



*Entrepreneurship and
Financial Wellness Training •
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COMMITTEE HEARING

*“Improving access to capital in
underserved communities:
the Community Advantage Program, the
Microloan Program,
and other SBA initiatives”*

Testimony by:

**Jon Gaines, Vice President Business Services
& Finance at the Wisconsin Women’s
Business Initiative Corporation**

Wednesday, December 14th, 2:30pm ET



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Good afternoon, my name is Jon Gaines and I work for the Wisconsin Women’s Business Initiative Corporation also known as WWBIC. Thank you for the opportunity to testify today as an intermediary lender to the SBA Microloan Program, and on the success of microlenders like our organization in delivering financial services to underserved low-income urban, rural, minority, veteran, and woman-owned small businesses. I am pleased to testify on behalf of WWBIC and the Friends of the SBA Microloan Program, an association of Microloan intermediaries that advocates for the program.

For almost 13 years I have had the honor of serving as the Vice President of Business Services and Finance for WWBIC. WWBIC has been a leading innovative statewide economic development corporation that is “Putting Dreams to Work” for over 35 years by assisting micro enterprise & small businesses. WWBIC’s primary focus is on women, minorities, lower-wealth individuals, and veterans/military connected families. WWBIC opens doors of opportunity by providing direct lending and access to fair and responsible capital; quality business training; and one-on-one technical business assistance and coaching to increase financial wellness.

WWBIC has fiercely championed its mission by operating in five regions with over 65 staff. Offering services statewide in Wisconsin; WWBIC channels its activities through two primary lines of business: small business lending (ranging from \$1,000 to \$350,000) & technical assistance/financial training. In over thirty-five years of impact, WWBIC has assisted over 72,000 individuals; loaned almost \$100 million to small business borrowers; helped entrepreneurs create and retain over 21,000 jobs; and started, strengthened, or expanded almost 9,000 businesses.

In 2021 alone, WWBIC served over 5,400 unduplicated clients; held a loan portfolio of approximately \$23 million with over 900 loans; and in 2020 and 2021 provided over \$8.3 million of forgivable loans, Paycheck Protection Program (PPP) and direct pass-through grants to hundreds of small business owners. Keeping small businesses alive while allowing them to transform and leverage new ways for sustainability and growth. WWBIC is advancing hope and opportunity to entrepreneurs.

As Vice President of Business Services & Finance, I bring over 25 years of accounting, finance, and operations management experience. I served on the finance committee of Opportunity Finance Network, the industry association of CDFIs, and on the board of directors of the Wisconsin Institute of Certified Public Accountants until 2020. I was named CFO of the Year by the Milwaukee Business Journal in 2016. Prior to joining WWBIC in 2010, I was the vice president of administration and finance at Wisconsin’s largest exposition center. I earned a Bachelor of Science degree from St. Augustine’s University in Raleigh, NC, and an Executive Master’s in Business Administration from the University of Wisconsin-Milwaukee.

I continue to actively participate in our community and have extended my outreach to the community as a member of the Greater Milwaukee chapter of the National Association of Black Accountants. I also sit on the Wisconsin Institute of Certified Public Accountants Education Foundation and on the governance committee of the Central City Cyberschool of Milwaukee, which serves children in and near the Westlawn housing project.



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Small Business Administration (SBA) Microloan Program History

The Small Business Administration (SBA) Microloan Program is the largest federal program exclusively targeted to supporting the credit needs of very small businesses and sole proprietorships. Through a network of community-based, non-profit Intermediaries, the SBA Microloan program provides small-dollar loans and technical assistance to small businesses that cannot secure credit from conventional lenders or other SBA guaranteed loans: including many women, low-wealth, veteran, and minority entrepreneurs. The Intermediaries then leverage these funds with state, local, and private resources to provide microloans and other business development resources to small businesses.

The SBA Microloan Program was authorized in 1991 (PL 102-140) to provide small loans and technical assistance (TA) to businesses that conventional lenders were and remain unable to finance for a variety of reasons including the lack of sufficient collateral or business experience. Working through a network of non-profit community based intermediary lenders, the SBA Microloan Program is able to finance and support new and emerging businesses in urban and rural communities and eventually move these businesses into the economic mainstream as bankable ventures.

Conventional banks cannot serve this profile of small businesses. Making a small business loan is time-intensive and requires resources to underwrite and service, especially for microloans. Moreover, a hallmark of the Microloan program is the ongoing technical assistance needed to help underserved entrepreneurs succeed at every step of their business’s development.

The Microloan program serves small businesses that encounter difficulty in gaining access to from conventional lenders. By serving entrepreneurs that operate start-up and new businesses, lack sufficient collateral, or have limited or poor credit histories, the SBA Microloan program fills a gap in the private market.

An Urban Institute survey of SBA 7(a), 504/Certified Development Company (504/CDC), Small Business Investment Company (SBIC), and Microloan borrowers conducted in 2007 found that Microloan borrowers reported having the most difficulty in finding acceptable financing elsewhere. Less than one-third (31%) of Microloan borrowers reported that they would have been able to find acceptable financing elsewhere, compared with 35% of SBIC borrowers, 40% of 7(a) borrowers, and 48% of 504/CDC borrowers.¹

Intermediary lenders participating in the SBA Microloan Program receive two streams of funding from the SBA: a direct SBA loan to the intermediary lender that is used to capitalize a revolving business loan fund, and grant funds to help support costs associated with providing technical assistance to business borrowers.

¹ Christopher Hayes, An Assessment of the Small Business Administration’s Loan and Investment Programs: Survey of Assisted Businesses (Washington: The Urban Institute, January 2008), p. 5, at *(link on next page)*
https://www.urban.org/research/publication/assessment-small-business-administration-loan-and-investment-performance/view/full_report



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Direct SBA loans to the intermediary lender carry a 10-year term with a fixed interest rate based on the five-year Treasury note and the lender must contribute a non-federal match equal to 15% of the SBA dollars borrowed in addition to maintaining a loan loss reserve equal to 15% of the lenders outstanding small business loans.

Intermediary lenders are eligible to receive SBA technical assistance (TA) grants on an annual basis. The amount of the TA grant is based on the number of loans made in the previous year, the lender's outstanding debt to SBA, and the availability of appropriated funds. To receive a TA grant a lender must also contribute a match of nonfederal funds equal to 25% of the TA grant.

The SBA charges intermediaries an interest rate that is based on the five-year Treasury rate, adjusted to the nearest one-eighth percent (called the Base Rate), less 1.25% if the intermediary maintains an historic portfolio of Microloans averaging more than \$10,000, and less 2.0% if the intermediary maintains an historic portfolio of Microloans averaging \$10,000 or less. The Base Rate, after adjustment, is called the Intermediary's Cost of Funds. The Intermediary's Cost of Funds is initially calculated one year from the date of the note and is reviewed annually and adjusted as necessary (called recasting). The interest rate cannot be less than zero.

Intermediaries are required to contribute not less than 15% of the loan amount in cash from nonfederal sources and, as security for repayment of the loan, must provide the SBA first lien position on all notes receivable from any microloans issued under the program. Unlike the SBA's 7(a) and 504/CDC loan guarantee programs, the SBA does not charge intermediaries upfront or ongoing service fees under the Microloan program.

Intermediaries are required to deposit the proceeds from the SBA's loans, their 15% contribution, and payments from their Microloan borrowers into a Microloan Revolving Fund. Intermediaries may only withdraw from this account funds necessary to make microloans to borrowers, repay the SBA, and establish and maintain a Loan Loss Reserve Fund to pay any shortage in the Microloan Revolving Fund caused by delinquencies or losses on its microloans. They are required, until they have been in the program for at least five years, to maintain a balance in the Loan Loss Reserve Fund equal to 15% of the outstanding balance of the notes receivable from their Microloan borrowers.

After five years, if the intermediary's average annual loss rate during the preceding five years is less than 15% and no other factors exist that may impair the intermediary's ability to repay its obligations to the SBA, the SBA Administrator may reduce the required balance in the intermediary's Loan Loss Reserve Fund to the intermediary's average annual loss rate during the preceding five years, but not less than 10% of the portfolio. Intermediaries are required to maintain their Loan Loss Reserve Fund until they have repaid all obligations owed to the SBA.



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Small Business Administration (SBA) Microlending Impact

Intermediaries serve the smallest of small businesses. While the program allows intermediaries to make loans up to \$50,000, the average SBA Microloan was \$14,435 in FY 2020. Currently, there are some 150 active Microloan intermediaries, serving 49 states, the District of Columbia, and Puerto Rico.²

In FY 2021, intermediaries made 4,514 loans to small businesses, totaling more than \$74.7 million. Of this amount, over two-thirds went to minority entrepreneurs. Existing businesses accounted for 63% of the loans made, over 48 percent went to women-owned businesses and almost 37 percent to startups. This financing led to the creation of 7,500 jobs and the retention of an additional 10,000 jobs.

Through FY 2021, intermediary lenders have used SBA Microloan funds to originate more than \$1.39 billion in loans to small businesses that have created 130,000 jobs and retained over 200,000 jobs since the program’s inception in 1992. Of this total, more than \$260 million supported rural businesses and more than \$470 million went to minority entrepreneurs. An additional \$61.4 million has been lent to veteran entrepreneurs, and more than \$440 million has been lent to more than 43,000 woman-owned businesses.³ Despite intermediaries serving “at risk” small businesses, the SBA Microloan program has a historical cumulative default rate of less than 2 percent.

The SBA Microloan program is an important tool to ensure that the full spectrum of small businesses and entrepreneurs have access to the capital and technical assistance needed for business survival and growth. Historically, it has cost \$1,700 per job supported by the program. Microloan proceeds may be used only for working capital and acquisition of materials, supplies, furniture, fixtures, and equipment.

For over 17 years, the Wisconsin Women’s Business Initiative Corporation (WWBIC) has been at the table as one of the 150 active Microloan intermediaries, serving the State of Wisconsin offering SBA Microloans. WWBIC has been a leading innovative statewide economic development corporation that is “Putting Dreams to Work” for over 35 years by assisting micro enterprise & small businesses.

Wisconsin Women’s Business Initiative Corporation (WWBIC) History

WWBIC was born out of the women’s economic empowerment and microlending movement. A group of concerned community leaders started WWBIC in response to the Women’s Business Ownership Act of 1988, as a nonprofit organization serving women entrepreneurs. Initially as a Small Business Administration (SBA) Women’s Business Center (WBC) and Microlender, many emerging entrepreneurs came to WWBIC with similar needs. To meet the calling, in 1994 WWBIC launched business training programming and expanded the target market to include low-wealth and minority entrepreneurs.

In 1998, WWBIC became Wisconsin’s first nonprofit certified and funded Community Development Financial Institution (CDFI) and has since been continuously certified and funded by the U.S. Department

² Nationwide Loan Report Data provided by SBA staff to the *Friends of the SBA Microloan Program* on March 5, 2020.

³ Ibid.



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Wednesday, December 14, 2022, 2:30 P.M. (ET)*

of the Treasury. In 1999, the Financial Capability (now known as Financial Wellness) initiative was launched because so many of the micro business clients experienced credit issues compounded by the blending of personal and business finances. The creation of an asset-building component that offers individuals a structured program in which 4 to 1 dollars are matched to double their savings, allowing them to make a first-time home purchase, open a business, pay for college, or pay down debt.

The smallest and most fragile businesses, who would not even qualify for WWBIC financing, access capital through KIVA, an online crowdfunding platform making 0% interest loans up to \$15,000 to micro business owners. WWBIC serves as a KIVA Trustee, vetting micro entrepreneurs and helping them qualify for crowdfunding through a web-based global platform. KIVA borrowers reflect the target markets of women, minorities, and lower wealth individuals. WWBIC and the City of Milwaukee launched KIVA@WWBIC City of Milwaukee in February of 2015. In 2018, WWBIC launched KIVA@WWBIC City of Madison and in 2019, KIVA@WWBIC City of West Allis. In October of 2022, KIVA@ SE was launched to create opportunities for clients in the Racine, Kenosha, & Beloit area. WWBIC leads the nation in matched KIVA loans.

In 2018, WWBIC opened the Northeast Women's Business Center in Appleton. Also in 2018, WWBIC received a highly competitive multi-year grant to host the Veterans Business Outreach Center (VBOC@WWBIC) serving veterans and military family members in Wisconsin, Illinois, and Minnesota. In 2020, WWBIC achieved aligned growth and furthered rural expansion through a \$750,000 multi-year grant from the SBA to open a new Southwest Women's Business Center in La Crosse. WWBIC's currently has five SBA Women's Business Centers which serve Greater Milwaukee, South Central Wisconsin, Southwest Wisconsin, Northeast Wisconsin, and Southeast Wisconsin.

WWBIC has received national accolades for accomplishments including the Small Business Administration Jody C. Raskind Mission Lender of the Year Award and the prestigious SBA National Women's Business Center Service Excellence Award. The SBA has named WWBIC the national Wisconsin Microlender of the Year every year since 2002; and recognizes WWBIC as one of the largest SBA Community Advantage Lenders in the U.S.

Since 2012, WWBIC has been rated by Aeris, the nationally recognized information service for community investors. WWBIC is one of 10% of all Community Development Financial Institutions (CDFIs) to be Aeris-rated. Aeris provides comprehensive, third-party assessments of CDFIs' loan funds, financial strength, performance, and impact. WWBIC's current Aeris Rating is A-*** which represents an upgrade over our previous rating, reflecting organizational improvements that were initiated as a result of our previous rating. WWBIC is confident that our ongoing collaboration with Aeris will continue to accelerate achievement of our strategic business plan priorities and positive economic impact.

Wisconsin Women's Business Initiative Corporation (WWBIC) Case of Need

Microbusiness can provide an economic lifeline for underserved communities and WWBIC's programming can offer new hope for rural entrepreneurs, particularly women, lower wealth individuals, and people of color. Too many Americans have been denied the opportunity to become small business



Written Testimony by Jon Gaines

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Wednesday, December 14, 2022, 2:30 P.M. (ET)*

owners because they lacked the required capital to do so. Traditional banking institutions reported a year-over-year decline in small business lending with the end of the Paycheck Protection Program even while credit usage by small businesses remained stable and demand for new credit increased during the same time period. Banks also tightened their credit standards for small businesses, especially for new business owners.⁴

According to the most recent data by the Federal Reserve, the average loan amount for a new small business loan from a traditional bank is \$593,000.⁵ Requests for capital below this amount are often ignored by traditional banks and lenders, with CDFIs and SBA Microloan and Community Advantage lenders covering this gap up to \$350,000; meaning a gap of \$243,000 potential exists.

Microlenders offer businesses assistance, which a bank both cannot afford and cannot offer because of lender liability. In fact, most Microloan requests come from businesses who either cannot get bank financing or cannot get bank financing without the participation of a Microlender. Finally, many banks support the Microloan program because it leads to stronger businesses that will ultimately become bankable customers.

The decrease in small business financing to low-income business owners highlight a need for nonbank financial institutions like WWBIC with flexible underwriting, low fees or no fees, low and fixed interest rates and development services. WWBIC’s Target Markets experience significant economic distress of poverty, income, and unemployment. These challenges prevent access to traditional financing, as clients often have few assets, poor credit ratings, and may lack social connections to wealthier potential investors.

WWBIC serves an array of clients from those that are thinking about starting a business to those with established, successful businesses who are in need of additional financing to grow their businesses. WWBIC offers an assortment of training opportunities to suit entrepreneurs at any level. Most loan clients come looking for financing, but frequently their success is attributable to the combination of financing and technical assistance. WWBIC focuses on providing a holistic approach for fair and responsible capital by offering: business training; pre & post business technical assistance; and access to financial products (business lending).

Wisconsin Women’s Business Initiative Corporation (WWBIC) Holistic Approach

Business Training

WWBIC is a leader and innovator in entrepreneur business training. WWBIC offers trainings to promote financial acumen and in starting, sustaining, and growing a business for entrepreneurs at various levels. Information and registration are listed on website and sessions are offered in English and Spanish.

Entrepreneurship training topics include financial management, technology, operations, marketing, and other aspects of successful operation. Trainings are offered throughout the state through WWBIC’s

⁴ *Small Business Lending Survey*, Kansas City Fed, October 2022

⁵ *Survey of Terms of Business Lending*, Federal Reserve System, 2017



Written Testimony by Jon Gaines

*“Improving access to capital in underserved communities:
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Wednesday, December 14, 2022, 2:30 P.M. (ET)*

network of five regional offices offering a hybrid approach to ensure access to all. Solid business planning, personal money management, strong management skills, and access to markets are vital for both individual and business success.

Pre & Post Business Technical Assistance

WWBIC’s extremely pro-active model for providing technical assistance to loan clients mitigates the risk of lending to unbankable borrowers. Prior to receiving a loan, clients receive one-on-one counseling, which can include evaluating or creating a business plan and understanding financial and operational constraints. SBA microlenders also receive accounting, human resource management, and information on research in their industry. WWBIC provides pre-loan technical assistance through group training sessions as well as one-on-one consultations.

A WWBIC “Small Business Consultant” staff member is assigned to each loan client immediately upon loan closure and begins providing post-loan technical assistance that continues during the life of the loan, up to ten years. Clients also have access to WWBIC’s Initiate Portal to access online technical assistance 24/7. WWBIC offers credit counseling and credit repair to help individuals qualify for a small business loan. In addition, the small business consultants leverage the local community expertise of more than 400 volunteers in professional fields (including banking, law, and accounting) who work one-on-one as coaches and mentors to WWBIC clients. To best help the borrower better market their business and be successful, WWBIC can even work with a client who is having financial and/or repayment difficulty.

Business Lending

WWBIC’s access to capital initiatives provide a continuum of options to best meet business borrower needs, ranging from \$1,000 to \$350,000. WWBIC’s programs include very small loans through a collaboration with Kiva, microloans up to \$50,000, lines of credit, and larger loans up to \$350,000 – many of which have an SBA Community Advantage guarantee. There is also a piloted a nano-grant program and small equity investments for defined businesses. In addition to managing its own portfolio, WWBIC also supports a small number of other entities with the underwriting and management of their microloan activities.

Both WWBIC’s business and micro loans can be used for starting or expanding a business, purchase of or repair of machinery or equipment, furniture and fixtures, inventory, supplies and working capital. The targeted and typical profile of a WWBIC microloan client is low or moderate income, has experienced personal financial setbacks, credit history issues, is financially insecure, may be working a low-wage job with no opportunity for advancement, and is at a point in life where starting a business may be the best of few options. These smaller, riskier loans are often under-secured and require a high level of business technical assistance in order to be sustainable.

WWBIC offers lines of credit to more established clients to supplement their term loans to address cash flow management needs. The two most common barriers for our low-income clients are lack of basic financial acumen and lack of a formal business plan. We have extensive programming around these topics. Approximately half of our pre-loan clients need individual counseling or one-on-one business and



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Wednesday, December 14, 2022, 2:30 P.M. (ET)*

technical assistance to become loan ready. A personal relationship encourages timely repayments to us and other creditors.

The rate for both Micro and Business loans ranges from 8-10% (with some special limited funds at 2%.) Fees range from \$500 for micro loans to \$1,500 for business loans; SBA Community Advantage loans require up to a 2.5% packaging fee for a \$350,000 loan. Flexibility features include collateralization requirements, smaller down payments & lower equity contributions than banks require.

WWBIC underwrites on projected business cash flows & debt service coverage (not simply collateral & credit score) character, & ability to repay the debt. WWBIC lends to low credit scorers in special circumstances like medical debt or divorce, & to those at least 18 months past bankruptcy discharge if low score or bankruptcy was not due to credit abuse. More than 50% of WWBIC loans finance startups in higher-risk sectors (restaurants, retail, jewelry stores, building trades & childcare.)

Financial Capability

WWBIC was an early adopter of the personal financial capability training now widely promoted by banks and other organizations. WWBIC was named a “Legacy Award” recipient in the 2014 Governor’s Financial Literacy Awards. WWBIC offers a multi-part Make Your Money Talk classroom education series covering personal finances. Graduates who income-qualify can open a matched savings account to save for one or more of select assets: first-time home purchase, starting or expanding a business, vehicle expenses, debt repayment, or returning to school for post-secondary education. One-on-one financial educational counseling helps clients create and maintain personal budgets. Through the WWBIC-led Wisconsin Saves public awareness campaign, participants save money that might otherwise go to check cashing firms and payday lenders.

Veterans Programming

WWBIC has always provided support to veterans and military-connected families since its inception. However, in 2018 WWBIC expanded these services through a five-year commitment from the SBA’s Veterans Business Outreach Center (VBOC) program. Outreach, training, veteran-focused loans and technical assistance are provided on military bases and in community locations throughout a three-state area – Wisconsin, Minnesota, Illinois.

Wisconsin Women’s Business Initiative Corporation (WWBIC)’s history with Federally funded programs

Small Business Administration (SBA) Programs Currently Administered

- Microlender — Technical Assistance (TA) and microloans up to \$50K. (2005 – Present)
- PRIME- Training and technical assistance (TA) to disadvantaged entrepreneurs. (2002 - Present).
- Community Advantage Lender — Loans ranging from \$50K - \$350K to small businesses who cannot obtain traditional financing. (2015 – Present)
- Office of Women’s Business Ownership — Workshops/training, 1:1 counseling and capital to



Written Testimony by Jon Gaines

*“Improving access to capital in underserved communities:
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Wednesday, December 14, 2022, 2:30 P.M. (ET)*

female entrepreneurs and small business owners. (2004 – Present)

- Office of Women’s Business Ownership CARES Act — Training/counseling, TA, and loans/access to capital to help businesses recover from the COVID-19 pandemic. (2020 – 2021)
- Veterans Business Outreach Center - Outreach, training, veteran-focused loans and technical assistance (2015 – Present).

Additional Federal Programs Currently Administered

- U.S. Department of Treasury: CDFI Fund Grants and Loans —Technical assistance, 1:1 counseling and access to capital up to \$1 million (2002 – Present).
- U.S. Department of Treasury: CDFI CORE Rapid Response — A loan fund to assist small businesses with training, counseling, and technical assistance impacted by the COVID-19 pandemic (2021 – Present).
- U.S. Department of Agriculture: Rural Microentrepreneur Assistant Program – Provides loans and grants to Microenterprise Development Organizations. Helps microenterprise startup and growth through a revolving fund with training and technical assistance to microloan borrowers and micro entrepreneurs (2010 to Present).
- U.S. Department of Agriculture: Rural Development Business Grants – Technical assistance and training for small rural businesses with has fewer than 50 new workers and less than \$1 million in gross revenue (2015 to present).
- U.S. DHHS: Office of Community Services – Community Economic Development – Projects aimed at business development opportunities and creating employment for individuals with low-wealth located in geographic areas with a demonstrated need for the proposed project. (2015-Present)
- U.S DHHS: Assets for Independence – Financial Assistance Award – Enable disadvantaged families to build assets through training, technical assistance, and Individual Development Accounts (2015 – 2020)

Wisconsin Women’s Business Initiative Corporation (WWBIC) as an SBA Community Advantage and Micro Lender

WWBIC participates in the SBA Community Advantage Program for SBA 7(a) loans of up to \$350,000. The SBA offers an 85% guarantee on loans up to \$150,000 and a 75% guarantee on loans greater than \$150,000. The program mitigates credit risk and allows WWBIC to lend to higher risk borrowers and reduce Loan Loss Reserve expenses.

The 7(a) Community Advantage (CA) program was created in 2011 to expand access to SBA-guaranteed loans. The SBA encourages lenders to deliver technical assistance with CA loans whenever possible but does not compensate lenders for the cost of providing TA. WWBIC provides TA as a holistic approach to allow for the business to succeed. CA lenders have to deliver at least 60% of the CA loans to businesses in ‘underserved markets,’ currently defined as: Empowerment Zones and Enterprise Communities, HUBZones, Low-to-Moderate Income communities (LMI), Opportunity Zones, rural areas, startups, and veteran-owned businesses.



Written Testimony by Jon Gaines

*“Improving access to capital in underserved communities:
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Wednesday, December 14, 2022, 2:30 P.M. (ET)*

Since WWBIC’s deployment of the SBA CA program in 2015, WWBIC originated 285 loans at \$21.3 million, of that 155 have been paid in full at \$7.7 million with 19 being charged off at \$1.2 million. Since 2015, WWBIC has closed a total of 44 loans greater than \$100,000.

WWBIC’s SBA Microloan program began in 2005. Since the program launched, WWBIC’s loan team has deployed 941 microloans for at \$20.6 million, with an average loan size of \$21,891.60. The pandemic altered the scope of microlending with immediate relief for small businesses through grants and forgivable loans. In 2018 (pre-pandemic), WWBIC deployed \$1.4 million dollars in SBA Microloan funding and \$980,000 was deployed in 2019. Pre-pandemic an average SBA Microloan was \$27,000. In 2020 during the onset of the pandemic, there was \$372,000 in SBA microloans, \$656,125 in 2021, and \$530,000 in 2022 deployed. WWBIC has served on average, 63% of SBA Microloan clients as female; 46% low to moderate income, and 26% minorities.

Through the SBA Microloan program, WWBIC has been able to provide pre/post loan technical assistance to these entrepreneurs and business owners. The pre loan TA includes topics such as business plan, financial projection, budgeting, business formation, licenses and permits while the post loan TA will focus one on one counseling on business operations/ expansion to business owners after receiving the microloans. The pre/post TA is critical to ensure a long-term success/minimize loss for entrepreneurs and microenterprises/small businesses.

Wisconsin Women’s Business Initiative Corporation (WWBIC) Microlending Impact

The small business borrowers of this program provide tangible benefits for their communities. It is one thing for me to read the statistics and tell you what we do, but it is truly an honor to now share ‘who’ we serve. I hear daily through our team meetings and clients I have had the honor of talking with; that microlending offers clients low interest rates, achievable loan amounts, community-based lending, technical assistance, and support through the process to achieve their dreams. We are one team, one mission, one WWBIC where we are there to listen, serve, and nurture novice small business owners who are my neighbors and live in the communities we call home.

Aeroforce Logistics- Start-up, Veteran, and Woman Owned Business (Milwaukee, Wisconsin)

Heather Varney learned to be a resourceful problem solver and a good communicator at an early age. While in the Marine Corps, she experienced a bad accident, which had a galvanizing effect. She decided that if there was something she wanted to do, she was going to do it regardless of what got in the way. Forced to change jobs in the Marine Corps due to her injury, Heather learned a new side of aviation: the parts side. She developed a passion for being the “parts finder” for the Marine Corps and every job after that, finding great joy when helping others. Aeroforce Logistics exists to provide solutions to ensure U.S. Government (USG) entities or large-business concerns obtain needed aerospace materials and equipment in a mission-focused and cost-effective manner while achieving small business subcontracting and utilization goals. WWBIC was able to assist Aeroforce Logistics by providing its first business loan of \$50,000 through the SBA Microloan. The money assisted Heather with some of the business start-up costs, and within six months, the loan was paid off as Aeroforce grew and “graduated” to a commercial



Written Testimony by Jon Gaines

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Wednesday, December 14, 2022, 2:30 P.M. (ET)*

lender, “WWBIC helped us when traditional banking couldn’t. They are also very well known in the community and help with making connections,” explained Heather Varney.

Lovingkindness AFH LLC – Woman & Minority Owned Business (Racine, Wisconsin)

After fleeing domestic violence and successfully moving from homelessness to homeownership, Lakesha Davis wanted to help others on a similar journey. She wanted to provide them with an experience different from the transitional centers she spent time in. With a loan from WWBIC Lakesha founded Lovingkindness AFH LLC to create a place of refuge for those seeking help from a desperate situation. Today Lovingkindness is a transitional, shared living home aimed at reducing homelessness and addressing a lack of affordable housing. It offers safe, affordable co-living housing that is fully furnished with all utilities paid. In addition to a loan of under \$50,000, WWBIC also provided a series of classes that helped Lakesha create a business plan, pitch her business with confidence, learn Quickbooks, develop relationships with mentors and consultants, and connect with other resources. She plans to scale her business to own 25 percent of the homes within a five-block radius of its current location, and then to expand to other states. “When I started my first class with WWBIC, I was a big pile of mush and that was okay. My head was full of uncertainty but as I followed the step-by-step instructions things begin to get clearer,” said Lakesha. “Not only did I learn how business works, I also learned self-confidence. I learned how to believe in myself and get others on board with my idea. If you are serious about becoming a business owner WWBIC is the way to go. They have truly turned my business dream into reality.”

Antigua Latin Inspired Kitchen – Woman & Minority Owned Business (West Allis, Wisconsin)

Citlali Mendieta-Ramos grew up with the delectable aroma of simmering spices at her dad’s restaurant, Rey Sol, on Milwaukee’s South Side. It became her dream to raise her family the same way. With WWBIC’s assistance, she was able to open the doors to her own fine dining establishment, Antigua Latin Inspired Kitchen which opened in the heart of West Allis in 2006. Antigua started as a café offering breakfast and lunch. Now 16 years later, it has evolved to a full-service restaurant and full-service offsite caterer. In addition, they offer hand-on cooking classes and are developing a line of food products to sell wholesale. In the fall of 2018, Antigua relocated to a bigger facility to help keep up with the growth of catering services. In 2022, Citlali have grown their catering side of their business and have a product line of frozen food offerings. “I could not have opened my restaurant without WWBIC. WWBIC’s assistance with marketing and developing my business plan gave me the tools to grow this business” says Citlali Mendieta-Ramos.

Appropriations and Program Financing

The Microloan program received a Congressional appropriation of \$6 million for loan credit subsidies to support up to \$110 million in Microloans in FY2022. In addition, the appropriations for Microloan Technical Assistance totaled \$37 million. These grants are awarded to selected Microloan intermediaries to provide Microloan borrowers and prospective borrowers with marketing, management, and technical training assistance.

The SBA FY 23 budget for the Microloan program includes \$6 million in budget authority, which supports \$110 million in loans to intermediaries and \$41 million in technical assistance grants.



Written Testimony by Jon Gaines
“Improving access to capital in underserved communities:
the Community Advantage Program, the Microloan Program, and other SBA initiatives”
Wednesday, December 14, 2022, 2:30 P.M. (ET)

The Coronavirus Pandemic continues to disrupt the work of on entrepreneurs and small businesses. Not only must they contend with supply issues, but new factors –higher interest rates and tightening credit – present emerging challenges. More than ever, SBA Microloans are an important source of patient capital for very small businesses. For that reason, we supported:

In April 2021, the House passed H.R. 1502, the *Microloan Improvement Act of 2021*. This legislation makes a number of improvements to the Microloan program, including:

(1) Interest Rates for Intermediaries

- Changes the definition of small loans from \$7,500 to \$10,000. Intermediaries with loans averaging the small loan rate qualify for SBA Microloans with an interest rate of 2 percentage points below the Treasury rate.

(2) Lines of Credit

- Authorizing the use of microloans for lines of credit.

(3) Extended Repayment Terms

- Modifies loan terms to a maximum of 7 years for loans of \$10,000 or less, and to a maximum of 10 years for loans that are greater than \$10,000.

(4) Credit Reporting

- A credit reporting process is established to ensure intermediaries are able to provide the major credit reporting agencies with information about borrowers relevant to credit reporting, such as the borrower’s payment activity on the loan.

(5) 1/55 rule

- Eliminates the 1/55 rule and simply leaves in place the existing ceiling of 300 intermediaries able to be funded. Under current law, SBA may only make available the lesser of \$800,000 or 1/55 of the amount appropriated for microloans for the first two quarters of the fiscal year. This creates an administrative bottleneck for the agency and a paperwork problem for intermediaries. In order to continue to address the needs of underutilized states, the amendment reserves 15 percent of the appropriation for the first two quarters of the fiscal year for those states.

Other Recommendations

P.L. 116-260, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), among other provisions, waived the Microloan Technical Assistance program’s matching requirement in FY 2021 and limitations on the pre-loan technical assistance and consulting and increased the Microloan intermediaries’ aggregate loan amount after their first year of participation in the program from \$6 million to \$10 million in FY 2021. The aggregate loan amount was reset to \$7 million on October 1, 2021.

There continues to be great demand for Microloans and raising the cap on intermediary loans will allow high-performing intermediaries to secure additional resources to assist small businesses in their communities. Waiving requirements for technical assistance matching will make more intermediary resources available to businesses. Current law limits to 50% the use of technical assistance grants for pre-



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loan technical assistance and the use of consultants. We urge the Committee to consider extending or making these provisions permanent.

We strongly support eliminating the 50% limit. In the almost 30 years the SBA Microloan Program has been in existence, the program has grown to 150 active intermediary lenders that have made more than \$ 1 billion in loans to more than 85,500 small businesses across America. One of the chief reasons for the success of the program is the technical assistance provided by intermediaries. The waiver provided in FY 2021 allowed intermediaries more flexibility in how – and when – we support our borrowers and work to ensure their success. Intermediaries contend that the 50/50 limit is a burden and seems arbitrary relative to the realities and needs regarding pre-loan and post-loan TA. Currently, every hour of TA must be bucketed and tracked by quarter.

Underwriting a new borrower is a critical part of the microloan program. Our experience is that pre-loan technical assistance is the most important factor in successful lending. Businesses that come through our door receive assistance with their business plan, financial systems, bookkeeping, and their overall operations. This sort of technical assistance is invaluable to both borrowers and WWBIC (as a lender).

Thank you for your time today and for hearing our story as well as those who our story is all about. The voices we need to hear like Heather, Lakesha, and Citlali. Those I am proud to call my neighbors and my community members. Please join us as we continue “Putting Dreams to Work”.