

Case Study:

Aspen Shoe Company Hot Springs, Arkansas



Becoming a Retail Entrepreneur

Jeff Skelton had managed the Aspen Shoe Company since the day it opened five years ago in a retail shopping mall in Hot Springs, Arkansas. When he heard the owner was considering selling the store, Skelton saw a chance to own his own business.

Skelton started by visiting the Arkansas Small Business Development Center. “The Center helped me understand what I needed to do financially to buy the store. The list was significant, but I thought I could do it,” he said. The Center also told Skelton that he could probably qualify for an Economic Development Program (EDP) loan from the Federal Home Loan Bank System. “When they mentioned the EDP program, I took it seriously. I didn’t get my hopes up, but I knew what low-cost funding would mean.”

The Center put Skelton in touch with Shelley Loe, Vice President Of Commercial Lending for Elk Horn Bank & Trust in nearby Arkadelphia, an FHLBank Dallas member institution. Elk Horn is an active sponsor of the Center, and agreed with its assessment about Skelton’s EDP eligibility.

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Attractive Financing Package

EDP provides at-cost advances (loans) to member institutions to finance economic development or commercial revitalization projects in the communities they serve. The shoe store qualified for an EDP loan of \$95,000 because it was located in an urban area (over 25,000 population) where household incomes were at or below 100% of the Area Median Income.

Skelton said the program allowed Elk Horn to provide funding that no one else could match – a low fixed-rate for 10 years.

“All other banks quoted rates much higher. However, what sealed the deal was having the interest rate locked in for the full term of the loan. Variable-rate agreements were proposed by everyone else,” Skelton said.

Skelton also noted that the loan process was smooth and took only two weeks, including securing the appraisals on the inventory and fixtures. Banker Loe agreed that the process worked well – and progressed quickly. “Small business loans require a certain amount of documentation, and putting all the pieces together was our only challenge,” she said.

Skelton also qualified for an EDPPlus small business grant, which provided an additional \$17,250 in working capital for the business. EDPPlus grants are provided in conjunction with an EDP loan and borrower equity to help a small business expand and create jobs.

Now A Family Operation

“Through the funding package we developed, he was able to buy the store and retain a financial cushion that will improve the outlook for long-term success,” said Loe.

Skelton has made the store a family operation. His wife Amanda handles payroll and other financial aspects of the business. He also has added two part-time employees. Business has been very good.

“Financing is a very important part of running a successful business,” said Skelton. “It was a blessing to have adequate funding in place so that we could concentrate on sales and building relationships with our customers.”