

The First (Micro) Step Forward

Ashley C. Woods | Tuesday, May 31, 2011

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Dr. LaDonna Johnson knew she wanted to help sick kids. She just needed a little help getting started.

"I'm trained to be a physician, not a business owner," she says.

After taking classes through the Oakland County Economic Development Small Business Center, she felt more comfortable launching her entrepreneurial dream -- her own pediatric clinic, [Pure Joy Pediatrics](#).

"The classes were amazing. I already had a business plan but it helped me to revamp it," Dr. Johnson said. "The financial section was probably my biggest challenge."

And she found the perfect location in Bloomfield Hills, just a few miles down the road from Pontiac's St. Joseph Mercy Oakland.

"I just loved it. It was exactly what I had envisioned," Dr. Johnson remembered. "This space was just perfect and it had signage. It was just everything I wanted."

With a revamped business plan and a location to rent, Dr. Johnson was ready to put on her stethoscope and begin treating kids. The only problem -- she couldn't get a loan.

Microfinance, Big Dreams

"Banks reject loans for several reasons," says Lola Are, director of [Oakland County's Small Business Center](#). Typically, most banks won't lend to a start-up company that's existed for less than three years. It's tough for many business owners to meet their stringent credit requirements, and they typically don't take the time to provide smaller loans for entrepreneurs.

That was a problem in Oakland County, where 98% of all businesses are small businesses employing less than 500 people. And that's where microloans came in.

"This program began in April 2010 due to a push from our Oakland County Commissioners," Are explains. "Their constituents had been asking for alternate sources of funding for their small businesses -- especially at a time when the banks were not lending."

Thus, the [Oakland County Microloan Program](#) was created through a partnership between Oakland County, Center for Empowerment & Economic Development and the U.S. Small Business Administration. The program is available to Oakland County businesses to use for start-up costs, business expansion, equipment, inventory, supplies, and some working capital. They must also have two letters of rejection from banks.

"Microlenders have less stringent standards than banks but still prefer existing businesses, require clients be credit worthy, not have outstanding liens, have a solid business plan with realistic cash flow projections and be able to make their monthly obligations," Are says. "Those who don't meet these standards are not approved."

With All Deliberate Speed

Commercial broker Lynn Drake was going to start her own business, no matter what happened. But she also ran into trouble securing financing for her start-up company.

"I interviewed all kinds of organizations to have a national affiliation," she says. "I had many opportunities, with angel investors approaching me. But they wanted 49% of my company."

She was also turned down by the bank.

"Although I had a good credit score, the type of business I have, commercial real estate, is not the kind of business that is being loaned on at the moment," she explains. "I had already left my job. I didn't know what I was going to do. I was going to open up, whether I had the money or not. It was kind of a leap of faith."

But when she heard about the microloan program, she turned in her application - and was approved immediately. The money went toward purchasing commercial real estate software, office furniture and new computers for her business, Compass Commercial of Troy.

"There was no question that I was going to do this," she says. "And there was no question that I was going to make it."

Opening the Door to New Opportunities

Microloans don't help keep businesses afloat. They allow business owners to do what they do best -- grow their company. Dr. Johnson, who has been practicing at Pure Joy Pediatrics for 18 months, says the microloan helped her buy inventory, such as medication, and also gave her the money to market her business and prepare to invest in upgrading her electronic medical record system. She was able to hire staff and redesign the office. She calls her business an "absolute success."

"The business has grown tremendously since I opened the doors, and I've learned an incredible amount -- not just from the classes, but from getting out here and doing it," she says. "It's opened so many other opportunities." She's now planning to write a series of health-themed books for children.

Broker Lynn Drake is also on the cusp of bigger and better things. She's since hired two commercial agents to join her team, and plans to open five more locations, including offices in Grand Rapids, Indiana and Ohio.

And she wasn't wrong about Compass Commercial becoming a success.

"The first quarter of this year, my sales -- I've been in the business about 10 years -- and they were the third-highest sales we've ever had," says Drake.

And with 12 loans approved through the Microloan Program ranging from \$6,000 to \$35,000, with a total of \$297,000 loaned to 12 entrepreneurs throughout Oakland County, perhaps no one is more excited about the program's potential than Lola Are.

"It is a resounding success," Are says. "We have happier clients who now have a funding option. To date all clients continue to make their monthly payments and we have no collection issues."

Find out more about Oakland County's [Microloan Program](#), or click [here](#) to visit the Oakland County Small Business Center.

Photos courtesy of Pure Joy Pediatrics and Compass Commercial.

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