

## **Idea Name: Micro Loan Program for Entrepreneurs**

**Organization:** Small Business Centre

**Description:** Micro loans for small business - up to \$15,000.

The program would be targeted to start-ups, and eventually expanded to include early growth businesses. The typical applicant would be an individual that has been laid off or suffered from repeat unemployment and hence, obtaining even a small personal line of credit from a financial institution is a challenge. These individuals may have been creditworthy candidates up to their unemployment, but without proof of employment they cannot borrow.

It is important to note that such forms of micro lending exist outside the City limits. For years, Community Future Development Corporations have been filling this gap in the rural surroundings. Largely a federal initiative, those residing in urban centres do not qualify. This puts Londoners at a distinct disadvantage. The Small Business Centre (SBC) already delivers a number of successful programs designed to offer self-employment as a viable option to the unemployed. The businesses launched are small with the primary goal of employing the owner. Although they are not initially hiring, they are creating jobs for themselves. The added value is that some will eventually grow to employ others. The clients that the SBC has helped to pursue self-employment have a strong success rate, but this could be improved if there were access to start up funds.

The program would be delivered in partnership with a financial institution and the City funding would be to guarantee 80% of the loan, with a smaller percentage to cover administration costs. The more successful the repayment ratio is, the more the money can be leveraged. The interest rate would be comparable to unsecured lines of credit. The maximum amount that would be lent to an individual would be \$15,000 with the average being about \$10,000.

A \$150,000 grant from the City could be leveraged to serve 6-8 individuals each year over 3 years. A total of 18-24 people would be afforded the opportunity to create their own jobs. If 20% of these people grow to employ 1-2 people, the total number of jobs created would be in the vicinity of 30. Once proven successful, this initiative is scalable.

**Status:** The SBC is the local delivery agent for the Canadian Youth Business Foundation, a program that provides loans of up to \$15,000 for youth under the age of 34. The loans are administered by CYBF in Toronto, and the SBC handles the local client preparation and coaching; loan review panel recruitment; and vetting of loan applications. Over the past four years we have helped to facilitate over \$400,000 in loans from this program.

Recently the SBC has partnered with United Way, Goodwill Industries and LIBRO to deliver a micro loan program of \$5,000. Based on the partners' mandates, the loan is restricted to youth and immigrants that are at the poverty line or below.

Since October 2011, 5 clients have successfully accessed the program. This is a three year pilot of United Way with Goodwill acting as the lead (It is in conjunction with an education savings program).

The United Way micro loan is mandate driven with the intention of addressing poverty. Due to the additional challenges that those at the poverty level are faced with, self-employment is still beyond the reach of many. It is anticipated that the demand for the proposed program will actually be greater because it targets the struggling middleclass; those who have lost a source of household income that is affecting their ability to pursue regular channels for credit, but are not at the point where choosing between food and re-investing revenues in a business will be an issue.

The loan program being proposed would be a separate program from those identified above, but the lessons learned and tools created would be transferrable. It is anticipated that cost efficiencies can be gained by using the current volunteer base of business professionals for the loan review process.

### **Partners:**

The SBC would be the lead on this project and would leverage its current support services for entrepreneurs with minimal incremental administration costs. The SBC would market the program; provide coaching and mentoring; and recruit a volunteer panel to vet applications. A financial/bank partner would be sought to help leverage the funds and handle administration of the loans. The SBC has strong relationships with a number of banks and we are confident that we will find an eager partner.

**Cost:** \$200,000 plus in-kind

**Funding Requested from City (\$) if any:** \$150,000

**Will this idea move forward without City of London funding?** Eventually, on a smaller scale.

**Will your idea create jobs?** Yes

**How many jobs will be created?** 21-50

**Full or Part-time:** Full-time (32hrs/wk+)

**Permanent or Temporary:** Permanent

**Job Level:** Mid-level

**Job Salary:** Salary of \$40,000-\$60,000 (\$20-\$30/hr)

**What sector(s) will this create job(s) in?** Other

**Is there anything else you can tell us about how your idea will create jobs?** Self generated jobs through self-employment

**Will this idea leverage investment from others? What kind? How much?**

Yes, the program needs a financial institution as a strategic partner. Their cash outlay will be equivalent to the City funds (\$150,000), although their risk would be less.

**Will this idea stimulate spin-off benefits? What type? How? When? Where?**

Potential to add to the diversity of our community by focusing on micro enterprises, many of which have an arts, entertainment, or cultural aspect to them.

**Will this idea build new or existing partnerships? How?**

Yes, it will leverage existing small business support services, providing would-be entrepreneurs the best possible chance for success

**Will this idea benefit emerging or established industry sectors? How?**

It has the potential to benefit all industry sectors depending on the creativity and talent that the participants bring to the table. The program is about giving people an alternative to traditional employment. Not everyone is suitable for self employment, but those who are have the ability to contribute to their chosen industry sector.

**Will this idea fuel transformative change in London's economy? If so, how?**

The initiative will foster entrepreneurship, help to create a "can do" attitude and put emphasis on the importance of "hire 1" and the impact that creating one job at a time can have if it is done collectively and celebrated.

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