

LENDING SUCCESS STORY

Shawn Fernau Construction, LLC

Owner: Shawn Fernau
Established: 2014
Location: Ainsworth, Nebraska



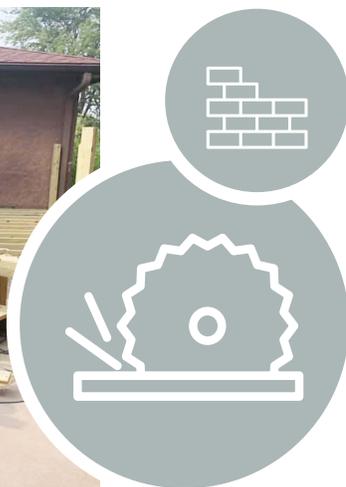
BIA'S MICROENTERPRISE ASSISTANCE PROGRAM HELPS OUT IN TIME OF NEED

Shawn Fernau's business journey didn't go how he would have hoped. He rented a building for the first couple years of his business. After purchasing a building in 2016, the building caught on fire on Christmas Eve. His tools, which were inside, were a complete loss as well as the building.

Shawn was then introduced to the Center for Rural Affairs. He applied for and received a loan administered by the Center with funds provided by the Business and Innovation Act (BIA). With these funds, Shawn paid for extensive cleanup after the fire, and was able to put up a brand new building.

The Center for Rural Affairs assisted Shawn with a total of \$133,570 in two loans. The Center funded \$100,000 of the loan with Business Innovation Act funds, with the rest from U.S. Department of Agriculture Rural Microentrepreneur Assistance Program loan funds.

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I had to basically start from scratch. I needed a substantial amount of money, but had no collateral for it because it burned.
- Shawn Fernau

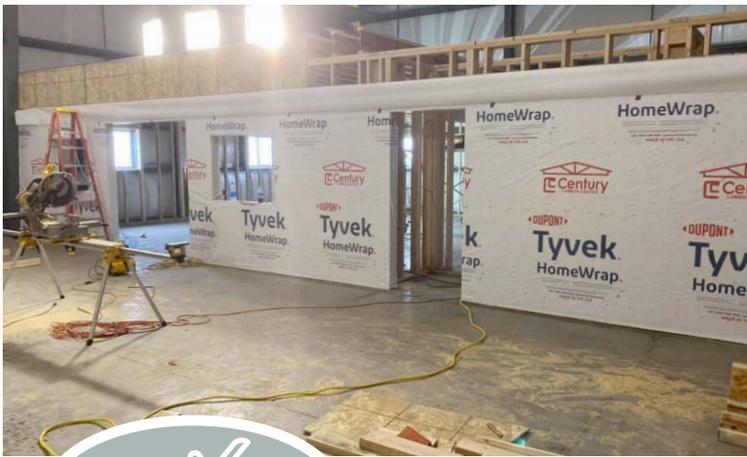


LENDING SOURCES SPLIT

When the Center splits loans, the borrower signs multiple sets of loan documents, sees multiple draws on their accounts for loan payments each month, and receives multiple interest statements at tax time.

While an inconvenience for the borrower, split loans create even more challenges for the lender. If any payment occurs above or below amortization, Center staff manually figure which source to keep current (if payment is low) or which source to pay ahead leaving room for human error or potential audit implications.





BUSINESS INNOVATION ACT

The Business Innovation Act's Microenterprise Assistance Program helps make our work possible. This program enables the Department of Economic Development to provide grants to community-based organizations to encourage the development and growth of microenterprises throughout Nebraska. Recipients are required to provide matching funds, leveraging the state's investment with additional federal and private investment in microenterprise assistance.

In 2020, the collaborative received \$500,000 for technical assistance and \$500,000 for lending. Each organization then provided a 35% match, using non-state funds, to maximize impact. This small investment had a multiplying effect that created impressive results:

- 6,307 small business clients receiving technical assistance and classroom training;
- 164 small businesses accessing direct loans to grow their business; and
- More than \$4.1 million in new capital put to work.

Current statute limits the size of loans made with Microenterprise Assistance Program funding to \$100,000 or less. Last updated in 2015, this limitation often requires lending organizations to find secondary sources of funding to complete business loans, just like in Shawn's case.



LB 759, introduced by Sen. Myron Dorn, would increase the maximum amount of a microloan under the Business Innovation Act to \$150,000.



CENTER'S LENDING SERVICES

The Center for Rural Affairs serves startup and established businesses with 10 or fewer employees across rural Nebraska. Launched in 1990, we have placed 1,700 microloans totaling more than \$22 million. In 2021 alone, we provided 913 clients with one-on-one coaching, and another 678 with classroom-based training. We placed \$2.1 million in loan capital with 59 borrowers in 2021.

In our 30 years of lending, we have learned that capital alone cannot ensure the success of a business. Education, training, and mentoring are essential. We provide these tools in the form of educational programs and one-on-one coaching to serve more than 10,000 small businesses in the state.



EXCELLENT RESOURCE

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The Center is an excellent resource. My wife and I have been very satisfied with them. There have been some hard winters that we worked with them to miss a payment or two during hard times and add it on to the end. They've been really great to work with.

- Shawn Fernau

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