



# CASE STUDY

## Minority Business Development Revolving Loan Fund Program

### MINORITY-FOCUSED REVOLVING LOAN FUND SPURS BUSINESS GROWTH

For more than a decade, the Minority Business Development Revolving Loan Fund Program has supported development through business creation and expansion, as well as minority community business attraction. The program was developed to foster local economies and make capital accessible to minority businesses by leveraging the Wisconsin Economic Development Corporation's (WEDC's) seed money with private funds.

"Minority-owned businesses are a crucial aspect of Wisconsin's economy," said Reed Hall, secretary and CEO of WEDC. "Access to capital for minority-owned businesses has become an increasingly important matter. We want to be certain that anyone who wants to start or grow their business in Wisconsin has the opportunity to access the necessary funds and resources to do so successfully."

The program is a key part of the state's overall effort to increase the number of minority-owned businesses in Wisconsin. While non-whites make up 14 percent of the state's total population, just 6 percent of its businesses are minority-owned, according to the most recent Census data.

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### BUSINESS NEED

Minority-owned businesses in Wisconsin struggle to secure traditional financing to support growth goals. Many of the business owners do not have access to the capital they need for business startup and expansion initiatives. Overall business diversity has lacked in communities across the state, and there are a lagging number of new minority-owned businesses.

"Minority businesses can oftentimes be a key economic driver in communities nationwide," said Seyoum Mengesha, WEDC's minority business development manager. "But working with minority business owners in communities like Milwaukee, we learned that there was a need for more assistance to help their businesses thrive in Wisconsin.

We knew we needed to develop a program that helped these individuals successfully launch or expand their businesses here."

In addition, minority business owners expressed that they would benefit from programs that offered direct business training courses. They wanted access to resources that could help them take their businesses to the next level of growth. These owners saw an increased need for training that could help them elevate their competitiveness in the state, national and global economy.

## SOLUTION

To address the need for minority business owners in Wisconsin to have access to capital that would help them achieve their business goals, WEDC restructured the Minority Business Development Revolving Loan Fund Program. The program now provides direct grant assistance to qualifying minority business associations for revolving loan funds and administrative assistance. WEDC supports revolving loan funds for four minority-based chambers of commerce in Wisconsin: the African American Chamber of Commerce, American Indian Chamber of Commerce, Hispanic Chamber of Commerce and Hmong Wisconsin Chamber of Commerce.

Businesses receiving loans typically have fewer than 25 employees and are startup or existing companies. Loans are generally limited to between \$5,000 and \$25,000 per company. In fiscal year 2015, WEDC budgeted \$600,000 for the program that will be allocated for loans as well as ensuring that the chambers have the administrative capacity to provide quality assistance to the businesses they serve statewide.

The program objectives include:

1. Spurring minority-owned business creation and expansion.
2. Increasing business diversity in minority communities.
3. Increasing access to capital and quality technical assistance.

In turn, these financial investments are intended to promote job creation and retention in minority communities. The investments also minimize the risk of lending by enabling organizations to provide pre-loan technical assistance to strengthen the business acumen of borrowers and post-loan follow-up to manage credit, monitor loan performance, and diversify revenue streams and markets. As a whole, the program is devised to have a catalytic effect to grow the business climate of minority communities and enhance the overall business health in the minority communities of Wisconsin.

“One of WEDC’s goals is to help ensure that capital for business startup and expansion is accessible to the underserved minority communities that sometimes

struggle to secure traditional financing,” said Hall. “The best way to do that is through grants to those organizations that directly serve businesses owned by minorities.”

The program began in 2003, when the former state Department of Commerce launched the initiative with the American Indian Chamber of Commerce and by creating a sister organization called First American Capital Corp.

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In 2007, the Hmong Wisconsin Chamber of Commerce joined the program, followed by the African American Chamber of Commerce in 2013. In late 2014, the Hispanic Chamber of Commerce became the latest organization to join the program.

“The most efficient way to improve access to capital in the community is to empower the organization that knows its people and understands their challenges to serve them,” said Charles Vang, executive director of the Hmong Wisconsin Chamber of Commerce.

In addition, to achieve objectives associated with the revolving loan funds, WEDC provides quality technical assistance to minority businesses either through building the minority chambers’ staff and/or supporting programs that offer direct training to minority enterprises. Programs such as the Seed Accelerator, ScaleUp Milwaukee and SBA’s Emerging Leaders Initiative focus on technical assistance. These programs help business owners feel more prepared to take their business to the next level and minimize the risk of defaulting on invested tax dollars.

## SUCCESS

Revolving loan funds are proving to be effective in Wisconsin, with many minority business owners experiencing enhanced operations after securing the funds. Xiong Lo, president of AP International, Inc., an herbal supplement company based in Wausau, received a revolving loan through the Hmong Chamber to support production and increase sales.



“The revolving loan funds helped my business extensively,” said Lo. “Without the funds, we would not have been able to afford the additional supplies to increase inventories and support our sales goals.”

Lo also has benefited from workshops offered through the Hmong Chamber, helping him become more aware of the opportunities available to secure government contracts and additional funds.

Xpertz Engineering, a Milwaukee-based civil engineering firm, also received revolving loan funds through the First American Capital Corp. The funds assisted the company with the startup capital to get it off the ground and provide funding for initial payroll. The chamber has assisted Xpertz Engineering with necessary training and company development as well.

Providing companies like Xpertz with the resources needed to become successful is at the heart of the Minority Business Development Revolving Loan Fund Program.

“WEDC is committed to a working partnership with the minority community, building a more conducive business environment to attract and grow minority businesses in Wisconsin,” Hall said. “This program does not replace bank lending, but rather complements and encourages the banks’ confidence to finance these businesses. These investments from the public and private sector will ultimately promote job creation and retention, especially in minority communities.”

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The Wisconsin Economic Development Corporation, the state’s lead economic development agency, partners with a network of more than 600 regional and local entities to help businesses start, grow and locate in Wisconsin.



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