

MICROLOAN APPLICATION GUIDELINES

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This document contains application instructions, eligibility requirements, and evaluation criteria for submissions to the Lackawanna College Venture Lab Microloan Program. Entrepreneurs should review these guidelines carefully to prepare compliant applications. These guidelines apply between July 1, 2021 and June 30, 2022.



POINT OF CONTACT

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1.0 Background

Lackawanna College is a private, accredited college serving the people of Northeastern Pennsylvania. Our curriculum provides students with a direct path to a bachelor’s degree, associate degree, or one of many different professional certifications. Additionally, our Continuing Education department helps put the people of Northeastern Pennsylvania back to work with modern career skills. For more information: www.lackawanna.edu

The **Venture Lab** is a program operated by Lackawanna College to support area entrepreneurs with a specialization in helping disadvantaged microenterprises using a lean startup methodology. Our program offers co-working space and a Fabrication Center for rapid prototyping at our Scranton campus. We also support entrepreneurs via our Microsoft® Teams digital platform. The Venture Lab provides training, support, advice, industry connections, peer mentoring, market research, promotion support, product development, and business planning assistance.

This **Microloan Program** was created to help disadvantaged entrepreneurs launching microenterprises overcome critical early stage funding gaps. Beginning in the 2020-2021 school year, Lackawanna College seeded this program with a small allocation of internal capital as a pilot project. Our goal is to continue testing the program model, processes, and efficacy in addressing real needs for startup capital among the local disadvantaged entrepreneurial community.

2.0 Definitions

The following terms are used in this document with the specific definitions below.

2.1 Bank Account

A savings, checking, or money market account maintained with an insured depository institution (i.e. any bank or savings association with deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) or any credit union that is insured by the National Credit Union Administration).

2.2 Economic Disadvantage

The Venture Lab program at Lackawanna College uses five criteria to gauge local economic disadvantage, including measures on area unemployment, income, poverty, and educational attainment. While an analysis of these areas indicates they contain a high concentration of individuals who are also disadvantaged by race and gender, for the purposes of this microloan program the term “disadvantage” will refer to economic barriers to success.

2.3 Early Stage

Business startups in the early stage of their development have either not been registered with the Pennsylvania Department of Commerce (PA DOC) or have been registered for less than 2 years.

2.4 Loan Agreement

A loan agreement is a document signed by the microloan recipient and Lackawanna College that records the amount of the loan and establishes the agreed upon repayment terms.

2.5 Matching Funds

Matching funds are in the form of cash paid by a qualifying microenterprise microloan recipient on their own business venture. No form of in-kind contribution or documentation of past payments will count toward the accounting of matching funds.

2.6 Microloan

Each microloan is a short-term (12 months or less) loan of not more than \$2,500 made by Lackawanna College to a qualifying microenterprise. The loan capital must be repaid to the college in compliance with the payment terms established in the recipient’s loan agreement. At this time, microloan requests must be \$500 or more.

2.7 Qualifying Microenterprise

For the purposes of this Microloan Program, a qualifying microenterprise is a small business with 5 or fewer owners and employees (combined), \$50,000 or less in assets, and \$25,000 or less in revenue over the past 12 months.

2.8 Sponsor

For the purposes of this program, a sponsor is an experienced business expert in your industry or a related industry who has agreed to provide advice and support to you as you start your business. The sponsor cannot be a family member, personal friend, peer, or teacher. The sponsor cannot have a business interest or financial stake in your company, such as a supplier, distributor, or investor.

3.0 Eligibility Requirements

Applicants should carefully review the following eligibility requirements. Applications deemed ineligible will not be reviewed. If there are multiple owners in a microloan application, all owners must meet the eligibility requirement for Evidence of Disadvantage (#4) or be a student/alumnus. However, different owners may be eligible for different reasons. Lackawanna College institutional ventures and equity investment companies are not eligible for this program.

REQUIREMENT	DESCRIPTION
1 Qualifying Microenterprise	See definition in Section 2.0.
2 Early Stage Venture	See definition in Section 2.0.
3 Location	The business must be located one of the following counties: Bradford, Lackawanna, Luzerne, Northumberland, Susquehanna, Wayne, and Wyoming.
4 Evidence of Economic Disadvantage, Student or Alumni Status	Applications can meet this requirement by one of the following methods: <ol style="list-style-type: none"> 1. Located within one of the following Venture Lab Target Area Zip Codes: 18201, 18202, 18407, 18434, 18446, 18447, 18472, 18504, 18505, 18508, 18509, 18510, 18517, 18518, 18519, 18640, 18702, 18704 2. Prior calendar year income 150% or less than the federal poverty guidelines published by the US Department of Health & Human Services in January every year (link: https://aspe.hhs.gov/poverty-guidelines). For example, in 2020 the poverty guideline for a family of 4 was \$26,200. Entrepreneurs in this category with \$39,300 (26,200 X 1.5) or less in income would be eligible to participate in the microloan program. These guidelines determine eligibility for a range of federal and state social welfare programs. 3. WAIVER: A currently enrolled student or recent alumni (less than 5 years after graduation) of Lackawanna College. These individuals are a priority for the program and they do not need a disadvantaged status to participate.
5 Matching Funds	Applicants must provide a cash match of 25% or more of the loan capital requested.
6 Eligible Expenses	The <i>Eligible Expense List</i> in Appendix A provides guidance on the types of eligible expenses under this program. Applications proposing items outside of these guidelines will be deemed ineligible for microloan funding.
7 Sponsor	Each applicant must secure the support of a microloan sponsor (see Section 4.2).

4.0 Application Instructions

Applicants will prepare an application package that includes the following elements:

- Cover Page
- Sponsor Letter
- Comprehensive Business Plan

The application shall adhere to the content specifications and page length requirements listed in the sections that follow. **Failure to comply with these requirements will result in a rejection of the application without review.** Applicants are strongly encouraged to work with the Venture Lab prior to submitting their applications.

Paper applications will not be accepted. Applicants shall submit their completed application electronically as a PDF or Microsoft Word file to: venturelab@lackawanna.edu

4.1 Cover Page

Applicants must submit a 1 page cover page to their application that includes the following information:

4.1.1 Company Name

4.1.2 Entrepreneur Name or Names

4.1.3 Company Address

Applicants will submit their physical business address (no PO boxes will be accepted). If the business is not yet registered with the PA DOC, the applicant will provide the home address of each business partner/owner to be associated with the firm.

4.1.4 County

4.1.5 PA DOC Business Registration Number

If the business is not registered with the PA DOC, the applicant should state “Not Registered.”

4.1.6 Qualifying Microenterprise Statement

Copy the following statement exactly as written:

I/we certify that the business which is the subject of this microloan application has been in operation for less than 2 years, has 5 or fewer owners and employees, holds less than \$50,000 in assets, and produced \$25,000 or less in revenue over the past 12 months.

4.1.7 Economic Disadvantage, Student, or Alumni

Microloans are only available to entrepreneurs facing economic disadvantage, or those who are a student/alumnus of the college. State how each owner/partner for the company qualifies under this requirement. Options include:

- Geographic Location (based on Zip Code – see Section 3.0 Eligibility Requirements) – state “Reside within the Target Area.”
- Personal or Family Income – state “Gross income is less than 150% the federal poverty guidelines” (see Section 3.0 Eligibility Requirements).
- Lackawanna College student or alumni (less than 5 years) – state “Lackawanna College Student” or “Lackawanna College Alumni” followed by your actual or anticipated graduation year.

4.1.8 Considerations

Indicate if any of the following conditions apply to any of the business owner(s) applying for the microloan.

- Lackawanna College Student
- Lackawanna College Alumni (less than 5 years)
- Lackawanna College Alumni (more than 5 years)
- Lackawanna College Faculty, Staff, or Adjunct Instructor
- High School Student from a Level Up School District (see list on the program page: <https://www.lackawanna.edu/offices-and-departments/admissions/level-up/> - this consideration applies whether or not you are part of the Level Up program.)
- High School Student from non-Level Up School District
- Female Gender
- Minority Race or Ethnicity
- US Military Veteran

4.1.9 Amount Requested for the Microloan

4.1.10 Amount of Cash Match

The amount of the cash match must equal 25% or more of the loan amount requested.

4.1.11 Proposed Expenses

State what you intend to purchase with the funding in one sentence.

4.1.12 Date of Submission

4.1.13 Printed Name and Signature of Owner(s)

4.1.14 Name, Title, and Company Name of Sponsor

Applications without a sponsor will not be accepted.

4.1.15 Conflict of Interest

Applicants must state any known conflict of interest with members of the current Award Committee. This includes any family relationships, business relationships, or peer relationship (e.g. a close school friend, longstanding association, current/former dating partner, etc.). Conflicts of interest will not disbar an applicant from participating in the microloan program. If no known conflicts of interest exist, state "No Conflicts of Interest are known."

4.2 Sponsor Letter

Applicants must recruit a sponsor to support the startup company. A sponsor is an experienced business expert in your industry or a related industry who has agreed to provide advice and support to you as you start your business. Strong startups often have multiple advisors that they can turn to throughout the startup process.

The sponsor cannot be a family member, personal friend, peer, or teacher. The sponsor cannot have a business interest or financial stake in your company, such as a supplier, distributor, or investor. The sponsor should have a reasonable level of experience in your industry, commercial area, or customer market; subject matter expertise; and a proven track record in business leadership, entrepreneurship, marketing, logistics, management, or related discipline.

The applicant must submit a letter from the sponsor indicating their support for the venture. The letter should not exceed 2 pages. In the letter, your sponsor should:

- Identify themselves
- State the nature of your relationship
- Summarize their applicable experience
- Provide an email address and phone number where they can be reached for questions
- State that they have reviewed these microloan funding guidelines, agree that the startup company will benefit from the microloan, and affirm that the entrepreneur has limited alternative sources of startup capital to pay for these expenses

If you do not currently have a business advisor who can act as your sponsor, reach out one of the many business programs in the area that help startups connect with business mentors. This includes, but is not limited to, your local Chamber of Commerce or Rotary Club, a Small Business Development Center (SBDC), SCORE, or the Venture Lab at Lackawanna College.

4.3 Comprehensive Business Plan

It is imperative that new business owners create a business plan. For the microloan committee to gain a clear understanding of your intentions for your business, please provide a thorough and detailed business plan with your application. The following sections/criteria are things that would aid in clarifying how you intend to spend the microloan, if it is awarded:

4.3.1 Loan Request Budget

Identify what expenses the microloan funds will cover. Be specific and provide documentation in the form of URL links to product or service price lists if possible. State why the purchased goods or services will be essential for the launch or growth of your startup microenterprise.

4.3.2 Qualifications

Briefly describe your qualifications as a business entrepreneur. This may include prior work experience in the same field or industry, entrepreneurship experience, business coursework, degrees, experience, or other qualifications.

4.3.3 Business Model, Strategy & Market Evaluation

Your ability to pay back the microloan will be contingent upon the success of your microenterprise venture. If you are unfamiliar with any of the concepts described below, you are encouraged to refer to the numerous online resources available on these topics to gather more information or contact the Venture Lab for resources.

4.3.3.1 How will you compete and win against competing firms?

Competing against larger, better funded, and established competitors means your company needs to be unique to win. Refer to Michael Porter's 3 Generic Strategies business theory to describe whether your company will compete on the basis of cost, differentiation, or focus. Articulate why this selection makes sense for your microenterprise and how you will execute this strategy.

4.3.3.2 Who are your early adopters and how will you reach them?

Describe who is most likely to purchase your product or service at the very start of your microenterprise. If you are already in business, describe the types of customers or clients who have been most enthusiastic about your product or service offering. Describe how

you plan on contacting and connecting with these early adopter markets to share your marketing messages and sales presentations.

4.3.3.3 What are the riskiest assumptions you are making about your venture?

Identify the most critical risks to your business plans. This is sometimes referred to as a Riskiest Assumption Test (RAT). If these assumptions do not prove true, your business will not succeed. Evaluate the likelihood and impact of these risks proving true. If you have already launched your business, identify which risks you feel you have already eliminated and which remain to be tested.

4.3.3.4 What is the cheapest, fastest product or service you can deliver to test these assumptions?

Succinctly describe your Minimum Viable Product (MVP) concept, including relevant features and supporting supplier, production, and delivery information, if applicable.

If you have already launched your business, state what your MVP was and how you intend to iterate the development of your product or service in the future based on your initial test of the market.

4.3.3.5 Have you generated any revenue?

Identify any revenue you have generated from your company or hobby over the past 12 months.

5.0 Evaluation Criteria

Applications will first be evaluated for eligibility (see Section 3.0 Eligibility Requirements). Ineligible applications will be returned to the applicant without moving further in the process. Eligible applications will be evaluated by an Award Committee comprised of a mix of Lackawanna College faculty, students, previous microloan awardees, and community partner representatives. Committee members will evaluate each application using the criteria provided below.

There are 100 possible points. All applications scoring at or above the 70-point threshold will be offered a microloan, pending the availability of funding.

	CRITERIA	POINTS	DESCRIPTION
1	Program Mission Alignment	25	Applications are accepted from all eligible entrepreneurs bound by the geographic and economic disadvantage established in Section 3.0 Eligibility Requirements. The program, however, is eager to work with those that fit more squarely within its mission profile. Applicants will receive a score of 0 to 25 points based on this alignment to our mission.
2	Loan Request Budget	20	Microloan funding requests are evaluated based on three criteria: 1) how critical the goods and services procured are to the success of the startup, 2) the strength of supporting documentation, and 3) the amount of match provided (from 25% to 100% of the microloan request).
3	Need	10	As an economically disadvantaged entrepreneur with an early-stage enterprise, the Venture Lab assumes you have a pressing need for capital. However, additional points will be awarded to entrepreneurs that provide evidence of hardship in raising capital beyond this threshold and/or evidence that alternative methods of raising these funds have been exhausted.

4	Entrepreneur Qualifications	10	Experience in entrepreneurship is not a requirement to receive a microloan. However, successful startups are often created by leaders with, for example, experience in management, prior business training, sales or marketing skills, and industry exposure. More points will be awarded to those entrepreneurs who can demonstrate a reasonable level of business qualifications.
5	Business Model, Strategy & Market Evaluation	35	Startups with a clear understanding of their business strategy, strong competitive positioning, and detailed knowledge of their customers have a better chance of success. Therefore, applicants with strong and detailed responses to the questions in Section 4.3.3 will be rated higher than those with weak or imprecise responses.
TOTAL		100	

In addition, to the above scoring metric, the Award Committee has discretion to award between -10 to +10 points. These points may be used, for example, to ensure the qualification or rejection of an applicant near the threshold criteria based on extraneous information. For example, if an applicant is proposing a business idea that members of the Award Committee have seen attempted before resulting in business failure, they may be inclined to reduce the points awarded and share this information with the applicant in order to redirect them to a more suitable course of action. Conversely, industry research conducted by committee members may reveal that an applicant’s business idea is exceptionally promising. Additional points may then be added to ensure the application exceeds the minimum threshold. Any additional points (+/-) assigned to an application score will be noted in the feedback provided to the applicant, along with an explanation of why those points were awarded.

6.0 Evaluations, Awards, Rejections & Resubmissions

Applications are accepted on a rolling basis throughout the year. Evaluations of submitted proposals received by the 15th of each month will be reviewed as a lot. All applications exceeding the minimum scoring threshold identified in Section 5.0 Evaluation Criteria will be awarded a microloan, pending the availability of funding. If funds are not available to cover the cost of all applications scoring above this threshold in each lot, awards will be made to the highest scoring applications first. At the discretion of the Award Committee, however, a lower-scoring awardee may be advanced over a higher-scoring awardee in order to help a higher number of disadvantaged entrepreneurs in the community.

Applicants will be notified of their application’s score and award decision typically by the end of each month.

Funds will typically be dispersed in the form of a check paid to the awardee during the following month.

Applicants receiving an award notification will be required to provide confirmatory documentation of claims made in the application, such as in the case of eligibility established based on gross income below 150% of the federal poverty guidelines. In addition, awardees will need to review and sign a microloan agreement with Lackawanna College that specifies the loan amount, repayment schedule, and other terms. Delays in providing this documentation or returning the agreement will delay the dispersion of capital to the entrepreneur.

Applicants have the option to reject the award by not signing and returning the microloan agreement. Applicants who do not return the microloan agreement within 30 days of award notification will be assumed to have rejected the award if no other communication is received from the applicant during this time stating otherwise.

Applications receiving a score at or above the 70-point threshold, but not awarded a microloan due to a lack of funding availability, will be held over each subsequent review cycle until funding becomes available. Applications held over one or more review cycles will be evaluated alongside all other applications received up to that point as a new, single lot based on the new availability of funding and, if the requests for microloans exceed the amount

of total capital available, score rank. This means that a low scoring application may not be awarded a microloan in favor of a higher-scoring application even if the first application was received in a previous lot/month.

The Venture Lab will remain in contact with applicants who did not receive a microloan due to lack of funding in order to keep them apprised of funding status for the program.

Applicants can remove their application from consideration at any time by written correspondence to: venturelab@lackawanna.edu.

Applicants who do not meet the 70-point threshold for approval of a microloan are encouraged to review the feedback provided by the program and resubmit their application after making changes or taking actions which strengthen the application.

Applicants with applications held over due to a lack of funds may submit a new application to replace the previous submission. This may be needed if the entrepreneur has made changes to their business plans, launched their firm, or conditions have changed while awaiting new funding to become available to the program. If a new application is received, the prior application will be deemed removed from consideration. The new application will be evaluated and given a score with the next lot of applications received. Note that changes such as a change of address or income status may impact applicant eligibility.

7.0 Microloan Payment Schedule

Microloan funds will be paid in two stages.

1. Awardees will receive 50% of the requested funding upon validation of their documentation and signed microloan agreement.
2. The remaining 50% will be held until the recipient provides documentation of the correct expenditure of at least 50% of the microloan funds and completion of the Venture Lab entrepreneurship training videos (see Section 8.4).

Expenditure documentation can include receipts, bills, invoices, or purchase orders. For example, a large piece of equipment could be purchased online using a credit card and the receipt provided for processing.

Awardees who have previously repaid a microloan can receive 100% of the awarded funds upfront.

8.0 Microloan Requirements

Microloan recipients must comply with the financial and programmatic elements of the program as described below.

8.1 Repayment

Microloan recipients are required to repay their loan according to the terms and conditions outlined in the loan agreement. It is important that funds be repaid in a timely fashion so that new disadvantaged entrepreneurs in the community can receive microloans to support their own startup companies.

All funds are due within 12 months of being awarded. Limited extensions are possible upon a submitted request in writing detailing the circumstances that warrant an extension of repaying the microloan.

8.2 Pay it Back

If a microloan recipient is unable to repay their loan, they will be offered an opportunity to “pay it back” using volunteer hours at an approved local nonprofit organization providing community services to the

disadvantaged community in NEPA. Funds will be repaid at a rate of \$10 per hour as demonstrated in the example below. This option is only available to those microloan recipients who have exhausted all other means of repaying the loan in order to avoid default. Participants should realize that exercising this option denies other disadvantaged entrepreneurs in their community the opportunity to receive a microloan. A repaid loan is dispersed to another recipient, who repays the loan so another recipient can be funded, etc. Failure to repay the loan breaks this ongoing chain.

Example: \$1,000 microloan / \$10 per hour = 100 volunteer hours

8.3 Pay it Forward

Once the recipient has repaid his or her microloan, he or she will be expected to serve on the Award Committee for at least three months (3 review cycles) to review applications and select the next round of microloan recipients. This ensures microloan recipients have a voice in passing on their funds to the next generation of disadvantaged entrepreneurs.

8.4 Venture Lab Training

All microloan recipients will be required to complete the Venture Lab's video series training on lean startup principles. The series covers the startup process, iterative feedback, minimum viable products, startup business planning, market research basics, and related topics at a high level.

8.5 Venture Lab Membership

All microloan recipients will have access to the full range of Venture Lab services and resources for the duration of their loan. Microloan holders are encouraged to use the workspace, training, resources, and services of the lab to grow their microenterprise ventures.

8.6 Microloan Community Meetings

Microloan recipients will be part of a small community of disadvantaged entrepreneurs who support one another in the creation of their enterprises. Individuals receiving a microloan are encouraged to participate in periodic meetings, events, and discussions within this community both during the duration of their loan and after repayment. These activities are another way for participants to "pay it forward" to the next generation of entrepreneurs by sharing lessons learned and providing encouragement.

8.7 Microloan Debriefing Survey

After repaying a microloan, the recipient will be asked to complete a survey describing their experience with the microloan program.

9.0 Questions & Help

Applicants are strongly encouraged to work with the Venture Lab in preparing their microloan application. Program personnel are available to answer your questions and provide other services such as advice, research, and sponsor referral whenever the lab is open.

The Venture Lab is located at:

Angeli Hall, 501 Vine Street, Scranton, PA 18509.

The Venture Lab also maintains a digital platform using Microsoft® Teams to support entrepreneurs remotely. Contact the Venture Lab at the following email address for more information or to submit questions:

venturelab@lackawanna.edu

Appendix A

Eligible Expenses

Microloan funds may only be spent on the acquisition of the products or services identified in the original microloan funding application. Eligible products and services are those that significantly advance the startup of the microenterprise and generate documented evidence of purchasing activity such as an invoice, bill, receipt, or purchase order.

Examples of eligible funding expenses include:

- Purchase of equipment or tools needed to manufacture your product or deliver a service (i.e. 3D printer, calipers, scale, food thermometer probe, lawn mower, drone, etc.)
- Supplies, materials, or services related to the development of a product prototype
- Printing of business flyers, cards, or handouts for marketing purposes
- Purchase of digital ads as part of a market test
- Web hosting, domain registration, and web services related to ecommerce (up to 1 year)
- App development or programming services
- Facility or venue rental fees for hosting an event
- Design services for product packaging
- Provisional Patent filing fees
- Materials and supplies for the first-run manufacture of a product
- Payment to a 3rd party manufacturer for product production
- Business registration fees

Microloan funding **cannot** be used to pay for the following types of expenses:

- Personal computers or computing equipment, including smartphones
- Utilities (e.g. water, sewer, internet, phone, electricity, etc.), rent, or office expenses
- Travel or travel-related expenses
- Personal expenses or services, including clothes
- Basic office supplies (e.g. stapler, calendar, pens, paper, etc.)
- Business professional services such as lawyers, consultants, or accountants
- Insurance
- Software licenses or subscriptions
- Books, training, conference fees, etc.