



Thanesia Howard, Good Juice

Capital Access

Detroit, Hamtramck, Highland Park

Published by The Eckblad Group and NEI

theeckbladgroup.com

neweconomyinitiative.org

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ACKNOWLEDGEMENTS

This report has been made possible by the bankers, CDFI practitioners, nonprofit and industry leaders and researchers who generously gave their time and expertise to be interviewed for this report. A complete list of those interviewed can be found in the appendix.

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EXECUTIVE SUMMARY

Timea Meiko Krishok, Guerilla Food

Founded in 2007 as a special project of the Community Foundation for Southeast Michigan, the New Economy Initiative is working to help Detroit once again be a global economic leader. NEI is a philanthropic collaboration that is building a network of inclusive support for entrepreneurs across southeast Michigan to diversify and strengthen the region's economy. NEI recognizes that changing the region's economic culture means not only encouraging innovation and entrepreneurship in local businesses, institutions and individuals, but also providing the support to help make that happen. NEI makes grants to organizations that support access to or acceleration of ideas, tools, talents, places or money.

Jointly funded by JPMorgan Chase Bank and NEI, this report is the latest in a series of projects NEI has led to examine and build the landscape of support available for entrepreneurs, particularly those who are underserved. Other NEI projects in this space include a Loan Readiness Checklist for entrepreneurs considering debt capital to start or grow their business and a training series for business support organizations to help technical assistance staff build skills in teaching the fundamentals of cash flow to entrepreneurs.

This report examines the array of capital available to new and existing underserved small business owners in Detroit, Hamtramck and Highland Park in 2018. For this project, NEI enlisted the help of The Eckblad Group (TEG), a woman-owned consulting firm serving organizations that empower small businesses and entrepreneurs who are otherwise underserved, underbanked, or undervalued. TEG specializes in helping Community Development Financial Institutions (CDFIs), microfinance institutions, and economic development organizations fulfill their important missions. TEG Principal Barbara Eckblad has been working in Detroit since 2013 to build the capacity of the local CDFI community and support improved access by borrowers across the CDFI sector.

The research questions this report seeks to answer from the perspective of local capital providers are:

- What types of capital are available for new and existing small businesses in Detroit, Hamtramck and Highland Park, and what entities offer that capital?
- What challenges do underserved entrepreneurs face in gaining access to capital in those areas?
- What tools, strategies or approaches would be most helpful in addressing those challenges?

Interviews with capital providers indicate that there is a continuum of capital available for new and existing entrepreneurs with better access in metro Detroit than in Hamtramck or Highland Park. Perspectives on the adequacy of that capital continuum to meet local needs vary based on where the capital provider sits along

the continuum and the nature of that provider's target market, although many of those interviewed agree current resources are not sufficient to meet the complex, nuanced, and critical demand among underserved entrepreneurs. Most capital providers agree that the ability to access capital along any point on the continuum varies for underserved entrepreneurs. That variation, they say, depends on a variety of factors that include geography, sector, income, culture, language, and level of business acumen. Perspectives on specific tools, strategies and approaches to more effectively deliver capital to underserved entrepreneurs also vary among capital providers, but three key themes emerged from the interviews:

- 1 It is essential that local capital providers support an ecosystem approach to capital access that leverages collaboration over competition to ensure the right type of capital is available at the right time for an underserved entrepreneur.
- 2 Money alone will not address the resource needs of underserved entrepreneurs who need support building financial and small business management skills, navigating the capital ecosystem, and building trust in systems that were not originally built for them.
- 3 It is essential to address capital constraints at the macro level, not just at the organizational or neighborhood levels, to overcome structural issues and support long-term success of underserved entrepreneurs.

Resource needs for small business owners are often interrelated, complex, and nuanced. Solving for one area of need, such as capital, requires a view of the business and its owner holistically. For those who come from neighborhoods or communities that have historically lacked access to money, education, or networks of people who can serve as mentors, there are additional layers of awareness, trust, systems navigation, community-building and institutional bias that must be attended to in order to affect positive change. It is important to note that this report explores just one piece – financial capital – of the larger system of support.



METHODOLOGY

Alexandra Clark, Bon Bon Bon

As noted above, the research team collected primary data through one-on-one interviews. The team interviewed private- and social-sector financial institution leaders to explore perceptions of capital availability for entrepreneurs, particularly those who are underserved, along with outreach and marketing efforts to those entrepreneurs, access channels, market gaps, and both existing and potential partnerships to reach them. The interview protocol for capital providers can be found in the appendix. The research team also interviewed relevant community organizations, industry experts and researchers to gain insights into the local economy and entrepreneurial development community.

In addition, the team conducted a review of publicly available secondary research that focused on regional and local economic trends, local banking infrastructure, and capital access deployment data. A full listing of sources the team reviewed can be found in the appendix. Footnotes are included throughout this report to cite sources of referenced material or data.

The research team analyzed the qualitative interview data to identify themes and then cross-referenced those themes against secondary research sources to validate observations and isolate relevant data sources that could provide additional detail.

For the purposes of this report, the research team used the following definitions for key terms:

- **NEW OR STARTUP BUSINESS:** A business in operation for less than two years, per most traditional lending guidelines.
- **SMALL BUSINESS:** A business with fewer than 500 employees, per most federal guidelines.
- **MICRO BUSINESS:** A business with five employees or fewer, per the Association for Enterprise Opportunity's definition.
- **MICROLOANS:** Loans of \$50,000 or less made to an individual or business for the purpose of starting or expanding a business, per FIELD at The Aspen Institute's definition.
- **SMALL BUSINESS LOANS:** Loans from \$50,001 to \$2 million for business purposes.
- **ECONOMIC DEVELOPMENT LOANS:** Loans greater than \$2 million for business or commercial purposes.

The authors have noted where definitions in secondary sources differed from those above.



MARKET OVERVIEW

Jennifer Lyle, Lush Yummies Pie Co.

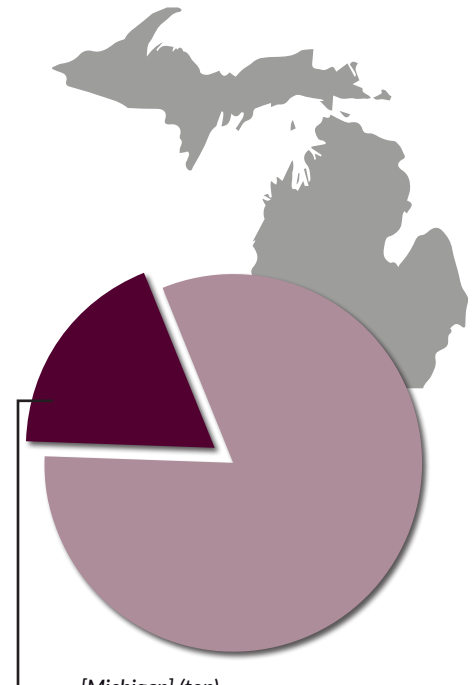
In Detroit and across the country, small businesses are an essential ingredient for economic development and neighborhood revitalization.

Michigan is currently home to 870,301 small businesses, which represent 99.6 percent of all businesses located in the state, according to the latest figures from the U.S. Small Business Administration. Of those, 158,892, or just over 18 percent, are minority-owned firms.¹

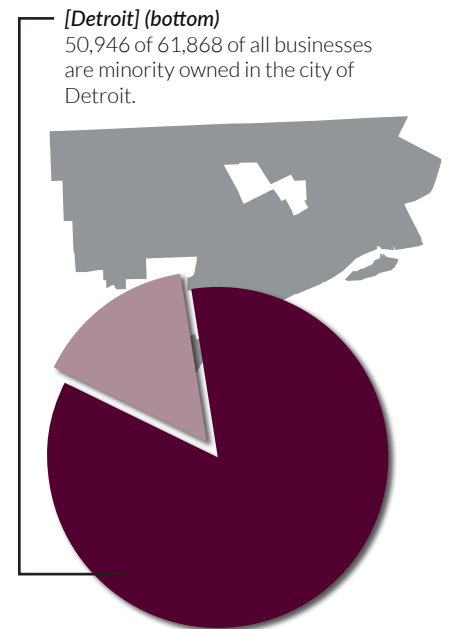
As Michigan's most populous city, Detroit is home to more than 672,800 people, covering 139 square miles, and 61,868 businesses, of which 82 percent or 50,946 are minority owned.² The median age of a Detroit resident is 34, and the city is a majority minority community – 79 percent of residents are Black, 7 percent are Hispanic. The median household income is \$28,099, which is about half of the statewide median of \$52,492.³

In Detroit and across the country, small businesses are an essential ingredient for economic development and neighborhood revitalization. For inner-city economic growth in particular, a supportive business environment that connects entrepreneurs to capital, networks, and contracting opportunities is a key driver.⁴ In the decade following The Great Recession, the small business landscape nationwide experienced a variety of challenges from the reduction of credit available from traditional financial institutions to reduced sales from customers' shrinking pocketbooks and the decline of entrepreneurs' net worth from reduced asset values.

Historically, Detroit benefitted from the significant presence of large industry, namely the auto industry, and did not place its bets on small business as a broad-based economic development strategy. Changes in the manufacturing sector broadly and the auto industry specifically brought about tectonic shifts in the size and structure of the Detroit economy, prompting a change in perspectives about economic development in recent years. The city fought a variety of challenges during the late 2000s, including population loss and job cuts that fueled high unemployment and low-income levels. However, research from the Federal Reserve shows business startups in the city of Detroit increased during the 2000s, and the total number of small businesses with revenues below \$1 million and no employees increased in both low- and moderate-income neighborhoods as well as middle- and upper-income neighborhoods.⁵



[Michigan] (top)
158,892 of 870,301 small businesses are minority owned in the state of Michigan.



[Detroit] (bottom)
50,946 of 61,868 of all businesses are minority owned in the city of Detroit.

¹ 2018 Small Business Profile, Michigan. U.S. Small Business Administration Office of Advocacy. Downloaded July 18, 2018, from <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-MI.pdf>.

² U.S. Census Bureau QuickFacts, Detroit, Michigan. Downloaded August 1, 2018, from <https://www.census.gov/quickfacts/fact/table/detroitcitymichigan/PST045217>.

³ 2016 U.S. Census Bureau Annual Community Survey. Downloaded July 23, 2018, from <https://censusreporter.org/profiles/16000US2622000-detroit-mi/>.

⁴ "Revitalizing Inner Cities: Connecting Research and Practice," Newberger, R., Toussaint-Comeau, M. Chicago Fed Letter, No. 346, November 2015.

⁵ "Bank Infrastructure and Small Business Funding in Low- and Moderate-income Neighborhoods in Detroit," Toussaint-Comeau, M. and Newberger, R. Federal Reserve Bank of Chicago Community Development and Policy Studies, 2014. Reserve Bank of Chicago.

The creation of NEI is one example of the many ways that local public, private and social-sector organizations are putting focus and resources into building a more diverse, locally driven economy with small business as a centerpiece. The priority on small business development has also been a critical input in Detroit's place-based efforts to redevelop low- to moderate-income neighborhoods.⁶

The question for local leaders across all sectors is whether Detroit has all that it needs to build an inclusive small business-based economy for the future? By one estimate, there are thousands of programs in the area that provide legal, financial, managerial and marketing expertise for small business owners along with traditional and nontraditional financing sources.⁷ Even so, business owners cite a greater need for human and financial resources to start or grow their businesses and place great importance on the benefits of knowledge related to capital access.⁸

As mentioned earlier, resource needs for small business owners are often interrelated, complex, and nuanced. Solving for one area of need, such as capital, requires a view of the business and its owner holistically. For those who come from neighborhoods or communities that have historically lacked access to money, education, or networks of people who can serve as mentors, there are additional layers of awareness, trust, systems navigation, community-building and institutional bias that must be addressed.



⁶“Financial and Small Business Funding in Low- and Moderate-income Neighborhoods in Detroit,” Toussaint-Comeau, M. and Newberger, R. Community Development and Policy Studies, Federal Reserve Bank of Chicago, 2014.

⁷“Resource Utilization among Black Small Business Owners in Detroit: Results from a Questionnaire,” Toussaint-Comeau, M. and Newberger, R. ProfitWise News and Views, Special Edition 2014. Community Development and Policy Studies Division, Federal Reserve Bank of Chicago.

⁸“Resource Utilization among Black Small Business Owners in Detroit: Results from a Questionnaire.”



CAPITAL ACCESS

Rezaul Karim, Everyday Super Discounts

Detroit's Traditional Lending Environment

Small business growth relies on access to markets and resources of all types, including capital. Among small businesses owners nationwide, 68 percent had outstanding debt in 2017, and 87 percent of small business owners relied on the owners' personal credit score to obtain financing.⁹

The Great Recession and the collapse of the auto industry brought about significant economic changes in Detroit that impacted the city's capital infrastructure. The historical base of small businesses tied to the auto industry began closing their doors. Most of the local community banks – traditionally seen as strong supporters of local business in low- to moderate-income communities – went out of business or were acquired by large banks. The banks that remained were largely headquartered outside the Detroit area and shuttered bank branches.¹¹ Research by the Federal Reserve Bank of Chicago shows the number of bank branches in Detroit fell by 23 percent from 139 branches in 1994 to 107 by 2010. Small bank branches dropped off most significantly, falling by 61 percent between 1994 and 2010, and branches of large banks decreased by 19 percent over the same period.¹²

Federal Reserve research shows the presence of bank branches in a neighborhood plays a role in the ability of that institution to collect informal information that can improve the ability to lend and contribute to more favorable credit terms.¹³ It also lowers the cost of capital allocation and helps improve lenders' ability to lend. This is pronounced in low-income neighborhoods and communities where lack of access and information could make credit much more expensive. Low- to moderate-income neighborhoods and Black neighborhoods in the city of Detroit remain relatively underbanked compared to other urban metro areas in surrounding counties.¹⁴

These changes are significant for small businesses considering Federal Reserve survey results that show the location of a bank's branches is the single most important factor influencing customers' choice of bank, particularly in areas with lower incomes. "Closer distance facilitates more frequent interactions and relationship banking," according to one Federal Reserve study.¹⁵ Important to note, as economic conditions are slowly beginning to turn around, bank branches have not returned.

Like the rest of the nation, Detroit saw a steep decline in lending in the wake of The Great Recession. Research by the Woodstock Institute showed a 60 percent drop in the number of loans made by banks to small firms from 2008 to 2010 in Detroit that were reported under the Community Reinvestment Act. It was not until 2015 that loan volume returned to 2008 levels in the metro area.¹⁶

The Great Recession and the collapse of the auto industry brought about significant economic changes in Detroit that impacted the city's capital infrastructure.

⁹ 2017 Small Business Credit Survey: Report on Employer Firms. Downloaded July 18, 2018, from <https://www.newyorkfed.org/smallbusiness/small-business-credit-survey-2017>.

¹⁰ "Bank Infrastructure and Small Business Funding in Low- and Moderate-income Neighborhoods in Detroit."

¹¹ "Bank Infrastructure and Small Business Funding in Low- and Moderate-income Neighborhoods in Detroit."

¹² "Bank Infrastructure and Small Business Funding in Low- and Moderate-income Neighborhoods in Detroit."

¹³ "Bank Infrastructure and Small Business Funding in Low- and Moderate-income Neighborhoods in Detroit."

¹⁴ "Bank Infrastructure and Small Business Funding in Low- and Moderate-income Neighborhoods in Detroit."

¹⁵ "Bank Infrastructure and Small Business Funding in Low- and Moderate-income Neighborhoods in Detroit," Page 19.



Bethany Shorb, Cyberoptix

New Players Enter the Scene

Alternative pathways to access financial products have emerged as part of the new economic landscape. Online lenders have developed credit products that are available in as little as 24 hours with the click of a button. Small business owners in Detroit and nationwide are turning to these lenders to support credit gaps. Online lending applications increased nationwide in 2017 from the year before, now accounting for nearly a quarter of all small business loan applications, according to the Federal Reserve's 2017 Small Business Credit Survey. The speed of loan decisions and lack of collateral requirements attract entrepreneurs to these sources, but applicants to online lenders remain the least satisfied among small business applicants for all types of lenders.¹⁷ Local capital providers who serve underserved entrepreneurs expressed concern about the proliferation of what they characterize as predatory online options. The loans are often more expensive and, in some cases, lenders will "stack" loans, meaning they approve a loan or cash advance account on top of a loan or advance already in place with similar features and repayment terms. In other cases, the online lender will offer a high-cost merchant cash advance product, which is a type of financing that involves the sale of future receivables by a business at a discount to the merchant cash advance company. Leaders in Detroit's nonprofit capital community say predatory merchant cash advance products stifle cash flow through daily auto debits from an entrepreneur's bank account and can ultimately shutter a business.

Scott Stewart, CEO of the Innovative Lending Platform Association (ILPA), said that while there are bad actors in the online lending world, his organization and its members are working to ensure small business owners can access the credit they need at reasonable, transparent rates. The ILPA is a trade organization representing a group of online lending and service companies serving small businesses, primarily offering small term loans and lines of credit. Members include Breakout Capital, Lendio, Kabbage, OnDeck, and The Business Backer. "Rural communities and inner cities where bank branches have closed are places where access to capital has become a significant challenge. That's where our members can offer access just through an internet connection," he said. "In fact, according to a recent study by NDP Analytics, a third of all dollars lent to small businesses from

online lenders between 2015 and 2017 went to below-median-income zip codes, an impressive commitment to financial inclusion.” ILPA members do not engage in loan stacking, and the organization teamed up with the Association for Enterprise Opportunity to create a pricing disclosure model to help small businesses more fully understand and assess their small business finance options. SMART Box™ stands for “Straightforward Metrics Around Rate and Total Cost” and displays total cost of capital, APR, monthly cost, cents on a dollar and any prepayment penalties along with metric explanations.¹⁸

Personal Sources of Capital for Business Owners

Small businesses owners who weathered the economic storms of The Great Recession and its aftermath found ways to survive on tighter cash flow through bartering with fellow business owners and borrowing money from friends, family and neighborhood sources. Some small business owners could access personal sources of capital. However, low-income entrepreneurs have limited ability to either rely on personal sources to fund a startup or use retained earnings to support an existing business.

A study of the financial health of Detroit residents by the Urban Institute reflects that many local households are struggling to balance financial resilience and security in the short term with the ability to plan and seize financial opportunities in the long term. As compared with 11 other Rust Belt cities and the United States as a whole, Detroit residents are less likely to have credit cards, other revolving credit, an auto loan or a mortgage, and those with credit cards had lower limits and their usage rate was higher.¹⁹ Moreover, a mere 19 percent of Detroit residents have overall healthy credit, and two-thirds of residents have debt in collections as compared to 31 percent in the surrounding metropolitan statistical area and 42 percent of other Rust Belt cities.²⁰ Personal financial health challenges impact business owners who often must rely on their credit score and the ability to provide a personal guarantee for a business loan. The economic realities across Detroit create a substantial headwind that underserved entrepreneurs must battle in their search for financial products and services to start or grow a business.

¹⁶ “Patterns of Disparity: Small Business Lending in Detroit and Richmond Regions.” Woodstock Institute, August 2017. Downloaded July 18, 2018, from <https://www.woodstockinst.org/research/reports/patterns-of-disparity-small-business-lending-in-the-detroit-and-richmond-regions/>.

¹⁷ 2017 Small Business Credit Survey, downloaded July 18, 2018, from <https://www.newyorkfed.org/smallbusiness/small-business-credit-survey-2017/>.

¹⁸ Website, downloaded August 1, 2018, from <http://innovativelending.org/smart-box/>.

¹⁹ “The Financial Health of Detroit Residents,” Elliott, D. et al. The Urban Institute, October 2016.

²⁰ “The Financial Health of Detroit Residents.”



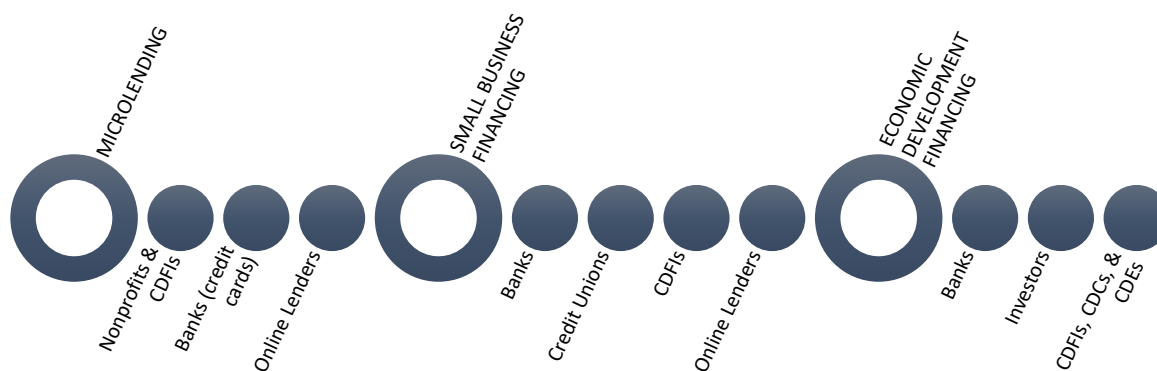
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THE CAPITAL CONTINUUM

Local capital providers say a continuum of capital is available for entrepreneurs, both new and existing, although perspectives on the sufficiency of that capital continuum to meet the needs of underserved entrepreneurs varies among the providers. All capital providers interviewed for this report serve metro Detroit and most also serve Hamtramck, but not all serve Highland Park.

On one end of the capital spectrum are borrowers who may be new to credit or have so-called “lifestyle” businesses, which are intended to provide income for the owner or a household. These entrepreneurs are looking to finance a new business or fund business growth with small amounts of capital through products such as microloans or secured credit cards. On the other end are borrowers looking to finance larger or more mature businesses with complex capital needs that may include secured small business loans, commercial real estate transactions, or equity investment.



In the figure above, microlending refers to loans for business purposes of up to \$50,000; small business financing is \$50,001 to \$2 million; and, economic development financing refers to large development projects. Community Development Corporations (CDCs) are 501(c)(3) nonprofit organizations that are created to support and revitalize communities, especially those that are impoverished or struggling, and often work in affordable housing development. Community Development Entities (CDEs) are an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities. They receive New Markets Tax Credits (NMTC) allocations, which, in turn, are sold to investors. The proceeds from the sale are loaned to companies and nonprofits that qualify for the financing under the federal NMTC program.

The appendix includes a snapshot of capital providers that, while not exhaustive, reflects the range and diversity of funding sources available across this continuum.



In Their Own Words

There are varying perspectives among capital providers on the adequacy and sufficiency of the capital continuum. The view of that continuum can vary depending on what markets the provider serves and the type of products and services the provider offers. The following provides a snapshot of those varied and, in some cases, conflicting perspectives.

There is a lot of money in the market, but small business owners who don't have a strong healthy company will have trouble getting access to capital.

There is the sense that there is not access to capital for various groups.

We see entrepreneurs are still struggling, and there are a lot of reasons for that. Our CDFIs are stretched thin, and people say the process takes a long time.

The demise of community banking is a problem.

Banks in Detroit are making loans now that benefit people who previously did not have access to credit. Race is not a factor.

There is enough capital for tech-based businesses; however, the decision-makers remain disproportionately white, which puts people of color at a disadvantage. Institutional discrimination and racism persist. Low- to moderate-income borrowers are at a disadvantage to get a small business loan given limited liquidity and equity.

The immigrant and refugee communities are truly underserved by capital providers.

Online lending is increasing, and small companies are vulnerable to predatory players in that space.

Emerging Entrepreneurs

Detroit-area nonprofit lenders and Community Development Financial Institutions (CDFIs) are critical sources of capital for entrepreneurs along the continuum, particularly for those who are new to credit or in search of smaller amounts of capital. These organizations pair microlending for startups and existing businesses with support services to help entrepreneurs succeed. For example, microloans of \$1,000 or less can help entrepreneurs establish credit, learn credit management skills and serve as a stepping stone to larger amounts of credit. This supportive credit experience is important for underserved entrepreneurs who may lack credit history, have blemished credit, or have limited financial management experience. It is particularly important for low-income entrepreneurs and entrepreneurs of color who lack access to financial institutions in their neighborhoods and generally have lower participation rates in the financial services ecosystem. For immigrants and refugees who are new to the U.S. credit and financial systems, emerging and established CDFIs are essential to support navigating systems, laws, language and culture.

Microloan Example: ProsperUS
Startups \$5,000 - \$15,000
Existing businesses \$5,000 - \$25,000
Term: 1 to 5 Years
Interest Rate: 7%

The need at this end of the capital continuum is for greater microlending resources to meet demand. At present, two organizations – ProsperUS and Michigan Women Forward – are the primary microloan providers for entrepreneurs in the Detroit area, but the current capacity and reach of these organizations is limited. Michigan Women Forward offers microloans between \$2,500 and \$50,000 and disbursed 17 loans in Detroit in 2017. ProsperUS offers microloans starting at \$5,000 that go

The need at this end of the capital continuum is for greater microlending resources to meet demand.



55 percent of loans from the SBA Microloan Program went to businesses majority-owned by women.



71 percent of loans from the SBA Microloan Program went to business owners who identified as a minority.

NEIdeas has granted \$1.9 million in cash awards to 118 existing businesses in Detroit, Hamtramck, and Highland Park since 2014.

up to \$15,000 for startups and \$25,000 for existing businesses. The organization disbursed 17 loans to Detroit-area entrepreneurs in 2017. In addition, Opportunity Resource Fund, a state-wide CDFI and CEED Lending, an SBA microlender located in Livonia, each offer microloans but have been less active in the Detroit area. Dan Carmody, the president of Eastern Market, cites a current pool of about 350 food businesses in Detroit he says need capital and coaching. Local funders teamed up with the Detroit Community Loan Fund (DCLF) to create the BizLoan Fund as a strategy to help fill the microloan supply gap, providing loans from \$5,000 to \$40,000 and technical assistance for Detroit neighborhood-based entrepreneurs and small businesses who have been historically excluded from traditional capital sources and business development opportunities.²¹ DCLF is a joint initiative of Detroit Development Fund and Invest Detroit.

The U.S. Small Business Administration Microloan Program provides direct loans and grants to eligible nonprofit microlenders who use the funds to make microloans and fund business-based training and technical assistance to new or existing small businesses. Detroit program statistics from the SBA's Microenterprise Development Division show an overall decline in microloans provided over the past five years from a peak in fiscal year 2013 of 12 loans disbursed for \$223,734 to fiscal year 2017 when no loans were disbursed through the program. From October 1, 2012, through April 30, 2018, nonprofit lenders disbursed a total of 31 loans for \$638,114 through the Microloan Program to Detroit-area small businesses. Of the 31 loans disbursed, 55 percent went to businesses owned 51 percent or more by women, and 71 percent went to business owners who identified as a minority.²²

Among banks, CIBC U.S. offers uniquely targeted products for small and emerging entrepreneurs. The Entrepreneurial Loan Program offers financing for startup and early-stage businesses. Startups that have graduated from one of the bank's partner programs, have a minimum credit score of 600 and a business plan can qualify for loans or lines of credit from \$1,000 to \$10,000. Early-stage businesses with at least one year of operating history can qualify for \$1,000 to \$30,000. The EasyPath Step Loan of \$500 to \$10,000 allows emerging entrepreneurs to build credit history and has no minimum credit score or cash flow requirements. The loan proceeds are placed into an interest-bearing certificate of deposit, and, upon payoff, the borrower receives the CD plus interest. CIBC does not charge fees on any of these products.

Credit card products are among the most prolific options offered by banks for smaller or newer businesses. These products often require a minimum credit score and may involve income qualification, which could put these options out of the reach of low-income entrepreneurs or underserved entrepreneurs who lack

²¹ Website, downloaded August 8, 2018, from <https://www.detroitcommunityloanfund.com/bizloan-fund/>.

²² Upham, Daniel. U.S. Small Business Administration Microenterprise Development Division. "Access-to-capital Data from the Microloan and CA Programs." Received by Leslie Hoffman, June 5, 2018. Email Interview.

sufficient credit history. PNC Bank offers a secured credit card product for as low as \$200, which could help an entrepreneur build credit history if the entrepreneur has access to the cash needed for the security deposit.

For emerging entrepreneurs, Detroit-area credit unions largely offer consumer products that can be used to supplement an entrepreneur's total credit needs. What are called "member business loans" have traditionally been a smaller part of credit unions' financial services, though this is beginning to change nationally.

Online Loan Example: Lendio
Startup loans starting at \$500
Term: Varies
Interest Rate: Up to 17%

The online lending marketplace has introduced access to a range of micro and small business loan products for Detroit businesses, from small-dollar loans and lines of credit to merchant cash advance lending. Nationally, ILPA data show the dollar amount of online loans to small businesses increased 50 percent from \$2.6 billion in 2015 to \$3.9 billion in 2017. Of the total online lending in the ILPA study from 2015 to 2017, 24 percent of borrowers were businesses with less than \$100,000 in annual sales and two-thirds had less than in \$500,000 in annual sales. In December 2017, ILPA member Lendio announced the opening of a new Detroit-based franchise to help local businesses in the community apply for loans, review their options and secure funding.²⁴

The Hatch Detroit Contest and the NEIdeas small business challenge are examples of business plan contests working to address a key access issue for Detroit small businesses at the nascent end of the capital continuum. These small businesses have numerous hurdles to accessing debt, including adequate equity to secure a loan. Hatch Detroit is a retail competition that awards a \$50,000 grant for the creation of a brick-and-mortar storefront in Detroit, Highland Park or Hamtramck. The contest aims to "invest in businesses that will revitalize commercial retail strips, activate vacant spaces and spur further investment into the community," according to its website.²⁵ NEIdeas awards \$10,000 in grant funds to winners and makes two major grant awards of \$100,000. Many business owners of color and women owners lack a source of equity, such as friends and family, that would enable them to obtain a loan from any source. The funds from the NEIdeas competition can serve as a critical equity injection for underserved entrepreneurs. NEIdeas has granted \$1.9 million in cash awards to 118 existing businesses in Detroit, Hamtramck, and Highland Park since 2014.²⁶

²³ "The Economic Benefits of Online Lending to the Small Businesses and the U.S. Economy," Pham, N, et al. NDP Analytics, May 2018.

²⁴ "Lendio Announces New Franchise in Detroit," Hurst, S. Crowdfund Insider, December 15, 2017. Downloaded July 23, 2018, from <https://www.crowdfundinsider.com/2017/12/125941-lendio-announces-new-franchise-detroit/>.

²⁵ Website, downloaded August 8, 2018, from <http://hatchdetroit.com/about-the-contest/>.

²⁶ Website, downloaded July 30, 2018, from <https://neideasdetroit.org/announcing-the-finalists-of-the-2018-neideas-small-business-challenge/>.

Established Entrepreneurs

Bank Lending Examples: Bank of America

SBA Term Loan, Existing Business

\$10,000 - \$3 million

Terms: Up to 10 years

Rate: Varies, can be fixed or variable

Line of Credit, Existing Business

\$10,000 - \$1 million

Term: One year, subject to annual renewal

Rate: Variable

At the other end of the spectrum are businesses with larger or more complex capital needs. These businesses have options, depending on the nature of the financing need. Banks serving the Detroit area offer a variety of small business loan products, but entrepreneurs must meet credit, cash flow and collateral requirements, which can put underserved entrepreneurs at a disadvantage if their credit scores or personal balance sheets have suffered in the wake of Detroit's economic challenges.

The SBA's 7(a) Program offers an important snapshot of bank lending to small businesses that may not fully fit the requirements of a traditional lender. The SBA provides 7(a) loan guarantees to lenders for loans to small businesses unable to qualify for a conventional bank loan. However, borrowers must still meet credit quality, income, equity investment and collateral standards of the program and the requirements of the lender. The 7(a) Program offers flexibility, longer terms and lower equity investment compared to traditional bank loans, and there are specialized programs that target people located in underserved communities and small businesses owners looking to meet short-term and working capital needs.²⁷ Data for 7(a) lending from 2010 through early 2018 show uneven lending activity across Detroit, Hamtramck and Highland Park. In Detroit, the lowest level of lending activity came in fiscal year 2011 with just over \$14 million in lending activity and peaked in fiscal year 2013 at nearly \$26.9 million. Both Hamtramck and Highland Park have seen relatively little 7(a) lending activity by comparison. Hamtramck activity peaked at \$3.7 million in fiscal year 2013 and cratered by fiscal year 2017 with just \$36,800 in lending activity. Meanwhile, Highland Park reported no 7(a) activity in 2011, then peaked in 2017 with \$3.7 million.^{28/29} The SBA launched the Community Advantage program in 2011 to expand access to capital in underserved communities by providing mission-based lenders access to the 7(a) loan guarantee for up to 85% on loans up to \$250,000.

²⁷ Website, downloaded August 11, 2018, from <https://www.sba.gov/blogs/sbas-7a-loan-program-explained>.

²⁸ "2010 – Present SBA 7(a) Loan Data," downloaded August 8, 2018, from <https://www.sba.gov/about-sba/sba-performance/open-government/foia/frequently-requested-records/sba-7a-504-loan-data-reports>.

²⁹ "Developing Small Businesses and Leveraging Resources in Detroit: An Informed Discussion among Financial Institutions, Policymakers and Other Stakeholders in Detroit," Newberger, R. and Toussaint-Comeau, M. ProfitWise News and Views, April 2013.

Small business development in Detroit is seen through a lens of creating density in neighborhoods across the city.

Credit unions offer some financing options for established entrepreneurs. At a statewide level, the Federal Reserve noted in 2012 that Michigan credit unions provided small businesses with more than \$1 billion in business loans in recent years. Credit unions also turned to outreach programs, such as CU Lunch Local, that encouraged credit unions to patronize local businesses while promoting their presence in the small business credit market.²⁹ Gary H. Seifert, vice president for Commercial Business Development at Diversified Members Credit Union in Detroit, said he is willing to consider loan requests starting at \$50,000 for existing businesses, although loans of that size are infrequent in his pipeline of requests that average \$1 million. Borrowers must qualify along credit score, income, collateral and equity requirements.

Nonprofit Lender Loan Examples: Detroit Development Fund

Entrepreneur of Color Program

\$50,000 - \$150,000 term loan

Term: Up to seven years

Rate: 7 to 8%

Small Business Loan

\$50,000 - \$250,000 term loan

Term: Up to 7 years

Rate: 7 to 8%

Detroit's nonprofit and CDFI lending options offer some flexibility in lending standards but, like banks, require equity or collateral and a personal guarantee from the borrower. The two primary organizations in this space are Detroit Development Fund (DDF) and Invest Detroit. DDF products include small business loans of up to \$150,000 for businesses with at least one year of history. For firms with less than a year of history, DDF has offered lines of credit to fund a specific project. Invest Detroit offers up to \$500,000 for startup businesses and up to \$750,000 for existing businesses. In both cases, the organizations require personal guarantees, collateral to secure the loan, and borrowers must meet financial capacity requirements.

Real estate-based lending options are also important for larger or more mature businesses. A key issue in Detroit is the volume of empty commercial space and blighted residential and commercial buildings. Small business development in Detroit is seen through a lens of creating density in neighborhoods across the city. Business assistance programs are taking on a commercial real estate focus aimed at helping entrepreneurs revitalize neighborhoods. For example, Detroit Economic Growth Corporation (DEGC) works across the development spectrum, from administering tax incentives and running large development projects to its work helping to connect dots among entrepreneurs, property owners and resource partners. DEGC's Motor City Match is a centerpiece of this work, connecting

²⁹ "Developing Small Businesses and Leveraging Resources in Detroit: An Informed Discussion among Financial Institutions, Policymakers and Other Stakeholders in Detroit," Newberger, R. and Toussaint-Comeau, M. ProfitWise News and Views, April 2013.



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new and expanding businesses with quality real-estate opportunities along with competitive grants, loans and counseling to support both building owners and business owners. The program is the result of a partnership among DEGC, the City of Detroit, U.S. Department of Housing and Urban Development (HUD), and Southeast Michigan financial institutions, foundations and corporations.

Banks and credit unions offer financing for owner-occupied commercial real estate development, but underserved entrepreneurs are rarely the target borrowers and startups are not likely to qualify. Nonprofit lenders are working to help fill the gap for those who may fall outside of traditional lending standards. Detroit Local Initiatives Support Corporation (LISC) has an economic development focus with owner-occupied real estate financing that helps boost the health of neighborhoods and stimulates employment. LISC Director of Lending and Portfolio Management Anthony Batiste said he is willing to help property owners build out commercial spaces for startup businesses, especially in corridors or neighborhoods where there is strong new-business activity.

Detroit Development Fund will consider owner-occupied small business applicants for up to \$250,000 and partners with organizations such as LISC and Invest Detroit to provide a combination of real estate and commercial financing for qualified projects. Liberty Bank and Trust, a CDFI bank, offers a variety of real estate-based products, from healthcare facility financing to small multi-family unit construction for small contractors.

Equity investment is an option for businesses at the larger end of the capital spectrum, but equity investors are often looking for businesses with high-

growth potential, strong margins and a scalable market. That makes businesses in technology, healthcare, and science attractive targets. Retail and service businesses are not the target market for these investors.. Creative alternatives that borrow from the investment world are emerging in Detroit to serve a more diverse community of small businesses.

Invest Detroit has a venture capital subsidiary – Invest Detroit Ventures – that offers targeted venture development programs for scalable businesses and is inclusive of minority, immigrant, and women-led ventures. In addition, the organization builds partnerships, offers entrepreneurial support services that fill market gaps, connects entrepreneurs with existing regional support infrastructure, and promotes entrepreneurship.³⁰ Ann Arbor native Chris Blauvelt’s crowdfunding website Patronicity, and other Michigan cities focuses on raising funds for local projects in Detroit and other cities. The Michigan Economic Development Corporation is partnering with Patronicity to provide matching dollars to projects that qualify.³¹



Silverio and Juventina Lopez, Cabresto Imports



³⁰ Website, downloaded August 9, 2018, from <https://www.investdetroit.vc/venture-development>.

³¹ “Founders,” Southeast Michigan Start-up, <http://www.semichiganstartup.com/founders/chrisblauveltpatronicitylaunchgood.aspx>.



KEY TAKEAWAYS

Erika Boyd and Kirsten Ussery, Detroit Vegan Soul

An ongoing need within this ecosystem is matching the capital needs of clients with the right type of capital.

While perspectives vary among capital providers on specific tools, strategies, and approaches to more effectively deliver capital to underserved entrepreneurs, three themes emerged from the interviews. These themes not only shed light on the current capital landscape, but they also point to important future opportunities for improved capital readiness and access for underserved entrepreneurs.

Theme 1:

It is essential that local capital providers support an ecosystem approach to capital access that leverages collaboration over competition to ensure the right type of capital is available at the right time for underserved entrepreneurs

Detroit Development Fund Loan Officer Angelia Sharp says it best: “The whole ecosystem makes it happen.” Banks, nonprofit lenders, CDFIs, and business support organizations have joined together to form the local credit ecosystem to address ongoing capital gaps for Detroit-area entrepreneurs.

Comments from capital providers indicate both strength and room for improvement within the capital ecosystem:

The ecosystem is strong. There is a resurgence of interest and investment in Detroit. As strong as it is, it definitely has its silos. Some organizations are territorial about their clients.

I want people to get what they're looking for, so I'll refer them to resources that can help them if I can't.

CDFIs have a great deal of strength in the ecosystem in Detroit. Banks with capital would rather invest in CDFIs instead of doing the lending themselves.

While they have many options for capital access, business owners – and sometimes service providers – don't know what the best option is and how to access it. This is a major challenge for underserved entrepreneurs.

An ongoing need within this ecosystem is matching the capital needs of clients with the right type of capital and knowing which credit provider offers the most

appropriate financial product for a small business owner. Business support organizations are working to deepen the knowledge and skills of client-facing staff members. One tool is the Loan Readiness Checklist, which was developed through a collaborative effort sponsored by NEI's Neighborhood Business Initiative and Michigan Community Resources to address the challenges of aligning the work of business support organizations with the capital ecosystem. This assessment tool helps business service organizations evaluate small businesses with a checklist of basic criteria small businesses typically need to meet before capital providers will consider them for a loan. The information the business owner has documented in the checklist can help business support organizations make recommendations and referrals for capital and additional coaching or training. It also serves as a single point of documentation that reflects the various services the business owner has received, providing business owners with a record of the steps they have taken to prepare for a loan.

This approach is important considering low-income entrepreneurs are often not successful at accessing small business loans from banks. Between 2008 and 2015, the number of loans under \$100,000 reported under the Community Reinvestment Act by banks to businesses in Detroit plummeted by more than 44 percent and the dollar amount dropped by 32 percent, according to research by the Woodstock Institute. Businesses in low-income census tracts in Detroit received only 5 percent of CRA-reported bank loans under \$100,000 despite constituting 10 percent of the businesses in the region between 2012 and 2015. Businesses in predominantly minority census tracts received just 7.8 percent of CRA-reported bank loans of the same size over the same period despite representing 15.4 percent of businesses in the region.³³

Motor City Match is an example mentioned earlier of active facilitation approaches in the ecosystem. The program helps launch new, permanent businesses in Detroit's commercial corridors throughout the business startup and building renovation process. Now in its twelfth round, Motor City Match has touched a total of 1,150 small businesses, 80 percent of which are minority owned and 69 percent of which are woman owned, and 139 businesses have received \$6 million in grant funds. The program has also leveraged an additional \$33 million in debt and equity financing for businesses in its program.³⁴ Five nontraditional lenders participate in the selection committee for the quarterly competition to help determine the capital readiness of the businesses.

"There is a lot we do to collect financial information from these businesses and have our lenders review them, so that, by the time we select who gets a grant each quarter, it is heavily weighted by what projects they think they can fund,"

—Kyla Carlsen, DEGC's Small Business, Senior Operations and Finance Manager.

³³ "Patterns of Disparity: Small Business Lending in Detroit and Richmond Regions."

³⁴ Website, downloaded August 1, 2018, from <http://www.motorcitymatch.com>.

Theme 2:

Money alone will not address the resource needs of underserved entrepreneurs who need support building financial and small business management skills, navigating the capital ecosystem, and building trust in systems that were not originally built for them.

Capital providers agree that the formula for capital access is broader than dollars and cents. They highlight the importance of getting the word out about capital availability, helping underserved entrepreneurs build relationships with traditional financial institutions and CDFIs, and diagnosing, then supporting, skill building among those entrepreneurs.

All capital providers interviewed for this report shared perspectives around resource needs of underserved entrepreneurs that go beyond capital. Here is a sample of those comments:

It's about what kind of connections you have. If you have access to other business owners or groups, you're getting info fed to you through those sources.

We're focused on getting to people as soon as possible to help educate them about how to responsibly grow their business and let them know how we can help them. Some businesses think they're too small to work with [a bank], and that's not true. We help them all along the way. What we find is that there is always a way to help them.

The challenge is lack of awareness of opportunities to access capital. The community must increase awareness.

Wrap-around services that support the holistic needs of the entrepreneur are important.

Funding the one-on-one support needed for entrepreneurs is a struggle. More technical assistance is needed across the lending life cycle from pre-loan education to post-closing support and coaching.

So much of what we do is educational, explaining the difference between a traditional and nontraditional lender, and helping them understand that even if they've got a low credit score there is a good chance one of our nontraditional lenders can work with them.

Small business owners don't know how to be loan ready because they don't know the steps to become loan ready, and that's across all demographics, especially in communities of color.

Funding to support language and cultural competency is a challenge. It is hard to find people with a combination of expertise in small business and cultural and language competencies.

The best strategy is truth-telling and financial literacy.

Empathy and understanding are often not done by those trying to help.

Childcare and transportation are major challenges for emerging entrepreneurs to get the support and capital they need for their businesses.

Entrepreneurs don't know the resources that are available; that is the broadest challenge.

Communities of color have difficulty developing trust.

Capital providers who work closely with underserved entrepreneurs say that it is important to be invited into a neighborhood or cultural community. These providers say they spend time learning about the culture and language of a community. For organizations that want to provide training, these providers say it is important to find trainers from that community and culture, then monitor the effectiveness of the training approach.

ProsperUS, TechTown and Invest Detroit are among the organizations working across metro Detroit at the neighborhood level to identify needs among small business owners, but those efforts take time and resources. Capital providers point to a resource issue given the expense associated with these activities that do not have the kind of immediate financial returns generated from the interest and fees of financial services. Identifying consistent and long-term funding sources for this type of work is a central issue.

Theme 3:

It is essential to address capital constraints at the macro level, not just at the organizational or neighborhood levels, to overcome structural issues and support long-term success of underserved entrepreneurs.

To make a long-term impact, Detroit must also look at creative options to address structural, industry-based and cultural barriers. Capital providers offered ideas to support a stronger long-term capital market for underserved entrepreneurs.

- For example, smaller contractors often struggle to provide a strong guarantee to qualify for bank financing. Greater support is needed to help contractors, especially those from underserved communities, shore up their loan request.
- For commercial real estate development, a guarantee fund supported by local philanthropic sources could close the gap for smaller developers.
- Developing a network of expert volunteers who could help match entrepreneurs with the best financing resources that fit their needs could address the knowledge and networking gap.
- Additional grant or subsidy programs could assist low-income small business owners who do not qualify for debt financing given limited financial capacity.

An example is Capital Impact Partners' Equitable Development Initiative, which aims to enhance the capacity of minority real estate developers in Detroit by providing training and technical assistance. With support from JPMorgan Chase Bank, the goal of the initiative is to build wealth in Detroit, help small local developers scale up, retain local talent, and provide support to a local cohort to get participant projects to the financing stage within the next two years. The program's first cohort comprised of 28 developers is focused on mixed-use and multifamily development and will conclude in September 2018. Ultimately, Capital Impact Partners would like to have 30 to 40 percent of its Detroit portfolio comprised of projects led by Detroit developers.

Turning to sector-based models, the Michigan Good Food Fund (MGFF) provides financing to food enterprises working to increase access to affordable, healthy food in low-income and underserved communities in Michigan. According to the organization's website, funding solutions and business assistance is tailored to the needs of individual projects, which include a range of businesses that grow, process, distribute, and sell healthy food that reaches those who need it most. With \$30 million in available resources to support food projects statewide, MGFF evaluates food enterprises based on the strength of their business and their impact on healthy food access, job creation and economic development, racial and social equity, local sourcing, and environmental stewardship.³⁵

Two Detroit-based cluster-based organizations do not provide capital directly but are critical links in the capital ecosystem to connect entrepreneurs with capital. FoodLab is "a community of food entrepreneurs committed to making the possibility of good food in Detroit a sustainable reality" with a focus on designing, building, and maintaining systems to grow a diverse ecosystem of triple-bottom-line food businesses for Detroit.³⁶ Detroit's TechTown is one of several business accelerators in the region serving the technology and manufacturing sectors. President and CEO Ned Staebler said the business innovation hub connects startups and existing

³⁵ Website, downloaded August 8, 2018, <http://migoodfoodfund.org>.

³⁶ Website, downloaded August 15, 2018, <https://foodlabdetroit.com>.

businesses with training resources, experts from nearby universities, and funders. Important to note, TechTown serves entrepreneurs in Detroit's historically underserved neighborhoods through partnerships with community and economic development organizations.

More broadly, capital providers and business support organizations offered reflections and challenging questions about the structural and long-term needs of Detroit's capital market to better serve underserved entrepreneurs:

Detroit has seen early examples of how this strategy can work, but the work takes the form of a marathon, not a sprint.

Many of our entrepreneurs are lacking initial seed capital from family or friends.

Because minority borrowers' networks are often made up of fellow people of color who may have struggled to build assets, the borrower is facing the same problem as prior generations. How do we break the cycle?

Focused, disciplined catalytic development in a neighborhood creates more demand for small business loans.

There are only a few large developers in Detroit, and they should be encouraged to partner with developers of color.

In immigrant communities, people often pool resources, which is a model that could be replicated.

The security of knowing where the resources are coming from and how long they'll be there is important. We want to assure our clients that if they take their time and do things right that the resources are going to be there.



OPPORTUNITIES FOR FUTURE RESEARCH

Dijana Bucalo, Dijana Creative Sewing and Embroidery

This report provides a 2018 snapshot of the capital landscape for new and existing entrepreneurs across Detroit, Hamtramck and Highland Park and identifies issues and opportunities to more fully address the needs of underserved business owners. The research team identified the following areas for additional research that could prompt greater insights for further action.

- **Perfecting the secret sauce of capital matching:** The work to match underserved entrepreneurs with the right type of financial products and services at the right time is essential. Business support organizations are on the frontlines of this work as they field requests for coaching and guidance from prospective borrowers who need more than a check. The Loan Readiness Checklist is one tool that supports this effort. There is opportunity for expanded work to help capital providers and business support organizations deepen collaboration across the access to capital continuum so they may more effectively match the needs and qualifications of a potential borrower to the capital landscape.
- **Understanding the underserved entrepreneur's perspective:** This report cites the Federal Reserve Bank of Chicago Community Development and Policy Studies division's Detroit Small Business initiative attempts to document the perspectives of local entrepreneurs. The division distributed a questionnaire among members of local chambers of commerce to understand the issues involved with accessing business networks and local resources. Nearly 90 percent of the 55 local business owners who responded were black, 50 percent of the businesses were located in the city of Detroit, and more than half of the businesses had existed for fewer than five years. The Federal Reserve published results in 2014. The work revealed important insights about how and why business owners access networks. What has happened since 2014? Are there new or repeat themes in capital availability from the perspective of underserved entrepreneurs themselves that could be more fully explored?
- **Building capacity to support existing business owners:** DEGC's Kyla Carlsen put it this way: "I think we focus on the front end instead of the back end." Her comment underscores the need to ensure Detroit's entrepreneurial ecosystem offers just as much focus and support for existing businesses as it does for startups. Local capital providers and the resource partners that provide business support for prospective borrowers have developed critically important programs, partnerships and linkages to improve the capital landscape for new and emerging businesses. Neighborhood- and cluster-based economic development strategies help address commercial vacancies and provide pathways for startup entrepreneurs. What happens for businesses after they have received support or financing from the capital ecosystem – what

kind of follow-up support could make a difference? For example, Ms. Carlsen said she has cases where pro bono legal services could have made a difference for businesses after they received help to open their doors. In addition, what is available to support businesses owned by underserved entrepreneurs or that have operated in underserved communities for years? Additional research could dive more deeply into the challenges and opportunities faced by businesses after they have received support or services to open or that have kept their doors open across Detroit, Hamtramck and Highland Park.

- **Growing resources for microlending:** Capital providers agree that microlending is a critical component of the capital spectrum. It is also a costly endeavor. Nonprofit microlenders must subsidize their lending activity to offset the costs of technical assistance for borrowers that are not covered by the interest and fees they charge for their financial products and services. Further examination of funding streams and collaborative approaches to resource development for microlending activity can support this vital part of Detroit's capital ecosystem.
- **Studying immigrant and refugee entrepreneurs:** Capital providers agree there are not enough resources that focus on the unique and specific needs of these communities. Both traditional and nontraditional institutions report a lack of demand from and institutional readiness to serve refugee or immigrant entrepreneurs. From navigating the U.S. system of credit to overcoming basic language barriers when attempting to access resources, immigrant and refugee entrepreneurs are at a disadvantage. Small business ownership provides a proven vehicle to achieve economic self-sufficiency for immigrant and refugee residents in Detroit. Census figures show 37,506 immigrants call Detroit home while the Refugee Processing Center reports nearly 500 refugees living in Detroit.³⁷ Additional research is needed to understand the size, composition, and needs of these communities.



³⁷ Website, downloaded August 4, 2018, from http://ireports.wrapsnet.org/Interactive-Reporting/EnumType/Report?ItemPath=/rpt_WebArrivalsReports/MX%20-%20Arrivals%20by%20Destination%20and%20Nationality.

Detroit is a city of great strength, having emerged from the ashes of an economic conflagration to pursue broad-based, long-term economic health that relies on small business as a driving force. It stands out among peer cities for the quality of its collaborative capital ecosystem and the willingness of leaders and lenders alike to think differently about how to work together to provide a continuum of financial resources for small businesses that serves as the tide that will help lift all boats. Consider that, prior to 2014, Detroit had no CDFI coalition. Today, Detroit CDFIs can boast one of the most successful, collaborative coalitions in the country that helps members work together to provide financing and resources to restore vibrancy to this proud city. This collaborative approach has enabled the creation of new tools and strategies to support entrepreneurs. For example, the BizGrid is an interactive online directory and a physical infographic designed to help Detroit entrepreneurs navigate among local business assistance organizations. A committee of the Detroit Business Support Network created the tool with support from NEI.

In many ways, the work has just begun. Detroit has seen early examples of how this collaborative approach can succeed, but the work takes the form of a marathon, not a sprint. Capital providers agree the road ahead is not just about how to get to “more” but how to get to “different” in ways that serve all Detroiters.

APPENDIX

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Interviews

Capital Providers

Bank of America Merrill Lynch
Mohamad Hammoud
Vice President
Small Business Banker Manager
Consumer & Small Business

CIBC
Marcus Jackson
Relationship Manager, Community Development

Detroit Community Loan Fund/BizLoan Fund
Ray Waters
CEO

Detroit Development Fund
Angelia Sharp
Loan Officer

Detroit Economic Growth Corporation
Kyla Carlsen
Small Business, Senior Operations and Finance Manager

Diversified Members Credit Union
Gary H. Seifert
Vice President, Commercial Business Development / Loans

Fifth Third Bank
Erin Grant
Small Business Community Relationship Manager

Invest Detroit
Derek Edwards
Senior Vice President
Jason Barnett
Vice President

J.P. Morgan Chase
September Hargrove
Vice President of Global Philanthropy

Kiva Detroit/Build Institute
Cassie Coravos

Liberty Bank and Trust
Drexel Amy
President
Michigan Region

Detroit Local Initiatives Support Corporation (LISC)
Anthony Batiste
Director of Lending and Portfolio Management

Michigan Women Forward
Carolyn Cassin
CEO

PNC Bank
Renee Kent
Vice President

ProsperUS (Southwest Solutions)
Chanell Contreras Scott
Director of Entrepreneurial Initiatives

Resource Partners, Industry Experts, and Researchers

Eastern Market
Dan Carmody
President

Fafnir Labs
James Yagley
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Federal Reserve Bank of Chicago
Robin Newberger
Maude Toussaint-Comeau
Senior Business Economists
Community Development and Policy Studies

Innovative Lending Platform Association
Scott Stewart
CEO

LifeLine Business Consulting Services
Lashawna Manigault
Manager of Operations, Business Coach and Instructor
Carla McDonald
Director of Training, Business Coach and Instructor

TechTown
Ned Staebler
President and CEO

U.S. Small Business Administration
Daniel Upham
Chief, Microenterprise Development Division
Office of Capital Access

Capital Provider Interview Protocol

- Date
- Lending Institution Name and Location
- Contact Name and Email
- Do you serve:

Metro Detroit Yes No

Hamtramck Yes No

Highland Park Yes No

Other areas?

- Can you briefly describe the credit products you offer to startup and existing small business owners so I can understand your products and in what volume?

Loan Products:

Startup –

Existing –

Merchant Cash Advance Products:

Startup –

Existing –

Credit Card Products:

Startup –

Existing –

Commercial Real Estate Products:

Startup –

Existing –

- Could you describe your typical small business borrower (i.e. socioeconomic status, gender, cultural community, startup/existing, etc.)?
- Do you know any of the following about your small business borrowers?

Average credit score:

Average length of time in business:

Zip code or neighborhood where their business is located:

- Based on your experience, would you say small business owners in your area have access to the kind of capital they need? (Ask the person to explain his/her answer.)
- Based on your experience, would you say small business owners of color in your area have access to the kind of capital they need? (Ask the person to explain his/her answer.)
- Based on your experience, would you say women small business owners in your area have access to the kind of capital they need? (Ask the person to explain his/her answer.)
- Based on your experience, would you say low-income small business owners in your area have access to the kind of capital they need? (Ask the person to explain his/her answer.)
- Based on your experience, would you say immigrant or refugee small business owners in your area have access to the kind of capital they need? (Ask the person to explain his/her answer.)
- How does your institution get the word out to small business owners about your products and services?
- Has your institution encountered any challenges serving small business owners who are women, low-income, from communities of color, immigrants or refugees?
- If yes, please describe those challenges?
- Has your institution identified any strategies to overcome those challenges?
- Are there specific challenges you've observed for the following groups?
 - Women entrepreneurs?
 - Low-income entrepreneurs?
 - Entrepreneurs of color?
 - Immigrant entrepreneurs?
 - Refugees?
- What are specific tools or technical assistance approaches that you would find to be most helpful in addressing those challenges?
- What are the changes/ strategies/ approaches that your organization could make that would be most helpful in better reaching and serving women, low-income, etc.
- Do you partner with other organizations to meet the needs of these existing or aspiring small business owners?
 - If so, how?

Capital Provider Grid

Capital Provider	Type of Organization	Startup or Existing	Microlending	Small Business	Economic Development
ACCESS Growth Center	Nonprofit	Startup	X		
Apple Pie Capital	Online Lender	Both		X	X
Bank of America Bank	Bank	Existing	X	X	X
Bond Street	Online Lender	Existing	X	X	X
BUILD Institute/Kiva	Nonprofit	Startup	X		
Chemical Bank	Bank	Existing		X	X
CIBC Bank	Bank	Both	X		
Citizens Bank	Bank	Existing		X	X
Comerica Bank	Bank	Both		X	X
Detroit Community Loan Fund	Nonprofit	Both	X		
Detroit Development Fund	Nonprofit	Both		X	X
Detroit LISC	Nonprofit	Existing		X	X
Diversified Members Credit Union	Credit Union	Existing		X	
Fifth Third Bank	Bank	Both		X	X
First Independence Bank	Bank	Both		X	X
Flagstar Bank	Bank	Existing		X	X
Funding Circle	Online Lender	Existing		X	
Hatch Detroit	Grant Funder	Both	X		
Huntington Bank	Bank	Both		X	X
Invest Detroit	Nonprofit	Both		X	X
ioby.org (sic)	Crowd Funder	Startup	X		
JP Morgan Chase	Bank	Existing		X	X
Kiva.org Crowd	Crowd Funder	Startup	X		
Lending Club	Online Lender	Both	X	X	
Lendio	Online Lender	Both	X	X	
Level One Bank - Entrepreneurial LOC	Bank	Startup	X		
Liberty Bank and Trust	Bank	Existing		X	X
MEDC Capital Access Program	State Program	Both		X	X
Michigan Women Forward	Nonprofit	Both	X		
Motor City Match/DEGC	Grant Funder	Both	X		
National Development Council - Grow America Fund	Nonprofit	Existing		X	X
On Deck	Online Lender	Both	X	X	
P2B Investor	Online Lender	Both		X	X
Patronicity	Crowd Funder	Both	X		
PNC Bank	Bank	Existing		X	X
ProsperUS/Southwest Solutions	Nonprofit	Both	X		

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