

**U.S. Small Business Administration
Interview with Grady Hedgespeth**

Ron Johnson: Small businesses are our nation's number one job creators. However, these are challenging times for small businesses across the country. One question often asked is where can owners find the capital to operate their businesses, retain employees, or create new jobs without taking on too much debt? Hi, I'm Ron Johnson with the Small Business Administration, Your Small Business Resource, and with me today is Grady Hedgespeth. He is director of SBA's Office of Financial Assistance. Grady, I know our listeners are eager to hear if SBA's Microloan Program is the right step for struggling small business owners. Welcome to the program.

Grady Hedgespeth: Thank you, Ron.

Ron Johnson: Tell us about SBA's Microloan Program. How is this program different from any other small business loan?

Grady Hedgespeth: Well, most SBA loans are made through the 7(a) Loan Guarantee Program, where a bank makes the loan and SBA guarantees a percentage of that loan. Microloan Program is different. SBA actually makes a loan to an intermediary. Now, this is a nonprofit located in the community and that intermediary, in turn, makes a loan to a small business owner.

Ron Johnson: And what criteria must a small business owner meet to qualify for a microloan?

Grady Hedgespeth: Well, first of all, it's actually a very small loan so it's, in some respects, ideal for startup businesses. The loan cannot be more than \$35,000 and actually, the average microloan in the portfolio is only about \$13,000. Generally, the borrower who would be qualified for a microloan would be someone who is not traditionally bankable. That maybe because they don't have enough collateral to support a loan or they don't have an established track record for their business or they might have a low credit score or no credit score at all because they'd never had credit.

Ron Johnson: Now, Grady, I understand that the Microloan Program comes with the added support to help ensure that small business owners get off on the right step. So what can we expect or what can a participant expect from the Microloan Program?

Grady Hedgespeth: Well, the Microloan Program often comes with the technical assistance component and in fact, because of the weakness of the borrower in a traditional underwriting sense, most intermediaries actually require -- or you can't get a loan unless you go through a technical assistance program. Now, this might be anything from training classes to one-on-one counseling. They might even help you put together a Web page or a marketing plan, give you help with bookkeeping.

And it's also very important that they train their borrowers in how to use the proceeds of a loan appropriately. Now, that could be for anything, from working capital, supplies, furniture, fixtures, and equipment so the technical assistance is really critical in making the borrower use those funds in an appropriate way to help get their business going.

Ron Johnson: Now, how should a small business owner prepare before applying for the Microloan Program to improve their success of being funded?

Grady Hedgespeth: Well, first, they need to create a solid business plan. Now, you can go to our Web site for samples of business plans or contact your local SBA office. You could also go and seek counseling through some of SBA's resource partners, such as SCORE or Small Business Development Centers. Again, these kinds of resources are available through going to your district office in your local SBA office.

Ron Johnson: And in closing, where can a small business owner apply for the microloan program?

Grady Hedgespeth: Well, they need to find an intermediary that operates in their state. And again the best place to know who's working in your area and what their areas of expertise are is your local district office of the SBA.

Ron Johnson: Our thanks to Grady Hedgespeth, he's director of the Office of Financial Assistance, for introducing to us the

SBA's Microloan Program. Sometimes, a small loan can be the right amount needed to help small business owners survive and thrive in today's slowing economy. And you can learn more about SBA's resources at www.sba.gov. Until next time, this is Ron Johnson with SBA, Your Small Business Resource.

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