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Six banks team up to lend money to small business owners

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Middlesex Savings, Needham Bank and four other local banks are teaming up with a community organization to create a lending fund that will serve small businesses that would otherwise be unlikely to obtain a loan through traditional means.



Michael McAuliffe, president of Middlesex Savings

The \$1 million fund is the brainchild of the South Middlesex Opportunity Council, an anti-poverty community development organization. In addition to Middlesex Savings and Needham, it's being stocked by MutualOne Bank, Commerce Bank, Country Savings Bank and Southbridge Savings Bank.

The program is intended for the owners of restaurants, salons and other small businesses who may not have the credit history or sizable enough revenue to get a loan from a bank. "The motivation is not to make money on this. It's really to give access to funds to startups and businesses that might not be able to get it elsewhere," Middlesex Savings President Michael McAuliffe said. SMOC is a customer of Middlesex Savings, which provides the group with real estate loans and working capital. Savings, which provides the group with real estate loans and working capital.

At least initially, loans from the fund will be limited to a maximum of \$12,500 for new businesses and \$25,000 for existing businesses. For most loans, the term will be three to five years, with rates between 8 and 10 percent, and a 12 percent cap — higher than with a standard bank loan, but lower than interest on credit cards, according to Deidra MacLeod, SMOC's head of financial services. SMOC's goal is for the fund to achieve self-sufficiency.

SMOC will help guide business owners through the application process. A committee made up of officials from the six banks and members of the community will then review the applications, with a majority vote needed to approve the loan.

As part of the loan, business owners are required to attend educational workshops, with SMOC staff members expected to meet with them on a quarterly basis and provide one-on-one counseling.

The fund is scheduled to launch on Feb. 16.