Final Report

An Economic Analysis Study to Identify the Methods and Best Practices to Increase Access to Credit to Entrepreneurs and Small Businesses in Florida

Center for Economic Forecasting and Analysis, the Florida State University

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Authors

Dr. Julie Harrington
Director, Center for Economic Forecasting and Analysis, Florida State University, FSU Research Complex, 3200 Commonwealth Blvd. Tallahassee, Fl. 32303. Tel. (850) 644-7357. Email: jharrington@cefa.fsu.edu

Martijn Niekus, Drs.
Senior Researcher, Center for Economic Forecasting and Analysis, Florida State University, FSU Research Complex, 3200 Commonwealth Blvd. Tallahassee, Fl. 32303. Tel. (850) 545-5089. Email: mniekus@cefa.fsu.edu

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Executive Summary

The purpose of this research, conducted by the FSU Center for Economic Forecasting and Analysis (FSU CEFA), is to provide a summary report outlining the current microloan program's abilities and limitations, and the microloan program's methods and best practices.

Summary Findings for Abilities and Limitations of the Microloan Program

- The CS/CS/SB 1480 Bill calls for entering the small business loan market or market niche, with some government involvement. This will have some intended and unintended economic consequences, for both present active and non-active market participants. Future research and evaluation is warranted, once the program is up and running.
- Studies concerning microloan financing in Florida have found that entrepreneurs and small businesses are facing a problem of access to credit. The reasons given are varied.
- There are many States that directly administer Microloan programs; e.g., Virginia and Montana. These two States have had success with their programs providing credit to small businesses with good results in terms of cost, creation of employment, and of the durability of the companies created.
- Although the market for micro- and small business loans is a much larger universe than the list of acknowledged intermediaries (as mentioned on the SBA website), these intermediaries provide loan products that match up rather well with the criteria of up to $50,000, for a maximum term of six years, for a microloan, and greater than $50,000 for a small business loan, with interest rates averaging from 7.1 percent (median low 7.25%) to 10.3 percent (median high 10%), and mostly with optional training and other services offered.
- Financial institutions providing SBA loans in Florida from 2012 to 2014 totaled $45.8 million, $406 million and $2.2 billion, to micro (under $50,000), small (between $50,000 and $350,000), and larger small (between $350,000 and $5 million) businesses, respectively .
- Slightly over 2.3 million micro- and small business establishments conform to the criteria set for microfinance lending. This subset overall represents 95.5 percent of the total available business establishments in the Florida NETS[1] database.

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[1] NETS is the National Time Series Establishment database of businesses. See: http://exceptionalgrowth.org/downloads/NETSPricing2012.pdf President: Don Walls

- The number of business enterprises in Florida in the Ultra Small category is slightly over 1.9 million, or about 80 percent of the total NETS database.
- Around five percent of small businesses in Florida are minority, woman owned, or both, while 3.4 percent of ultra-small businesses are minority, woman owned, or both.
- Currently, the Microfinance Loan Program in Florida comprises about $3.3 million (for a three year contract), with an assumed average loan size of $13,000 for the microloan program (i.e., about 250 loans per year). There will be about $6.6 million available for the Microfinance Guarantee Program (an open ended contract) with an average loan size of $150,000 (i.e., about 40-50 loans per year).
- Overall, a more market oriented approach of the Microfinance Loan program is warranted. One of the market tools should include greater flexibility with interest rates, and determining conditions that result in lowering costs (instead of raising them) to both the loan administrator and ultimately the borrower/payer. Special note is made on the current definition of eligible lenders under the Florida Microfinance Act which applies only to financial institutions, and which definition should be extended to include Community Development Financial Institutions (CFDI's).

Summary Findings for Best Practices of the Microloan Program

Based on the project research, the CEFA staff offer the following suggestions regarding the best practices of the microloan program:

- Given the re-allocation of funds from consumers to business consumption,[2] it would make much better sense to move consumption towards investment, especially in "productive capital".[3] Most notably since Florida is lacking a program to unconditionally support investment. More micro and small business investments would increase capital intensity across the board on the production structure in Florida, increasing productivity, and thus making room for potential wage increases.
- A Revolving Loan Fund would be an appropriate vehicle to run the Microfinance Loan program. Five states use a revolving loan fund for the purpose, namely: Alaska, Connecticut, Nevada, New York and Ohio.
- The interest rates and fees should be set by the loan administrator and be based on standards, or those customary for the industry, not conditional within a legal

[2] The use of funds according to the present description in the Microfinance Loan program

[3] e.g. equipment, machines, tools and other, used in the process of providing goods and services for more than once production cycle or a year

format. The interest cap should be removed, in order to facilitate lending to not only the lowest risk borrower, but extend to all risk criteria of borrowers.

- State matching funds into the program should be such that loan administrator(s) will not engage in less risky lending behavior. State funds should be used in such a way as to reward the administrator on achieving program objectives (preferably with a margin over the borrowing rate as an added price mechanism, and vice versa).
- The administrative fee should be established by the loan administrators in order to cover the cost of program development, delivery and reporting. In addition, the cap on closing fees should be lifted in order to ultimately facilitate increasing the number of borrowers served over time.
- Use state matching funds and the interest rate as a market mechanism tool to encourage microlending entities to get involved in microlending and boost borrower demand. Currently, interest rates by microlenders are ranging from 5 – 9%.[4]
- Preferably the operational structure of the loan administrator(s) should be akin to a "back-office" approach, dealing swiftly with demand or requests and in a standardized manner, reducing application cost. The back office should ideally be a single state non-profit entity operating with state oversight.
- There should be some flexibility on the "up to three" administrators (for the Microfinance Loan Program). This will spur greater competition for the micro-business and small businesses, which will further lower the interest rates to the consumers and state government.
- There should not be a split in the program (as presently designed) with micro versus small business; as this prevents the opportunity for a loan administrator to leverage its operations between market segments. Remove program inefficiencies and unnecessary conditions, thereby further reducing costs. Two suggested options are to either: 1) invest $10 million in the microloan program and $10 million in smaller business loans or: 2) invest and focus solely on $10 million in the microloan program in order to create a successful "proof of concept" program.
- Although employment and job creation are important, to prioritize it as being the most important criteria in the microloan program contract language, is counterproductive. Employment alone is not sufficient to grow the Florida economy. Stressing employment and job creation will only lower factor intensity (capital/labor ratio), and thus limit labor productivity and potential wage

[4] Personal Communication, Lynn Blaise of Access Florida Finance, December 22, 2014

development in the state[5]. In addition, and in general, administrative burdens imposed on microbusinesses should be minimized if not eliminated.

- Tailor the program to further focus on "productive capital", or assets used in more than one production cycle (or longer than a year), warranting a longer loan length. The average microloan repayment period begins at 24 months. The goal should be to reduce the monthly payments and make it more affordable to borrowers or payers.
- Consideration of a revolving fund (similar to this report's literature review in a few other states, and used by the SBA). This would ensure that the amount[6] held to offset loan loss, would be held in a revolving fund rather than recycled back into general revenue (and under current conditions would not be used for generating microloans).
- Build a program (similar to the SBA final plan for retrospective analysis of existing rules[7]) that solicits and responds to feedback from microlenders and borrowers/payers.
- Provide guarantees to microlenders (possibly by means of a revolving fund).
- It may be advisable and important for the DEO to work with, and learn from, the Florida Export Finance Corporation as well as lenders and microlenders in Florida. The current definition of eligible lenders under the Florida Microfinance Act applies only to financial institutions, and should be extended to include Community Development Financial Institutions (CFDI's), who have the track record as the largest providers of microfinancing in the U.S. CFDI's are specialized financial institutions that work in market niches that are underserved by traditional financial institutions. CFDI's include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds.
- Training should be provided by loan administrators on demand or as needed basis. In addition, consideration should be given for loan administrators to offer existing financial education and support services. The Small Business Development Center

[5] Note: Florida currently doesn't have an unconditional and readily available tax credit program to boost investment in productive capital.
[6] Estimated to be about $2.5 million according to the current DEO Microloan Finance Program.
[7] On the SBA website ""SBA welcomes the retrospective review process as part of building a culture of creating current, participant-friendly, cost-effective, low-burden, simple rules"…and "SBA contemplates that this will result in all of its rules being periodically retrospectively reviewed on a rolling basis, creating rules that are more cost effective and less burdensome to participants in the Agency's programs while continuing to promote economic growth, innovation, and job creation." See: https://www.sba.gov/about-sba/sba_performance/strategic_planning/sba_final_plan_for_retrospective_analysis_of_existing_rules and https://www.sba.gov/sites/default/files/aboutsbaarticle/SBAFinalPlanRestropectiveAnalysisofExistingRules23Jan12.pdf

Network's (SBDCN's) could provide and specialize according to their current effective microbusiness training programs (e.g., business mentoring and outreach, among others), and the loan administrators could continue to provide their seasoned and effective training programs, primarily focused on direct loan-related training programs.

- Aim to implement states funds to be widely distributed, and to reduce associated risk and costs, and thus potential interest rates for borrowers.
- Evaluate the program periodically, in order to evaluate potential market distortions, due to the program.

Overview of the DEO FSU CEFA Microloan Research Study

The Florida State University Center for Economic Forecasting and Analysis (FSU CEFA) has conducted numerous economic development research studies pertaining to the State of Florida, over the years. Recently, FSU CEFA was requested by DEO to perform a study to identify the best practices to increase credit to entrepreneurs and small businesses in Florida, and to examine the methods and best practices to increase the availability of, and access to, credit in Florida. FSU CEFA's primary tasks will be to research: 1) microloan methods and best practices and 2) current microloan abilities and limitations, as outlined in the following sections.

Introduction

According to the Assets and Opportunity scorecard, in total, 32 states now use at least one of three federal block grant programs to support microenterprise or self-employment; 34 states either fund microenterprise development directly or have codified microenterprise support in state law; three states (NE, OR, WA) fund Statewide Microenterprise Associations; and six have active SEA Programs.[8] In addition, Florida ranked first in the nation on the Assets and Opportunities Scorecard relating to entrepreneurial activity through microbusiness ownership.[9] However, in terms of microenterprise development (i.e., which can be perceived in terms of resources available to microenterprises) Florida ranked 47th, or close to the bottom of the list.[10] This is a good indication of the current mismatch in the entrepreneurial market in Florida; exemplified by top tier entrepreneurial activity and yet, scant entrepreneurial support for microbusinesses. This program is a step in the right direction of bridging that gap.

In Florida, the CS/HB 7023 and CS/CS/SB 1480 created the Florida Microfinance Act to provide entrepreneurs and small businesses in Florida access to credit. The act consists of two programs: a loan program and a guarantee program. [11]

Under the loan program, the Department of Economic Opportunity (DEO) will competitively award funds to no more than three eligible loan administrators who will in-turn provide a 1:1 match to make short-term, microloans of up to $50,000 to entrepreneurs

[8] See: http://scorecard.assetsandopportunity.org/2013/policyprogress.php#state-support-for-microenterprise
[9] See: http://scorecard.assetsandopportunity.org/2014/measure/microenterprise-ownership-rate
[10] See:http://scorecard.assetsandopportunity.org/2013/measure/state-support-for-microenterprise
[11] Extracted from: The Florida Senate, Bill Analyses and Fiscal Impact Statement, Bill: CS/CS/SB 1480, Subject: Microfinance, April 14, 2014. See also https://www.flsenate.gov/Session/Bill/2014/1480; CS/CS/SB 1480: Microfinance passed the Senate 4/28/2014 and the companion House bill(s) CS/HB 7023 passed 5/2/2014.

and small business. The borrower must participate in business training and technical assistance provided by the Florida Small Business Development Network.

Under the guarantee program, Enterprise Florida, Inc., (EFI) will utilize state funds to guarantee loans made by private lenders to entrepreneurs and small businesses in Florida. Loan guarantees may only be provided on loans between $50,000 and $250,000, and a guarantee cannot exceed 50 percent of the total loan amount.

Under both programs, eligibility is limited to borrowers who are entrepreneurs or small business with 25 or fewer employees and gross annual revenues of up to $1.5 million.
The DEO and EFI must report annually on the programs. The office of Program Policy Analyses and Government Accountability (OPPAGA) must prepare a report that analyses, evaluates, and determines the economic benefits of the first three years of the programs. The OPPAGA is also required to evaluate the federal State Small Business Credit Initiative in Florida.

The bill appropriates $10 million in nonrecurring funds from the General Revenue Fund to the DEO to implement the act, of which up to $100,000 may be spent by the DEO and EFI to market and promote the act. The bill also authorizes one full-time equivalent (FTE) position and provides recurring funds from state economic development trust funds to support the position for the DEO to implement the act.

According to the authors of the CS/CS/SB 1480 Bill, there is a gap between the demand for credit by entrepreneurs and small businesses and the limited availability of such credit, due to the unique characteristics and challenges of entrepreneurship and small business operations. Two common solutions used to address the lack of access to capital and credit to entrepreneurs and small businesses are microloans and loan guarantees. Bill CS/CS/SB 1480 provides both. In addition, it is noted that access to credit is important for business growth, and the ability to hire.[12]

According to the Request for Proposal (RFP) issued on October 27, 2014 by DEO:

> *"Growing businesses of all sizes need access to resources, particularly capital and credit. While access to credit is important to all businesses, it is significantly important to entrepreneurs and small businesses due to the unique circumstances inherent in their operations. Not only is access to credit*

[12] National Small Business Association, Small Business Access to Capital Survey, 2 (July 2012) available at: http://www.nsba.biz/wp-content/iploads/2012/07/Access-to-Capital-Survey.pdf

> *important for business growth, studies indicate there is a correlation between a small business owner's ability to get financing and his or her ability to hire. Despite the recognized necessity, importance, and employment benefits of access to credit, entrepreneurs and small businesses frequently cite the lack of access to capital and credit as impediments to growth. Although nation-wide surveys appear to indicate credit is becoming more available to small businesses, Florida-specific studies indicate lack of access to credit remains problematic for Florida small businesses. For example, a recent report issued by the Office of Program Policy Analysis and Government Accountability (OPPAGA) indicates that economic development organizations and business associations report that access to capital was more of a barrier to small business growth than for larger businesses. Similarly, surveys conducted by the Florida Chamber of Commerce indicate that access to capital is the top issue facing the state's small businesses. The survey indicated the demand for credit by entrepreneurs and small businesses is outpacing its availability. This gap between the demand for credit by entrepreneurs and small businesses and the limited availability of such credit is due to the unique characteristics and challenges of entrepreneurship and small business operations, and the smaller the business the more pronounced the problems of accessing credit. Many entrepreneurs and small businesses lack the assets necessary for a traditional bank loan, making them a riskier lending option for banks. Additionally, entrepreneurs and small businesses generally have minimal, or in some instances no, credit history. Lenders may also be reluctant to lend to entrepreneurs and small businesses with innovative products because it might be difficult to collect enough reliable information to correctly estimate the risk for such products. Two common solutions used to address the lack of access to capital and credit to entrepreneurs and small businesses are microloans and loan guarantees.* [13]

Dr. Claudia Kreuz on Micro-finance in Germany: "even in a country disposing of a very diversified and well developed financial market, there is a real need to expand the institutional supply of small scale financial services".[14]

[13] Introduction was extracted based on an RFP issued by DEO, dated 9-22-14.
[14] Kreuz, C. (2000): Institution Building – eine Chance zur Entwicklungsfinanzierung? Eine Analyse bestehender Microfinance-Projecte, Dusseldörf 2000.

Literature Review – The Microloan Program Market

The microloan program as proposed by bill CS/CS/SB 1480, calls for state general revenue monies to be used during the timeframe of the contract with the loan administrator for the purpose of borrowing/guaranteeing to small businesses. Although it does make some economic sense to tilt consumption somewhat towards business consumption, it would make much better sense to move consumption towards investment, especially in "productive capital" (e.g. equipment, machines, tools and other, used in the process of providing goods and services for more than once production cycle or a year).[15] Most notably since Florida is lacking a program to unconditionally support investment and especially since there are about 2.3 million, or 95.5 percent of establishments defined as small businesses according to the CS/CS/SB 1480 bill. Further, micro and small business investments would increase capital intensity across the board on the production structure in Florida, increasing productivity, and thus making room for potential wage increases.

In general, it must be stated that not being able to acquire a loan or to borrow money (or for that matter lend money), doesn't mean that a market participant or a loan application is "lost" in the market for microloans and/or small business loans. It only means that conditions on both sides of the market (demand and supply) prevent parties to come to a fruitful agreement (e.g., price or otherwise). Therefore, entering the same market or market niche, with some government involvement, is bound to have some economic consequences for the present active and non-active market participants. Conditions in the market may also change, resulting in original parties (who previously reached an agreement under present market conditions) being priced or crowded out, losing leverage, or transferring to other supported programs instead (reducing its impact).[16] The scope of this research does not warrant such broader analyses, but should be noted in future market research.

Specific studies concerning microloan financing in Florida have found that entrepreneurs and small businesses are facing a problem of access to credit. The reasons given are varied. They often face stiff competition with larger companies in the search for access to credit. Furthermore, the narrowness of the assets securing loans for small businesses from traditional banks makes them very risky borrowers for these banks. Moreover, entrepreneurs and small businesses generally have virtually nonexistent credit histories.

[15] The same "productive capital" may benefit a small business loan program by using it as part of a personal guarantee or collateral against the borrowed sum.

[16] There is a body of literature that will likely classify the program as a subsidy to a particular party (noted in the "up to three contractors" provision) for serving a government objective. This leverage can not only be easily misconstrued in terms of competitiveness, it will also give support to discussions in all flavors of so-called "merit-goods".

The lenders may be reluctant to lend to these businesses, because of the difficulty of collecting reliable information to estimate the risk.

The National Federation of Independent Business (NFIB) and the National Small Business Association (NSBA), through their Research Foundation, found in 2009 that small business owners are concerned about many other issues, including uncertainty in business conditions and access to affordable credit, while small businesses are crucial to the health of the U.S. economy, they can be vulnerable to an economic downturn (Miller, et al, 2011). The typical economic development strategies include tax abatements, subsidies, and low-interest loans to businesses. Efforts have been under way to contend against many issues facing small businesses; e.g., banks have launched specific programs with the purpose of increasing small business lending (Tozzi, 2010). On the other hand, many States have initiated several policies and programs to induce small business lending and investment, and provide training. The States have established microloan program using two approaches in providing support: providing funding directly to microloan providers, and indirectly by contracting with non-governmental organizations to administer the program.

The State of Florida has contracted with non-governmental organizations to administer microloan programs, similar to several States (e.g., Nebraska, among others). Specific studies concerning microloan markets in Florida have found that entrepreneurs and small businesses are facing a problem of access to credit (see OPPAGA Report No. 06-77, 2006 and Florida Chamber Small Business Surveys for Years 2011-2014). To address this issue, two state solutions are commonly used, namely microloan and loan guarantees.

Previously, Florida State has implemented two microloans programs, according to the OPPAGA Report (2006). The Front Porch Microloan Program, a now defunct initiative, was administered by the former Department of Community Affairs through its Office of Urban Opportunity, from years 2002 to 2006. The purpose of this program was to help the community based on non-profit organizations that they could provide microloan and knowledge for low-to-moderate income residents. In additional, Office of Tourism, Trade, and Economic Development (OTTED) entered into a contract with Enterprise Florida, Inc., to administer Microenterprise Florida Program. EFI also outsourced the program's administration to a private organization. This program goal was to provide technical assistance and loan to low and moderate individuals, which could then build their self-employment. Each of these programs had been proposed to solve the funding issues of entrepreneurs and small businesses. Unfortunately, these programs ended in 2006 for the

Front Porch Program[17] and in 1998 for the Microenterprise Florida's Program, due to underutilization in addition to factors such as excessive losses and client business failures.

Currently, two institutions in the state of Florida, including the Department of Economic Opportunity (DEO) and the Enterprise Florida Inc. (EFI), administer many business funding programs (see State of Florida Job Creation Plan, 2011). These seem to not be entirely effective in stemming the credit access problem for entrepreneurs and small businesses, because of the asset portfolio conditionality necessary to ensure the risk, established credit record requirements, among other factors.

According to the Association for Enterprise Opportunity (AEO, 2002) and Bates, et. al., 2011, many microenterprise programs fail to research clients', or potential clients' needs or to diversify products to attract and retain customers. AEO underscores the importance of: identifying the appropriate targets of programs in order to define clear program purposes and goals, defining the strategies for the use of state funds, and establishing institutions that will monitor the funds, measure accountability, and draft regular reports. In 2013, AEO found that 92 percent of all businesses, nationally, are microenterprises.[18]

There are many States that directly administer Microloan programs; e.g., Virginia and Montana. These two States have had success with their programs providing credit to small businesses with good results in terms of cost, creation of employment, and of the durability of the companies created (see OPPAGA, Report No. 06-77, 2006). The State of New York uses a hybrid approach to providing microloan programs, according to Servon, L. J. et. al (2010). The same study shows that there are some specific gaps in the system, including capital, asset, transitional, institutional capacity, information and service delivery gaps. Also, these authors argued that with the infusion of local actors and public agencies, this set of policy ideas will help introduce competition and incentives into the system, and provide critical resources to entrepreneurs and small businesses when and where it is vital to their success.

In 2012, a Small Business Lending Survey and Small Business Index[19] were conducted by the Florida Chamber of Commerce. The report showed that there were 2.2 million small businesses in Florida. Of those surveyed, 72 percent were unable to access the financing

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[17] For an evaluation see The Florida Senate, Department of Community Affairs – Review of the Front Porch Florida Initiative, *Interim Project Report 2008-110, October 2007, retrieved from* http://archive.flsenate.gov/data/Publications/2008/Senate/reports/interim_reports/pdf/2008-110ca.pdf

[18] See: http://www.aeoworks.org/

[19] The Small Business Survey is conducted annually, and the Small Business Index is conducted quarterly, by the Florida Chamber of Commerce.

needed for their business.[20] Access to capital has been either the number one or two issues since the beginning of the series. In addition, the Kauffman Foundation provides an annual index of entrepreneurial activity for each state. [21] They found that, in 2011, Florida was in the top ten most entrepreneurial states, and top 15 in the last four years. Interestingly, immigrants were nearly twice as likely to start businesses each month as were native-born.

It should be noted that the market for micro- and small business loans is a much larger universe than the list of acknowledged intermediaries as mentioned on the SBA website. It is likely that the SBA lenders (or intermediaries) mentioned on the SBA website experience a competitive advantage as a result of advertising and enhanced credibility. Micro- and small business loan providers outside this framework simply use a different product-price-promotion strategy, in which the specific government parameters do not apply.

The research team provides a list of lenders included on the SBA Microloans Program website (see Appendix B for a complete list of intermediaries including a select set of criteria used to map the various services)[22]. The Appendix B list comprises 181 intermediaries operating either at the multi-state, state, and/or county-levels. Of the aforementioned 181, only 110 have listed a website address i.e. other than via direct contact, no further information on potential loans is available. Given that some lenders are found in more than one state, disregarding duplicates resulted in 92 unique intermediaries' websites. The first criterion searched for on the 92 websites is assistance and training in the broadest sense. Terminology under this criterion is taken from the various webpages. It should be realized that semantics may play an issue here, but the exercise was undertaken in order to gauge an estimate on the availability of support by microloan lenders. The search revealed a range of support from an online course only, to more intensive programs on regular peer/mentor meetings for the duration of the loan, and even one-on-one management counseling. Usually the offered services were worded in more general terms, sometimes the offerings were described more explicitly or were systematically categorized, and occasionally a very specific service is provided (e.g., construction advice). Regardless of the assistance/training format, the websites were in addition searched for an indication as to whether the offered support was contingent or mandatory to obtain the loan applied for. Only in a handful of cases was language found that left no doubt on the intent (marked as

[20] It should be noted that the inability to obtain microloan funding for businesses has little to do with credit worthiness to bank lenders, but is more a result of the smaller transaction size (i.e., lower profit margin). Personal Communication, Mr. Todd Kocourek, Pres. and CEO, Florida First Capital Finance Corporation, Dec. 23, 2014.

[21] See: http://www.kauffman.org/what-we-do/research/kauffman-index-of-entrepreneurial-activity

[22] See: https://www.sba.gov/content/microloan-program

either "yes" or "no" in Appendix B). In practice, there will be more providers that will put some form of support to the borrower (sometimes even to the effect of having the opportunity to monitor what is done with the loan to reduce risk), but the research team's assessment is that in the majority of cases services offered are optional only. Given that no further specific details or information is available on the combination of lending and assistance/advice, it is currently not possible to determine an optimal position or combination between lending and support services. Suffice to say that for the lender there is a cost involved, which in itself may provide a benefit (e.g., a reduction of risk to the lender), while for the borrower it also may be perceived either as a benefit or a hindrance/nuisance. In short, an obligatory course may not be to the benefit of either side. At the end of Appendix B, the research team categorizes information available on the various intermediaries websites on loan products offered, with the term and available interest conditions. The loan products were identified either as a Micro- or a small business loan (SBL), and further categorized to types of loans (i.e., basic, short-term or start-up), and/or existing business loans. As mentioned earlier, there is no standard in use or demarcation, leading to some discretionary room to interpret the intent of the lender. However, overall the loan products match up rather well with the criteria of up to $50,000, for a maximum term of six years, for a microloan, and greater than $50,000 for a small business loan. Surprisingly, many websites did not reveal any information, or only mention an overall cap (which encompasses the whole range of possibilities)[23].

Financial institutions providing SBA loans in Florida from 2012 to 2014 totaled $45.8 million, $406 million and $2.2 billion, to micro (under $50,000), small (between $50,000 and $350,000), and larger small (between $350,000 and $5 million) businesses, respectively[24].

A possible distribution that could apply to Florida, regarding microloans, is depicted in the following Figure. The figure is based on the mean and median value of a microloan sample (of 133 microloan lenders across numerous states) from FIELD[25] at the Aspen Institute, this assuming a log-logistic distribution. Concerning the characteristics of only the microloan programs on the intermediaries' websites, looking at the terms' lower and higher end ranges separately, the lower end appears to be one year (both median and

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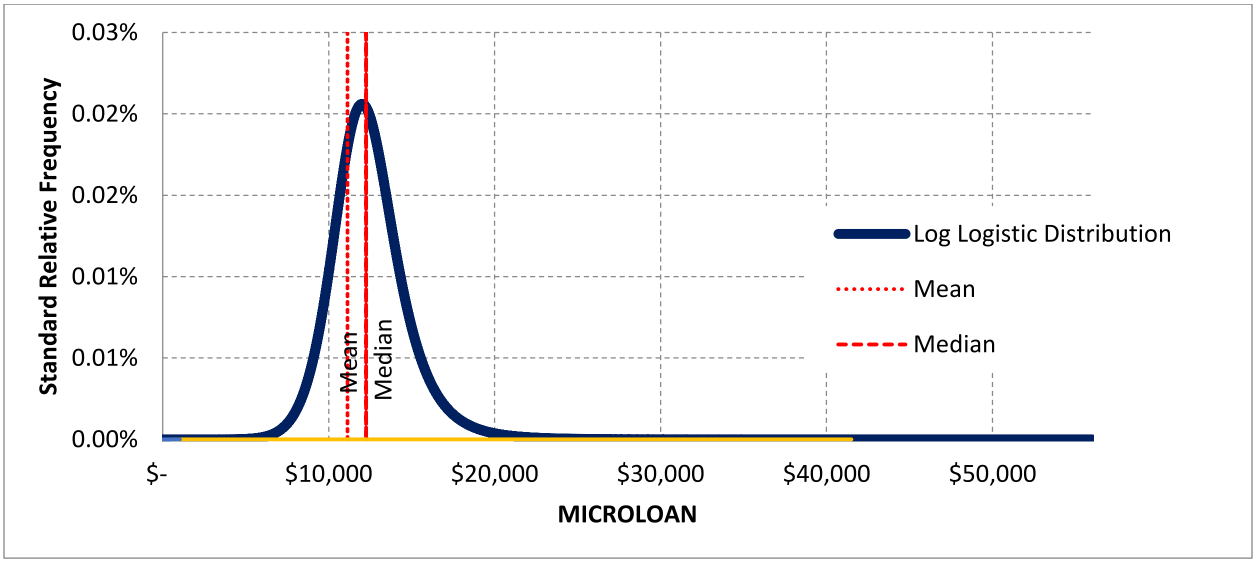
[23] The websites that have limited information only mention an overall cap (which encompasses the whole range of possibilities).

[24] See: https://www.sba.gov/content/microloan-program

[25] FIELD was established in 1998 to build on the work of the Self-Employment Learning Project, the leading domestic microenterprise evaluation and public education program at the time. Since its inception, FIELD has maintained a focus on the U.S. microenterprise industry - exploring innovation, evaluating new ideas, helping to build the industry's infrastructure, disseminating best practices to practitioners and serving as a resource to donors interested in microenterprise. See: http://fieldus.org/Projects/index.html

mode), while the upper range of the term is six years (ibid). Likewise, regarding the loan interest rate, the average lower end of the ranges is 7.1 percent (median 7.25%), while the upper end of the ranges is 10.3 percent (median 10%), with an overall maximum of 18%. As shown in Appendix B, a sizeable subset of the interest rates was fixed rates.

Figure 1. A Distribution of Microloans, Year 2011



* Based on the Aspen Institute Study. FSU CEFA applied a Log-Logistic Distribution, with a mean of $11,136 and a median of $12,257.[26]

Based on the DEO's criteria established for microlenders in Florida, FSU CEFA conducted an analysis of small business owners in Florida in order to best gauge the market of potential borrowers. The results show that slightly over 2.3 million establishments conform to the criteria set for lending.[27] This subset overall is 95.5 percent of the total available business establishments in the Florida NETS[28] database. Figure 2 displays the number of employees and the level of sales, both on the horizontal axis, and the relative frequency per employee/sales combination on the vertical axis (relative frequencies are calculated per employee number). Figure 3 depicts the same data taken from the aerial, or bird's eye, perspective (thus maintaining the relative frequencies as color shading only).

[26] Mean and Median values were taken from Girardo W., E.L. Edgcomb, Key Data on the Scale of Microlending in the U.S., FIELD at the Aspen Institute, Feb. 2011. The theoretical distribution is based on the assumption of a Log-Logistic Distribution, and uses the Mean and Median from the study sample as the theoretical values. Values not indexed to present dollar values.

[27] The number of 2.3 million establishments in Florida is based on the two eligibility criteria set, namely 25 or fewer employees and a gross annual revenue of up to $1.5 million (searched $1.5 million in sales), both taken for the year 2012, from the National Establishment Times Series (NETS) Database for Florida, the largest US sample database available.

[28] NETS is the National Time Series Establishment database. See: http://exceptionalgrowth.org/downloads/NETSPricing2012.pdf President: Don Walls

Figure 2. Frequencies for Establishments in Florida, Year 2012

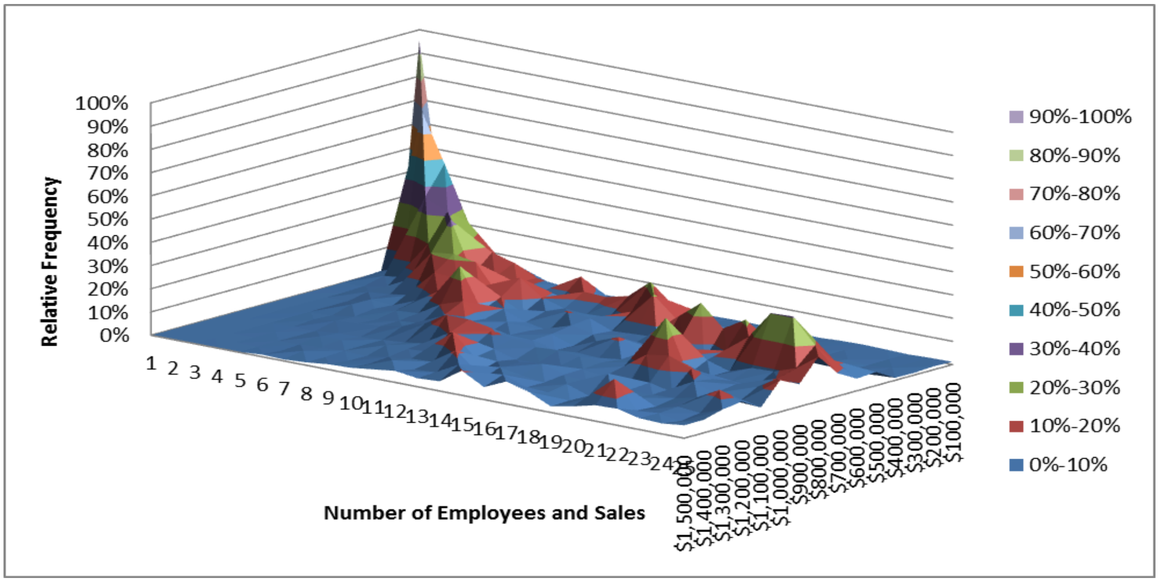
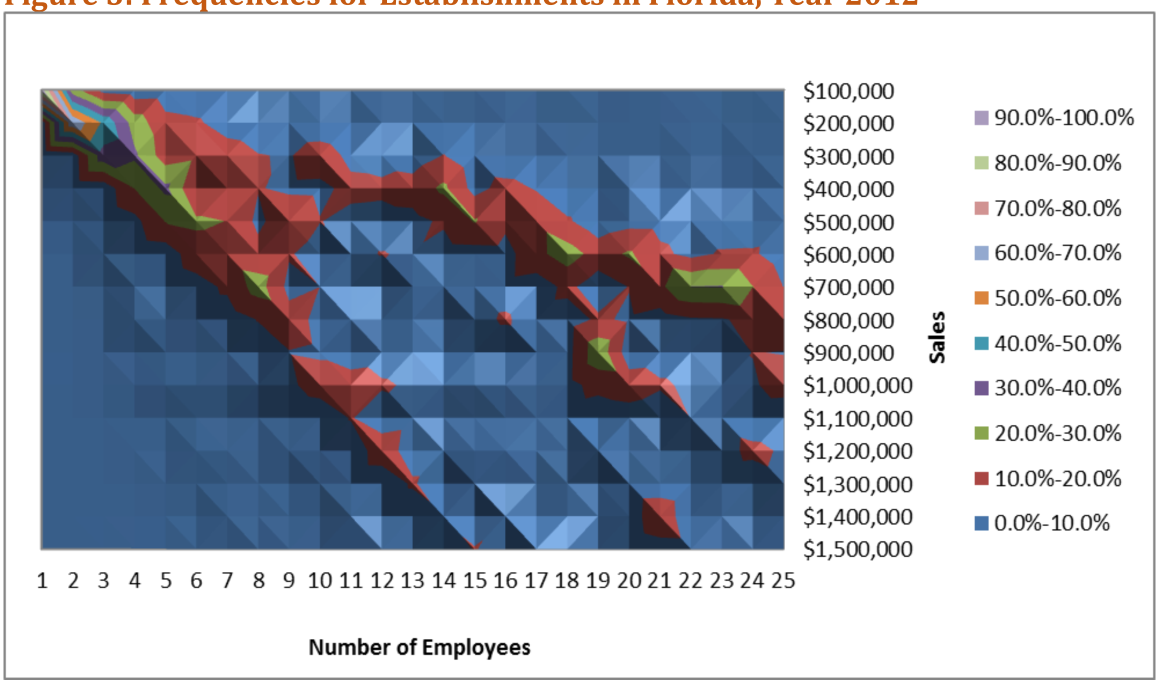


Figure 3: Frequencies for Establishments in Florida, Year 2012



According to Figures 2 and 3, it can be observed that the higher frequencies lie in the upper left corner, representing smaller or ultra-small entrepreneurs and businesses (details provided in Figures 4 and 5). Further the economics of establishments in Florida is mainly based on employment or labor intensity, hence the relative frequencies (that are outlined in red and green) that equate with about 22-23 employees and $700,000 in sales/revenues companies, corresponding to an average of about $30,000 sales/revenues per employee. A slightly higher outcome is shown by establishments with about 19 employees and $900,000 in sales/revenues, corresponding to approximately $47,500 in sales per employee. Establishments shown along the 45 degree line (from the upper left one employee and $100,000 in sales/revenues, to 15 employees and $1.5 million in sales/revenues) correspond to an average of about $100,000 in sales/revenues per employee. These establishments are most likely based on some capital intensity.

The ultra-small entrepreneurs and businesses are defined by those that employ less than six people and generate annual gross revenues of less than $250,000. Again, using the NETS database, and using these section criteria, the number of enterprises in Florida in this category is slightly over 1.9 million, or about 80 percent of the total sample. Figure 4 displays the number of employees and the level of sales/revenues, both on the horizontal axis, and the relative frequency per employee/sales combination on the vertical axis (relative frequencies per employee number).

Figure 4: Frequencies of Ultra-small Businesses in Florida, Year 2012.

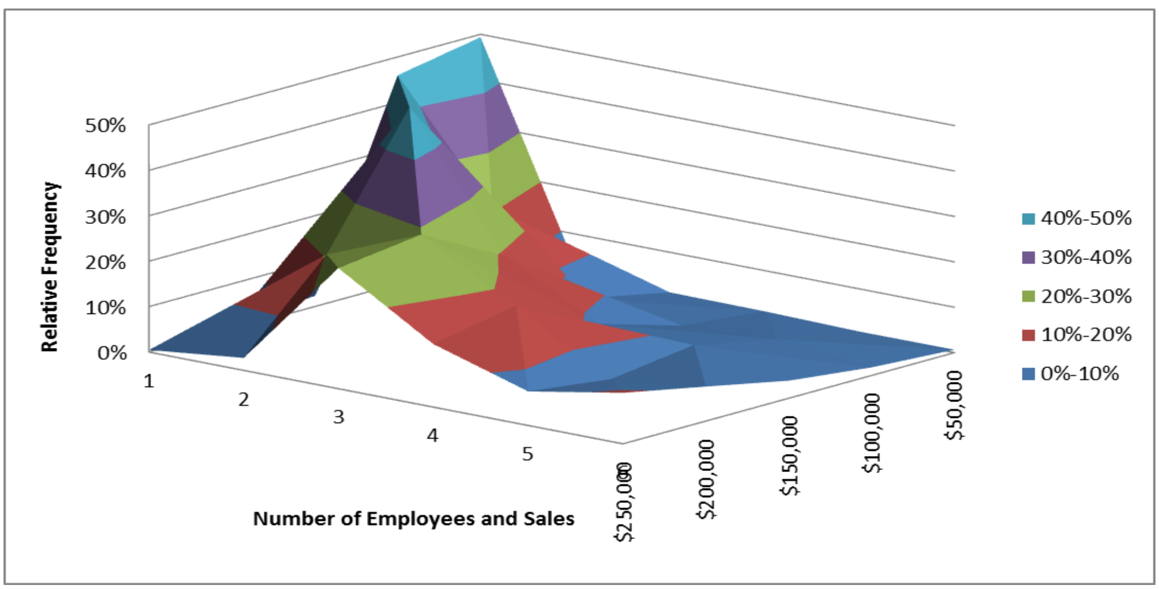
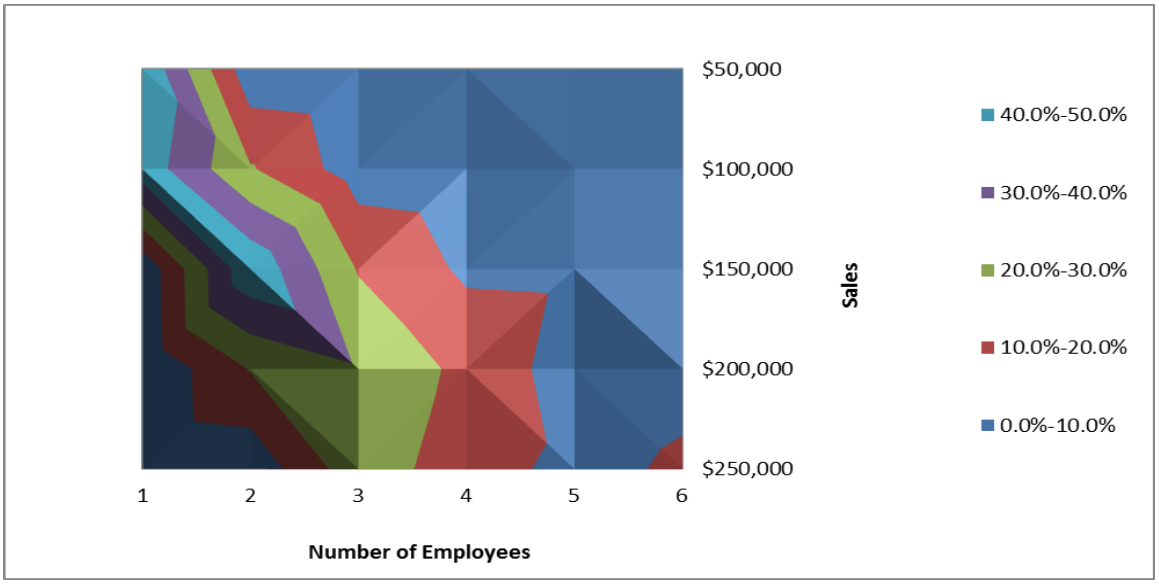


Figure 5: Detail on Ultra-small Businesses in Florida, Year 2012



In addition, and derived from the same NETS database, 4.8 percent of the aforementioned small businesses in Florida are minority, woman owned, or both, while 3.4 percent of ultra-small businesses are minority, woman owned, or both.[29]

A Summary of Microlending Programs (with Revolving Loans)

As mentioned in the introduction, Section 34 of the CS/CS/SB 1480 Bill states that either microenterprise development should be funded directly or have codified microenterprise support in state law. Research of all State programs however, falls outside the scope of this research project. The following section provides some information on micro lending in some select states regarding Revolving Loan Fund programs. Five states with such a revolving loan fund were found, namely: Alaska, Connecticut, Nevada, New York and Ohio.

Alaska

According to the lawjustia.com website in Alaska[30], the Alaska microloan revolving loan fund is created in the Department of Commerce, Community, and Economic Development to carry out the purposes of AS 44.33.950 - 44.33.990. Money in the fund may be used by the legislature to make appropriations for costs of administering AS 44.33.950 - 44.33.990. General conditions are that the department may use money from the Alaska microloan

[29] Included were small businesses (comprising 95.5% of all businesses in Florida)

[30] Alaska Statutes, Title 44 - STATE GOVERNMENT, Chapter 44.33 - DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, Article 16 - ALASKA MICROLOAN REVOLVING LOAN FUND, Sec. 44.33.950 Alaska microloan revolving loan fund. Universal Citation: AK Stat § 44.33.950 (2013) http://law.justia.com/codes/alaska/2013/title-44/chapter-44.33/article-16

revolving loan fund to make loans of up to $35,000 to a person or loans of up to $70,000 to two or more persons, which may not exceed a term of six years, (except for extensions under AS 44.33.955); may not bear interest at a rate greater than the prime rate (as defined in AS 44.88.599) plus one percentage point, but which may not be less than six percent a year or more than eight percent a year; and must be secured by collateral acceptable to the commissioner.

Connecticut

Based on information from the Connecticut state government[31], Substitute Bill No. 5538: AN ACT CREATING A MICROLOAN PROGRAM FOR MICROENTERPRISES, loans and grants may be provided to microenterprises, defined by those having ten or fewer employees and annual gross revenue of less than $500,000 (Section 1). For the purpose: (Sec. 2. (b)) "There is established an account to be known as the "microloan revolving account for microenterprises" which shall be a separate, nonlapsing account within the General Fund."
According to Section 2. (g): The Department of Economic and Community Development shall establish policies and procedures to carry out the provisions of this section. Such policies and procedures shall provide for microloan repayment terms, interest and security requirements, default and remedy provisions, and such other terms and conditions as the Department of Economic and Community Development deems appropriate.

Nevada

Loans to small business (not more than 25 employees) in Nevada are made based on the Community Redevelopment Law. According to the Nevada Legislature, Chapter 279 (i.e. the Community Redevelopment Law, NRS 279.710 sub 1 and 2): [32]
1. Each legislative body shall create a revolving loan account in the treasury of the community. The account must be administered by the agency.
2. The money in a revolving loan account created pursuant to this section must be invested as money in other accounts in the treasury of the community is invested. All interest and income earned on the money in a revolving loan account must be credited to the account. Any money remaining in a revolving loan account at the end of a fiscal year does not revert to the general fund of the community, and the balance in the account must be carried forward. The agency may use the money in the account… only to make loans at or below market rate to small businesses located within the redevelopment area or persons wishing to locate or relocate a new small business in the redevelopment area, for a … term of 5 years or less (NRS 279.720). Finally, each agency shall adopt regulations that prescribe

[31] http://www.cga.ct.gov/2004/tob/h/2004HB-05538-R01-HB.htm
[32] http://www.leg.state.nv.us/Division/Legal/LawLibrary/NRS/NRS-279.html#NRS279Sec700

amongst others the maximum amount of a loan and the rate of interest (NRS 279.730 sub 3. (a)).

New York

New York State provides loans to small businesses based on the "New York state urban development corporation act" (174/68 Section 16-t. Small business revolving loan fund).[33] A small business is defined by employing one hundred or fewer persons. State funding is provided to the Development Corporations' Small Business Revolving Loan Fund (SBRLF), authorizing the corporation to provide low interest loans to community development financial institutions (1:1), in order to provide funding for those lending organizations' loans to small businesses that generate economic growth and create jobs. There are two categories of loans to small Businesses, namely: a micro loan (less than $25,000) and a regular loan (over $25,000 but not greater than $125,000). No term could be found, nor a rate indication but for: "the loan shall carry a low interest rate determined by the corporation based on then prevailing interest rates and the circumstances of the lending organization." Effectively five percent is earmarked for use in each; Niagara county, St. Lawrence county, Erie county, Jefferson county, and for minority- and women-owned business enterprises and other small businesses performing contracts to provide construction or professional services for state procurement purposes. No support or training language is found.

Ohio

In Ohio Senate Bill 14 (130th General Assembly) is introduced[34] to mandate the Director of Development Services to establish a Small Business Microloan Revolving Loan Program. A small business is defined having fewer than 500 employees, expanding business operations, and creating and retaining jobs. A microloan cannot exceed $50,000, and the interest charged on a microloan is to be a fixed rate at or below the market rate. For purposes of administering the Program, the Director must adopt amongst others; the amount of a microloan, specifications on purposes of the microloans, interest, qualifications to be met by, procedures, business training programs required to be attended by applicants (R.C. 122.084; Section 4).

[33] http://esd.ny.gov/BusinessPrograms/SBRLF.html and http://law.justia.com/codes/new-york/2013/uda/

[34] http://www.lsc.state.oh.us/analyses130/s0014-i-130.pdf

Description of the Existing Microfinance Loan Program in Florida

In Florida, the Microfinance Loan Program is established by adoption of Title XIX, Chapter 288.9934: Microfinance Loan Program. The purpose of the Florida Microfinance Loan program is worded as follows: "The Microfinance Loan Program is established in the department (DEO) to make short-term, fixed-rate microloans in conjunction with business management training, business development training, and technical assistance to entrepreneurs and newly established or growing small businesses for startup costs, working capital, and the acquisition of materials, supplies, furniture, fixtures, and equipment. Participation in the loan program is intended to enable entrepreneurs and small businesses to access private financing upon completing the loan program."[35] The remainder of the mentioned Microfinance Loan Program law establishes the Request for Proposal (for loan administrators), while stipulating some conditions on both the potential loan administrator as the Department, and only in article (9) ELIGIBILITY AND APPLICATION, some parameters are defined on eligible borrowers. Among others, the microloan may not exceed $50,000, the term may not exceed 1 year, the interest rate may not exceed the prime rate published in the Wall Street Journal plus 1,000 basis points, and the borrower *must* participate in business management training, business development training, and technical assistance as determined by the loan administrator in the microloan agreement.

Currently, the Microfinance Loan Program comprises about $3.3 million (for a three year contract), with an assumed average loan size of $13,000 for the microloan program (i.e., about 250 loans per year). There will be about $6.6 million available for the Microfinance Guarantee Program (an open ended contract) with an average loan size of $150,000 (i.e., about 40-50 loans per year).[36]

The following selective conditions were identified from the Chapter and the CS/CS/SB 1480 Bill analyses document:

1. The Microfinance Loan Program is established in the Department of Economic Opportunity.
2. State funds must be repaid by loan administrator at the end of the 3-year contract
3. DEO *may* charge annual interest on the state funds provided to the loan administrator of up to 80 percent of the Federal Funds Rate.

[35] Title XIX, 288.9934 Microfinance Loan Program, retrieved from: http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0200-0299/0288/Sections/0288.9934.html

[36] See: https://www.sba.gov/content/microloan-program

4. State funds may only be used by a loan administrator to provide direct microloans, in which state funds may not exceed 50 percent of any microloan (i.e., at 1:1).
5. Microloans may be up to $50,000 and up to one year in duration, with interest rates up to the prime rate published in the Wall Street Journal, plus 1,000 basis points[37].
6. With the exception of a one-time administrative servicing fee of one percent, funds may not be used to pay any cost associated with providing microloans, business training, or technical assistance.
7. The loan administrator may not recoup the one percent administrative servicing fee, or charge any other fees or costs to borrowers except those expressly provided in the act.
8. The loan administrator must also reserve 10 percent of the state funds to provide microloans to certain ultra-small entrepreneurs and businesses that employ less than six people and generate annual gross revenues of less than $250,000.
9. Within 30 days of executing the contract with DEO, the loan administrator must enter into a memorandum of understanding (MOU) with the Florida Small Business Development Network (SBDN) that requires SBDN to provide business management and development training and technical assistance to entrepreneurs and small businesses receiving microloans under the loan program.
10. As a condition of receiving a microloan, the borrower must personally guarantee the microloan, participation in business training and technical assistance, and provide information regarding job creation and financial data to the loan administrator.
11. Microloans may not be used to pay off creditors, provide funds to owners, finance real property held for sale or investment, pay for lobbying activities, or replenish funds for either of the prior mentioned.

First, the Microfinance Loan Program is established in the Department of Economic Opportunity (DEO). From the law and subsequent analyses document it is also clear that DEO is the contracting party with respect to the loan administrator(s). From the legal text it may be implied that DEO is the administrator of the program. However, there is no legal language, to the effect that the program administration can, in whole or in part, be delegated or mandated to a third party, namely Enterprise Florida, Inc. (EFI). Still, EFI "will utilize state funds to guarantee loans made by private lenders to enterprises and small businesses in Florida", and they will play a role in marketing of the program", while the bill analyses document mentions that based on a contract with DEO, EFI will administer the guarantee program.

[37] It should be noted that: one basis point is equal to 0.01 percent, thus prime plus up to 10%.

Second, although no research has been conducted as to the relationship between Federal and/or State entities with intermediaries or loan administrators, this with respect to contracts and conditions thereof, the mentioned timeframe of repayment by the end of the third year is very short. This translates to conditioning of the microfinance loan program to terms of up to one year[38]. This limits the potential lender contracting, and may leave the state, and thus ultimately borrowers, with unfavorable conditions (e.g., unable to achieve a warranted bid on the RFP, and borrowers not applying for not being able or willing to begin paying back by the first month, among others). A longer term contract may provide more leeway or leverage for an interested intermediary lender party to conduct and build its business up to a level of operation sufficient to exceed breakeven. In general, an average business will need three years to reach that level. With respect to the overall intermediaries market described earlier in this report on loan terms of 1 to 6 years, the Florida program seems unduly restrictive.

Third, the condition: "DEO may charge annual interest on the state funds provided to the loan administrator of up to 80 percent of the Federal Funds Rate" is ambivalent. Although no research has been conducted on the contracting conditions between Federal and/or State entities with intermediaries or loan administrators, and thus no evaluation can be given on the level or cap of annual interest, the issue is twofold. Seemingly, the annual interest may be low, but it must be realized that potential margins within the target market are rather small, given the overall higher risks and costs. The potential 80 percent (or conversely the 20 percent rebate on the Federal Funds Rate, at present 20% x 3.25% = 0.7%) must on the one hand be evaluated relative to the intermediaries cost (e.g., the 1:1 match) thereby reducing or leveraging the rebate over the total funds made available (not even addressing the rate the intermediaries face on their sources), and, on the other hand, working against the purpose of the microloan program, i.e. reaching as many small entrepreneurs and businesses), which is contingent on the lowest rates possible.

Fourth, the microloan project RFP (and subsequent project award) resulted in only two parties and a total sum available for micro financing loans of $3.3 million. The 1:1 condition not only limits the States involvement to the same portion, of an additional $3.3 million to a total of $6.6 million available (2/3 of the intended $10 million), but the administration of the condition per loan (i.e. any loan) is troublesome. No doubt this is meant to reduce any State liability on an individual loan. The State should not micromanage the microloan program. Every loan support program will eventually have some losses and lenders are not

[38] Personal Communication, December 10, 2014. Ms. Victoria Richardson, ACCION. According to Ms. Richardson, their average loan length is 24 months (before repayment begins).

in the business of carrying all the risk.[39] The State is equal partner in a $6.6 million microloan program and should carry equal risk over its part in the total sum.

Fifth, the microloans may be up to $50,000 and up to one year in duration, with interest rates up to the prime rate published in the Wall Street Journal, plus 1,000 basis points. Although no issue is taken here with the set level, which seems to be applied across the board, but the payback terms are hardly seen elsewhere (with the exception of quick-loans). This raises several issues, of which are mentioned the usual higher interest rates on ultra-short financing, this based on relative higher risk, as well as the purpose of ultra-short lending, which in case will probably not be for start-ups, working capital or to purchase materials, supplies, furniture, fixtures, and equipment. Regarding the interest rate, the present published rate is 3.25 percent, thus making the present cap 13.25 percent. This puts the Florida cap in the upper ten percent bracket, or category, with respect to the aforementioned intermediaries list (found in Appendix B).[40] Often, microlenders offer the same loan amount ($50,000) with a five year repayment period. Reducing the time a borrower has to repay a loan will result in increasing the amount a borrower must pay monthly, thereby excluding those businesses most in need of financial support.

Sixth, State funds may not be used to pay any cost associated with providing microloans, business training, or technical assistance, this with the exception of a one-time administrative servicing fee of one percent. The burden for assistance and training programs, which borrowers must register for and participate in, lies with the Small Business Development Network (SBDN). Without repeating the previous considerations, this will likely translate into higher interest rates. Admittedly, as shown in Appendix C, some may benefit from assistance and/or training, this is not a given for all potential borrowers.[41] Others may perceive this as burdensome, not only by having to pay a higher

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[39] As noted in a letter by Mr. Louis Laubscher, SVP, Administration and MaSBEC, Enterprise Florida (EFI).

[40] It should be noted that the caps information isn't available on the intermediaries' websites, nor in Florida, since the program hasn't started yet.

[41] In February 2014, Accion engaged consultants to aid in identifying key customer segments, creating products and services to address customer needs and launching these products and services as quickly as possible. Accion conducted ten workshops with over 120 business owners from across five cities in the United States. These workshops helped them to identify five potential customer segments. For example, one segment, is termed "Lightspeed," and consists of business owners with a high level of Internet usage and banking experience that expect funding immediately (with turnaround measured in hours, not days). Another segment, called "Lifestyle" consists of business owners who do not intend (or desire) to scale their business beyond its existing framework. This segment reflects Accion's traditional customer base. By contrast, "Launch Pad" clients' aspirations are different than a Lifestyle client; they want to create a scalable business. These clients seek significant growth, require training on credit and budgeting and need a financing plan and a support network that goes beyond a traditional term loan. In addition, Accion further delineated four key services that are not needed by every customer segment. Their four services are: 1) capital funding, 2) building credit, 3) supporting the owner with technical assistance or value-added services and 4) providing funding alternatives to Accion. For example, "Lightspeed" clients seek capital funding and are not

rate for someone else's training, but needlessly spending time off business to listen to the obvious. This conditional barrier (even apart from the higher interest rates) may even adversely work into the business operations of the loan administrators themselves, potentially gaining less traction in the microloan market than needed. The 20 percent discount (or presently the 0.7% mentioned, i.e. $70 per loan of $10,000), may not effectively offset the added burden. Potential loan administrators will ultimately prefer working with banks that provide loans at a 2-4 percent interest rate, but with no restrictions on the use of capital. Although the loan administrator might accrue administrative costs as high as 4 percent for staff time and resources (equal to the same rate as borrowing from a financial institution), it's often still perceived as more beneficial to the loan administrator, as it comes with fewer restrictions and 100 percent loan absorption.

Seventh, the loan administrator may not recoup the one percent administrative servicing fee, or charge any other fees or costs to borrowers except those expressly provided in the act. In principle, all costs need to be recouped, either directly or indirectly by the interest rate, in order for the loan administrator to breakeven. Whether this is done by fees or otherwise should not be of concern to the State. Even though the administrative service fee for Florida's current microloan program is being managed by Enterprise Florida, it's seen as so programmatically restrictive that in a broader context, it will still not be perceived as cost effective to a loan administrator. There are additional screening requirements (of potential borrowers/payers) which will result in selecting a higher percentage of the less risky and stronger (established) businesses, which are not representative of the client base that the DEO microloan should be designed for.

Eight, the loan administrator must also reserve 10 percent of the state funds to provide microloans to certain ultra-small entrepreneurs and businesses that employ less than six people and generate annual gross revenues of less than $250,000. Although earmarking on use of funds at this level is not uncommon, the condition reaches into the micro-management of the loan administration. It potentially will make available funds idle due to a mismatch with potential demand for microloans in the market. In turn, this compromises operation (leveraging market opportunities by the loan administrator), making the micro-lending business more costly, and in consequence crowding out more potential borrowers.

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interested in building their credit. Alternately, "Lifestyle" clients need all four services. This insight provides a guideline on their product and service development. Accion is still working to define the best offerings for each segment based on both customer needs and Accion's mission and organizational capacity. They expect to complete a high-level implementation plan for each of the products by December 2014. The new products and services will be rolled out over the coming two years. Personal Communication, Ms. Victoria Richardson, Accion Sr. Dev. Officer, Dec. 16 2014.

Ninth, see also the aforementioned sixth consideration with respect to costs associated with providing training, e.g., the memorandum of understanding (MOU) with the Florida Small Business Development Network (SBDN). Any cost attached to the microfinance loan program must translate direct or indirect to higher rates to be paid by the borrowers, and thus making the program less attractive.

Tenth, as a condition of receiving a microloan, the borrower must provide information regarding job creation and financial data to the loan administrator. As long as the financial information is matching the need of the loan administrators' purpose, no issue is raised. The objective of job creation is a mere expectation, or an outcome of the program. However, the individual applicant or borrower likely doesn't share the same objective and thus, from the individual entrepreneur or business' perspective, there is no rationale to provide unrelated or unnecessary information. As mentioned, it is only the general expectation that the program will spawn additional spin offs, thereby spurring job creation. In addition, currently the State has other programs that aim specifically at job creation.

Eleventh, microloans may not be used to pay off creditors, provide funds to owners, finance real property held for sale or investment, pay for lobbying activities, or replenish funds for either of the prior mentioned. However, proceeds from a microloan can (only) be used for start-up cost, working capital, and to purchase materials, supplies, furniture, fixtures, and equipment. Two issues are at stake here. First, there is an administrative issue. With the conditions set, the State conditions not only the microloan administrator, but also the use of funds by the borrower. Given there is no way to administer the borrower on the use of funds, not even by the loan administrator, there shouldn't be the wish to put mentioned conditions in the market. Second, while funds may not be used for certain purposes, it may roll into working capital of a business, which makes funds untraceable in use. The conditions set are therefore rather overreaching.

Overall, although the intent by the State is appreciated, a more market oriented approach of the program is warranted. One of the market tools should include greater flexibility with interest rates, and determining conditions that result in lowering costs (instead of raising them) to both the loan administrator and ultimately the borrower/payer. Any program cost will one way or another, reveal itself either in a relative higher interest rate for borrowers or cherry-picking by the loan administrators into those market niches that have some volume or turnover to cover costs (e.g. metropolitan area's instead of rural area's). Both outcomes are unwarranted given the program objectives. As a final remark, it may be advisable and important for the DEO to work with, and learn from the Florida Export

Finance Corporation and the following lenders and microlenders in Florida, this to better understand the microloan borrowers demand for products, or the "value proposition".

Florida Export Finance Corporation - A Florida-based successful microloan program financing model (that could conceivably be used as a proof of concept for the DEO microloan program) is the Florida Export Finance Corporation.[42] Originally created 20 years ago by the Legislature as a state entity (i.e., 501-3C), they've provided both direct loans and loan guarantees[43] to businesses. They function to distribute widely and to minimize risk and plug gaps by providing loans to businesses. Initially funded with $1 million, they've grown over time, and have funded over $2 billion in loans (since inception) and currently have $10 million on their balance sheet.

Florida First Capital: specializes in 504 loans (i.e. purchase of fixed assets).

Florida Credit Union: loans for assets, and works with SBA but on 504 loans (i.e. both for fixed assets). In addition, FCU provides: line of credit and credit cards, but this may be narrowed towards existing businesses.

Opportunity Finance Network or Community Development Financial Institution (CFDI): a National operating business, and comprising the following members in Florida (see list below). Their goal is to encourage fair access to financial resources for America's underserved people and communities. Nationwide, over 1,000 CDFI's serve economically distressed communities by providing credit, capital and financial services that are often unavailable from mainstream financial institutions. CFDI's have loaned and invested over billions in our nation's most distressed communities. Their loans and investments have leveraged billions more dollars from the private sector for development activities in low wealth communities across the nation.[44]

CFDI or Opportunity Finance Network Members:

- Black Business Investment Network
- Community Fund of North Miami Dade
- Florida Community Loan Fund
- Manatee Community Federal Credit Union
- Neighborhood Housing Services of South Florida

42 See: http://fefc.dos.myflorida.com/

43 Direct loans are a more controlled process (w/lower rates) and are generally perceived as better for small businesses. Loan guarantees have a higher cost (i.e., less beneficial to small businesses) but the state can leverage loan guarantees at a 5:1 ratio (or $5 for every $1).

44 See: http://www.cdfi.org/

- Neighborhood Lending Partners of West Florida
- Solar and Energy Loan Fund (SELF)

Conclusions and Results

The purpose of this research, conducted by the FSU Center for Economic Forecasting and Analysis (FSU CEFA), is to provide a summary report outlining the current microloan program's abilities and limitations, and the microloan program's methods and best practices.

Summary Findings for Abilities and Limitations of the Microloan Program

Based on the project research, the CEFA staff offer the following suggestions regarding the abilities and limitations of the microloan program:

- The CS/CS/SB 1480 Bill calls for entering the small business loan market or market niche, with some government involvement. This will have some intended and unintended economic consequences, for both present active and non-active market participants. Future research and evaluation is warranted, once the program is up and running.
- Studies concerning microloan financing in Florida have found that entrepreneurs and small businesses are facing a problem of access to credit. The reasons given are varied.
- There are many States that directly administer Microloan programs; e.g., Virginia and Montana. These two States have had success with their programs providing credit to small businesses with good results in terms of cost, creation of employment, and of the durability of the companies created.
- Although the market for micro- and small business loans is a much larger universe than the list of acknowledged intermediaries (as mentioned on the SBA website), these intermediaries provide loan products that match up rather well with the criteria of up to $50,000, for a maximum term of six years, for a microloan, and greater than $50,000 for a small business loan, with interest rates averaging from 7.1 percent (median low 7.25%) to 10.3 percent (median high 10%), and mostly with optional training and other services offered.
- Financial institutions providing SBA loans in Florida from 2012 to 2014 totaled $45.8 million, $406 million and $2.2 billion, to micro (under $50,000), small (between $50,000 and $350,000), and larger small (between $350,000 and $5 million) businesses, respectively .

    - Slightly over 2.3 million micro- and small business establishments conform to the criteria set for microfinance lending. This subset overall represents 95.5 percent of the total available business establishments in the Florida NETS[45] database. The number of business enterprises in Florida in the Ultra Small category is slightly over 1.9 million, or about 80 percent of the total NETS database.
    - Around five percent of small businesses in Florida are minority, woman owned, or both, while 3.4 percent of ultra-small businesses are minority, woman owned, or both.
    - Currently, the Microfinance Loan Program in Florida comprises about $3.3 million (for a three year contract), with an assumed average loan size of $13,000 for the microloan program (i.e., about 250 loans per year). There will be about $6.6 million available for the Microfinance Guarantee Program (an open ended contract) with an average loan size of $150,000 (i.e., about 40-50 loans per year).
- Overall, a more market oriented approach of the Microfinance Loan program is warranted. One of the market tools should include greater flexibility with interest rates, and determining conditions that result in lowering costs (instead of raising them) to both the loan administrator and ultimately the borrower/payer. Special note is made on the current definition of eligible lenders under the Florida Microfinance Act which applies only to financial institutions, and which definition should be extended to include Community Development Financial Institutions (CFDI's).

Summary Findings for Best Practices of the Microloan Program

Based on the project research, the CEFA staff offer the following suggestions regarding the best practices of the microloan program:

    - Given the re-allocation of funds from consumers to business consumption,[46] it would make much better sense to move consumption towards investment, especially in "productive capital".[47] Most notably since Florida is lacking a program to unconditionally support investment. More micro and small business investments would increase capital intensity across the board on the production structure in Florida, increasing productivity, and thus making room for potential wage increases.

[45] NETS is the National Time Series Establishment database of businesses. See: http://exceptionalgrowth.org/downloads/NETSPricing2012.pdf President: Don Walls
[46] The use of funds according to the present description in the Microfinance Loan program
[47] e.g. equipment, machines, tools and other, used in the process of providing goods and services for more than once production cycle or a year

- A Revolving Loan Fund would be an appropriate vehicle to run the Microfinance Loan program. Five states use a revolving loan fund for the purpose, namely: Alaska, Connecticut, Nevada, New York and Ohio.
- The interest rates and fees should be set by the loan administrator and be based on standards, or those customary for the industry, not conditional within a legal format. The interest cap should be removed, in order to facilitate lending to not only the lowest risk borrower, but extend to all risk criteria of borrowers.
- State matching funds into the program should be such that loan administrator(s) will not engage in less risky lending behavior. State funds should be used in such a way as to reward the administrator on achieving program objectives (preferably with a margin over the borrowing rate as an added price mechanism, and vice versa).
- The administrative fee should be established by the loan administrators in order to cover the cost of program development, delivery and reporting. In addition, the cap on closing fees should be lifted in order to ultimately facilitate increasing the number of borrowers served over time.
- Use state matching funds and the interest rate as a market mechanism tool to encourage microlending entities to get involved in microlending and boost borrower demand. Currently, interest rates by microlenders are ranging from 5 – 9%.[48]
- Preferably the operational structure of the loan administrator(s) should be akin to a "back-office" approach, dealing swiftly with demand or requests and in a standardized manner, reducing application cost. The back office should ideally be a single state non-profit entity operating with state oversight.
- There should be some flexibility on the "up to three" administrators (for the Microfinance Loan Program). This will spur greater competition for the micro-business and small businesses, which will further lower the interest rates to the consumers and state government.
- There should not be a split in the program (as presently designed) with micro versus small business; as this prevents the opportunity for a loan administrator to leverage its operations between market segments. Remove program inefficiencies and unnecessary conditions, thereby further reducing costs. Two suggested options are to either: 1) invest $10 million in the microloan program and $10 million in smaller business loans or: 2) invest and focus solely on $10 million in the microloan program in order to create a successful "proof of concept" program.

[48] Personal Communication, Lynn Blaise of Access Florida Finance, December 22, 2014

- Although employment and job creation are important, to prioritize it as being the most important criteria in the microloan program contract language, is counterproductive. Employment alone is not sufficient to grow the Florida economy. Stressing employment and job creation will only lower factor intensity (capital/labor ratio), and thus limit labor productivity and potential wage development in the state[49]. In addition, and in general, administrative burdens imposed on microbusinesses should be minimized if not eliminated.
- Tailor the program to further focus on "productive capital", or assets used in more than one production cycle (or longer than a year), warranting a longer loan length. The average microloan repayment period begins at 24 months. The goal should be to reduce the monthly payments and make it more affordable to borrowers or payers.
- Consideration of a revolving fund (similar to this report's literature review in a few other states, and used by the SBA). This would ensure that the amount[50] held to offset loan loss, would be held in a revolving fund rather than recycled back into general revenue (and under current conditions would not be used for generating microloans).
- Build a program (similar to the SBA final plan for retrospective analysis of existing rules[51]) that solicits and responds to feedback from microlenders and borrowers/payers.
- Provide guarantees to microlenders (possibly by means of a revolving fund).
- It may be advisable and important for the DEO to work with, and learn from, the Florida Export Finance Corporation as well as lenders and microlenders in Florida. The current definition of eligible lenders under the Florida Microfinance Act applies only to financial institutions, and should be extended to include Community Development Financial Institutions (CFDI's), who have the track record as the largest providers of microfinancing in the U.S. CFDI's are specialized financial institutions that work in market niches that are underserved by traditional financial institutions. CFDI's include regulated institutions such as community development

[49] Note: Florida currently doesn't have an unconditional and readily available tax credit program to boost investment in productive capital.
[50] Estimated to be about $2.5 million according to the current DEO Microloan Finance Program.
[51] On the SBA website ""SBA welcomes the retrospective review process as part of building a culture of creating current, participant-friendly, cost-effective, low-burden, simple rules"…and "SBA contemplates that this will result in all of its rules being periodically retrospectively reviewed on a rolling basis, creating rules that are more cost effective and less burdensome to participants in the Agency's programs while continuing to promote economic growth, innovation, and job creation." See: https://www.sba.gov/about-sba/sba_performance/strategic_planning/sba_final_plan_for_retrospective_analysis_of_existing_rules and https://www.sba.gov/sites/default/files/aboutsbaarticle/SBAFinalPlanRestropectiveAnalysisofExistingRules23Jan12.pdf

banks and credit unions, and non-regulated institutions such as loan and venture capital funds.

- Training should be provided by loan administrators on demand or as needed basis. In addition, consideration should be given for loan administrators to offer existing financial education and support services. The Small Business Development Center Network's (SBDCN's) could provide and specialize according to their current effective microbusiness training programs (e.g., business mentoring and outreach, among others), and the loan administrators could continue to provide their seasoned and effective training programs, primarily focused on direct loan-related training programs.
- Aim to implement states funds to be widely distributed, and to reduce associated risk and costs, and thus potential interest rates for borrowers.
- Evaluate the program periodically, in order to evaluate potential market distortions, due to the program.

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Appendix A: Title XIX, Chapter 288, COMMERCIAL DEVELOPMENT AND CAPITAL IMPROVEMENTS

288.9934 Microfinance Loan Program[52]—

(1) PURPOSE.—The Microfinance Loan Program is established in the department to make short-term, fixed-rate microloans in conjunction with business management training, business development training, and technical assistance to entrepreneurs and newly established or growing small businesses for startup costs, working capital, and the acquisition of materials, supplies, furniture, fixtures, and equipment. Participation in the loan program is intended to enable entrepreneurs and small businesses to access private financing upon completing the loan program.

(2) DEFINITION.—As used in this section, the term “loan administrator” means an entity that enters into a contract with the department pursuant to this section to administer the loan program.

(3) REQUEST FOR PROPOSAL.—

(a) By December 1, 2014, the department shall contract with at least one but not more than three entities to administer the loan program for a term of 3 years. The department shall award the contract in accordance with the request for proposal requirements in s. 287.057 to an entity that:

1. Is a corporation registered in this state;
2. Does not offer checking accounts or savings accounts;
3. Demonstrates that its board of directors and managers are experienced in microlending and small business finance and development;
4. Demonstrates that it has the technical skills and sufficient resources and expertise to:

a. Analyze and evaluate applications by entrepreneurs and small businesses applying for microloans;
b. Underwrite and service microloans provided pursuant to this part; and
c. Coordinate the provision of such business management training, business development training, and technical assistance as required by this part;

5. Demonstrates that it has established viable, existing partnerships with public and private nonstate funding sources, economic development agencies, and workforce development and job referral networks; and
6. Demonstrates that it has a plan that includes proposed microlending activities under the loan program, including, but not limited to, the types of entrepreneurs and businesses to be assisted and the size and range of loans the loan administrator intends to make.

(b) To ensure that prospective loan administrators meet the requirements of subparagraphs (a)2.-6., the request for proposal must require submission of the following information:

[52] Retrieved from: http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0200-0299/0288/Sections/0288.9934.html

1. A description of the types of entrepreneurs and small businesses the loan administrator has assisted in the past, and the average size and terms of loans made in the past to such entities;
2. A description of the experience of members of the board of directors and managers in the areas of microlending and small business finance and development;
3. A description of the loan administrator's underwriting and credit policies and procedures, credit decisionmaking process, monitoring policies and procedures, and collection practices, and samples of any currently used loan documentation;
4. A description of the nonstate funding sources that will be used by the loan administrator in conjunction with the state funds to make microloans pursuant to this section;
5. The loan administrator's three most recent financial audits or, if no prior audits have been completed, the loan administrator's three most recent unaudited financial statements; and
6. A conflict of interest statement from the loan administrator's board of directors certifying that a board member, employee, or agent, or an immediate family member thereof, or any other person connected to or affiliated with the loan administrator, is not receiving or will not receive any type of compensation or remuneration from an entrepreneur or small business that has received or will receive funds from the loan program. The department may waive this requirement for good cause shown. As used in this subparagraph, the term "immediate family" means a parent, child, or spouse, or any other relative by blood, marriage, or adoption, of a board member, employee, or agent of the loan administrator.

(4) CONTRACT AND AWARD OF FUNDS.—

(a) The selected loan administrator must enter into a contract with the department for a term of 3 years to receive state funds for the loan program. Funds appropriated to the program must be reinvested and maintained as a long-term and stable source of funding for the program. The amount of state funds used in any microloan made pursuant to this part may not exceed 50 percent of the total microloan amount. The department shall establish financial performance measures and objectives for the loan program and for the loan administrator in order to maximize the state funds awarded.

(b) State funds may be used only to provide direct microloans to entrepreneurs and small businesses according to the limitations, terms, and conditions provided in this part. Except as provided in subsection (5), state funds may not be used to pay administrative costs, underwriting costs, servicing costs, or any other costs associated with providing microloans, business management training, business development training, or technical assistance.

(c) The loan administrator shall reserve 10 percent of the total award amount from the department to provide microloans pursuant to this part to entrepreneurs and small businesses that employ no more than five people and generate annual gross revenues averaging no more than $250,000 per year for the last 2 years.

(d)1. If the loan program is appropriated funding in a fiscal year, the department shall distribute such funds to the loan administrator within 30 days of the execution of the contract by the department and the loan administrator.

2. The total amount of funding allocated to the loan administrator in a fiscal year may not exceed the amount appropriated for the loan program in the same fiscal year. If the funds appropriated to the loan program in a fiscal year exceed the amount of state funds received by the loan administrator, such excess funds shall revert to the General Revenue Fund.

(e) Within 30 days of executing its contract with the department, the loan administrator must enter into a memorandum of understanding with the network:

1. For the provision of business management training, business development training, and technical assistance to entrepreneurs and small businesses that receive microloans under this part; and
2. To promote the program to underserved entrepreneurs and small businesses.

(f) By September 1, 2014, the department shall review industry best practices and determine the minimum business management training, business development training, and technical assistance that must be provided by the network to achieve the goals of this part.

(g) The loan administrator must meet the requirements of this section, the terms of its contract with the department, and any other applicable state or federal laws to be eligible to receive funds in any fiscal year. The contract with the loan administrator must specify any sanctions for the loan administrator's failure to comply with the contract or this part.

(5) FEES.—

(a) Except as provided in this section, the department may not charge fees or interest or require collateral from the loan administrator. The department may charge an annual fee or interest of up to 80 percent of the Federal Funds Rate as of the date specified in the contract for state funds received under the loan program. The department shall require as collateral an assignment of the notes receivable of the microloans made by the loan administrator under the loan program.

(b) The loan administrator is entitled to retain a one-time administrative servicing fee of 1 percent of the total award amount to offset the administrative costs of underwriting and servicing microloans made pursuant to this part. This fee may not be charged to or paid by microloan borrowers participating in the loan program. Except as provided in paragraph (7)(c), the loan administrator may not be required to return this fee to the department.

(c) The loan administrator may not charge interest, fees, or costs except as authorized in subsection (9).

(d) Except as provided in subsection (7), the loan administrator is not required to return the interest, fees, or costs authorized under subsection (9).

(6) REPAYMENT OF AWARD FUNDS.—

(a) After collecting interest and any fees or costs permitted under this section in satisfaction of all microloans made pursuant to this part, the loan administrator shall remit to the department the microloan principal collected from all microloans made with state funds received under this part. Repayment of microloan principal to the department may be deferred by the department for a period not to exceed 6 months; however, the loan administrator may not provide a microloan under this part after the contract with the department expires.

(b) If for any reason the loan administrator is unable to make repayments to the department in accordance with the contract, the department may accelerate maturity of the state funds awarded and demand repayment in full. In this event, or if a loan administrator violates this part or the terms of its contract, the loan administrator shall surrender to the department possession of all collateral required pursuant to subsection (5). Any loss or deficiency greater than the value of the collateral may be recovered by the department from the loan administrator.

(c) In the event of a default as specified in the contract, termination of the contract, or violation of this section, the state may, in addition to any other remedy provided by law, bring suit to enforce its interest.

(d) A microloan borrower's default does not relieve the loan administrator of its obligation to repay an award to the department.

(7) CONTRACT TERMINATION.—

(a) The loan administrator's contract with the department may be terminated by the department, and the loan administrator required to immediately return all state funds awarded, including any interest, fees, and costs it would otherwise be entitled to retain pursuant to subsection (5) for that fiscal year, upon a finding by the department that:

1. The loan administrator has, within the previous 5 years, participated in a state-funded economic development program in this or any other state and was found to have failed to comply with the requirements of that program;
2. The loan administrator is currently in material noncompliance with any statute, rule, or program administered by the department;
3. The loan administrator or any member of its board of directors, officers, partners, managers, or shareholders has pled [2]to no contest or been found guilty, regardless of whether adjudication was withheld, of any felony or any misdemeanor involving fraud, misrepresentation, or dishonesty;
4. The loan administrator failed to meet or agree to the terms of the contract with the department or failed to meet this part; or
5. The department finds that the loan administrator provided fraudulent or misleading information to the department.

(b) The loan administrator's contract with the department may be terminated by the department at any time for any reason upon 30 days' notice by the department. In such a circumstance, the loan administrator shall return all awarded state funds to the department within 60 days of the termination. However, the loan administrator may retain any interest, fees, or costs it has collected pursuant to subsection (5).

(c) The loan administrator's contract with the department may be terminated by the loan administrator at any time for any reason upon 30 days' notice by the loan administrator. In such a circumstance, the loan administrator shall return all awarded state funds to the department, including any interest, fees, and costs it has retained or would otherwise be entitled to retain pursuant to subsection (5), within 30 days of the termination.

(8) AUDITS AND REPORTING.—

(a) The loan administrator shall annually submit to the department a financial audit performed by an independent certified public accountant and an operational performance audit for the most recently completed fiscal year. Both audits must indicate whether any material weakness or instances of material noncompliance are indicated in the audit.

(b) The loan administrator shall submit quarterly reports to the department as required by s. 288.9936(3).
(c) The loan administrator shall make its books and records related to the loan program available to the department or its designee for inspection upon reasonable notice.
(9) ELIGIBILITY AND APPLICATION.—
(a) To be eligible for a microloan, an applicant must, at a minimum, be an entrepreneur or small business located in this state.
(b) Microloans may not be made if the direct or indirect purpose or result of granting the microloan would be to:
1. Pay off any creditors of the applicant, including the refund of a debt owed to a small business investment company organized pursuant to 15 U.S.C. s. 681;
2. Provide funds, directly or indirectly, for payment, distribution, or as a microloan to owners, partners, or shareholders of the applicant's business, except as ordinary compensation for services rendered;
3. Finance the acquisition, construction, improvement, or operation of real property which is, or will be, held primarily for sale or investment;
4. Pay for lobbying activities; or
5. Replenish funds used for any of the purposes specified in subparagraphs 1.-4.
(c) A microloan applicant shall submit a written application in the format prescribed by the loan administrator and shall pay an application fee not to exceed $50 to the loan administrator.
(d) The following minimum terms apply to a microloan made by the loan administrator:
1. The amount of a microloan may not exceed $50,000;
2. A borrower may not receive more than $75,000 per year in total microloans;
3. A borrower may not receive more than two microloans per year and may not receive more than five microloans in any 3-year period;
4. The proceeds of the microloan may be used only for startup costs, working capital, and the acquisition of materials, supplies, furniture, fixtures, and equipment;
5. The period of any microloan may not exceed 1 year;
6. The interest rate may not exceed the prime rate published in the Wall Street Journal as of the date specified in the microloan, plus 1000 basis points;
7. All microloans must be personally guaranteed;
8. The borrower must participate in business management training, business development training, and technical assistance as determined by the loan administrator in the microloan agreement;
9. The borrower shall provide such information as required by the loan administrator, including monthly job creation and financial data, in the manner prescribed by the loan administrator; and
10. The loan administrator may collect fees for late payments which are consistent with standard business lending practices and may recover costs and fees incurred for any collection efforts necessitated by a borrower's default.
(e) The department may not review microloans made by the loan administrator pursuant to this part before approval of the loan by the loan administrator.

(10) STATEWIDE STRATEGIC PLAN.—In implementing this section, the department shall be guided by the 5-year statewide strategic plan adopted pursuant to s. 20.60(5). The department shall promote and advertise the loan program by, among other things, cooperating with government, nonprofit, and private industry to organize, host, or participate in seminars and other forums for entrepreneurs and small businesses.
(11) STUDY.—By December 31, 2014, the department shall commence or commission a study to identify methods and best practices that will increase access to credit to entrepreneurs and small businesses in this state. The study must also explore the ability of, and limitations on, Florida nonprofit organizations and private financial institutions to expand access to credit to entrepreneurs and small businesses in this state.
(12) CREDIT OF THE STATE.—With the exception of funds appropriated to the loan program by the Legislature, the credit of the state may not be pledged. The state is not liable or obligated in any way for claims on the loan program or against the loan administrator or the department.
History.—s. 52, ch. 2014-218.
[1]Note.—Section 56, ch. 2014-218, provides that:

"(1) The executive director of the Department of Economic Opportunity is authorized, and all conditions are deemed to be met, to adopt emergency rules pursuant to ss. 120.536(1) and 120.54(4), Florida Statutes, for the purpose of implementing this act.

"(2) Notwithstanding any other provision of law, the emergency rules adopted pursuant to subsection (1) remain in effect for 6 months after adoption and may be renewed during the pendency of procedures to adopt permanent rules addressing the subject of the emergency rules.

"(3) This section shall expire October 1, 2015."

[2]Note.—The word "to" was inserted by the editors to improve clarity.

APPENDIX B: A List of Microloan Program Intermediaries

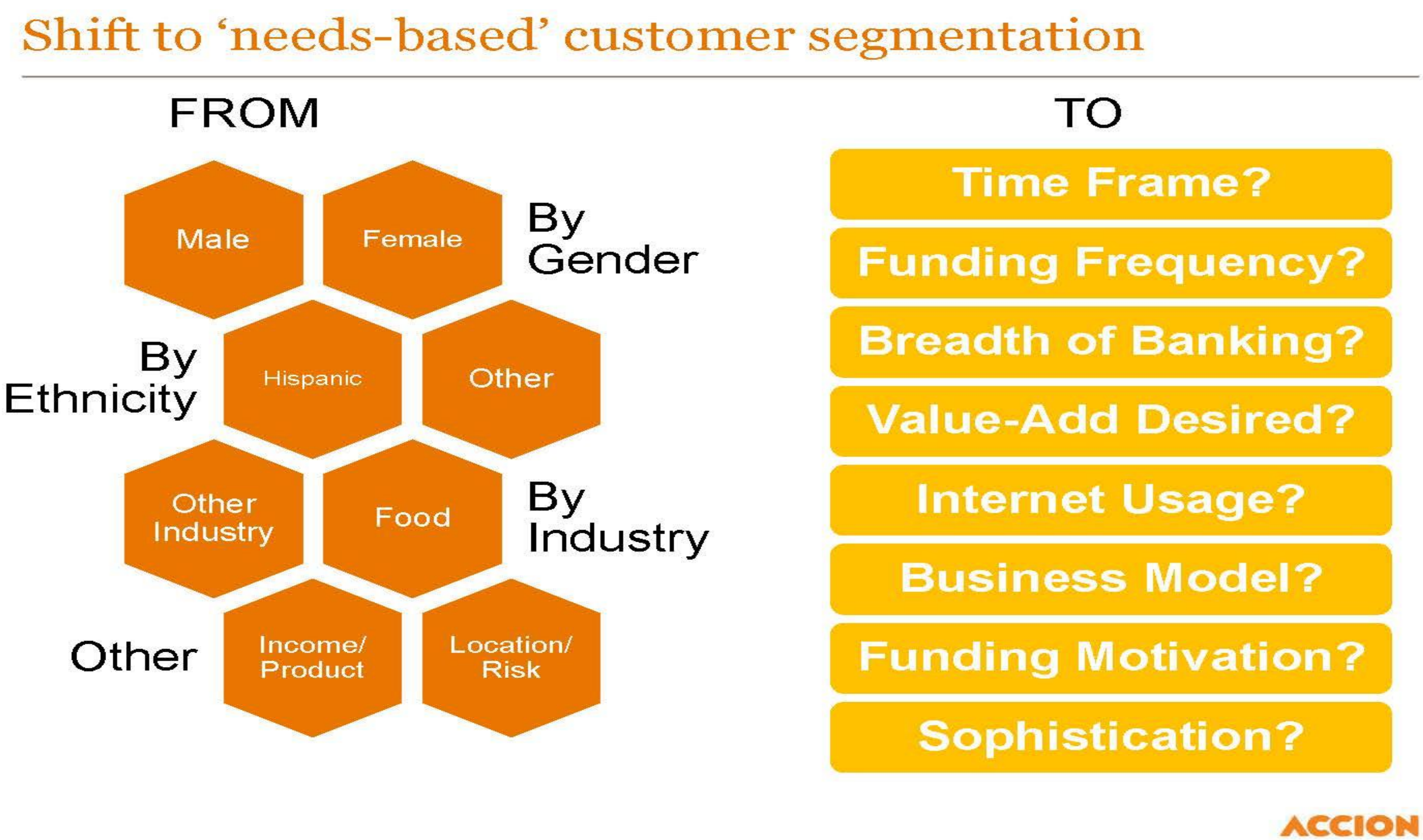
			Assistance/Training NF = no info found	Contingent	MICRO Loans start-up / basic / short term	MICRO Loans existing	Term	Amortization	rates
1	Alabama	www.ceii-cdc.org	management and technical assistance		no more than $50,000				9%
2	Arizona	www.pmhdc.net	training and support		from $500 to $75,000		12 months to 20 yr		vary
3	Arizona	www.prestamosloans.org	technical support		< $25,000	$5,000 to $50,000	max 5 years	max 5 years	up to 7.9%
4	Arkansas	www.altcosultling.org	training	yes for basic	$500 to $1,000	$500 to $50,000	1 year up to 7 years		8.5% to 11%
5	Arkansas	www.forgeonline.com	traning and technical assistance		$500 to $200,000				
6	California	www.obdc.com	forums and consulting		NF				competitive
7	California	www.opportunityfund.org	NF		$2,600 - $100,000		up to 48 months		8.5% to 15%
8	California	www.tmcworkingsolutions.org	advice and mentorship		< $25,000	< $50,000			
9	Colorado	www.coloradoenterprisefund.org	advising and coaching		Up to $10,000		up to 4 years		fixed 11.99%
10	Connecticut	www.communitycapitalny.org	financial education		$1,000 to $50,000			five years	fixed 7.75%
11	Connecticut	www.hedco-ghbdc.com	consultation and training		NF				
12	Delaware	www.firststateloan.org	training, consulting and technical assistence		$5,000 to $50,000		5 years max		
13	Dist. Of Columbia	www.entdevgroup.org	training		NF				
14	Florida	www.accionusa.org	online and workshops		up to $10,000	up to $35,000	up to 60 months		from 8.99% to 15.99%
15	Florida	www.bbif.com	business education	yes	$5,000 to $50,000		12 months to a max of 72 months		btw 8 to 13%
16	Florida	www.ceii-cdc.org	management and technical assistance		no more than $50,000				9%
17	Florida	www.ceoventures.org	technical assistance, coaching and workshops		max $50,000		max 6 years		Generally btw 8 to 10%
18	Florida	www.partnersforselfemployment.com	NF	no	up to $35,000				
19	Illinois	www.accionchicago.org	NF		up to $20,000	and $50,000	2 to 72 months		from 9.25% to 18%
20	Indiana	www.accionchicago.org	NF		up to $20,000	and $50,000	2 to 72 months		from 9.25% to 18%
21	Indiana	www.flagshipenterprise.org	technical assistence						
22	Kansas	www.justinepetersen.org	comprehensive training		$500 to $50,000				
23	Louisiana	www.newcorpbac.net	NF						
24	Maine	www.ceimaine.org	Assistance/Training		up to $50,000				
25	Maryland	www.entdevgroup.org	training		NF				
26	Massachusetts	www.common-capital.org	consultation and online learning						
27	Massachusetts	www.ediclynn.org	technical assistence		$5,000 to $3 million				
28	Massachusetts	www.accionusa.org	online and workshops		up to $35,000	up to $35,000	up to 60 months		from 8.99% to 15.99%
29	Massachusetts	www.comteam.org	education, counseling, technical assistence						
30	Massachusetts	www.froed.org	consultation and assistance		up to $50,000				min. of 6%
31	Massachusetts	www.nbedc.org	NF		up to $35,000				
32	Massachusetts	www.rcapsolutions.org	NF		max. $50,000				Generally btw. 8 to 13%
33	Massachusetts	www.seedcorp.com	assistance and training				up to 6 years		fixed 6%
34	Michigan	www.cstonealliance.org	training and counseling		$500 to $50,000				
35	Michigan	www.detroitmicroenterprisefund.org	training, assistance and counseling		$1,000 to $50,000		6 months to 5 yr		prime + 2%. Floor of 7%
36	Michigan	www.metro-community.org	NF		under $50,000		five years		low interest rate
37	Michigan	www.niupnorth.org	technical assistance and training	no					
38	Michigan	www.yourfoundationforbusiness.org	education		$500 - $2500	max $ 35,000			
39	Minnesota	www.nwmf.org	NF		up to $150,000	up to $300,000			frequently below market
40	Minnesota	www.adcminnesota.org	training and technical assistence	yes	from $5,000 to more than $250,000				
41	Minnesota	www.entrepreneurfund.org	working side-by-side		from $1,000 to $50,000	$1,000 to $250,000	up to 10 years		from 6.75% – 9.99% fixed
42	Minnesota	www.ndc-mn.org	programs and services		up to $200,000				
43	Minnesota	www.smifoundation.org	technical assistence	no	$2,000 to $35,000		max. 6 years		based on market rates
44	Minnesota	www.swifoundation.org	technical assistence and training		max. $50,000		6 to 10 years		base 7.5%
45	Minnesota	www.womenventure.org	information sessions		$500 to $50,000				
46	Missouri	www.justinepetersen.org	comprehensive training		$500 to $50,000				
47	Missouri	www.entdevcorp.org	NF						
48	Missouri	www.forgeonline.com	traning and technical assistance		$500 to $200,000				
49	Montana	www.mtcdc.org	NF		less than $50,000		5–10 year		rates generally 1–2% over bank
50	Nebraska	www.cfra.org	several programs, link to www.nebbiz.com		$35,000 or less				
	Nebraska	www.nebbiz.org			$5,000 - $50,000		< 3 years		
51	Nebraska	www.osbnbtc.org	NF						
52	Nevada	www.prestamosloans.org	technical support		< $25,000	$5,000 to $50,000	max 5 years	max 5 years	up to 7.9%
53	New Hampshire	www.ncic.org	assistence		up to $250,000		5 - 7 years		min. 7%
54	New Jersey	www.bocnet.org	assistence, link to www.sba.gov						

			Assistance/Training NF = no info found	Contingent	MICRO Loans start-up / basic / short term	MICRO Loans existing	Term	Amortization	rates
55	New Jersey	www.cbaclenders.com	NF		up to $35,000	up to $105,000	6 years		
56	New Jersey	www.rbacloan.com	technical assistance		up to $50,000		< 5 years	up to 6 years	starts at 6% fixed
57	New Jersey	www.ucedc.com	training and workshops		max. of $35,000	up to $50,000	up to six years		vary 5.0 - 9.5%
58	New Mexico	www.loanfund.org	training and consulting		under $50,000		up to 6 years		7.875% - 8.7%
59	New York	www.communitycapitalny.org	financial education		$1,000 to $50,000			five years	fixed 7.75%
60	New York	www.accionusa.org	online and workshops		up to $10,000	up to $35,000	up to 60 months		from 8.99% to 15.99%
61	New York	www.aedconline.com	training and technical assistance		$500 – $50,000				
62	New York	www.angelfundnetwork.org	team support	yes	up to $50,000		2 to 3 years		
63	New York	www.bocnet.org	assistence, link to www.sba.gov and www.nycedc.com		$500 to $25,000	$1,000 to $35,000	1 year		
64	New York	www.chpartnership.com							
65	New York	www.nybcna.org	NF		$500 to a maximum of $50,000		6 months up to 4 years		8.25% - 10% fixed
66	New York	www.pathstone.org	technical assistance						
67	New York	www.redec.us	technical assistance		$1,000 to $50,000		not exceed 6 years		fixed rate based on prime
68	New York	www.renaissance-ny.org	business counseling		up to $100,000		up to 5-year		As low as 4%
69	New York	www.whidc.org	technical assistance		under $10,000	up to $50,000	1 year / 5 years		
70	North Carolina	www.self-help.org	NF						
71	North Dakota	www.lakeagassiz.com	NF		maximum of $50,000				fixed rate
72	Oklahoma	www.tulsaedc.com	technical assistance		up to $20,000		six years or less		rates vary
73	Oklahoma	www.littledixie.org	?????						
74	Oklahoma	www.ruralenterprises.com	?????						
75	Oklahoma	www.forgeonline.com	traning and technical assistance		$500 to $200,000				
76	Oregon	www.edev.org	*referral to other websites only*						
77	Oregon	www.mercycorpsnw.org	training, counseling and mentoring		$500 to $20,000	$500 to $50,000	2 mths - 5 yr		8 - 12% fixed
78	Oregon	www.mesopdx.org	classes, workshops and seminars						
79	Oregon	www.oame.org	NF		$500-$50,000 limit				5%
80	Pennsylvania	www.cbaclenders.com	NF		up to $35,000	up to $105,000	6 years		
81	Pennsylvania	www.commfirstfund.org	counseling and classes		up to $50,000		flexible		
82	Pennsylvania	www.finanta.org	NF		under $15,000	up to $50,000	12 months per $10,000 borrowed, up to six years		
83	Pennsylvania	www.jari.com	technical assistence						
84	Pennsylvania	www.metroaction.org	seminars and counseling		$2,500-$75,000		up to 5 years		from 7% – 8.79% fixed
85	Pennsylvania	www.ncentral.com	training program						
86	Pennsylvania	www.WashingtonCountyPA.org	NF		from $5,000 to $50,000				fixed interest rate
87	Pennsylvania	www.firststateloan.org	training, consulting and technical assistance		$5,000 to $50,000		5 years max		
88	Puerto Rico	www.cofecc.net	technical assistence and monetoring	no	$500 hasta $50,000		máximo de seis años		
89	South Carolina	www.appalachiandevelopmentcorp.com	NF						
90	South Carolina	www.charlestonldc.com	NF		up to $50,000		as long as 6		
91	South Dakota	www.growsd.org	consulting						
92	Texas	www.allianceontheweb.org	?????		$500 to $15,000				
93	Texas	www.bcloftexas.org	NF		NF	$20,000 up to $300,000			low interest rates
94	Texas	www.bigaustin.org	N/A		up to $15,000	max $50,000	from 3 months to 5 six years		consistent with micro-lending; fixed
95	Texas	www.peoplefund.org	training and mentoring		max $100,000	max $250,000			fixed and variable rates
96	Vermont	www.communitycapitalvt.org	NF		from $1,000 to $100,000		5 years (up to 10 yrs with a 7 year balloon)		
97	Vermont	www.ncic.org	assistance		up to $250,000		5 - 7 years		min. 7%
98	Virginia	www.entdevgroup.org	training		NF				
99	Virginia	www.stauntonfund.com	comprehensive toolbox, incl. coaching		from **$1,000 to $50,000**				
100	Virginia	www.tapintohope.org	classes and technical assistance		up to $50,000				
101	Washington	www.mercycorpsnw.org	training, counseling and mentoring		$500 to $20,000	$500 to $50,000	2 mths - 5 yr		8 - 12% fixed
102	Washington	www.oame.org	NF		$500-$50,000 limit				5%
103	Washington	www.rcdr.biz	assistance		$2,000 to $50,000		1 – 6 years		7%
104	Washington	www.snapwa.org	?????						
105	West Virginia	www.kisra.org	NF		from $1,000 to $50,000				
106	West Virginia	www.WashingtonCountyPA.org	NF		from $5,000 to $50,000				fixed interest rate
107	Wisconsin	www.aiccw.org	NF				up to 6 yr		4% - 12%
108	Wisconsin	www.entrepreneurfund.org	working side-by-side		from $1,000 to $50,000	$1,000 to $250,000	up to 10 years		from 6.75% – 9.99% fixed
109	Wisconsin	www.nwrpc.com	?????						
110	Wisconsin	www.wbd.org	NF						

			Assistance/Training NF = no info found	SBL	Term	Amortization	rates
1	Alabama	www.ceii-cdc.org	management and technical assistance	additional to max $105,000			
2	Arizona	www.pmhdc.net	training and support				
3	Arizona	www.prestamosloans.org	technical support	$50,000-$500,000	max 7 years	max 20 years	up to 11%
4	Arkansas	www.altcosultling.org	training				
5	Arkansas	www.forgeonline.com	traning and technical assistance				
6	California	www.obdc.com	forums and consulting	NF			
7	California	www.opportunityfund.org	NF		5 years		8.5% - 12%
8	California	www.tmcworkingsolutions.org	advice and mentorship				
9	Colorado	www.coloradoenterprisefund.org	advising and coaching	$75,000-$250,000	per SBA guidelines		WSJ prime +%
10	Connecticut	www.communitycapitalny.org	financial education				
11	Connecticut	www.hedco-ghbdc.com	consultation and training	up to $400,000	1 to 10 years		4% to 7%
12	Delaware	www.firststateloan.org	training, consulting and technical assistence	$50,000 to $250,000	5 years max		
13	Dist. Of Columbia	www.entdevgroup.org	training				
14	Florida	www.accionusa.org	online and workshops	up to $50,000	up to 60 months		from 8.99% to 15.99%
15	Florida	www.bbif.com	business education	< $250,000	max 10 years		up to Prime+6%
16	Florida	www.ceii-cdc.org	management and technical assistance	additional to max $105,000			
17	Florida	www.ceoventures.org	technical assistance, coaching and workshops	max $1.5 million			
18	Florida	www.partnersforselfemployment.com	NF				
19	Illinois	www.accionchicago.org	NF	$500 to $100,000			from 9.25% to 18%
20	Indiana	www.accionchicago.org	NF	$500 to $100,000			from 9.25% to 18%
21	Indiana	www.flagshipenterprise.org	technical assistence				
22	Kansas	www.justinepetersen.org	comprehensive training				
23	Louisiana	www.newcorpbac.net	NF				
24	Maine	www.ceimaine.org	Assistance/Training	under $500,000 to over $1 million			
25	Maryland	www.entdevgroup.org	training				
26	Massachusetts	www.common-capital.org	consultation and online learning	up to $300,000	up to 10 years		
27	Massachusetts	www.ediclynn.org	technical assistence	$5,000 to $3 million			
28	Massachusetts	www.accionusa.org	online and workshops	up to $50,000	up to 60 months		from 8.99% to 15.99%
29	Massachusetts	www.comteam.org	education, counseling, technical assistence				
30	Massachusetts	www.froed.org	consultation and assistance	$5,000 to $1 million			
31	Massachusetts	www.nbedc.org	NF	from $35,000 – $75,000			
32	Massachusetts	www.rcapsolutions.org	NF				
33	Massachusetts	www.seedcorp.com	assistance and training	$300,000 to $13.75 million			
34	Michigan	www.cstonealliance.org	training and counseling				
35	Michigan	www.detroitmicroenterprisefund.org	training, assistance and counseling				
36	Michigan	www.metro-community.org	NF	up to $50,000			fixed 5%
37	Michigan	www.niupnorth.org	technical assistance and training				
38	Michigan	www.yourfoundationforbusiness.org	education				
39	Minnesota	www.nwmf.org	NF				
40	Minnesota	www.adcminnesota.org	training and technical assistence				
41	Minnesota	www.entrepreneurfund.org	working side-by-side				
42	Minnesota	www.ndc-mn.org	programs and services				
43	Minnesota	www.smifoundation.org	technical assistence				
44	Minnesota	www.swifoundation.org	technical assistence and training				
45	Minnesota	www.womenventure.org	information sessions				
46	Missouri	www.justinepetersen.org	comprehensive training				
47	Missouri	www.entdevcorp.org	NF	min. $65,000 - max. $5 mil.	either 10 or 20 years		fixed based on 5 yr or 10 yr TB
48	Missouri	www.forgeonline.com	traning and technical assistance				
49	Montana	www.mtcdc.org	NF	$1,000–$1,000,000	5–10 year		rates generally 1–2% over bank
50	Nebraska	www.cfra.org	several programs, link to www.nebbiz.com				
	Nebraska	www.nebbiz.org		>$50,000 to $150,000	up to 15 years		
51	Nebraska	www.osbnbtc.org	NF				
52	Nevada	www.prestamosloans.org	technical support	$50,000-$500,000	max 7 years	max 20 years	up to 11%
53	New Hampshire	www.ncic.org	assistence				
54	New Jersey	www.bocnet.org	assistence, link to www.sba.gov				

			Assistance/Training NF = no info found	SBL	Term	Amortization	rates
55	New Jersey	www.cbaclenders.com	NF	min. $50,000 - max. $2/4 mil.	either 10 or 20 years		fixed based on 5 yr or 10 yr TB
56	New Jersey	www.rbacloan.com	technical assistence	up to $250,000	up to 25 years		prime plus 3%
57	New Jersey	www.ucedc.com	training and workshops	$20,000 to $150,000	12 months to 120 months		7% to 9%
58	New Mexico	www.loanfund.org	training and consulting	above $50,000			
59	New York	www.communitycapitalny.org	financial education				
60	New York	www.accionusa.org	online and workshops	up to $50,000	up to 60 months		from 8.99% to 15.99%
61	New York	www.aedconline.com	training and technical assistance	up to $150,000			
62	New York	www.angelfundnetwork.org	team support				
63	New York	www.bocnet.org	assistence, link to www.sba.gov and www.nycedc.com	$500 to $50,000			
64	New York	www.chpartnership.com					
65	New York	www.nybcna.org	NF				
66	New York	www.pathstone.org	technical assistence				
67	New York	www.redec.us	technical assistence	not exceed $150,000	not exceed 6 years		fixed rate based on prime
68	New York	www.renaissance-ny.org	business counseling				
69	New York	www.whidc.org	technical assistence	over $50,000			
70	North Carolina	www.self-help.org	NF				
71	North Dakota	www.lakeagassiz.com	NF	maximum of $150,000			
72	Oklahoma	www.tulsaedc.com	technical assistence				
73	Oklahoma	www.littledixie.org	?????				
74	Oklahoma	www.ruralenterprises.com	?????				
75	Oklahoma	www.forgeonline.com	traning and technical assistance				
76	Oregon	www.edev.org	*referral to other websites only*				
77	Oregon	www.mercycorpsnw.org	training, counseling and mentoring				
78	Oregon	www.mesopdx.org	classes, workshops and seminars				
79	Oregon	www.oame.org	NF				
80	Pennsylvania	www.cbaclenders.com	NF	min. $50,000 - max. $2/4 mil.	either 10 or 20 years		fixed based on 5 yr or 10 yr TB
81	Pennsylvania	www.commfirstfund.org	counseling and classes	from $50,000 to $500,000+			
82	Pennsylvania	www.finanta.org	NF	$50,000 – $100,000	eight years		
83	Pennsylvania	www.jari.com	technical assistence				
84	Pennsylvania	www.metroaction.org	seminars and counseling				
85	Pennsylvania	www.ncentral.com	training program				
86	Pennsylvania	www.WashingtonCountyPA.org	NF	up to $100,000	not to exceed 10 years		fixed interest ra
87	Pennsylvania	www.firststateloan.org	training, consulting and technical assistence	$50,000 to $250,000	5 years max		
88	Puerto Rico	www.cofecc.net	technical assistence and monetoring	$50,000 hasta $100,000			
89	South Carolina	www.appalachiandevelopmentcorp.com	NF	$20,000 - $200,000	5 - 15 years		fixed
90	South Carolina	www.charlestonldc.com	NF	maximum $75,000+	max. 10 years		
91	South Dakota	www.growsd.org	consulting				
92	Texas	www.allianceontheweb.org	?????				
93	Texas	www.bcloftexas.org	NF				
94	Texas	www.bigaustin.org	N/A				
95	Texas	www.peoplefund.org	training and mentoring				
96	Vermont	www.communitycapitalvt.org	NF				
97	Vermont	www.ncic.org	assistence				
98	Virginia	www.entdevgroup.org	training				
99	Virginia	www.stauntonfund.com	comprehensive toolbox, incl. coaching				
100	Virginia	www.tapintohope.org	classes and technical assistance				
101	Washington	www.mercycorpsnw.org	training, counseling and mentoring				
102	Washington	www.oame.org	NF				
103	Washington	www.rcdr.biz	assistance	$50,000 to $250,000	5 – 10 years		4% pts below WSJ - 12% max
104	Washington	www.snapwa.org	?????				
105	West Virginia	www.kisra.org	NF				
106	West Virginia	www.WashingtonCountyPA.org	NF	up to $100,000	not to exceed 10 years		fixed interest rate
107	Wisconsin	www.aiccw.org	NF		5 yr	7 - 10 yr	4% - 12%
108	Wisconsin	www.entrepreneurfund.org	working side-by-side				
109	Wisconsin	www.nwrpc.com	?????				
110	Wisconsin	www.wbd.org	NF				

Appendix C: Example of Customer Segmentation by ACCION in Year 2014



Appendix D: Example of Florida Export Finance Corporation Guarantee Program Language

GUARANTEE NO. G-01

THIS GUARANTEE AGREEMENT is made and entered into by and between the financial institution identified as the Lender on the signature page hereof (the "Lender") and the Florida Export Finance Corporation ("FEFC"):

W I T N E S E T H

WHEREAS, the Lender, pursuant to a credit agreement between the Borrower (as defined herein below) and the Lender (the "Credit Agreement"), has agreed to extend credit to the Borrower (the "Loan"), to enable the Borrower to engage in certain sales to buyers in countries other than the U.S., its territories and possessions ("Export Activities");

WHEREAS, there is attached to this Guarantee Agreement a Transaction Attachment, the terms of which are incorporated herein by this reference;

WHEREAS, the Borrower, the Loan and the Export Activities are described or designated in the Transaction Attachment;

WHEREAS, the Loan shall be evidenced by the Borrower's promissory note or other written form of indebtedness (the "Note");

WHEREAS, the Loan shall be guaranteed by the guarantor or guarantors described in Item 13 of the Transaction Attachment (the "Guarantor(s)");

WHEREAS, a condition under which the Loan is to be made available to the Borrower is that FEFC issue the within guarantee to the Lender with respect to the Loan;

WHEREAS, a condition under which the within guarantee is to be made available to the Lender is that the Lender obtain and maintain a security interest in the collateral described in Item 12 of the Transaction Attachment, (the "Collateral"); and

WHEREAS, the within guarantee shall further promote international commerce for the State of Florida,

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

SECTION 1. Issuance of the Guarantee. Subject to the terms and conditions set forth herein and based upon those matters set out in the Transaction Attachment, FEFC hereby guarantees payment of (a) a percentage (as specified in Item 8 of the Transaction Attachment) of the unpaid principal balance of the Loan at such time that a proper claim (on claim forms designated by FEFC) is made by the Lender to FEFC in accordance with the terms hereof, which percentage of unpaid principal balance shall in no event exceed the FEFC guarantee amount specified in Item 7 of the Transaction Attachment, and (b) interest on the guaranteed portion of such unpaid principal balance (if chargeable against the Borrower under the terms of the Credit Agreement) at the Guaranteed Interest Rate from the date of Borrower's default until payment by FEFC hereunder (but in no event in excess of 270 days).

The term "Guaranteed Interest Rate" shall mean a per annum rate determined at the time of the Borrower's initial default for which a claim is made hereunder (the "Due Date") and shall be the lower of (i) the single fixed rate of interest which, if it had been applicable under the Credit Agreement, would have resulted in the same amount of interest to the Due Date as has actually accrued at the rate or rates provided in the Credit Agreement to such Due Date or (ii) the prevailing Prime interest rate in effect on the date the Lender disbursed funds, for which a claim is made, to the Borrower.

This guarantee shall extend only to that portion of the principal indebtedness of the Borrower resulting from disbursements made in conformity in all material respects with the provisions of the Credit Agreement and made on or prior to the Expiration Date, as that term is defined in Item 15 of the Transaction Attachment.

SECTION 2. Guarantee Fee. The Lender shall pay to FEFC a Guarantee Fee, as described in Item 10 of the Transaction Attachment. Payment shall be made by a cashier's check payable to the order of FEFC and shall be deemed paid as of the date received by FEFC at the address shown on the signatory page. The Guarantee Fee shall be payable no later than the date specified for its payment in the Transaction Attachment. If the Lender fails to pay the Guarantee Fee by the date specified in the Transaction Attachment, this Guarantee Agreement shall be of no further effect and no recovery may be had by the Lender hereunder.

Nothing in the Credit Agreement requiring the Borrower to pay the Guarantee Fee shall relieve the Lender from responsibility for such payment.

SECTION 3. Coverage. In the event that the Borrower and the Guarantor(s) fail to pay any amount of principal or interest on the Loan for more than 30 calendar days for a pre-shipment guarantee, or 90 calendar days for a post-shipment guarantee, after the date due (if this is a guarantee of combination exporter risks, 30 calendar days for claims prior to shipment and 90 calendar days for claims after shipment) and demand therefore FEFC will pay in United States currency to the Lender, within ten calendar days after written demand by the Lender for payment (containing such information as may be reasonably designated by FEFC) has been received by FEFC, an amount equal to (a) the percentage of such unpaid principal amount shown in Item 8 of the Transaction Attachment and (b) interest at the Guaranteed Interest Rate as provided in Section 1 hereof. Lender's written demand shall identify the amount of principal indebtedness or interest then unpaid by the Borrower and shall include copies of the demands made on the Borrower and the Guarantor(s), and such written demand shall be made upon FEFC not later than 120 days after the date of the Borrower's default.

SECTION 4. Waiver. FEFC hereby waives any requirement that the Lender exhaust any right or take any action against the Borrower or the Guarantor(s) before making a claim hereunder, except the demand required to be made under Section 3 hereof on the Borrower and the Guarantor(s) and the demand required to be made under such Section on FEFC. Nothing in this section shall be in derogation of the Lender's responsibilities under Section 5.

SECTION 5. Undertakings of the Lender. This guarantee shall remain in effect only so long as the Lender complies with each of the following:

a. Due Diligence. It will undertake and perform prudent lending practices of due diligence, and those required by governmental regulations, for the loan to the same degree as if this guarantee did not exist.

b. Assignability. Except to (i) its parent corporation, (ii) a branch of the Lender, or (iii) a wholly-owned (excluding qualifying shares of directors) subsidiary of its parent corporation, Lender will not assign, transfer, negotiate or sell participation in any of its rights in the Credit Agreement, the Note or this Guarantee Agreement, without the prior written consent of FEFC.

c. Acceleration. Prior to default, it will not accelerate the maturities of the Loan or the Note issued under the Credit Agreement without the prior written consent of FEFC; provided, however, that demand made by the Lender pursuant to a demand note or other similar agreement does not constitute acceleration for the purpose of this Section 5(d).

d. Note of Default. Upon learning of the occurrence of any event of default under the Credit Agreement, it will promptly notify FEFC thereof.

e. Preservation of Security. It will take all action which the Lender deems appropriate or necessary, in accordance with prudent commercial lending practices, to preserve for the benefit of FEFC, all security, guarantees, and insurance for the Loan including, without limitation, the Collateral.

f. Lender Loan Amendments. It will not agree to any material amendment of the terms of the Credit Agreement or consent to any material deviation from the provisions thereof including, without limitation, the rescheduling of the payment terms of the Note or any reduction in any security, without the prior written consent of FEFC. In the event of a court sanctioned bankruptcy debt rescheduling action the Lender shall comply with such action and this Guarantee Agreement shall be extended to coincide with the payment terms of any such action.

g. Lender Loan Documents. It will maintain and make available to FEFC, or assignee, all documents or records pursuant to the Credit Agreement or in connection with the Credit Agreement, at FEFC's request.

h. Acceleration and Suspension Upon Default. In the event of any event of default under the Credit Agreement, it will (if so permitted under the Credit Agreement) at the written request of FEFC and by written notice to the Borrower as provided in the Credit Agreement: (i) declare the outstanding principal balance of the Borrower's indebtedness under the Credit Agreement and the Note, together with interest thereon, immediately due and payable and (ii) terminate the commitment of the Lender to make further disbursements to the Borrower under the Loan or subsequent loans to the Borrower.

i. Assignment for Collection. If demand for payment is made on the Borrower, as permitted hereunder, the Lender shall, at the request of FEFC and for the purpose of collection, assign to FEFC all of its right, title and interest in the Credit Agreement, the Note, the Collateral and any other security it holds securing the obligations under the Credit Agreement. Proceeds of any collection efforts undertaken by FEFC shall be applied in accordance with Section 7 hereof.

j. Restriction on Use of Guaranteed Loan Funds. The Lender shall permit the use of the proceeds of the Loan solely to enable the Borrower to engage in the Export Activities referred to in Items 2, 3, 4 and 9 of the Transaction Attachment.

k. Application of Proceeds of Export Receivables. All proceeds of export receivables generated by the realization or collection of security for the principal amount of the FEFC coverage hereunder guaranteed which are paid to the Lender shall be applied towards reducing any amount then outstanding under the Loan.

SECTION 6. Loan Charges. The Lender shall not, without the prior written consent of FEFC, impose any charge on the Borrower in connection with the Loan other than (a) as described in Lender's written application to FEFC for this guarantee, (b) any normal charges in connection with any letters of credit issued in connection with the Loan and (c) other reasonable fees incurred under normal lending practices.

SECTION 7. FEFC Participation in the Loan. Upon any payment by FEFC under this Guarantee Agreement representing principal or interest under the Loan, FEFC shall acquire a corresponding participation in the Loan, the note and any other rights held by the Lender to secure the payment of Borrower's indebtedness under the Credit Agreement. The Lender shall, if so requested by FEFC, execute in favor of FEFC an assignment without recourse, representation or warranty of a proportionate interest in the Lender's right, title and interest in the obligations of Borrower under the Credit Agreement, the Note and any security securing the Loan. After any such claim payment by FEFC, any payments received by the Lender or FEFC from the Borrower, the Guarantor(s) or any other person or entity on behalf of the Borrower in payment of the Loan or the Note or interest thereon, or any realization on any security therefor, shall be promptly applied, irrespective of the Borrower's or the Lender's designation of such payment, first, to reimburse the Lender and FEFC for all reasonable out-of-pocket cost and expenses associated with collecting the Loan or realizing on any Collateral in equal proportions to such expenses, and second, in reduction of Lender's and FEFC's respective interests in the Loan, pro-rata.

SECTION 8. Conditions Precedent. The Lender hereby certifies, and it shall be a condition to the effectiveness of this Guarantee Agreement, that (a) the Lender's initial obligation to disburse under the Credit Agreement, and any special conditions as set forth in the Transaction Attachment, have been met, including, without limitation, the obtaining and perfecting of a security interest in the Collateral, (b) the security interest in the Collateral, the Note and any guarantees required, are legally enforceable, (c) the person who executed this Guarantee Agreement and who will execute all other documents pursuant thereto on behalf of the Lender is duly authorized to do so, and (d) the Guarantee Fee required in Section 2 hereof has been paid.

SECTION 9. Governing Law. This Guarantee Agreement shall be deemed to be a contract made under the laws of the State of Florida, United States of America, and for all purposes shall be governed by and construed in accordance with such laws. The guarantee hereunder is limited to the FEFC Fund, as provided in Florida Statute 288.770 et. seq.

SECTION 10. Notification. Such notifications or demands as are required by this Guarantee Agreement shall be addressed to the Lender or FEFC, as the case may be, to the appropriate office as designated from time to time by each party at their respective addresses set forth below and shall be deemed to have been given at such times as said notifications or demands are received.

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee Agreement to be duly executed, in two originals, as of MONTH 00, 2005.

FOR THE FLORIDA EXPORT FINANCE CORPORATION
10400 NW 33rd Street, Suite 200, Miami, FL 33172-5902

Name: J. Stephen Fancher ____________

Title: President ____________

____________________ (signature)

FOR THE LENDER: Name. ____________

Address: Number, Street ____________

City, State, ZIP

Name: ____________________ (print)

Title: Title ____________

____________________ (signature)

FEFC Guarantee No. G-01

ATTACH: Transaction Attachment, FEFC Form 07

Rev. 01/13