TOPIC OF DISCUSSION: Improving Borrowers’ Financial Literacy

On the call: Janelle Gustafson, Kelcie Bates, Cheryl Curry, Tina Oliphant, Carey James, Janice Copeland, Stacey Fisk, Anne Pichette, John Schneeberger, Christin Hileman, and Gloria O’Rourke.

1. Improving Borrowers’ Financial Literacy

   a. How do you evaluate the financial literacy of your loan applicants?
      - The applicant has usually been evaluated by the SBDC by the time it gets to the loan desk.
      - Debt ratios are explained so that the applicant understands their financial health.
   b. What classes, trainings, or technical assistance do you recommend or provide?
      - Headwaters provides a “business 101” class once per month.
      - Core Four – HeadwatersRC&D (Julie and Janice) are certified to teach it. It is a four module course. [http://www.corefouronline.com](http://www.corefouronline.com)
      - RCEDA used a truncated version of NexLevel and offered them quarterly.
      - Enrollment seems to drop with a greater time commitment, i.e., RCEDA provides Small Business Venture Training - one module is five three hour classes with a total of three modules. The course is about entrepreneurship, business plans, marketing, financial management, etc. Small Business Venture Training was designed by RCEDA utilizing various partners.
      - One-on-one counseling.
      - A lot of interest in QuickBooks training - classes are often quickly filled. An Accounting 101 course is needed to accompany the class as many don’t understand what an asset is or the term depreciation.
      - Profit Mastery. Very impressive tool for existing business owners. Video based with a facilitator.
   c. How do you follow up to be sure the necessary skills are developed?
      - Can become very time intensive to conduct one-on-one follow-up with each borrower, although it is time well spent.
      - If a loan candidate has never run a business before, it is required that they complete Core Four or its equivalent within 6 months of the loan closing as well as QuickBooks training.
Once the client has the loan funding, it is difficult to enforce the conditions such as QuickBooks training. Could the loan rate be raised if they don’t comply? Or lowered if they do comply? Count as a default payment if training not fulfilled?

Consistency every month with every borrower is key.

**Action Item:** Christin requested information on Core Four, Small Business Venture Training, and Profit Mastery be shared with this group.

**Misc Discussion:**
Bankruptcy – can wages be garnished to address a loan default? The agency was second position on the loan. The bank obtained collateral; the loan has not been forgiven. The business owner is now working at a new position. The bankruptcy has been concluded. The agency was considered a secured creditor. The RLF Working Group advised obtaining a legal opinion.

2. **Determine next meeting date**
   a. Tuesday, May 14, 2013; 10:00am
   b. Next meeting topic: USDA- RD IRP - general discussion about any barriers, challenges and issues that intermediaries are having with using their revolving loan funds

3. **Determine next meeting topic:**
   a. *Additional topics to discuss?*
   b. Record Retention Policies
   c. Denial Letters
   d. Reporting to Credit Bureaus: corporate vs. individual reporting (follow-up to November discussion)
   e. Identify Resources and others to be Part of the Group
   f. Appetite for Risk: How far do you go and how is it determined? What lessons have you learned?
   g. Economic impact and its Effects on the RLF
   h. Housing Area: changing program requirements

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