small business investment and job creation/retention. Under the ISB Loan Program, IFMCV received a contract from the Iowa Department of Economic Development (IDED) to review, evaluate, and underwrite ISB Loan applications received after technical assistance and a screening process is conducted by Iowa Small Business Development Centers. IFMCV then provides recommendations for approval or denial and documents to IDED.

Iowa Small Business Loan eligibility requires a business to have 35 or fewer employees. The ISB Program provides loans of \$2,500 up to \$50,000 for terms up to 5 years at 3.9% interest APR for direct loans and 2% APR for projects co-financed by a 1/3 minimum from a local loan source. The ISB Loan Program also allows co-financing with a local lender and acceptance of a subordinated collateral position.

PROGRAM PERFORMANCE:

2010 Combined IFMCV Programs and IFMCV Staff Additions:

- 40 loan approvals distributed across Iowa
- 102 direct jobs created and/or retained
- 179 direct, indirect, and induced jobs created and/or retained
- \$2,489,038 new investment (direct and leveraged co-financing)

2010 Iowa MicroLoan Performance

- 15 loan approvals distributed across Iowa, none co-financed
- 26 direct jobs created and/or retained including IFMCV staff
- 46 direct, indirect and induced jobs created and/or retained
- \$320,248 new direct investment

2010 Iowa Small Business (ISB) Loan Program Performance

- 25 loan approvals distributed across Iowa, including 16 co-financed, 6 startups
- 76 direct jobs created and/or retained
- 133 direct, indirect, and induced jobs created and/or retained
- \$2,168,790 new investment (direct and leveraged co-financing)

ECONOMIC CONTEXT: The demonstrated level of jobs creation and/or retention as well as new investment may be considered somewhat remarkable in the recent economic context. The above results were achieved during a period of near "liquidity trap" conditions in which consumer and business confidence appeared to hang on successive media economic reports with potential capability of accelerating or preventing a downward spiral in the economy.

Jobs are created one business at a time. Small increases in jobs or a new business opening up can stimulate rural community confidence. Not all the jobs are created by Wall Street or large core business corporations in the economy. Microenterprise—those with 5 or fewer employees—account for 86% of Iowa companies and small business entrepreneurs often create jobs in periods when larger corporations are shedding jobs during the recession/recovery cycle.

The “2007 Credit and Housing Crises” were followed by more restrictive capital underwriting standards imposed on many local financial institutions by their examiners. As underwriting standards were tightened in 2008, more equity, less debt, and higher credit history standards were typically required of entrepreneurs wishing to access capital for business startups, expansions, and refinancing. During times of recession and recovery it may well be in the interest of taxpayers, that small business entrepreneurs have stable access to capital in contrast to more arbitrarily credit denial. Boosting business confidence and stimulating startups, expansions and refinancing in order to contribute to job creation and retention may in turn contribute to increasing employment, consumer confidence and growth in consumer demand.

ENHANCING CAPITAL, COLLABORATIONS, AND IMPACTS

During 2010, IFMCV embarked on a goal to create access to additional loan capital and technical assistance grants. As a result, IFMCV was received \$706,000 in grants and \$1,650,000 in additional loan capital access from USDA, SBA and National Trust Loan Fund.

Grants/Deposits to IFMCV for Operations, Technical Assistance & Reserves - \$706,000

- \$198,000 from SBA for MicroLoan Technical Assistance
- \$60,000 from Community Vitality Center, ISU Extension, and USDA-CSREES
- \$200,000 from Preservation Iowa for Main Street Development (MSD) Loan Program
- \$40,000 for Loan Loss Reserves for Main Street Development (MSD) Communities including Bloomfield, Charles City, Iowa Falls, Sac City, Greenfield, and Valley Junction
- \$5,000 Greene County Community Foundation for County Microloan Authority.
- \$8,000 Boone County Community Endowment Fund for County Microloan Authority
- \$50,000 from Ag Ventures Alliance for USDA RMAP Match
- \$100,000 from USDA for RMAP Technical Assistance
- \$85,000 from Bank of America for SBA Microloan Loss Reserve
- \$100,000 IDED Contract Fee Maximum to Review ISB Loans Aug 1, 2010 - Mar 31, 2011

IFMCV Loan Capital - \$1,650,000

- \$500,000 from National Trust Loan Fund (CDFI) in collaboration with Main Street Iowa (IDED) and Preservation Iowa for a national pilot program involving Bloomfield, Charles City, Iowa Falls, Sac City, Greenfield, and Valley Junction.
- \$400,000 from USDA Rural Microentrepreneur Assistance Program in collaboration with Ag Ventures Alliance, Greene County Community Foundation, and Boone County Community Endowment Fund.
- \$750,000 from SBA MicroLoan Program for Loan Capital

GOALS FOR 2011

- Improve deal flow & service for underserved entrepreneurs with promising business plans
- Complete small business application review in Iowa SBDC pipeline for ISB Loan Program
- Facilitate Iowa Community Capital (CDFI) equity fund for support of local food systems interested in forming regional business networks and/or cooperatives
- Implement national Main Street Development Pilot Project
- Implement USDA Rural Microentrepreneur Assistance Program statewide
- Assist Horizon Low Resource Community Entrepreneurial Training Initiative
- Continue Assistance to Iowa Microenterprise Assistance Project (IMAP) cluster with ISU Community Vitality Center, and Community Foundation of Greater Des Moines and Affiliates in Adair, Boone, Greene, Hardin, Mitchell, Okoboji, and Story Counties
- Procure funds for IFMCV in priority order: operations, technical assistance, and loans