



Enterprising News

The Newsletter of the Illinois Small Business
Development Center at Hull House
Winter 2008/2009

We have two Illinois
Small Business Develop-
ment Center offices in
Chicago:

**Parkway Community
House**

500 E. 67th Street
Chicago, IL 60637
(773) 955-8027

Uptown Center

4520 N. Beacon
Chicago, IL 60640
(773) 561-3500

www.hullhouse.org/sbdc



UPCOMING WORKSHOPS

**DISCRIMINATION IN THE
WORKPLACE**

JANUARY 22, 6:00-8:00 PM
NORTHERN TRUST BANK
7801 S. STATE STREET, IN
CHICAGO, 60619

**CALL (773) 955-8027 TO
REGISTER.**

**STARTING A BUSINESS IN ILLI-
NOIS: BUSINESS BASICS**

January 14, 6:30-8:30 P.M.
Uptown Center

**SO YOU WANT TO START A
BUSINESS? January 21,
6:30-8:30 P.M.**

UPTOWN CENTER HULL
HOUSE, 4520 N. BEACON, IN
CHICAGO, 60640. **CALL
(773) 561-3500 x215 TO
REGISTER.**



CLIENT PROFILE

Elvie Jordan and LV Designs

Wearable Art for Women and Children

Elvie Jordan is a local Chicago artist who designs and creates high-end, one-of-a-kind hand knit garments and accessories for women, children and infants under the name **LV Designs**. She's been active as a designer, producer, and seller of handcrafted clothing in the Chicago area for more than 20 years. Currently, LV Designs occupies a space at the Andersonville Galleria at 5247 N. Clark in Chicago.

Her unique knitting style is one that uses no seams, so that the items can "grow" with the individual, such as an infant, or can be worn in a number of ways, as in her clothes for adults. Product materials used include conventional knitting materials and several "green" materials, including bamboo, silk, soy and organic cotton.

Her **Brite Baby** children's line, which makes up about 80% of her sales, has been sold at stores in Hyde Park, on Oak Street, and in Winnetka. The **Brite Baby** items can be seen online at lvjordan.com. Many of her women's designs have been worn by a number of high profile women, and have been sold at Carson Pirie Scott, Teri D's and Clown on Oak Street, and at Panache and Port Of Entry in Lincoln Park.

Elvie initially came to the IL Small Business Development Center at Hull House to learn more from our small business workshops, and eventually ended up taking our 10 week long Entrepreneurial Training Program to write her business plan. In 2008 she was helped in her marketing and business strategy by students from the Loyola Graduate School of Business Microenterprise Consulting class, led by Professor Mike Welch.

From marketing her work by going from store to store in the beginning, to currently selling items at her Andersonville retail location, Elvie shows dedication to her craft and allows her artistic inspiration to guide the product design. We hope to see her products reach a wider audience in the near future. Best of luck in the NEW YEAR!

LV Designs at the Andersonville Galleria
5247 N. Clark
Chicago, IL 60640

Enterprising News is published bi-annually by the Illinois Small Business Development Center at Hull House:
Uptown Center Hull House, 4520 N. Beacon St., Chicago, IL. 60640, (773) 561-3500, croeschley@hullhouse.org.
Parkway Community House, 500 E. 67th St., Chicago, IL 60637, (773) 955-8027, krobbins@hullhouse.org.

The Jane Addams Hull House Association is a tax-exempt, not-for-profit organization.

Opinions expressed in this newsletter are not necessarily those of JAHHA or its affiliates.
Staff consists of Curt Roeschley, Director; Kathleen Robbins, SBDC Director; Tom Ullmann,
Small Business Specialist; and Lisa Heidorn, Program Manager.

Visit our website at www.hullhouse.org/sbdc

Brother, Can You Spare a Dime?

The new alternative to banks and VCs: person-to-person lending.

By Alex Salkever

From *Inc. Magazine*, August 2006, online at www.inc.com/magazine/20060801/handson-finance.html

When Erica Lyn Townshend's dog Buddy cut his paw last November, the vet gave him a clunky plastic lampshade collar to prevent him from chewing on the wound. But Townshend hated the idea of torturing Buddy with the cumbersome contraption. Instead, she sewed an elastic strap onto a long sock, placed the strap around the dog's body, and put the sock on his leg. She dubbed it the Strock.

A few months later, after being eliminated from the second round of the reality show *American Inventor*, Townshend quit her job at IBM to peddle the Strock full time, forming a company called Best Buddy Pet Products in Longmont, Colorado. She hit pay dirt during her third sales call, at a veterinary hospital that was part of a 600-location chain, when the doctor in charge recommended the Strock to the system's board of directors.

Townshend, who had been making Strocks in her home using a sewing machine, needed money to fund mass production. But both her local bank and the U.S. Small Business Administration turned down her loan applications, citing her lack of income, past credit card delinquencies, and lack of a track record. "It was a Catch-22," she says. "I would have to pay for the inventory up front before the clinics paid me." Then she saw a TV news segment about Prosper.com, a new person-to-person money lending website designed to connect those who need cash with people willing to lend it. In May, under the username All4Buddy, she landed a \$9,500 loan from a group of 77 individual lenders. The money appeared in her bank account two days later.

Townshend is part of a small but growing cadre of business owners taking advantage of person-to-person lending sites, namely Prosper.com and its British counterpart, Zopa.com, which plans to launch a U.S. version this year. For entrepreneurs with poor credit ratings and unproven track records, the sites offer a chance to raise

funds when banks and other traditional lenders say no. Lenders on the sites profit as well: In return for taking a risk, they often receive higher investment returns than they would with savings accounts. Still, the interest rates are usually lower than those charged by credit cards, the last-ditch funding source for many start-ups.

Prosper was co-founded by Chris Larsen, one of the co-founders of mortgage and auto loan website E-Loan, with the aim of imitating the micro-lending model that has been successful in developing nations. "We want to be the eBay of money," Larsen says. Between February and June, Prosper doled out about 1,500 loans worth roughly \$7 million. That's hardly enough to scare banks and credit card companies. But the new lending model has the potential to steer customers away from traditional lenders in the coming years, particularly in the small-business segment. "It's a huge market and it's not perfectly served," says Jim Bruene, editor of *Online Banking Report*. "Small businesses have always had trouble raising cash." Continued cuts in SBA funding could drive demand even more, adds Bruene, who predicts that person-to-person money lending sites will dole out 124,000 loans totaling \$978 million in 2010.

Here's how it works: Borrowers sign up for a free membership in Prosper, which performs a basic credit check and assigns each member a credit rating. Next, borrowers post loan requests, listing the desired loan amount (up to \$25,000), the maximum interest rate they are willing to pay, how they intend to use the loan, and the duration of the auction (between three and seven days), along with a credit score and debt-to-income ratio provided by Prosper. Borrowers then sit back and wait for lenders to offer loans at interest rates either at or below the preset cap. If a loan is fully funded, Prosper combines the bids with the lowest rates into a single loan and deposits the cash in the borrower's bank account within a few days. Prosper handles all the back-office work, including payment collections. In return, borrowers pay 1 percent of the loan amount up front and lenders pay an annual fee of half a percent.

If a loan isn't fully funded within the auction time frame, the borrower is free to try again. Townshend, who had an A credit rating despite \$15,000 in credit card debt, struck out twice before landing a loan. Initially she offered an attractive interest rate, 12.5 percent, but asked for too much money: \$25,000.

(continued on next page)

(continued)

On her second try, she requested \$9,900, but at a less appealing rate of 11 percent. Finally, she struck the right balance, asking for \$9,500 at 13 percent interest. She also made her loan description more appealing by arranging key ideas into bullet points and providing a detailed breakdown of how she planned to use the money. In three days, she received 77 bids from an array of lenders, including an engineer and a Web entrepreneur, and the loan was fully funded.

All told, it took about a month for Townshend to get the formula right. To help borrowers navigate these shoals, Prosper encourages them to join one of the site's many groups, which are organized around topic areas and serve as a peer-to-peer network. Dozens of business groups, composed of everyone from fashion designers to restaurateurs, have sprouted up in recent months. Townshend, for her part, belongs to a group of start-up founders called the Business Owners Cooperative. "My group leader told me what was wrong with my loan application and how to fix it," she says. "I couldn't have done it without him."

Despite the generally low stakes of the deals, some serious investors have taken notice—including Christine Comaford-Lynch, a serial entrepreneur who started the VC fund Artemis Ventures and recently founded Mighty Ventures, a business consulting company in St. Helena, California. Comaford-Lynch is the leader of a 133-person Prosper group called Business Loans for Entrepreneurs. She helps members craft their loan proposals and addresses many of their business questions. She also keeps an eye out for start-ups that may qualify for venture funding.

Larsen's next move will be to increase the maximum loan amount in response to market demands. Once that happens, predicts Comaford-Lynch, the site will become a virtual credit line for established businesses in need of working capital. "When the site gets to the \$100,000 level, it will really take off," she says.

Townshend, for her part, recently made the first of 36 monthly loan payments of \$320. She has used the money to trademark the Strock, pay for production in a factory in Lafayette, Colorado, and buy office equipment. So far, Townshend has sold 200 Strocks to animal hospitals. She is still hoping to land a big order from the 600-hospital chain and expects to book \$100,000 in sales this

year. The next time she uses Prosper, Townshend says, she plans to be a lender.



North America- Person to Person Lending (P2P) for small business, school, and other personal uses

- [40billion.com](#) - (US) P2P financing for entrepreneurs to raise money through friends, family, and social networks.
- [CommunityLend](#) - (Canada) Social Lending for Canadian borrowers and lenders
- [Fynanz](#) - (US) P2P financing for student loans.
- [GlobeFunder](#) - (US & India) consumer & small business lending
- [Lending Club](#) - (US) P2P lenders and borrowers matched through social connections.
- [Loanio](#) - (US) P2P lending and borrowing platform featuring borrower verification services.
- [Prosper Marketplace](#) - (US) America's first P2P lending/borrowing auction-style marketplace.
- [RowersHelpingOthers.com](#) - (US) P2P lending website for the rowing community.
- [SchoolRaise.com](#) - (US) P2P financing for college students to raise money for school through friends, family, alumni, and social networks.
- [The Open Source Science Project](#) - (US) America's first research microfinance platform.
- [Virgin Money](#) - (US) Person to person lending focused on pre-existing relationships.
- [Yadyap](#) - (US) First P2P lending/borrowing platform specifically for payday loans and short term loans.
- [Zopa](#) - (US) Zopa offers guaranteed CDs to lenders and loans to borrowers.
- [GreenNote](#) - (US) GreenNote offers student a way to get low cost loans from their social networks.



For more information about the lending models used by the different Person-to-Person Lending groups, see *Banking 2.0: New Capital Connections for Entrepreneurs*, online at www.forbes.com.

THE ILLINOIS SMALL BUSINESS DEVELOPMENT CENTER AT HULL HOUSE WORKSHOP SCHEDULE 2009



IL SBDC AT PARKWAY (SOUTH)

DISCRIMINATION IN THE WORKPLACE

JANUARY 22, 6:00-8:00 P.M.

NORTHERN TRUST BANK

7801 S. STATE STREET, CHICAGO 60619

STARTING A BUSINESS IN ILLINOIS: BUSINESS BASICS

FEBRUARY 10, 6:00-8:00 P.M.

INTELLECTUAL PROPERTY: COPYRIGHTS, PATENTS, TRADE SECRETS, & TRADEMARKS

FEBRUARY 19, 6:00-8:00 P.M.

HOW TO WRITE A BUSINESS PLAN

MARCH 19, 6:00-8:00 P.M.

STARTING A BUSINESS IN ILLINOIS: BUSINESS BASICS

APRIL 14, 6:00-8:00 P.M.

MARKETING STRATEGIES FOR SMALL BUSINESSES

APRIL 23, 6:00-8:00 P.M.

Please confirm all workshops by calling Lisa Heidorn or Kathleen Robbins, (773) 955-8027. You can also sign up online at www.hullhouse.org/calendar/index.php.

The workshops above are held at the Bessie Coleman Library, 731 E. 63rd Street, unless otherwise stated. Please call to RSVP for each workshop, as location is subject to change.



IL SBDC AT UPTOWN (NORTH)

STARTING A BUSINESS IN ILLINOIS: BUSINESS BASICS

January 14, 6:30-8:30 P.M.

SO YOU WANT TO START A BUSINESS? ONE ENTREPRENEUR'S STORY

January 21, 6:30-8:30 P.M.

LEGAL STRUCTURES & INSURANCE ISSUES

February 18, 6:30-8:30 P.M.

STARTING A BUSINESS IN ILLINOIS: BUSINESS BASICS

March 11, 6:30-8:30 P.M.

HOW TO WRITE A BUSINESS PLAN

March 18, 6:30-8:30 P.M.

LOAN OPTIONS FOR SMALL BUSINESS

April 22, 6:30-8:30 P.M.

Please confirm all workshops by calling Curtis Roeschley, (773) 561-3500, ext. 215. You can also sign up online at www.hullhouse.org/calendar/index.php.

The workshops above are held at 4520 N. Beacon, unless otherwise stated. Please call to RSVP for each workshop, as location is subject to change.



The **Entrepreneurial Training Program** is a 10-week course that assists prospective or current business owners in compiling a comprehensive business plan. Our next ETP classes begin in April, 2009. If you are interested, call Curtis Roeschley, 773-561-3500, x. 215, or email him at croeschley@hullhouse.org.



STARTING A BUSINESS IN ILLINOIS: BUSINESS BASICS
This workshop is for individuals interested in taking the first steps toward self-employment. The workshop will identify common problems to avoid when starting your business and will help you determine if entrepreneurship is for you.