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## Microloans for the Gulf Coast?

Three years after Katrina, one-quarter of New Orleans small businesses are still closed.

By Jane Lampman

Microloans have proved vital in poor areas of Africa and Asia – but in the United States?

A Jewish foundation hopes to do just that, launching an innovative online campaign that will invest in small businesses along the Gulf Coast still struggling three years after hurricanes Katrina and Rita. Modeled on Kiva.org, which enables individuals to give a loan of any size directly to entrepreneurs in the developing world, the campaign aims to enlist individual Americans to do the same for hurricane-ravaged businesses.

"We thought if you could do it in the developing world, there must be a way to do it in the US ... for people who don't need millions and are often overlooked," says Simon Greer, president and CEO of Jewish Funds for Justice (JFSJ). "Their families' lives and their communities could be truly changed with relatively small loans."

The need is great. In New Orleans, for example, one-quarter of neighborhood stores and restaurants have not reopened their doors three years after Katrina. Many others aren't yet back to their prestorm capacity, according to the Institute for Southern Studies.

The return or recovery of small businesses "is essential to the long-term stability of these neighborhoods," says Christy Wallace Slater of the Louisiana Disaster Recovery Foundation (LDRF).

The campaign, called the 8th Degree, will give microloans ranging from \$5,000 to \$15,000, which will be distributed through the ASI Federal Credit Union (ASI). Asian-American grocer Kim Loan Cao, who had to relocate her supermarket after Katrina, has just received the first loan – \$15,000 to enable her to increase her inventory. Two other entrepreneurs are in the approval process; several others have requested applications. JFSJ has committed to matching every dollar donated for the first five loans.

"The 8th Degree program will be useful because it provides funds to businesses in low-income neighborhoods and a niche market where they may not qualify for traditional loans," says Shannon Cian, community development specialist at ASI.

The campaign gets its name from the teachings of the famed medieval Jewish philosopher Maimonides, who said there were eight degrees of "righteous giving" and that the highest degree involved helping others to become self-sufficient.

As an "infinity fund," the 8th Degree will recycle donors' contributions to additional borrowers as the loans are repaid. The repayment period will range from three to seven years, depending on the size of the loan. Donors will pick the individuals they want to invest in and receive progress reports.

"What's going to make this model work is that there are community development credit unions like ASI all over the Gulf and the country," Mr. Greer says. "There's a tried and true institution that's been vetting potential borrowers for decades."

To qualify for a loan, business owners must meet criteria such as being in business for at least six months prior to Katrina, having 25 employees or fewer, being located within a federally mandated Katrina disaster area, and being able to demonstrate ability to repay the loan.

"It's a good time for the program to get under way," says Ms. Cian. Many Gulf Coast evacuees have finally received help from Louisiana's federally supported housing recovery program and are now able to come back to rebuild.

Before starting 8th Degree, JFSJ had secured \$4.6 million in grants and loans for community redevelopment and community organizing in low- and moderate-income areas along the Gulf Coast. The foundation emphasizes giving local people a leadership role in the redevelopment, which Greer says led naturally to a program that supports neighborhood entrepreneurs.

"Those basic services that are key to quality of life are absolutely necessary for neighborhoods to come back," Ms. Slater concurs. "I'm a native of New Orleans myself, and when I came back to start rebuilding my house, it was very difficult without a grocery or restaurant or dry cleaner – or a place to get your oil changed!"