

Testimony HB 6051 and HB 6052

Northern Initiatives (NI) is a private non-profit corporation that was founded at Northern Michigan University and where it resides today. NI is the largest commercial lending Community Development Financial Institution in Michigan, and it is a micro-lending institution.

Northern Initiatives focuses on building entrepreneurial communities and growing entrepreneurs. Our lending activities have provided 530 loans totaling \$29mm. These loans have helped small family owned businesses to create and retain 1,500 jobs. NI has a staff of eleven and serves 44 rural Michigan counties from its home base in the UP.

Michigan needs this legislation to move into an arena that has largely been overlooked supporting and launching small, First Stage, businesses. Covering such an expansive geography with a small staff means that NI must depend on partners. There is no better evidence for need for bringing more resources to this area than to look at where the referrals for Northern Initiatives loans come from, mostly banks followed by the Small Business Technology Development Center Counselors.

Northern Initiatives has made 240 microloans. Many have been to first time owners and start up businesses. The beauty of the microloan system is that capital is provided that is accompanied by technical assistance. The technical assistance for our program always begins with accounting. What follows may include, marketing assistance, or web site development, or development of an e-commerce portal. So the reason why banks would be consistent referral points is that the program offers technical assistance (banks are prohibited from doing due to lender liability) and they can expect to see a "graduation" into their portfolio in around 3 years.

Why start anything new at this moment in Michigan? The answer is that for rural Michigan it is our best hope. In March only 6 of the 46 counties in Northern Michigan had a lower jobless rate than Michigan. In some years we might explain this in terms of seasonality, but unfortunately that trend held all of last year. But, what we also saw in the period 2000-2007 was that there was a segment of the economy in all but one county that added jobs. That segment was Stage One businesses with 1-9 employees. (Source the Edward Lowe Foundation, youreconomy.org)

Through these bills we can move to capitalize of what could be a trend that will support rural recovery, new ideas and innovations, some of which will grow to be significant job producers. We applaud the efforts of Representative McDowell and Switalski, and their sponsors to enable Michigan to support small businesses and urge passage by the House of Representatives.