

Testimony, Lori Meeder, Senior Loan Officer Northern Initiatives, Marquette, Michigan

United States Senate

Committee on Small Business and Entrepreneurship

*Empowering Women Entrepreneurs: Understanding Successes, Addressing Persistent Challenges, and Identifying New Opportunities*

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Thank you Chairman Cantwell, Ranking Member Risch, Senator Levin and Members of the Senate Committee on Small Business and Entrepreneurship, for the opportunity to testify in this hearing on “Empowering Women Entrepreneurs.” I appreciate this chance to discuss the work we do at Northern Initiatives, which is greatly helped by SBA tools, to finance, support and strengthen women entrepreneurs and other start up and growing businesses.

I am Lori Meeder a Senior Loan Officer with Northern Initiatives, a 501©3 non-profit Community Development Financial Institution, created in 1992, that provides business lending, investing and technical assistance to communities and businesses throughout rural Northern Michigan. We serve 46 rural Northern Michigan counties and the five counties that border Michigan in Wisconsin. Like many rural areas, our service area is experiencing a transition from extractive industries to small businesses. These new and growing businesses are capitalizing on market trends in support of “fresh, natural, local and authentic” products and services. To illustrate this shift, according to the Edward Lowe Foundations, [Your Economy.org](http://YourEconomy.org) website, in 2013 our 51 county area was home to 76,746 establishments that employ between 1 and 9 persons. Contrast that with establishments that employ over 500 which numbered 60. Launching and growing small businesses is essential to the health of our rural communities. Since Northern Initiatives launched its small business lending program in 1994, we have made over 750 loans totaling nearly \$44 million. Of those loans around one third have been made to start-ups, forty percent to women owned businesses, and one third to manufacturers. Our borrowers have created 1,405 jobs and retained 1,627. The best is yet to come as we just surpassed \$20M in assets, and will have our 4<sup>th</sup> consecutive record year in loans closed.

The SBA is a critical partner and SBA tools allow us to reach and serve viable businesses that are outside of the economic mainstream. A need for groups like us is to have programs that can be knitted together to help a business launch and grow. The SBA programs help us to achieve that and in my testimony you will hear some examples.

Northern Initiatives has been an SBA Intermediary Micro lender since 1994 and over half of our loans, 408, have been Microloans. The SBA Intermediary Lending Pilot (ILP) was added to our efforts in 2012, through an affiliated non profit corporation, UP Business Capital, and it has

supported businesses that needed larger support for their start-ups and also growing businesses with greater borrowing needs than the SBA Micro loan program limits. Along with larger start-ups or start-ups in need of a longer term loan, it has also been used to support a business that grew beyond the limits of microloan and was still not bank ready. Through the ILP Northern Initiatives has made 10 loans and we have currently deployed \$922,000 of the \$1M loan. We were certified as a Community Advantage lender in 2012 and have made 12 loans with two more closing in short order.

I am here today to speak on behalf of the effectiveness of the SBA Microloan program and the proposed changes, and urge the permanent extension of the SBA ILP Program.

The type of lending that we do is vital to our rural communities. Everyone is not bankable. Some lack cash, some do not have sufficient net worth to offer collateral, some have had bankruptcies (and in rural communities they are often related to unexpected medical costs), some have had credit problems (perhaps associated with a spouse having lost a job), and many others simply lack experience. Assessing character and verifying the conditions that created the blemishes is what we do, and in so doing we help communities to bring into their markets many who would simply be left out.

Some recent examples of how this has worked:

Jill Hegedus, who worked in the hospitality industry, had an opportunity to purchase a small motel in East Jordan, Michigan, across from Lake Charlevoix, that had been vacant for some time. She invested much of her own money to purchase the motel and much of her own sweat equity to renovate the building and needed our help in completing the project. Because it was real estate and she needed a longer amortization, a \$40,000 ILP loan was our solution to help her achieve her dream. She turned a vacant, run down motel that was an eye sore on the main route through town, into a beautiful place for people to stay and enjoy the area.

Another \$70,000 ILP loan was to Victoria and Chad Conklin. Victoria had dreamed of owning her own bakery and café. Both had worked in the hospitality industry for over 10 years. They wanted to move back to Harbor Springs in northern Michigan and open a café. Because of the size they needed, the ILP program was again the perfect solution. We worked with them for over a year while they worked on their business plan, saved some money and arranged their move back to Michigan. During that time, her father died in a car accident which put their plans on hold. When she was ready, with the grace she found from her dad, and with the help and encouragement of her mother, they opened Sam's Graces Café and Bakery. Using locally sourced ingredients (produce, eggs, cheese) they make the most amazing artisan breads, wood fired pizza, and specialty sandwiches. They have a very loyal following and now sell their bread products to other local restaurants.

Utilizing the micro loan program, we helped Juli and Jody Sauve start Right Away Cleaning and Restoration in Alpena, Michigan. They both had worked in the industry for many years. The

company they worked for was purchased by a larger company out of the area and within 12 months abruptly closed the local facility. They knew they could build a successful business if given the opportunity, but were challenged with credit issues and personal finances due to the loss of their jobs. Working closely with a business counselor from the SBDC, we partnered with the local bank and another non-profit lender in the area and we all were able to do \$30,000 of the financing. We helped with technical assistance to get them Quick Books training and build a website. They still meet monthly with the SBDC and the business has been very successful, experiencing growth beyond their projections.

Another example of a micro loan is Robin Berry, owner of Fresh Water Gallery in Boyne City, Michigan. She has a beautiful art gallery that features artists from all over Michigan. During the fall and winter months, they have a concert series and bring in musicians from all over the world to perform in the intimate setting of their gallery. They had to rent sound systems that were not always reliable and not up to par with the caliber of musicians that they attracted so we were able to help them borrow \$5,221 to purchase their own sound system. We also helped with technical assistance to help her better understand sound financial management and reporting.

Another example is Chantal Lefebvre, owner of Water Fire Vineyards, a small production winery, featuring premium artisanal European style wines, underserved varietals in the region. Their vineyard and small production facility is located in Kewadin, Michigan near Torch Lake, Michigan. They moved to the area for the quality of life and after several years of research found their property and began the vineyard. Chantal immersed herself in learning everything she could about the craft, systematically gaining experience working for different vineyards, wine production facilities and tasting rooms to understand all facets of the grape growing and wine making. Our micro loan for \$36,000 helped her finalize her production capacity. We have helped her extensively with marketing and sales strategy, product branding and financial reporting and management.

Finally, an example in the Northern Initiatives portfolio of a business growing between programs is Shephard's Maple, a maple syrup producing company in the eastern Upper Peninsula. This company began with a microloan and in its growth graduated to an ILP loan.

A critical element of what we do to support businesses is to assist them with technical assistance. We help our borrowers to learn how to set up their accounting system and read and use their financial statements. We help borrowers to create web sites and learn to use e-commerce practices helping them to overcome the distance from markets, seasonality and isolation that they might regularly experience. Businesses that grow add jobs, and so for us it is not enough to help start businesses we want to use technical assistance to position them to grow.

A high percentage of our loans come to us due to our close partnership with the banks of our region. We have had over 40 banks refer customers to us. It is not unusual for a bank to take the loan back as a much stronger credit for having worked with Northern Initiatives.

We support the Microloan Program changes proposed in the *Women's Small Business Ownership Act of 2014* because they will allow us to respond more effectively to the needs of our borrowers and enable us to take advantage of technology and other tools that help us support and grow businesses. It's important to remember that when the SBA Microloan Program was authorized in 1991 microlending was considered an international development tool and there was significant skepticism about the ability to develop a sustainable program focused on domestic microlending. And now some 23 years later we have a seasoned and growing field on microlending organizations and a program at SBA that has been quite successful. The changes being proposed in the *Women's Small Business Ownership Act of 2014* will allow us to continue building on that success.

I also want to voice strong support for Senator Levin's SBA Intermediary Lending Program Act of the 2014 and the ILP provisions included in Senator Cantwell's bill that will make an important new financing tool available to small businesses in underserved communities. The ILP pilot has been success and again demonstrated the ability on nontraditional, mission driven lenders to reach and serve businesses that while viable are not able to secure conventional financing. The ILP tool allows us to expand our partnership with the SBA and with banks and lenders in our community to build strong local businesses, create jobs, develop the financial literacy of our borrowers who will eventually enter the economic mainstream as bankable ventures.

Our tag line at Northern Initiatives is "Prosperity. That's Our Business". As we think about the state of women owned businesses in our service area, these programs and tools are important to building a new group of entrepreneurs. Over 30% of our counties did not have a percentage reported in the 2007 Census measure of women owned firms as the sample size was too small and only two counties had a higher percentage for women than their respective State average. The SBA programs and tools are making a difference for women and hundreds of other people who are in search of opportunity and prosperity.

Thank you for allowing me to share my perspective with the Committee.