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## In the News

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### Reprinted from the Chicago Tribune

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November 2, 2009

#### Where the money is: Alternative lenders cater to growing small businesses

By: Ann Meyer

##### Minding Your Business

To grow his health care supply manufacturing company, Ash Luthra needed money and workers.

He got both from the Community and Economic Development Association of Cook County Inc., also known as CEDA, a nonprofit organization that offers loans to small businesses that agree to create jobs for low-income workers in Cook County.

The CEDA program is just one of several financing alternatives that more small business owners are turning to as traditional lenders have tightened requirements in a grueling economy. Likewise, many organizations are stepping up efforts to meet the growing need, and most have more favorable lending requirements than traditional lenders.

The Industrial Council of Nearwest Chicago's Illinois Small Business Development Center has reopened its revolving loan fund after a period of dormancy, said director Denise Ching.

"When credit was easily accessible and cheap, no one came to us for it," she said. "Now we're starting to see people need alternative financing again."

The group makes loans of up to \$12,500 at rates of prime minus 1 percent to prime plus 5 percent for small businesses located in the Kinzie corridor, from Lake Street to Grand Avenue and Halsted Street to Kedzie Avenue, Ching said.

At CEDA, larger, more established businesses are applying for its loans this year.

"We're seeing a lot more demand for our services, and it's from everyone, not just from the very, very small businesses," said Yvette Boutall, director of CEDA's business loan program.

CEDA gives five-year fixed-rate loans ranging from \$100,000 to \$200,000 to businesses that have a financial commitment from another lender, she said. For every \$20,000 in CEDA lending, businesses must hire one low-income worker.

Luthra, president of LSL Industries Inc. in Chicago, has received \$500,000 in four CEDA loans and hired 25 low-income workers for manufacturing jobs during the past five years. He plans to hire seven to 10 more workers when he expands to an Evanston location in November, he said, which would bring his work force to about 90 from 25 employees in 2000.

To be eligible for CEDA's job placement, candidates' income must not exceed about \$44,000 for a family of four, which is 200 percent of the poverty level.

Entrepreneur David Grossman tapped friends and family for most of the funds he needed to open two Freshii franchise locations in Chicago in March and June. But when he needed more capital to build out the locations and hire workers for the healthy foods restaurants, he applied for two CEDA loans totaling \$300,000.

To meet the loan agreements, Grossman needs to employ 15 low-income workers. Most of his 35 employees qualify, he said. "With the number of people out of work, I don't think I'm going to have any trouble."

Another group offering a variety of assistance is the Duman Microenterprise Center at Jewish Vocational Service, which has several private loan funds for small businesses and is an approved Small Business Administration technical assistance provider. The nondenominational center offers loans of up to \$15,000 at rates that don't exceed prime plus 2 percent, said director Donna Rockin.



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The center considers the applicant's business plan, cash-flow statement and experience, but will help owners develop a business plan. It partners with other nonprofits and commercial lenders, Rockin said.

For example, it works with ACCION Chicago, which gets microenterprise funding from the SBA and government agencies and private donations. ACCION offers loans ranging from \$200 to \$25,000. The average interest rate is about 13.5 percent.

Companies looking for an alternative to a traditional bank line of credit might consider financing agents called factors, Rockin said. Factors buy invoices at a discount, then assume responsibility for collecting payment.

"We outright purchase receivables from companies so they don't have to have their money tied up," said Howard Tolsky, president of DSA Factors in Chicago. "Most companies' largest asset is their accounts receivable, but banks don't like to use it as collateral.

Nonprofit Chicago Community Ventures' Neighborhood Transformational Loan Fund offers loans of up to \$250,000 for small businesses in low- and moderate-income neighborhoods, said Hussain Bhanpuri, loan analyst.

The loan process is selective: In addition to credit scores and cash flow, the organization considers whether the business owner is receptive to coaching, Bhanpuri said. And a plan for growth is vital.

"We don't want to be a Band-Aid for anyone," Bhanpuri said. "We want to help increase the bottom line."