

NORTH CENTRAL MIAMI-DADE

Loan program helps start-ups

A federal microlending program modeled after a Nobel Prize-winning initiative in Bangladesh is helping thousands in Miami-Dade start their own businesses.

BY AIMEE JUAREZ
Special To The Miami Herald

Erica Ragland always wanted to start her own business designing urban and contemporary clothes. As a fashion student, she sold her clothing line at shops and flea markets in Allapattah, Liberty City and Miami Gardens. She picked up a handful of customers that way but her business idea didn't take off.

So when Ragland graduated from the Art Institute of Miami in December 2005, she decided to focus on making her idea for a business — EDJJ Fashions — happen. But she didn't know how to start.

Ragland didn't have any start-up money and, because her business experience was limited, she figured she won't qualify for a bank loan. Then she heard a promotion for Microbusiness USA, a federally funded peer-microlending program that offers small loans to entrepreneurs with bad, little or no credit.

All she would have to do was attend monthly business training classes where she'd learn skills such as bookkeeping and marketing techniques in a group of six to 12 people — her peers.

As a group, those peers would determine whether her business plan for EDJJ (pronounced "Edge") Fashions was sound enough to get her a loan of \$500, with an annual interest rate of 12 percent to be repaid in four to six months.

The application was approved and she got the loan in March and she used the money to buy a heat press — a machine that puts crystals and rhinestones on clothes.

Ragland, 24, and her business partner, Sharon Carroll, 47, now run EDJJ Fashions out of a booth at the Mardi Gras Racetrack and Gaming Center Fleamarket, 831 N. Federal Hwy, Hallandale. Visitors to the booth can peruse a book of Ragland's designs and order clothing, which she makes at home using the heat press. The customer picks up the



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BUSINESS OWNERS: Erica Ragland, right, owner of EDJJ Fashions, and business partner Sharon Carroll, left, stand with Miltoria Fordham, the CEO of Microbusiness USA.

order at the booth.

"People are starting to see more of my merchandise," Ragland said. "It's started to grow more than when we first started."

Ragland said she repaid the \$500 loan and will apply for another one in January, this time for \$1,500. After she repays the second loan, she'll be eligible for yet another — \$2,000 or \$2,500 — and when that is repaid, she would qualify for a loan of \$5,000. At that point, Ragland would complete the first level of the program.

"It's a step process," said Miltoria Fordham, chief executive of Partners for Self-Employment, a nonprofit company that runs Microbusiness USA. "If you pay 50 percent of the loan without being late, you qualify for the next level."

If a program participant continues on to levels two and three, the lending amounts increase until the maximum amount is reached: \$35,000.

According to Fordham, overall about 92 percent of the borrowers repay their loans.

The program, which was started in 1993 and is funded

by the U.S. Small Business Administration and Miami-Dade County usually has about \$1 million to lend. In the past 13 years, it made 2,700 loans totaling \$3.2 million to 6,000 people, Fordham said.

The loan, Fordham said, "is the key to keep them coming back for the training. If you don't have the training, how can you run your business?"

But getting the loan depends on whether the program peers of a prospective borrower agree a business plan should be funded. That's how it works at Microbusiness USA, which follows the micro-credit model first introduced by economist Muhammad Yunus in Bangladesh in 1976 while he was professor of economics at Chittagong University in southern Bangladesh.

Yunus founded the Grameen Bank, which offers small loans to the poor without requiring collateral. His first loans were the equivalent of \$27. In Yunus' model, peer pressure drives repayment: In a group of five, for example, if two people get a \$200 loan, the remaining group members must wait until that loan is

repaid before they can borrow.

The concept won Yunus and the Grameen Bank the 2006 Nobel Peace Prize.

How can an economic model designed to help start fledgling Third World businesses in the midst of grinding poverty fit South Florida? With the area having a poverty rate well above the national average, it does, experts say, particularly in poor neighborhoods where education and language skills are weak.

Experts said this is because the entrepreneurial spirit is high in these communities, especially among the immigrant population, which parallels the Bangladesh model.

"They're looking to control their destinies and do for themselves what others can't or won't do for them, including government," said SBA spokeswoman Althea Harris.

According to a 2005 U.S. Census survey, about 32.8 percent of Miami-Dade's population live below the nation's poverty level. The growth of suburban living in the county, coupled with lower education levels, has taken jobs away from many residents, accord-

TO LEARN MORE

Microbusiness USA is run by the nonprofit organization Partners for Self-Employment and is located at 3000 Biscayne Blvd., Suite 102A, in downtown Miami. Those interested in enrolling in the program or in making a donation should call 305-438-1407. To learn more about Microbusiness USA, log on to www.microbusiness.org.

ing to a 2003 study by the Brookings Institution, a Washington, D.C. research organization.

Only 25.2 percent of the county's 2.3 million residents have a college education, compared with 27.2 percent nationally, according to the 2005 Census survey. A little more than 76 percent of residents have a high school diploma, compared with 84 percent nationally. Less job opportunities and larger households have increased the county's poverty level, according to the Brookings Institution study. Experts add that language barriers for many residents have also been a hurdle, especially for those who want to start their own business.

"The gap is growing between the haves and have-nots," Harris said. "There are a lot of people who could benefit" from the microloans.

Harris said interest rates tend to be higher generally because many microlending borrowers have a low credit rating and the microlender has to repay its creditors.

According to Fordham, when a borrower fails to make regular payments, the loan will be restructured. If that doesn't work, the case is taken to small claims court but that is rare and no one has been sued in the past two years, she said.

"Most people have good intentions on paying back" the loans, Fordham said.

Interest rates aside, Harris and Fordham said the program

NEIGHBORS

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has advantages, especially for those who don't have a college education or don't speak English well.

Most entrepreneurs, the officials said, don't understand how to invest loans in their businesses and usually borrow more money from banks than they really need.

A loan of \$500 can help a part-time or new small-business owner invest in necessary items, such as the hot press that Ragland bought, without over-extending their costs or finances.

And, the officials said, repaying the loans on time helps boost the borrower's credit score.

Christopher Jones, 26, said that's why he signed up for the program in March 2005. He works for the county by day and the rest of the time he

operates a travel business online and an event-planning business from his home.

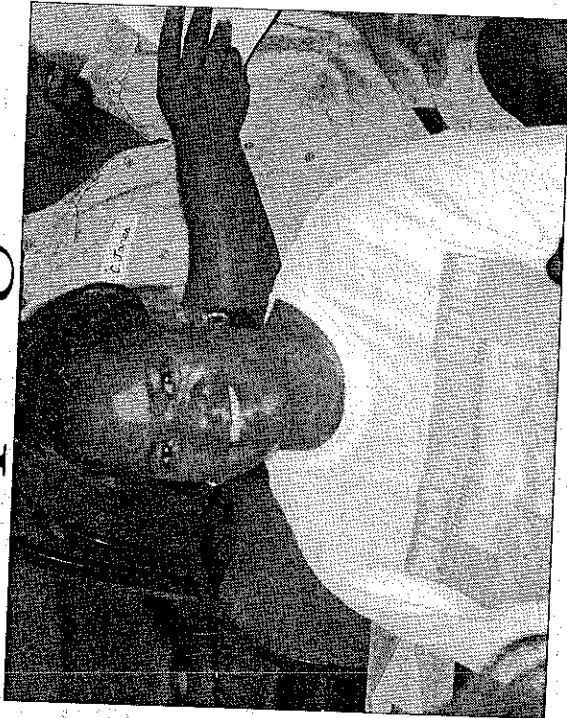
"Paying the loans back on time builds credibility," said Jones, who would like to make his two part-time ventures full-time jobs within the next five years.

Fordham said 95 percent of Microbusiness USA participants are part-time business owners who work from home.

Annette Rocker, owner of Cleaning To Your Satisfaction, is among the other five percent who work at their businesses full time. Rocker, 42, started her company 10 years ago in Fort Lauderdale.

She relocated her residential and commercial cleaning business to Miami Gardens earlier this year after moving to the area with her family.

She learned the cleaning trade as a little girl, helping her mother, Edna Hall, who



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SATISFIED: Annette Rocker, owner of Cleaning To Your Satisfaction, sits at a Microbusiness USA meeting.

has commercial and residential cleaning contracts in Miami-Dade, Broward, Palm

Beach counties. Her mother, she said, continues to be her "right-hand person."

Rocker attended a Microbusiness USA class at the Partners for Self-Employment's Broward office — which closed last year after its funding was cut — and decided to sign up for the program once she moved to Miami Gardens.

In 10 years, she would like to work out of an office and start a work-training program to teach others about the cleaning industry. For now, she's awaiting approval of her application for a loan of \$500. She would use the money to rent specialized cleaning equipment.

"Things that you don't know about your business you learn," Rocker said. "They put you on the right road. It's very motivating."