

Microfinance Programs Annual Report

**Division of Community Development
Department of Economic Opportunity**

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**FLORIDA DEPARTMENT *of*
ECONOMIC OPPORTUNITY**

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	Exhibit A. Enterprise Florida, Inc. Annual Report	

PROGRAM HISTORY

Effective July 1, 2014, the Florida Microfinance Act was established in sections 288.993 – 288.9937, F.S. and \$10 million was appropriated to the Florida Department of Economic Opportunity (Department) for implementation. The intent of the Act is (1) to provide credit and financing to Florida entrepreneurs and small businesses in Florida access to credit and financing that otherwise may not obtain it through traditional financial institutions and (2) to develop the skills necessary for a business to be successful. This is accomplished through two programs: the Microfinance Loan Program and the Microfinance Loan Guarantee Program.

Eligibility for both programs is defined in s. 288.9932(5), F.S., and is limited to entrepreneurs and small businesses that employ 25 or fewer people, with average annual gross revenues of \$1.5 million or less for the preceding two years. Small businesses that receive microloans are required to participate in business management training and business development training to acquire the skills necessary to achieve long-term financial stability.

The Department offers another similar program, the State Small Business Credit Initiative (SSBCI), but the SSBCI Program has a stated minimum loan size of \$250,000 and as such, tends to complement, rather than compete with, the Microfinance Program.

In the summer and fall of 2014, the Department spent considerable time creating the program framework and process; reviewing best practices; working with the Small Business Development Center Network (SBDC) to determine the minimum business management and development training and technical assistance businesses needed to become sustainable; and soliciting, vetting, and executing agreements with qualified loan administrators.

As required in section 288.9934(11), F.S., in October 2014 the Department contracted with Florida State University to conduct a study to identify best practices and methods to increase access to credit along with the ability of non-profits and financial institutions to expand access to credit to entrepreneurs and small businesses in the state.

In addition, the Department monitored the execution of the memorandum of understanding between the loan administrators, Enterprise Florida, Inc. (EFI), and the SBDC through the winter of 2014 and early spring of 2015. Therefore, once agreements were in place, the actual time the loan administrators had available to market, promote, receive and process loan applications, underwrite, and fund the loans was approximately four months.

Because of the time required to launch the program, the loan portfolio is relatively new. This report reflects the entire portfolio of all closed loans, and all loans are reported as current with no overdue payments, defaults, or payoffs. The repayment of funds awarded to the Microfinance Loan Program administrators will be provided upon expiration of the agreement period.

THE MICROFINANCE LOAN PROGRAM

Program Overview

The goal of the Microfinance Loan Program is to enable entrepreneurs and small businesses to gain access to traditional institutional financing upon completing the business-development and business-management

training program provided by SBDC. Statewide, two loan administrators, with a total allocation of \$5,125,000 provide microloans of up to \$50,000, which include a required 50 percent match to supplement program funds. Microloans may be used for any allowable business purpose such as startup costs, working capital, and the acquisition of materials, supplies, furniture, fixtures, and equipment. The loan program requires attendance in management and technical assistance training for the purpose of improving business sustainability.

Implementation

Section 288.9934(3)(a), F.S., required that the Department execute at least one, but no more than three, loan program administrator contracts by December 1, 2014. The Department issued a request for proposals (RFP) to solicit loan program administrators on October 27, 2014, and received responses from OUR Microlending, LLC and the Florida Black Business Support Corporation.

OUR Microlending, LLC initially received \$3 million dollars in funding and the Florida Black Business Support Corporation received \$300,000 due to limited ability to match funds. The agreement with the Florida Black Business Support Corporation was executed on November 26, 2014, and the agreement with OUR Microlending, LLC was executed on December 1, 2014.

In early spring of 2015, the Department began receiving constituent inquiries about the program, however the two loan program administrators were limited by geography and staff capacity. To remedy this challenge, the Department issued another RFP on April 21, 2015. The second solicitation did not receive any responses, at which point the Department reallocated additional funding in the amount of \$1,825,000 to OUR Microlending LLC, for a total balance of \$4,825,000.

Results

Under the Microfinance Loan Program, there were 25 small minority business (24 Hispanic and 1 African American) loans closed (see Table 1) during the FY 2014-2015 time period. The physical location of the businesses are concentrated in the southeastern counties of: Miami-Dade (11), Palm Beach (4), Broward (8), and additionally in Duval County (2). This concentration of loans may demonstrate the program need in highly urban, dense locations of the state, but may also suggest the need for additional loan administration coverage in the less densely populated portions of the state.

Loan Administrators	Applications	Closed Loans	Closed Gross Loan Dollars	Program Share Loan Dollars	FTE Created	Average Wages
OUR Microlending, LLC	29	23	\$327,400	\$163,700	15	\$21,600
Florida Black Business Support Corporation	6	2	\$20,000	\$10,000	0	0
Totals	35	25	\$347,400	\$173,700	15	\$21,600

Because of the time required to launch the program from the summer of 2014 through the spring of 2015, the Department has included program results through September 30, 2015 (see Table 2) to demonstrate the continued increase in activity following the execution of all agreements and implementation of the program. During the period of July to September 2015, the program produced 10 additional loans in the amount of \$198,364, for a life-to-date total of \$545,764. The difference between program contributions of \$277,882 and total loan amounts is the result of program funding and loan match requirements.

Loan Administrators	Applications	Closed Loans	Closed Loans Total Dollars	Program Share Loan Dollars	FTE Created	Average Wages
OUR Microlending, LLC	37	31	\$445,400	\$227,700	19	\$21,280
Florida Black Business Support Corporation	6	4	\$100,364	\$50,182	9	\$21,429
Totals	43	35	\$545,764	\$277,882	28	\$21,327

Loan program administrators are contractually obligated to comply with all objectives established in s. 288.9934, F. S. In order to monitor performance and ensure that program objectives are met, loan program administrators must provide quarterly status reports including the number of applications submitted and approved, along with detailed information on the loans awarded, training provided, jobs created, and information on total number and dollar amount of outstanding loans. In addition, loan administrators must submit an annual financial audit performed by an independent certified public accountant and an operational performance audit for the most recently completed fiscal year no later than nine months after December 31. DEO expects to receive financial and performance audits from loan administrators for the current fiscal year by the fall of 2016.

THE MICROFINANCE LOAN GUARANTEE PROGRAM

The Microfinance Loan Guarantee Program is designed to stimulate access to credit for entrepreneurs and small businesses by providing guarantees for loans made to eligible entrepreneurs and small businesses. Microloan guarantees may be used for any allowable business purpose such as startup costs, working capital, and the acquisition of materials, supplies, furniture, fixtures, and equipment. Loan guarantees cannot exceed 50 percent of the total loan amount, and are limited to loans that range between \$50,000 and \$250,000.

On February 17, 2015, the Department entered into an agreement with EFI, as required in s. 288.9935(3), F.S., for \$2.52 million to administer the loan guarantee program. On June 16, 2015, EFI received an additional allocation of \$2.3 million as a result of the lack of RFP responses for additional Microfinance Loan Program administrators. EFI received a total allocation of \$4.825 million to administer the loan guarantee program. As required under s. 288.9936(2), F.S., the Microfinance Loan Guarantee Program report submitted by EFI is included in this report as Attachment A.

TRAINING

In further adherence with s. 288.9934(4)(e), F.S., Department staff consulted with Mike Myhre, the CEO of SBDC, and selected “Profit Mastery University,” a financial education online video curriculum, to provide entrepreneurs and small businesses with management training, development training, and technical assistance. The core benefits of Profit Mastery are to: 1) Foster client relationships, 2) Improve client cash flow, 3) Learn about effective tools & processes, 4) Advance client profitability, and 5) Increase client bankability. Department staff and SBDC staff chose this curriculum as it offered convenience to the borrower and a built-in online tracking system for data reporting.

In accordance with s. 288.9934(4)(e), F.S., the Florida SBDC Network was required to enter into a MOU with each loan administrator for the provision of providing business management training and business development training and technical assistance to entrepreneurs and small businesses that receive microloans, and to assist in the promotion of the program to underserved entrepreneurs and small businesses. SBDC executed MOU's with each of the two Microfinance Loan Program administrators on January 27, 2015.

Following is a summary of the technical assistance and training provided by SBDC to the qualified borrowers of the Microfinance Loan Program for FY 2015 ending June 30, 2015:

- 22 qualifying businesses were provided access to training
 - 20 completed the required training
 - 20 of the 22 received training in Spanish
 - 18 received a total of 119.5 hours of one-on-one professional consulting following the required training

RECOMMENDATIONS

The Microfinance Loan Program has shown some success during its first year, but changes may be needed in the future to improve the utilization of both programs. The Department recommends that staff work with loan administrators and stakeholders of both programs to better define any challenges that may currently exist with the programs. Working collaboratively, all stakeholders can develop ways to enhance the program to ensure that it accomplishes the goal of stimulating access to credit for entrepreneurs and small businesses.

CASE STUDIES

Arpechi Windows, Inc., Miami, Florida

Arpechi Windows Inc. is in the business of manufacturing and installing custom windows and doors. In October, 2014, Mr. Arturo Dominguez applied for and received a microloan in the amount of \$9,500 for working capital. The loan purpose was to stock up on custom glass inventory to be used in the business' high season which runs from January to October. Seen in the picture is Mr. Arturo Dominguez (center), William Mateo of OUR Microlending (right), and Garry Thomas, program administrator (left).



Mi Columbia Linda USA, Inc., Hollywood, Florida

Mi Columbia Linda USA, Inc. imports and distributes Colombian handmade crafts. In January of 2015, Our Microlending, LLC provided a loan for business owner, Mrs. Nubia Cardenas, who used the \$9,000 working line of credit to stock inventory for the holiday season. In the photo are Mrs. Nubia Cardena (left) and William Mateo of OUR Microlending (right).



ATTACHMENTS

Exhibit A: Enterprise Florida, Inc. Annual Report

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