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Foundation's loans give women entrepreneurs a boost

Microloans and a pitch competition launched by the Michigan Women's Foundation over the past few years to support women entrepreneurs — like Jess Sanchez McClary, founder of McClary Bros. drinking vinegars — are quietly helping to create jobs.

By **Sherri Welch**

Microloans and a pitch competition launched by the Michigan Women's Foundation over the past few years to support women entrepreneurs are quietly helping to create jobs.

The foundation is among a growing number of groups making small, high-risk loans of under \$50,000 to entrepreneurs that banks won't touch.

The loans are helping people like Jess Sanchez McClary, **founder of McClary Bros. drinking vinegars**, get an early start they might not otherwise have had because their credit isn't good enough, they have little or no collateral and often haven't produced any revenue yet.

With a \$40,000 loan from the foundation made in 2015, McClary was able to purchase a semi-automatic bottle-labeling machine and to make a part-time employee full-time.

Perhaps more importantly, the loan boosted her confidence, McClary said, and helped her establish business credit. It was the first loan she secured for her startup, then three years old.

"We went from having to have cash up front to being able to get net terms and getting 30 or 45 days to pay for materials," McClary said. That made a huge difference in the company's cash flow and set it on a path for growth.

McClary Bros. is one of 85 companies that have benefited from \$1.23 million in microloans made by the foundation since mid-2014 and/or \$335,000 in prize money awarded through its business plan pitch competition over the past five years.

At the end of last year, all but two of the companies were operating, with a collective 232 employees, according to newly released information from the foundation.

Largely woman-owned startups, with just over half also minority-owned, the companies went on to leverage an additional \$7 million in funding.

Collectively, they reported just under \$9.5 million in revenue for 2016.

The foundation's fledgling microloan program is funded with state microloan fund dollars, Community Reinvestment Act funds from local banks and donations from the foundation's "Power of 100 Women"



Photo by McClary Bros. With a \$40,000 loan from the Michigan Women's Foundation made in 2015, Jess Sanchez McClary, founder of McClary Bros. drinking vinegars, was able to purchase a semi-automatic bottle-labeling machine and to make a part-time employee full-time.

group of donors. It's helping women who would not otherwise have had the funding needed to launch a business.



Carolyn Cassin, president and CEO,
Michigan Women's Foundation

"We're breaking through that barrier, giving access to capital to people who could never have gotten it before," said **President and CEO Carolyn Cassin**.

Made through the foundation's \$1.29 million revolving loan fund, the microloans are high-risk, made to people who could not get a bank loan, she said.

Applying for a loan is really intimidating for a lot of entrepreneurs, said McClary, who was turned down for a conventional loan through her bank before applying for the Michigan Women's Foundation loan.

"It's very scary to feel like you're just going to be told no."

It wasn't until three years after the launch of her business that McClary, then a participant in the Goldman Sachs 10,000 Small Businesses initiative, felt confident enough to approach the Michigan Women's Foundation for a microloan.

Armed with new knowledge of how to put together a strong business plan proposal for funding, she applied and secured the three-year, \$40,000 microloan from the foundation in a matter of weeks.

Alternative lenders like the Michigan Women's Foundation are lending to "the human side," assessing each person and their idea,

rather than just the numbers, McClary said.

The loan was a turning point for her young company.

Today, McClary Bros.' drinking vinegars are served in more than 1,000 locations across 27 states. The Detroit-based company employs five people and has posted between \$500,000 and \$550,000 each of the past two years. It's set to more than double revenue this year as it moves into private label products, McClary said.

Since launching the microloan program in 2014, the foundation has made 52 loans. This year, it's set a target to do 36, Cassin said.

The loans range from \$2,500-\$50,000, with an average loan amount of \$23,800.

While six or seven of the companies loaned money are behind in their payments, none have gone into default or walked away, Cassin said. The foundation is modifying payment amounts to help those struggling to afford the payments and offering extra support to help them expand their businesses.

"Women are a good investment. They pay their money back," Cassin said.

A big part of what's helping the companies the foundation has invested in succeed is guidance from its network of 400 mentors, most of whom are women, Cassin said.

Mentors work with startup companies and others looking to grow to develop business plans and strategies. They also pick the finalists for the "Dolphin Tank" business plan pitch competition, a gentler version of the television show "Shark Tank," along with the winners.

In addition to its women's entrepreneurship programs, the Michigan Women's Foundation provides youth programming to help develop the next generation of women leaders and leads fundraising efforts to fund testing of the Detroit Police Departments' thousands of backlogged rape evidence kits, in addition to its programs supporting women entrepreneurs. It's operating on a \$2.2 million budget this year.

The results the Michigan Women's Foundation is seeing with its microloans and other entrepreneur programming are comparable to those of another NEI grantee, ProsperUs Detroit, **NEI Director Pamela Lewis** said in an email.



Pamela Lewis, director, New Economy Initiative

ProsperUs, an entrepreneurial training and small business lending program for Detroit residents, is a collaboration between Global Detroit, Southwest Solutions and other community groups. Since 2014, it has made \$500,000 in microloans to 29 businesses, which have since created 75 jobs, Lewis said.

Those organizations, with others, like Kiva Detroit, are among an increasing number of alternative lending models entering the Detroit market, she said.

Since May 2015, Kiva, through its fiduciary, the Build Institute, has made loans totaling \$146,450 to 24 individuals.

"We see significant potential in programs like these for growing new jobs and businesses in our region," Lewis said.

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