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Mississippi Madness Outgrows Incubator

In 1993, Nancy McNamee began refining recipes and marketing plans to sell gourmet southern food from her hometown of Clarksdale, Miss. Sensing the nation's appetite for Southern things, she paired two regional favorites—good food and good stories—in eye-catching Mississippi Delta-shaped packages. Thus, McNamee launched her company, which she called Mississippi Madness. It wasn't long before the company's products—such as black-eyed pea paté, soup and caviar; Good Luck Hoppin' John casserole; and Good Luck turnip greens—began to be featured at Disney World, Opryland and major retailers like Bloomingdale's, Neiman-Marcus and Marshall Fields.

What is unique about Mississippi Madness is that it was nurtured in a business incubator. After outgrowing a small facility and needing a place to expand its operation, the company and its 10 employees moved into the Coahoma County Business Development Center in August 1994.

This center is a business incubator designed to create jobs and reduce small business failures by making it easier for businesses and entrepreneurs to survive the critical early stages of development. It is conveniently connected to the Clarksdale Chamber of Commerce and resides in the Sunbelt Industrial Development Park. The Chamber/Industrial Foundation of Coahoma County manages the Business Development Center. It offers flexible units at affordable rental rates, equipment and services on a shared-cost basis, assistance in obtaining financing through partnerships with local banks, and counseling on various aspects of business. The staff of the Foundation is housed in the facility.

By 1995, Mississippi Madness employed 50 people from the Clarksdale area. While continuing to do its own production, the company was rapidly expanding and eventually occupied the entire center. Recently the company outgrew the incubator and farmed out production to another Mississippi company. This move allowed Mississippi Madness to concentrate on its retail and mail-order business. Since leaving the incubator, the company has opened offices in Clarksdale and a retail outlet in Columbus, Miss. A new retail outlet will be opening soon in Oxford, Miss.

Dinni Clark, product developer at the Columbus retail store, recently represented Mississippi Madness at a Folklife Festival in Washington, D.C., where she introduced grits and other Southern delicacies to people from around the world. Clark said that local Columbus banks made the opening of the Columbus kitchen and retail store successful.

Dinni Clark, product developer at Mississippi Madness' retail store in Columbus, Miss., shows off the variety of products the company offers. Following a careful cultivation period in a business incubator, Mississippi Madness has taken flight and continues to expand.

Thanks largely to its roots in a business incubator, it appears that the only direction for McNamee's Southern company is 'north.'



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<https://www.stlouisfed.org/publications/bridges/fall-1997/creditled-microenterprise-lending-strategies>

Credit-led Microenterprise Lending Strategies

This article and the charts are based on information published by The Aspen Institute's Self-Employment Learning Project. As financial institutions begin to move from the sidelines of microfinance, it is important to review current microlending and service products and their delivery strategies.

Evidence is growing that microenterprises—very small businesses run by self-employed individuals—can help alleviate economic deterioration and poverty in poor communities. In microenterprise development, nonprofit agencies and government entities provide loans to individuals in the hope that their small businesses can create jobs, spur new business growth, encourage the accumulation of capital, and revitalize local economic activity.

Encouraging the development of microenterprises has become part of a growing trend toward supporting "growth from within" in poor communities—that is, encouraging economic development with resources that already exist.

Today's microentrepreneurs operate businesses with fewer than five employees, have credit needs of under \$25,000, and have a business net worth of generally under \$25,000. A recent survey identified more than 328 microenterprise programs in 46 states. These programs assisted in the start-up or expansion of 90,000 businesses over the last eight to 10 years.

The Practice of Microenterprise

Microenterprise programs generally offer two principal services: small loans that use nontraditional underwriting standards, and training and technical assistance services. As classified by the Self-Employment Learning Project, programs fall into three distinct categories: credit-led programs that make loans to individuals, group lending (or peer lending) programs, and training-led programs. The credit-led programs tend to be directed to more moderate-income individuals and to those businesses with greater financing needs, whereas the group lending programs tend to serve lower-income people and businesses without collateral to pledge against a loan. Training and technical assistance are important in many areas, including financial management, marketing, planning and business plan development.

The goal of the credit-led strategy is to provide credit to individuals who do not meet the lending requirements of traditional credit sources, but who are capable of developing and managing their businesses with relatively little support.

The loan is the central focus of the process. Typically larger loans are made available with the maximum reaching \$25,000. In some microlending programs, the loans are as small as \$500. While loan terms can be short, the largest loans may range from three to seven years.

Since the inception of the credit-led strategy in the United States about a decade ago, the field is slowly growing up. No longer waiting on the sidelines, bankers are eager to investigate this emerging market and lenders and community-based financial institutions are beginning to talk about the next phase of development. The field has grown beyond the demonstration phase and is ready to define itself more clearly, push for quality performance, and claim its place within the broader community development finance field.

- Showing 'Good Faith' in Entrepreneurs
- Who are Microentrepreneurs?



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Showing 'Good Faith' in Entrepreneurs

Located in Pine Bluff, Ark., the Good Faith Fund (GFF) is a self-employment loan fund that targets low- and moderate-income individuals who operate a microenterprise or are interested in becoming self-employed. Approximately 80 percent of the individuals assisted by GFF are women, of which about 80 percent are black.

Since its inception in 1988, GFF's primary vehicle has been a peer group lending program. After a recent evaluation of the program's effectiveness, the GFF decided it could be just as effective and obtain a higher level of administrative efficiency by shifting its focus from peer lending to credit-led lending.

As a result, GFF's staff has been able to devote more time to individualized technical assistance and post-loan counseling. To maintain the close personal ties peer group members had formed with one another, the groups continue to meet on a voluntary informal basis to network. In many cases, this is the only time the entrepreneur can afford to be away from his or her business. Even though the meetings are encouraged, they are no longer required to obtain a loan.

With its restructuring, the GFF did not totally eliminate business training from its repertoire. Under a contract with the Enterprise Corporation of the Delta (Jackson, Miss.), the GFF will begin "Fast Track One" training in October for potential entrepreneurs. The nine-week training program is geared toward people on public assistance and offers a business feasibility study. Once graduates complete the course, they may move on to "Fast Track Two," which concludes with a business plan.



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Credit-led Microenterprise Lending Strategies: Survey Results

Who are Microentrepreneurs?

- 62 percent are from a minority ethnic or racial group
- 78 percent are women
- 83 percent are high school graduates
- 34 percent have employees
- 78 percent of their businesses have lasted at least 2 years

Attributes of Credit-Led (individual) Loan Programs from 328 programs surveyed by the Aspen Institute

- Average loans per program was 29
- Average loan size was \$9,248
- Maximum loan size ranged from \$1,000 to \$500,000
- 40 percent of the programs made loans up to a maximum of \$20,000
- 28 percent made loans up to a maximum of \$5,000
- 36 lenders allow a maximum term of six years or longer

The Aspen Institute survey found 152 respondents who tried to get a business loan from a financial institution other than a microenterprise program. Of these:

- 47 percent received credit (71 people)
- 53 percent were denied credit (81 people)

The majority of respondents who were denied credit reported the following reasons for denial:

- business was too small or young
- lack of collateral
- inadequate or problem credit history



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<https://www.stlouisfed.org/publications/bridges/fall-1997/cass-banks-successful-approach-to-minority-small-business-lending>

Cass Bank's Successful Approach to Minority Small Business Lending

The following is excerpted from an August 1997 interview with Ted Winters, senior vice president with Cass Bank in St. Louis.

For Cass Bank, small business lending is our niche, our primary business. When you ask me to describe our program for lending to minority-owned small businesses, it's easy because we have developed a comprehensive, relationship-building approach to all small business lending.

There are several components to our program, some of which we believe are unique to Cass Bank. Our approach is "high touch and high tech," and we believe it is a successful combination for the bank and its customers.

First, Cass Bank has developed a proprietary database of small businesses (those with sales of up to \$150 million annually) in the St. Louis area. This database is constantly being updated from any number of sources because we want to be able to identify and focus our activities on these small businesses and their owners. This is an important starting point for Cass Bank since our next step is our contact marketing program.

Cass Bank has marketing calling officers who contact small business owners. These contacts may be initiated by information received from our database or from word-of-mouth referrals. What makes this so successful is the commitment from

Cass Bank Senior Vice President Ted Winters (right) alongside one of his clients, Marvin Peebles, at a construction site in north St. Louis. Through a special program, Cass Bank provides loans and one-on-one business counsel to minority-owned small businesses like Marvin Peebles Masonry Inc.

the very top of the organization. Our chairman and executive officers often participate in these calls because we want business owners to know that their business is important to us.

Walking the Talk

Following the initial contact, we begin a time-intensive commitment to the business owners that allows us to "walk with" them more closely. This consists of:

1. Getting to know the business owner, building a relationship and gaining credibility;
2. Assisting and providing financial counsel or technical assistance to help small businesses establish financial accounting systems, including cash disbursement and receipt journals;
3. Attempting to develop a way to structure a loan request considering factors such as cash flow and debt coverage;
4. Advising business owners on computer and software systems or referring them to the appropriate source;
5. Assisting the customer when meeting with the SBA to find out about SBA-guaranteed products or referring them to one of our lenders who are experts in SBA lending; and

6. Developing an inclusive proposal that covers not only lending requirements but also the deposit side as well. This helps them to better manage cash available to them.

It is not unusual for Cass to walk with business owners over a period of two or three years, helping them to develop a comprehensive game plan. We want to help them see where they should be in one, two or three years. We desire to structure a loan package that is best for their businesses.

We consider this one-on-one approach to be critical to the overall success of our lending program. We are visiting and working with the business owners at their locations rather than asking them to come to us. Although we have several locations in St. Louis city and county, the location of our facilities is less important for our bank than for others. We do most of our work in the clients' offices.

To those businesses that require such, we also offer consultation regarding electronic commerce services. Through an affiliated non-bank subsidiary, Cass Information Systems, we can provide our customers high tech solutions (to processing payables and receivables, for example), which may be needed to operate successfully in the future.

Church Lending

In addressing the more specific question of our lending program for minority-owned small businesses, Cass Bank has intensified its efforts to reach this market over the last five years. This increased effort led us to become more involved in church lending. Churches are crucial to revitalizing neighborhoods, and we want to assist them in meeting this objective. Historically, lending to churches has been considered more risky than other types of lending; however, we have determined that actual loss experience is minimal. For Cass, churches are sound investments, and we use the same nurturing approach as with other business customers.

Pastors are good liaisons between the bank and their communities. They know business owners and assist us in making initial contacts with them. Likewise, the bank is able to work with the churches to develop lending and deposit strategies that will allow them to be better stewards of their resources.

Cass Bank has gone one step further to help its minority small business clients and to increase the amount of lending in minority communities. We have worked with Gateway National Bank, the only minority-owned bank in St. Louis, which has benefitted both institutions. For example, Cass participates in loans that would otherwise exceed Gateway's legal lending limit and invites Gateway to work with churches and business owners who would prefer to deal with a minority lending institution. This relationship has helped both banks serve the community.

Overall, Cass Bank views all small businesses and churches as its primary market regardless of factors such as location, race, color or gender. There is not much difference in the needs of minority or other owned small businesses. We try to help the owners address key financial needs. We want them to be prepared for the future. Hopefully, they can become a customer of the bank; however, that is not the final measure of success.

By gaining and developing relationships, we can help even more small businesses and churches. That is why we invest so much time in our nurturing process.



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1996 HMDA Data Available

The Federal Financial Institutions Examination Council (FFIEC) has announced the availability of data on 1996 mortgage lending activity in metropolitan areas and released analyses of nationwide summary statistics regarding lending patterns. The data reflect lending activity for more than 9,300 institutions covered by the Home Mortgage Disclosure Act (HMDA) that reported data.

The 1996 data include a total of 14.8 million reported loans and applications, an increase of 32 percent from 1995. They show an overall increase in the number of both government-backed and conventional home purchase loans from 1995, with lending to lower-income households up somewhat more than lending to higher-income households. Taken together, government-backed and conventional home purchase lending to all racial and ethnic groups increased from 1995. Lending to Hispanics increased 13.4 percent; to Native Americans, 11.4; to Asians, 8.2 percent; to Whites, 8.1 percent; and to Blacks, 3.1 percent.

By comparison, from 1993 to 1996, government-backed and conventional home purchase loans rose 55.6 percent for Hispanics, 52.5 percent for Blacks, 26.6 percent for Native Americans, 15.3 percent for Asians and 14.0 percent for Whites.

For conventional home purchase loans, taken by themselves, the denial rates continue to vary among racial and ethnic groups. For conventional home purchase loans, the denial rates in 1996 were as follows: 50.2 percent for Native American applicants; 48.8 percent for Blacks; 34.4 percent for Hispanics; 24.1 percent for Whites; and 13.8 percent for Asians.

The disclosure statements underlying these and other summary statistics are now available for public inspection at central depositories throughout the nation. The disclosures include financial institutions' disclosure statements and aggregate data for each metropolitan statistical area (MSA). The location of the central depository for an MSA can be obtained by calling the FFIEC at (202) 634-6526. The FFIEC also makes HMDA data available in various formats including paper, magnetic tape, PC diskette and CD-ROM.



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Building Housing Partnerships in Southern Indiana

Michael J. Traylor

The Southern Indiana Rural Development Project Inc. (SIRDP) recognizes the long-term commitment it takes to effectively address rural development issues in Southern Indiana. Over the past year, that commitment has centered on affordable housing.

Although affordable housing issues have been a major focus of urban areas, housing advocates have not always recognized the need in rural communities. Although rural residents' housing needs are not as widespread as those of their urban counterparts, these residents feel the relative impact just as strongly. In early 1996, the SIRDP Housing Task Force chose Scott County to be a pilot project for facilitating affordable housing.

During the following months, SIRDP met with representatives of the Fed's Louisville Branch, as well as the Indiana Housing Finance Authority (IHFA), the Kentucky Housing Corporation (KHC) and USDA Rural Development's Indiana Office. The task force also visited with the Federation of Appalachian Housing Enterprises Inc. in Berea, Ky., to observe and learn from one of the most successful community development corporations in the country.

These meetings provided a perspective on state and federal resources available to address housing needs. In addition, the lack of a nonprofit housing organization was identified as a primary deficiency in Scott County.

In response, a survey was sent to CDCs, community housing development corporations (CHDO) and bank-sponsored CDCs throughout the country. The survey requested guidance on the appropriate structure of a rural CDC and asked respondents to identify their successful projects.

Since the average population served by agencies responding to the survey was 72,000, this raised a question of whether Scott County, at about 21,000, was large enough to accommodate a CDC or CHDO. However, the populations of respondent communities ranged from 10,000 (one county) to 180,000 (16 counties).

Successful projects were as varied as the size of the communities: renovations, grants for down payments on existing homes, development of single-family units primarily through renovation of an existing building, implementation of a computer reuse program, development of a revolving loan fund to assist small local businesses with start-up costs, and development of a \$32 million hospital/housing complex.

After sharing this information with community leaders, the Scott County Housing Partnership, comprising a local team of affordable housing advocates, emerged. Although much work is yet to be done, a local nonprofit, Ohio Valley Opportunities (OVO), approached the Partnership about becoming a provider of affordable housing in the county. At that time, OVO had applied to IHFA for CHDO status and has since

received this designation. OVO is now working with the Partnership to assume a formal role in addressing Scott County affordable housing needs.

In the meantime, the Partnership has not been idle. With significant input from local financial institutions, the Partnership assembled a model for home ownership education throughout the state. Based largely on KHC's Yes You Can...Own A Home program, the one-day class provides potential homeowners with the necessary tools for buying a home.

Without useful input from dozens of people and the agencies with which they have worked, SIRDP and the Partnership could not have been successful. With everyone's input, this effort may become a model program for the entire state.



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Spanning the Region

Arkansas University Provides Economic Development Link

The Arkansas State Data Center at the University of Arkansas at Little Rock provides a link to the state's economic development information. This data is contained in the Arkansas Economic Development Information Network. The goals of this network are: to increase developers' awareness of available resources; to publish a directory of those resources; to provide a forum for networking; to arrange partnerships between organizations involved in economic development; and to educate members on strategic decision-making and information management.

The network may be reached by contacting the Arkansas State Data Center, University of Arkansas at Little Rock, (501) 569-8530.

St. Louis Council Turns Investments into Jobs

The East-West Gateway Coordinating Council's St. Louis Regional Jobs Initiative is an eight-year collaboration geared toward two key customer groups: young adult, urban core job-seekers who need family-supporting work and employers from throughout the region who need good workers to grow their businesses and maintain their competitive advantage. The council is implementing innovative new approaches for linking job-seekers with careers in strategically targeted occupations and industries, such as health care, construction and clerical services.

The Jobs Initiative is making use of funds provided through investments and loans from private foundations and financial institutions. Investments will be tied to specific expectations of return, and the Jobs Initiative will measure and evaluate performance.

For more information, contact Blair Forlaw, East-West Gateway Coordinating Council, at (314) 421-4220.

Kentucky Offers Affordable Rent Program

The Kentucky Housing Corporation (KHC) administers the Nonprofit Enterprises for Affordable Rent program to increase the supply of affordable rental housing available statewide to persons and families of lower and moderate income. This project is for use by nonprofits only. The unit size can be no more than four units per building and no more than seven units in a contiguous area. Assistance is in the form of a loan at a maximum of \$171,700 for a four-plex.

For more information, contact KHC at (502) 564-7630.



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Resources

Community Reinvestment Act

The FFIEC's Internet site now contains additional information on the Community Reinvestment Act. The expanded CRA web site now includes Interagency CRA Interpretive Letters FFIEC (with the identity of the addressees and proprietary information suppressed unless government sponsored), Examination Procedures, the CRA Regulation and Questions and Answers, as well as links to the CRA home pages of each of the agencies.

The new FFIEC CRA web pages are located at www.ffiec.gov/cra/dcca or at the FFIEC home page (www.ffiec.gov) under "Regulations, Ratings, Schedules and Documents" under "Community Reinvestment Act" within the section on "Information Services."

If you have any questions, please contact either Cathy Gates (202) 452-2099 or Anna Rotenberg (202) 736-1921 in DCCA at the Board.

Microenterprise Lending

The Practice of Microenterprise in the U.S.: Strategies, Costs, and Effectiveness, published by The Aspen Institute's Self-Employment Learning Project. This report provides a detailed picture of seven microenterprise lending programs and offers an analysis of their progress and challenges that lie ahead for the field of microenterprise programs. To obtain copies, contact The Aspen Institute, P.O. Box 222, Queenstown, Md., 21658, or call (410) 820-5326.