Thursday, February 29, 2024

VIRTUAL SMALL BUSINESS TOWN HALL

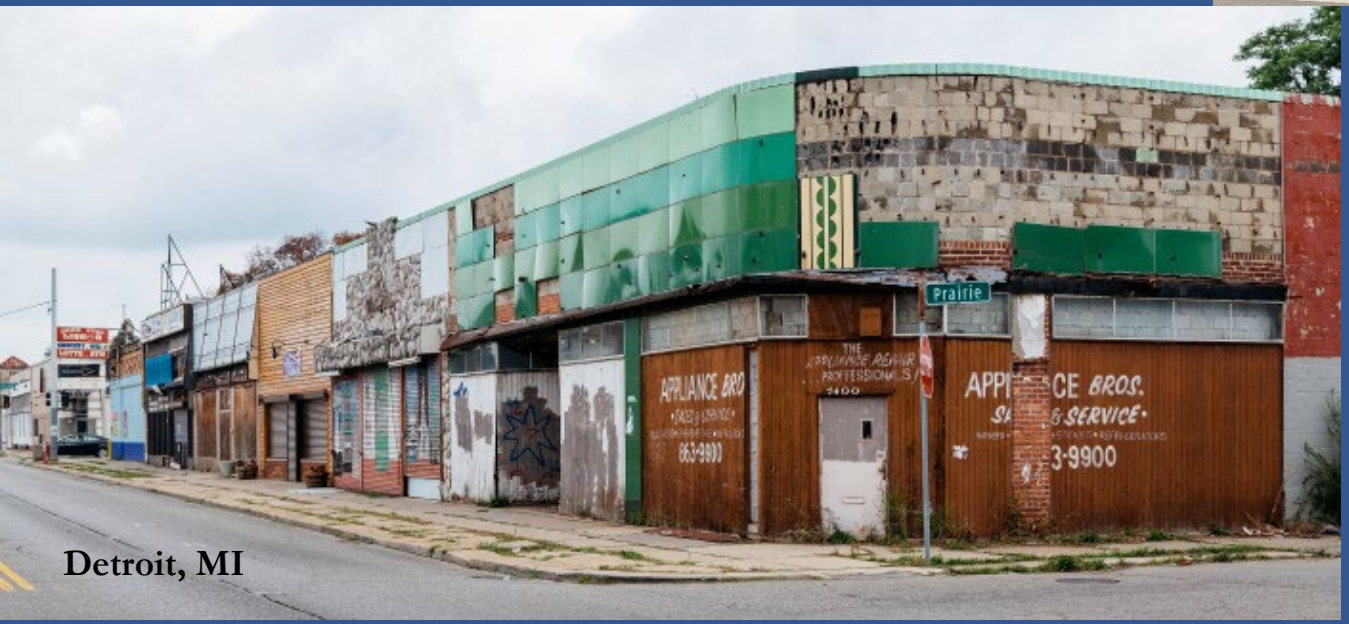
Speaker Line Up

- Emcee: **Tasha Brown**, *Small Business Majority*
- **State Senator Christopher Belt**, *57th Senate District*
- **Brent Adams**, *Woodstock Institute*
- **Stacie Folk**, small business owner
- **Monique Thurman**, *Program Coordinator for the Empowering Black Futures Initiative, Claretian Associates*
- **Adrian Rodriguez**, *Illinois Hispanic Chamber of Commerce*
- Q&A and Community Testimony
- **State Representative Hoan Huynh**, *13th House District*
- Closing: **Tasha Brown**, *Small Business Majority*

State Senator Christopher Belt

Protecting Small Businesses

Wicker Park, Chicago, IL



Detroit, MI

Photo by Marvin Shaouni, featured in Fortune magazine's "How JPMorgan Chase Is Fueling Detroit's Revival"

Where small businesses go, prosperity follows.

Audience Poll

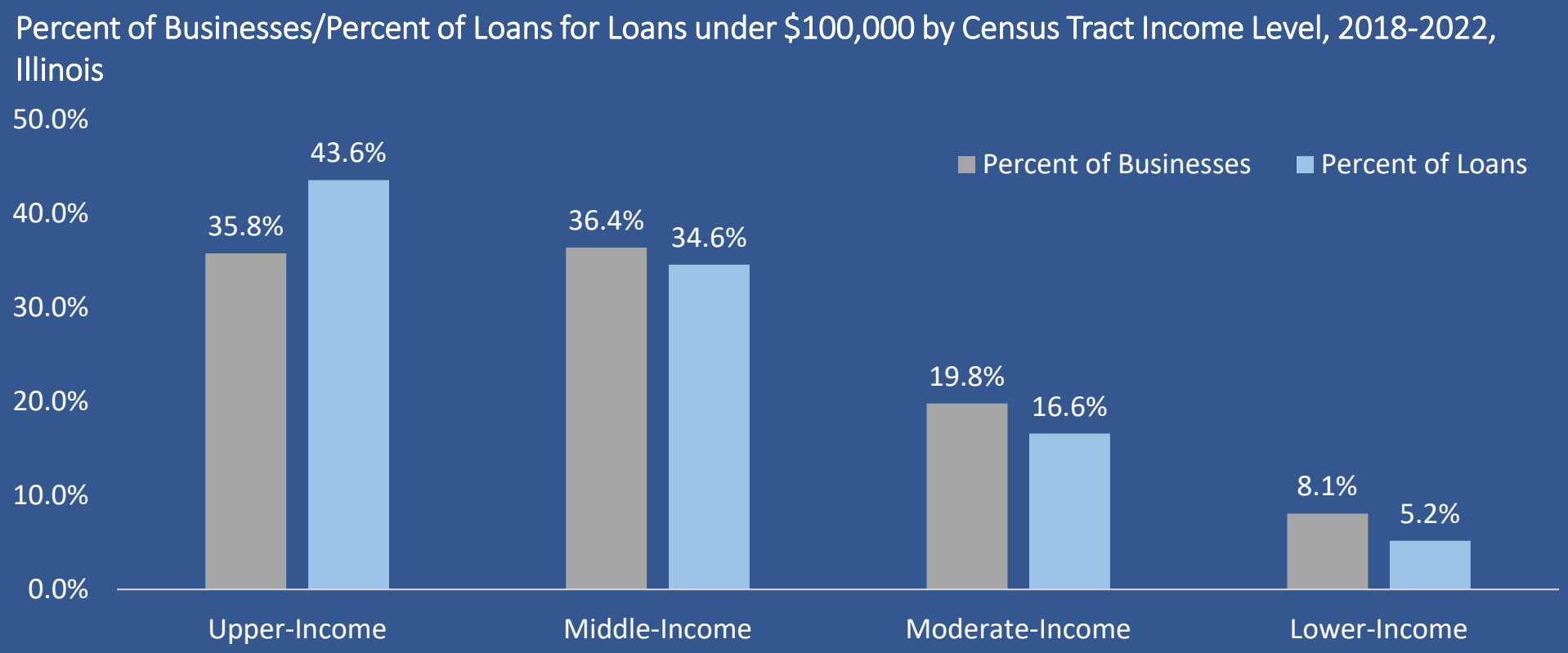
The Small Business Administration defines a small business as one with less than 500 employees. 99.9% of U.S. businesses fall within that definition.

In the Zoom poll, please check which of the following apply to you (check all that apply):

- ❑ I own a small business
- ❑ I work at a small business or a small nonprofit
- ❑ I rely on one or more small businesses/nonprofits for goods and/or services (examples: dry cleaners, plumbers, day care, independent medical/dental practices)

ILLINOIS DISPARITIES: INCOME

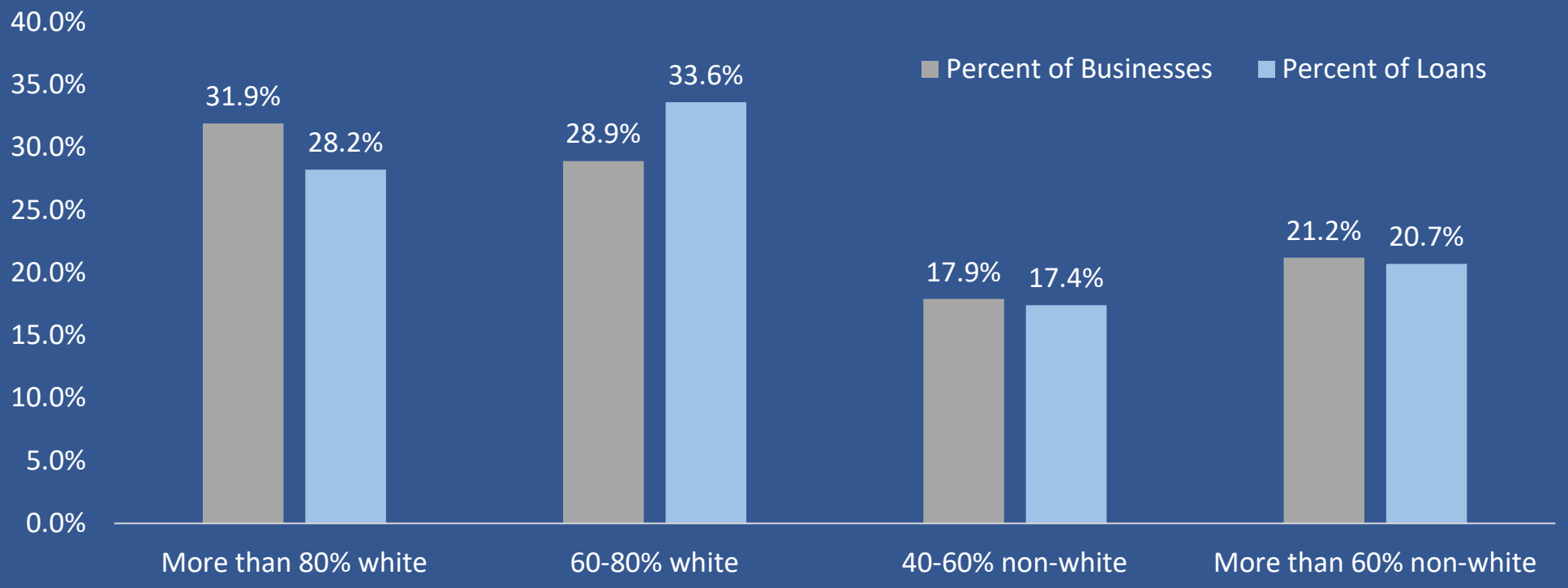
Compare to https://woodstockinst.org/research/reports/patterns-of-disparity-small-business-lending-illinois/



Sources: FFIEC CRA data, 2018-2022; HUD/USPS Vacancy Data, Q1-4, 2018-2022; Author's calculations.

ILLINOIS DISPARITIES: RACE

Percent of Businesses/Percent of Loans for Loans under $100,000 by Census Tract Proportion of Non-White Residents, 2018-2022, Illinois



Sources: FFIEC CRA data, 2018-2022; HUD/USPS Vacancy Data, Q1-4, 2018-2022; 2022Five-Year American Community Survey; Author's calculations.

What Caused This?

- Further study required: disaggregate data by year and by race/ethnicity
- How does Illinois compare to other states? How do regions in Illinois compare to one another, e.g., Chicago vs. MetroEast
- COVID affected everything
- Shining a light on the issue ➡ CHANGE!

No bank loan? No problem!
Nonbanks to the Rescue

- Banks are among the *most* heavily regulated institutions in our financial system.
- The "nonbank" lenders to small businesses are among the *least* regulated institutions in our financial system
  → the Wild West!

Working Capital

Ph. + (646) 412 3303
Sales Partner: Crestview Financial LLC

Contract ID#

REVENUE BASED FACTORING (RBF/ACH) AGREEMENT

Agreement dated _____ between Crestview Financial LLC ("FUNDER") and the merchant listed below ("the Merchant").

MERCHANT INFORMATION

Mc
D/I
Ty
Ph
Ma
Fed

PURCHASE AND SALE OF FUTURE RECEIVABLES

Merchant hereby sells, assigns and transfers to Funder, as the lead purchaser for itself and co-investors [making Funder on behalf of itself and all co-investors (collectively the Funders), the absolute owner] in consideration of the funds provided ("Purchase Price") specified below, all of Merchant's future receipts, accounts, contract rights and other obligations arising from or relating to the payment of monies from Merchant's customers' and/or other third party payors (collectively the "Receipts" defined as all payments made by cash, check, electronic transfer or other form of monetary payment in the ordinary course of the merchant's business), until such time as the "Receipts Purchased Amount" has been delivered by Merchant to FUNDER. The Receipts Purchased Amount shall be paid to FUNDER by the Merchant irrevocably authorizing only one depositing account acceptable to FUNDER (the "Account") to remit the percentage specified below (the "Specified Percentage") of the Merchant's Receipts, until such time as FUNDER receives payment in full of the Receipts Purchased Amount. In consideration of servicing the account, the Merchant hereby authorizes FUNDER to ACH Debit the "Specified Daily Amount" from the merchant's bank account as the base payment credited against the Specified Percentage due. It is the Merchants responsibility to provide bank statements for any and all bank accounts held by the Merchant to reconcile the daily payments made against the Specified Percentage permitting FUNDER to debit or credit the difference to the merchant so that payment equals the Specified Percentage. Failure to provide all of their bank statements in a timely manner or missing a month shall forfeit all rights to future reconciliations. FUNDER may, upon Merchant's request, adjust the amount of any payment due under this Agreement at FUNDER's sole discretion and as it deems appropriate in servicing this Agreement. Merchant understands that it is responsible for ensuring that funds adequate to cover amount to be debited by FUNDER remains in the account. Merchant will be held responsible for any fees incurred by FUNDER resulting from a rejected ACH attempt or an event of default. (See Appendix A) FUNDER is not responsible for any overdrafts or rejected transactions in the Merchants account which may result from FUNDER' scheduled ACH debit under the terms of this agreement. Notwithstanding anything to the contrary in this Agreement or any other agreement between FUNDER and Merchant, upon the violation of any provision contained in Section 1.11 of the MERCHANT AGREEMENT TERMS AND CONDITIONS or the occurrence of an Event of Default under Section 3 of the MERCHANT AGREEMENT TERMS AND CONDITIONS, the Specified Percentage shall equal 100%. A list of all fees applicable under this agreement is contained in Appendix A.

Purchase Price: $8,000.00 **Specified Percentage:** 15% **Specific Daily Amount:** $155.00 **Receipts Purchased Amount:** $11,600.00

THE TERMS, DEFINITIONS, CONDITIONS AND INFOR[illegible]ION SET F[illegible]
"ADMINISTRATIVE FORM HEREOF ARE HEREBY INCOR[illegible]RATED [illegible]

[illegible]URITY AGREEMENT" AND

This is NOT an APR!
The APR on this loan is actually at least 367.7%!

Sample Business Loan Terms

Lender[1]	Amount Disbursed	Total of Payments	Interest & Fees Paid	Loan Term in Days	Effective Interest Rate
Capital Alliance	$7,465	$10,875	$3,410	92	323.9%
CBSG	$185,241	$261,071	$75,830	110	240.7%
InAdvance	$7,295	$11,600	$4,305	101	367.7%
Mantis Funding	$7,304	$12,320	$5,021	122	347.5%
Merchant Funding	$23,866	$37,475	$13,609	106	346.4%

- Predatory lenders target communities of color, lower income communities, and other vulnerable populations.
- Entrepreneurship is path to economic security for people shut out of traditional employment. Formerly incarcerated people are 45% more likely to be entrepreneurs.

WSJ PRO BANKRUPTCY

An Easy Financing Source Pushes Some Small Businesses Into Bankruptcy

A U.S. Consumer Financial Protection Bureau report said the use of merchant cash advances more than doubled in five years, with regulators stepping up oversight

By Becky Yerak

Feb. 19, 2024 9:00 am ET | WSJ PRO

More than 100 businesses that filed for chapter 11 since start of 2023 have attributed their bankruptcies at least partly to cash advances. Increase over previous years – 68 in 2022 and 16 in 2021.

"[Merchant cash advances] very often seem to be the ones that caused the bankruptcy."
– Stacey Jernigan, U.S. bankruptcy judge

SB 2234 / HB 5587 (Belt/Huynh) – Protections for Small Businesses

- Requires non-bank lenders to get licensed or register
- Ensures small businesses know the annual percentage rate (APR) of their loans
- Follows California and New York

Paid Research Opportunity

- Woodstock is collecting stories about consumers' and small businesses' experience borrowing money (or trying to borrow money)
- Folks who are eligible receive a $25 gift card for sharing their story in a 30-minute interview.
- Scan the QR code

Stacie Folk, *Small Business Owner (Great Minds Escape)*

The Empowering Black Futures Initiative

Monique Thurman
Program Coordinator for the Empowering Black Futures Initiative
at Claretian Associates

EBF Program Outcomes

The Fifth Third Empowering Black Futures Neighborhood Program (EBF Program) is designed to help support the economic mobility of Black residents and revitalize neighborhoods that have experienced disinvestment, wealth extraction, and income disparities due to racial inequities.

Specifically, across the nine participating neighborhoods, the program aims to achieve the following outcomes:

1	Improve upward mobility among Black residents.
2	Promote prosperous small Black-owned businesses.
3	Develop healthy built environments.
4	Create more equitable, connected systems.
5	Build an inclusive civic infrastructure.

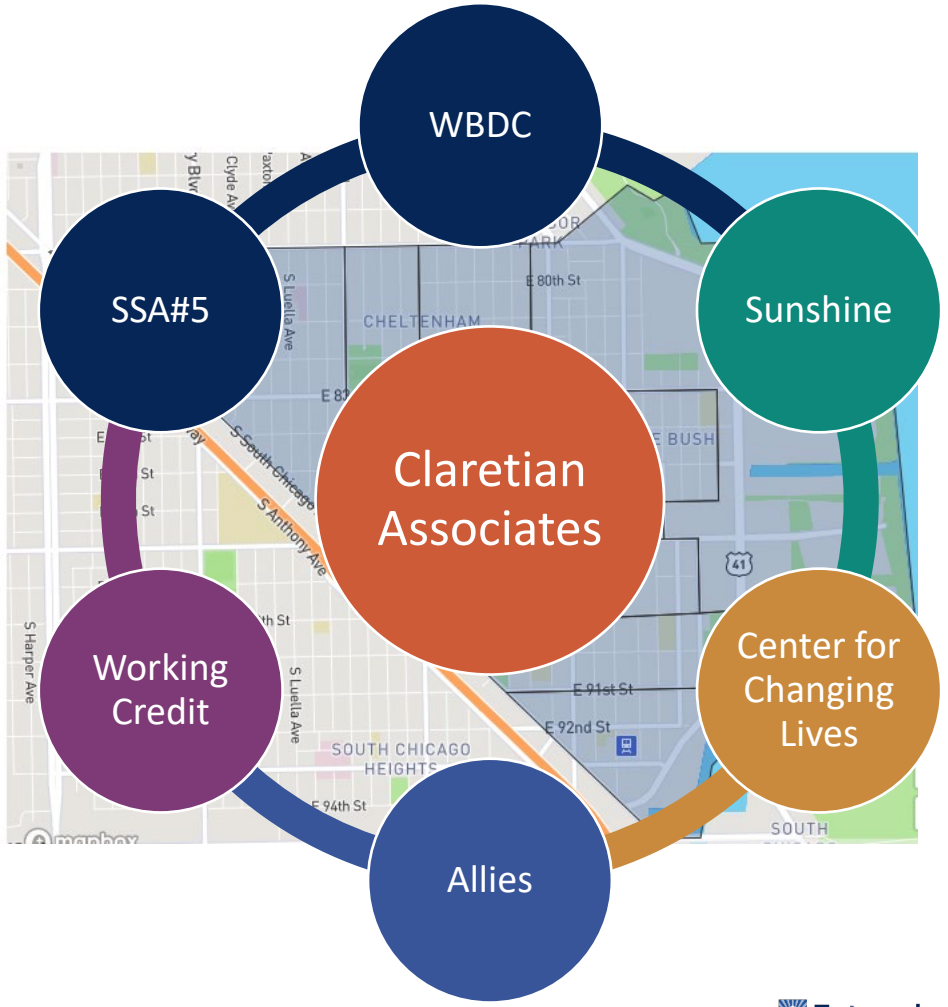
Current Status

South Chicago – Small Business Landscape

- Commercial Ave – high vacancy rates and buildings in need of repair
- Black business owners disproportionally underrepresented along Commercial Avenue. While Black residents comprise 73% of the population, Black business owners comprise:
  - GIC estimate is less than 5% pre-pandemic
  - SSA survey 9/73 respondents identified as Black or African American
- Lack of industry-specific, hands-on technical assistance in the neighborhood, particularly focused on nuts and bolts of starting a business
  - Chamber no longer exists
  - No NBDC in the neighborhood
  - No Merchant's Association or active Main Street
- Lack of access to accessible, flexible forms of capital
- Commercial Ave Streetscape may potentially 1) disrupt business 2) put upward pressure on rents
- Businesses have difficulty utilizing public sector resources
- Several business operating under the radar because of barriers to becoming legally established

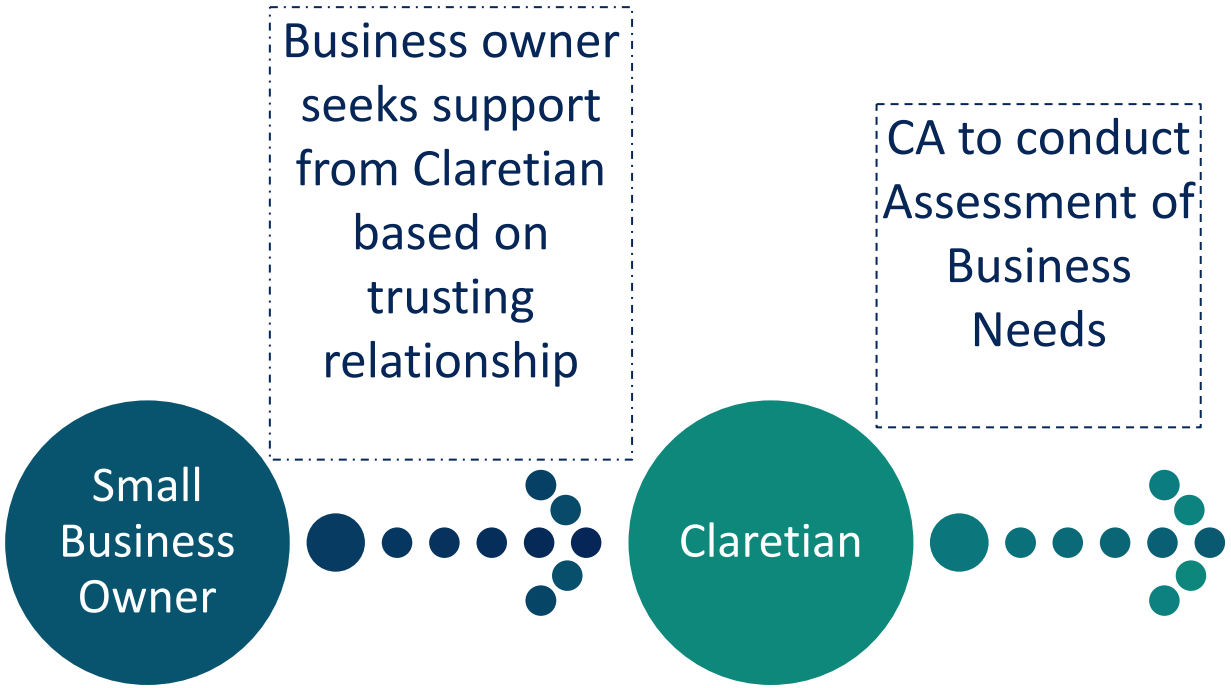
Proposed Solution: Claretian and partners to support expansion of Small Business ecosystem in South Chicago

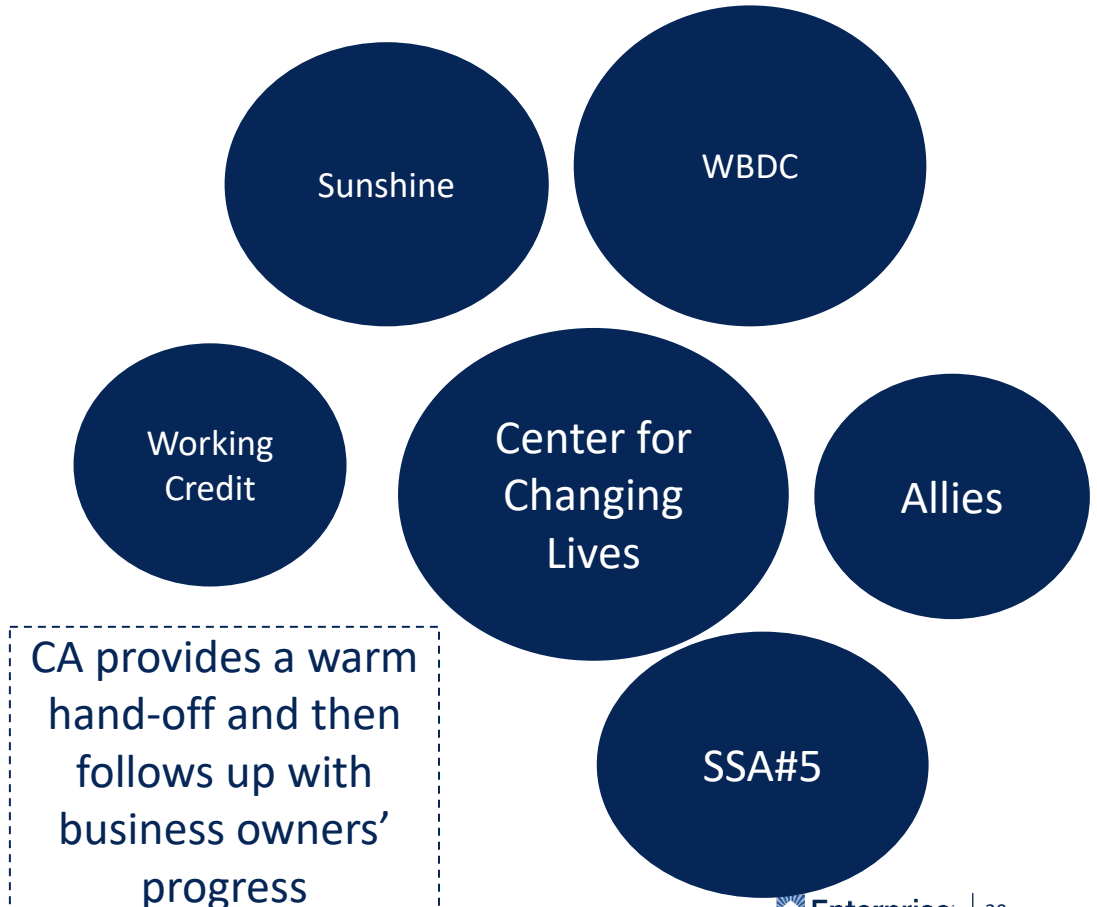
- **Trust-Building:** Cultivate trust with Black business owners by fostering sustainable and transparent communication and building strong relationships.
- **Co-develop**: Small business TA providers to co-develop technical assistance programs that are:
  - Physically based in South Chicago
  - Tailored to meet unique needs of S. Chicago business
- **Partner**: Claretian to strengthen relationships with small business TA providers, including formalizing partnerships through MOUs.
- **Advocate:** Champion policies and initiatives that actively support the growth and sustainability of local businesses.



Hub-and-Spoke Model

Claretian to assess the specific needs of the small business owners and connect them to TA provider who can address their unique challenges.





CA provides a warm hand-off and then follows up with business owners' progress

Adrian Rodriguez, *Illinois Hispanic Chamber of Commerce*

Q&A
Community Testimony

State Representative Hoan Huynh

Tasha Brown, *Small Business Majority*

Call to Action & Closing

COALITION PARTNERS AND FRIENDS

SMALL BUSINESS MAJORITY

WOODSTOCK INSTITUTE

Advancing Economic Security and Community Prosperity

Allies for Community Business

SMALL BUSINESS ADVOCACY COUNCIL

CHICAGO COMMUNITY LOAN FUND

Helping create communities where people thrive

RESPONSIBLE BUSINESS LENDING COALITION

WORKING CREDIT

a nonprofit

Founders First CAPITAL PARTNERS

Join the Coalition!

bit.ly/SmallBizCoalition