

WECO Micro Loan Program FAQs

The **WECO MicroEnterprise Center** provides loans, education, and training to *very small businesses* that have all the responsibilities of larger ones but not as many of the resources.

Q: *What is a MicroEnterprise?*

A: A microenterprise is usually defined as a business with 5 or fewer employees, small enough to require initial capital of \$35,000 or less, where the owner is directly involved in the business.

Loan Parameters

Q: *Do you give grants?*

A: No. However, the WECO IDA Program offers a matched savings program that can be used for a small business. A savings of \$750 can be matched 2:1 once educational and other program requirements are fulfilled. For more information on the WECO IDA Program, call: (216) 458-0250 ext. 216

Q: *How is the WECO Micro Loan Program funded?*

A: The WECO Micro Loan Program is funded on the Federal level by the Small Business Association (SBA), on the state level by the Ohio Department of Development (ODD), and on the local level by Key Bank, Fifth-Third Bank, National City Bank, and Huntington Bank. These institutions *loan* us money that we in turn *loan* to community-based businesses. At no time does a loan from the WECO Micro Loan Program turn into a grant.

Q: *How much can I borrow?*

A: Loans range from \$500 to \$35,000. The maximum one can borrow is \$35,000.

Q: *How long can the term of my loan be?*

A: Loan terms range from 30 days to 5 years. The term of your loan depends on the loan amount and purpose, among other factors.

Q: *What can I use the loan for?*

A: The loan must assist in moving your business forward. Your loan request may include funds for working capital, equipment, renovations, signage, advertising, supplies, or inventory. The WECO Micro Loan Program DOES NOT provide lines of credit, loans for any past debt, debt consolidation, or the purchase of property.

Eligibility and Credit Limitations

Q: *What are the main eligibility requirements to apply to the WECO Micro Loan Program?*

A: Eligibility requirements for loan applicants are as follows:

- Business must be located in Cuyahoga County
- The applicant must be ineligible to secure a loan from a bank
- The applicant must be 21 years of age or older
- The applicant must be the business owner. All business co-owners must also apply (only 1 application is necessary).

Q: *Who can apply to the WECO Micro Loan Program?*

A: Both start-up businesses and existing businesses looking to maintain or expand are eligible. Home-based businesses are also eligible.

Q: *What types of businesses are INELIGIBLE to apply to the WECO Micro Loan Program?*

A: As a community-based organization, WECO offers assistance to many different types of community-oriented businesses. However, the following types of businesses ARE NOT ELIGIBLE to apply to the WECO Micro Loan Program:

- Non-profit organizations; except for daycare centers
- Artists, performers and musicians unless historical cash flow can be shown
- Multi-level marketing schemes
- Businesses that engage in real estate development
- Businesses that engage in weapons sales
- Gambling or Alcohol based businesses
- Manufacturing and / or distribution of unlawful or harmful substances
- Adult entertainment
- Unlicensed massage services (does not include licensed massotherapy)

Q: *What are the WECO Micro Loan Program's credit limitations?*

A: The following credit issues would make you INELIGIBLE to apply to the program:

- Credit score below 550
- Outstanding tax liens
- Active Bankruptcy. Any bankruptcy needs to be discharged for at least 12 months and credit must be re-established.
- Open judgments on your credit report
- Delinquent child support, rent, or mortgage payments.
- Defaulted student loans or any other Federal debt
- Foreclosure

Note: The WECO MicroEnterprise Center considers your credit history in the context of your whole application. Loan approval is not based on a single credit score. Weak credit may be compensated by other strengths in your loan package. WECO also offers a Financial Coaching Program that can assist you with debt management and improving your credit score. For more information, call: (216) 458-0250.

Q: *Does the WECO Micro Loan Program require collateral?*

A: Yes, loans must be fully secured by collateral and/or guaranteed by a qualified co-signer. Personal and business assets may be used as collateral. All collateral must be insurable and appraisable.

Getting Started

Q: *How do I apply for a loan?*

A: Submit a completed application with the supporting documentation, a business plan, and a \$50 application fee to WECO Fund Inc. You may drop it off or send it by mail to:

**WECO Fund Inc.
Attention: WECO Micro Loan Program
3209 Chester Avenue
Cleveland, OH 44114**

Q: Does WECO offer assistance in completing the loan application?

A: Yes. WECO offers a FREE 1-1/2 hour Micro Loan Packaging workshop to teach you how to prepare and submit a loan application and learn how the review and evaluation process works for the WECO Micro Loan Program. Register at (216) 458-0250 ext. 215

Q: Does WECO offer a business plan writing class?

A: Yes. WECO offers an interactive two-hour per week, three-week Writing a Professional Business Plan course that will give you the tools you need to write a comprehensive business plan. The registration fee for this class is \$50. Register at (216) 458-0250 ext. 215

Q: Are the classes required in order to apply to the WECO Micro Loan Program?

A: No, our classes are not required in order to apply to the program, but you are expected to have business experience or training from some source.

Loan Packaging

Q: What is a loan package?

A: A loan package is a collection of personal and business documents that are required by a lender when making a formal application for a loan.

Q: What documents do I need to in order to submit a complete loan package?

A: The following documents are required to apply to the WECO Micro Loan Program.

- Micro Loan Application – filled out completely and signed
- Business Plan – 2 year business plan
- Marketing Plan – 2 year calendar detailing when and how you plan to advertise your business month to month
- Cash Flow Projections – 2 year projections by month
- Personal Financial Statement – all owners
- Previous 2 years of Personal Federal Tax Returns – all owners
- Documentation of Business Status (Corp, LLC, etc.)
- Resumes of Key Management
- Lease or Purchase Agreement (if applicable)
- Two Business or Trade References

Note: In addition to the above documents, existing businesses (in business for more than 1 year) are required to submit the following:

- Previous 2 years of Balance Sheets & Income Statements (if applicable)
- Current Interim Balance Sheet & Income Statement

Application Process

Q: How long does the application process take?

A: The WECO Micro Loan Program is not a rapid process. The entire application process could take between 30 and 90 days, depending on the thoroughness of your application and business plan, as well as your credit situation.

Q: After I submit my loan package, how long will it take for me to be contacted?

A: Generally, you will be contacted within 1 week to set up an Initial Review meeting. At the Initial Review meeting, we will discuss your loan package, business plan, and credit situation to determine how to proceed.

Q: *Will a decision on my loan request be made at the Initial Review meeting?*

A: No. WECO's Loan Committee makes the final decision on all loans. The Initial Review meeting is designed to measure your readiness to meet with the WECO Loan Committee.

Note: If it is determined that you are not ready to meet with the WECO Loan Committee, we will give you an opportunity to address any challenges in your loan package or business plan. After we have outlined a course of action, it is up to you to make the necessary changes. If the changes aren't submitted within 90 days of the day you applied, your application will expire.

Q: *Who is on the WECO Loan Committee?*

A: WECO's Loan Committee is made up of local bankers, business persons, and community development professionals. No one from WECO's staff or the WECO MicroEnterprise Center is on the Loan Committee.

Q: *How do I prepare for the WECO Loan Committee meeting?*

A: At the Loan Committee meeting, you will present your business and answer questions pertaining to your business plan. WECO MicroEnterprise Center staff will prepare you in advance of the meeting.

Q: *When does the WECO Loan Committee meet?*

A: The Loan Committee generally meets the 3rd Wednesday of every month.

Note: The Loan Committee meeting marks the end of the process. A decision of Approval or Denial will be made after the meeting has concluded. You will be notified of the committee's decision in writing.

Note: You may withdraw your application at any time. However, the \$50 application fee is non-refundable.

Interest Rate and Fees

Q: *What is the interest rate on your loans?*

A: The interest rate is fixed at 11%; it will remain that way throughout the life of your loan.

Q: *Why is your interest rate high?*

A: The WECO Micro Loan Program's interest rate is higher than traditional banks due to the higher risk generally associated with the loans the WECO Micro Loan Program makes.

Q: *How much are your fees?*

A: If your loan is approved, The WECO Micro Loan Program will assess a one-time closing fee of 2% of the amount of the loan in addition to collateral filing fees. These fees can be added to your loan balance or paid at the time of closing.

**For More Information,
Register for the
Micro Loan Packaging Workshop at:
(216) 458-0250 ext. 215, or
Call us at: (216) 458-0250, or
Email us at: mail@wecofund.com**