

Starting small

Micro-businesses rely on MicroCredit

By IAN BAGLEY
Sentinel Staff



After several years apprenticing with commercial photographers in the Monadnock Region, Chesterfield resident Nancy Belluscio, 42, a photo school graduate, wants to do more of the shooting herself.

"It's fish or cut bait," said Belluscio, who's about to start marketing her new business, On-Site Photography, which caters to craftspeople, architects and builders.

Belluscio figures it will cost about \$5,000 to purchase the equipment she needs to take her business to the next level. That includes a new digital camera, a lens, a laptop computer and a printer.

She doesn't think a bank would want to lend such a small amount for her startup. A bank "probably wouldn't even talk to me at this point," she said.

Instead, last week Belluscio successfully applied for a loan through MicroCredit-NH, a statewide nonprofit agency that offers training, peer support and small loans to businesses with five or fewer employees.

Since it was founded in 1996, MicroCredit-NH has become a more popular way for businesses with fewer than six employees to get financing. Almost 20 percent of Cheshire County's workforce is employed by the county's 6,559 such tiny businesses, according to Robin Picard, MicroCredit's regional director for southwestern New Hampshire.

MicroCredit-NH has handed

out about \$75,000 in loans to many of the 50-plus businesspeople in the Monadnock Region who've joined MicroCredit since it was formed, Picard said.

These loans, with interest rates of about 10 percent annually, have a 96-percent repayment rate, which Picard said she considers "incredibly high."

That's because the borrowers are supported and held accountable by their fellow small businesspeople, she said.

To get a loan from MicroCredit-NH, these entrepreneurs must join or form a MicroCredit Business Group, Picard said.

There are seven such groups in the Monadnock Region: three in Keene, two in Peterborough, one in Harrisville and one in Marlborough.

They range in size from a four-member group in Peterborough to a 12-member group in Keene, and feature names such as Inspired Women in Business and Connecting Abundant Resources.

The group Belluscio belongs to is the Harrisville Resource Group, with nine members.

Once a group is formed, a member can apply for a loan from the N.H. Community Loan Fund. If the loan is \$5,000 or less, the only approval the applicant needs is the unanimous support of the other members of the group.

Founded in 1983, the N.H. Community Loan Fund draws funds from a variety of sources, including federal community development block grants, banks and individual donors.

A business group's members aren't directly liable if a mem-

ber can't repay the loan, but if a member misses a payment on a group-approved loan, MicroCredit-NH won't give any more loans to any of that group's members until the payment is made.

"The group takes responsibility for the repayment of the loan," said Joseph W. Jacobs, founder of Professional Financial Solutions in Harrisville and a member of the Harrisville Resources Group.

Business group members can apply for a loan of up to \$15,000 — but they need approval from MicroCredit's loan review committee for every dollar above \$5,000, Picard said.

"It's really great for people who have no credit history or bad credit history and they're trying to change that," said Tara Dolphin, MicroCredit's communications director.

Matthew D. Morrison, vice president and senior loan officer at the Savings Bank of Walpole in Keene, said his bank would certainly have considered a loan

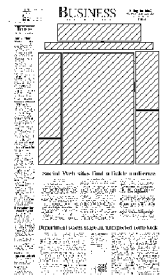
like the one Belluscio described, and might have approved it.

When it comes to loans for startup businesses, however, the key issue for banks is the applicant's credit history, Morrison said.

"If there's credit issues or payment issues, it becomes very problematic for a bank to get involved," said Morrison, who said MicroCredit helps a lot of businesspeople.

"We'll refer people to MicroCredit if we think that's a better fit for them," Morrison said.

As part of her application, Belluscio didn't have to hand over her



credit score, but she had to provide volumes of information about her business to about eight other businesspeople in her group.

Picard said the application for a \$5,000 loan must include a 12-month cash flow statement, a two-year projected cash flow, a statement of actual and projected income, a projected and actual balance sheet, a marketing plan, a customer survey and analysis, and a break-even analysis.

Belluscio also had to give a presentation to the group, explaining the rationale for her loan and her financial projections.

"It was hugely nerve-wracking," said Belluscio, who said she knew her colleagues weren't going to let her off easy.

During the weeks of preparation leading up to her presentation, Belluscio learned things she wouldn't have if she had applied for a bank loan, she said.

For example, doing the break-even analysis made Belluscio realize she needed to change her price structure to make her business work, she said.

"It was like a light bulb or a lightning bolt," she said, of realizing she wasn't planning to charge enough money for her services.

The process "really makes you examine your business," she said. "The support of the group is really excellent."

These business groups do something banks don't have time to do, Jacobs said. Rather than relying on statistics to justify a loan, the group relies on the quality of the applicant's plans, which reflect hard work.

Most local MicroCredit groups — including the Harrisville group — meet monthly so members can share their experiences with the other members in the group. Some members don't need a loan, and some groups in the Monadnock Region don't include any members who have sought loans.

Jacobs said he joined the Harrisville Resource Group in 2003 "just to establish some contact with people, (to) network," he said.

Although he did apply successfully three years ago for a \$500 loan to buy some replacement of-

office equipment, he said he values the group "more for the development of good business practices than for the loans, but the loans are certainly important."

Picard speculated the agency's name may actually be a turn-off for some businesspeople who might benefit from the business: The word "MicroCredit" suggests the organization might be "a collection agency or something," Picard said.

Last Monday, however, roughly a dozen businesspeople showed up at the Hannah Grimes Business Center in downtown Keene to hear Picard deliver a presentation on the agency.

One of those in attendance was Michelle Dunn of Peterborough, who has started her own business, Natural Abundance. The business, which is still evolving, revolves around Dunn's expertise in preparing raw vegan meals — that is, meals that contain no animal products.

Dunn said she's not interested in a loan so much as she's looking to benefit from the knowledge and experience of other businesspeople in a group.

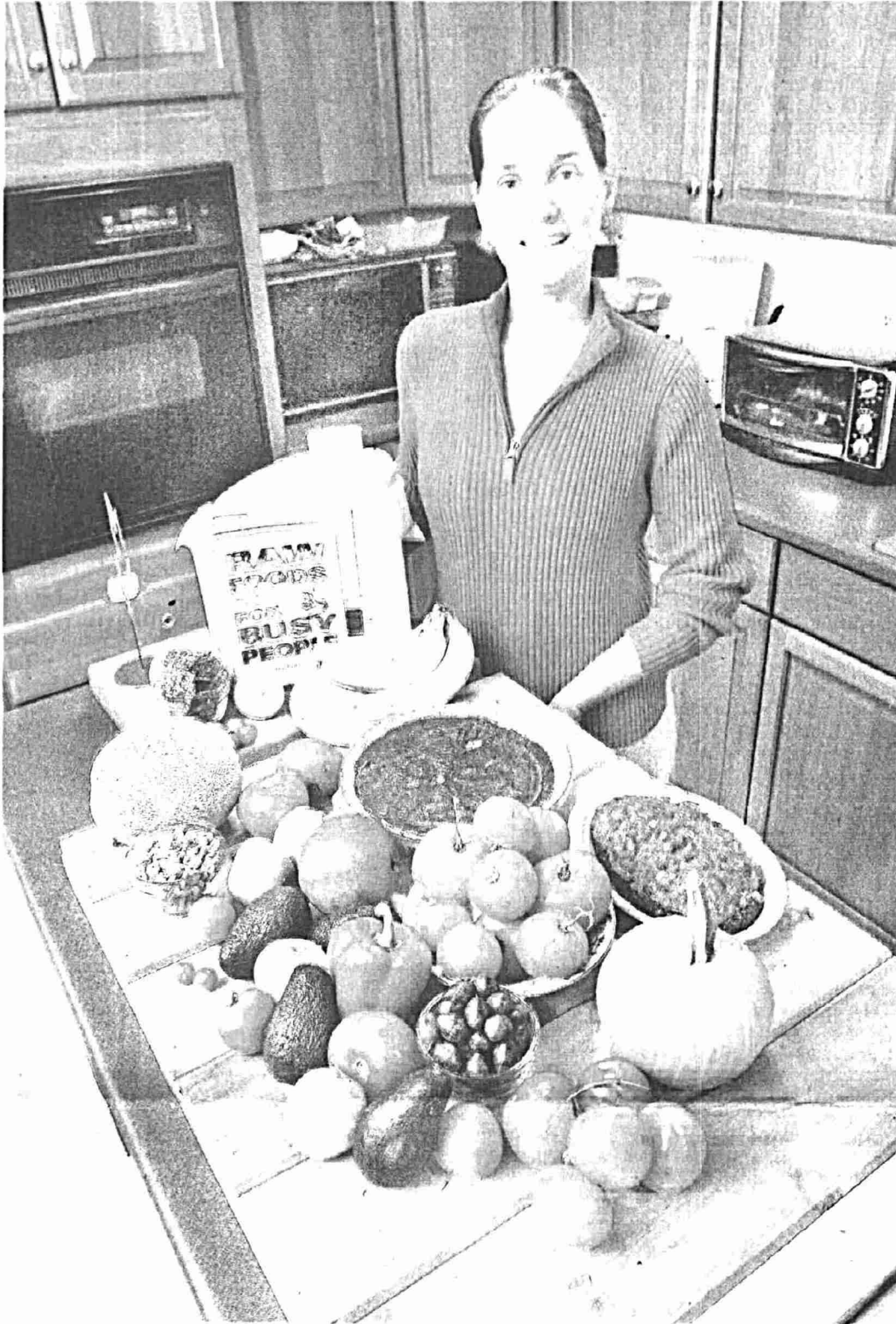
The Monday meeting was "really exciting," said Dunn, who's now working on joining an existing group in Peterborough. To join an established business group, an aspiring member must be invited in by the group's existing members, she said.

Dunn has been to one group meeting, and now she's waiting "to see if they invite me back," she said.

Jacobs said he believes awareness of MicroCredit-NH and what it has to offer is growing in the region.

"I think it's getting to the tipping point, and getting to be much more noticed," he said.

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MICHAEL MOORE / Sentinel Staff

FROM THE GROUND UP — Michelle Dunn of Peterborough stands with some of the raw foods she eats as a vegan. Her business, Natural Abundance, is based on the vegan concept.

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