

Small Business Guide to Government Grants and Loans

We've all seen the headlines: "Millions in free government money for your business." Late-night infomercials, reference guides and websites promote the availability of grant money to entrepreneurs for starting and expanding businesses. Does it sound too good to be true? It is.

The truth is that federal and state governments do not provide grants for starting and expanding small businesses. However, the U.S. government does offer a wide-variety of low-interest loans and venture capital financing programs to help entrepreneurs start and grow their businesses. In addition, some federal and state agencies award a limited number of grants for very specialized business activities such as scientific research and development.

The following guide provides an explanation of federal and state loan, grant and venture capital financing programs available for your small business.

U.S. Small Business Loans - SBA

The U.S. Small Business Administration (SBA) assists small business owners to start and expand their businesses by helping them get loans through private banks and financial institutions. SBA is the largest single financial backer for the nation's small businesses with a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, in addition to a venture capital portfolio of \$13 billion.

SBA offers a number of low-interest loan programs for new and expanding small businesses. SBA is not a lender, and does not grant loans directly to businesses. Rather, SBA is a guarantor of loans made by privately owned banks and other financial institutions that agree to follow SBA's guidelines.

To apply for an SBA loan, you need to visit your local participating bank or lending institution. When you apply for an SBA loan you are actually applying for a commercial loan, structured according to SBA requirements, which receives an SBA guaranty. This guaranty is portion of the loan the SBA will pay back to the lender should you default on your loan payments.

SBA's Financial Assistance Guide (<http://www.sba.gov/services/financialassistance/index.html>) describes SBA loan programs, including eligibility requirements, and how to apply for them.

Remember, that you'll need to go through a local bank or financial institution to apply for an SBA loan. To get a list of SBA lenders in your area, contact your SBA District Office. (<http://www.sba.gov/localresources/index.html>)
The Florida District Office is located in Miami:
(<http://www.sba.gov/localresources/district/fl/south/index.html>)

SBA Loans for Veterans

SBA offers a few loan programs to assist veterans and members of the military community:

Patriot Express Loan Initiative – (<http://www.sba.gov.patriotexpress>)

The SBA's Patriot Express program provides loans for veterans and members of the military community wanting to establish or expand small businesses.

Military

Reservist Economic Injury Disaster Loan Program
<http://www.sba.gov/disasterassistance/businessesofallsizes/militaryreservistsloans/index.html>

Provides funds to eligible small businesses to meet its ordinary and necessary operating expenses that it could have met, but is unable to meet, because an essential employee was "called-up" to active duty in their role as a military reservist.

USDA Loans

If you operate a farm, the U.S. Department of Agriculture (USDA) has a Business and Industry (B&I) Guaranteed Loan Program (http://www.rurdev.usda.gov/rbs/busp/b&i_gar.htm) that works in the same manner as SBA loans. The USDA provides guarantees of up to 80 percent of a loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing.

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read the Dreams of my Father-----

The B&I Loan Guarantee

Program Fact Sheet (<http://www.rurdev.usda.gov/ne/gbifsht.pdf>)

provides all you need to know about obtaining one of these loans, including eligibility, loan terms and conditions, equity requirements, and interest rates. Like SBA loans, you need to go through your local bank or financial institution to apply for a B&I loan. If you have any questions about the B&I Loan Guarantee Program or other financial options available for small farms, contact Florida's

Rural Development Field Office. (http://www.rurdev.usda.gov/recd_map.html) (http://www.rurdev.usda.gov/fl/ao_list.htm)

Other

Federal Loan Programs

Depending on your type

of business, you may qualify for specialized federal loan programs. For example, if you are small and disadvantaged business engaged in federal transportation contracts, you may qualify for the U.S. Department of Transportation's Short Term Lending Program (<http://osdbu.dot.gov/OSDBUSERVICES/FINANCIALASSISTANCEDIVISION/tabid/69/default.aspx>)

If you are a small trucking company, the Environmental Protection Agency's (EPA) SmartWay Transport Partnership (<http://www.epa.gov/smartway/financing.htm>) has partnered with several lenders to make money available to small trucking companies to help pay for technologies that save fuel while reducing pollution.

To find other federal loan programs serving small business concerns, visit GovLoans.gov, the U.S. government's central database of government loan programs.

State

and Local Loan Programs

Many state and local

governments also offer low-interest loan programs that they guarantee through commercial lenders. Contact your local Small Business Development Center (<http://www.floridasbdc.com/>) to get assistance with locating state and local funding sources for your small business.

Venture Capital Financing - Small Business Investment Companies (SBIC)

In 1958, Congress

created the Small Business Investment Companies (SBIC) (<http://www.sba.gov/aboutsba/sbaprograms/inv/esf/index.html>) program to help small U.S. companies raise capital. SBIC's are privately owned and managed investment

firms that provide venture capital and start-up financing to small businesses. To be eligible for SBIC financing, your business must meet certain SBA size requirements for a small business. Generally, the SBIC Program defines a company as "small" when its net worth is \$18.0 million or less and its average after tax net income for the prior two years does not exceed \$6.0 million. When you contact an SBIC, you'll need to present a professional business plan that addresses your company's operations, management, financial condition and funding requirements.

The following resources will help you locate SBIC financing:

SBA's Guide for Entrepreneurs Seeking Financing (<http://www.sba.gov/aboutsba/sbaprograms/inv/esf/index.html>) provides in-depth information about the SBIC financing and eligibility requirements.

SBA's SBIC Directory (<https://ssl.whoglue.net/nasbic/search/default2.cfm?showsearchform=yes>.) provides a listing of licensed SBIC investment firms in your state.

The National Association of Small Business Investment Companies (NASBIC) provides a Step-by-Step Guide to SBIC Financing. (http://www.nasbic.org/entrepreneur_center/sbic_financing.cfm) NASBIC is the trade organization for the SBIC industry, and also provides a directory of SBIC firms.

Active Capital (formerly Angel Capital Electronic Network - ACE-Net)

Active Capital (<http://activecapital.org>) is a nationwide listing service that connects entrepreneurs with angel investors. Potential investors can obtain information on start-ups and expanding small businesses seeking \$250,000 to \$5,000,000 in venture capital. Active Capital's main benefit is that it allows entrepreneurs to directly access a nationwide network of investors while complying with federal and state securities regulations.

Small Businesses in Economically Distressed Communities

If your business is located in a low-income geographic area, there are a couple of venture financing options available to you. First, there is a special type of SBIC called Specialized Small Business Investment Companies (SSBIC). SSBIC's provide assistance solely to small businesses owned by socially or economically disadvantaged persons. Secondly, you may be eligible for New Markets Venture Capital (NMVC) financing. Modeled after the SBIC program, the NMVC program makes equity investments in small businesses located in economically distressed communities in urban and rural areas. NMVC financing is available in limited areas, and available from these venture capital firms.

Federal and state grants are only available to support non-profit organizations, lending institutions, and state and local government programs that provide technical and financial assistance to small businesses. If your business is one of these organizations, Grants.gov provides grant opportunities available from federal agencies.

Again, federal and state government agencies do not award grants for starting, managing and expanding small businesses. However, state and local government grant opportunities may exist for small businesses engaged in very specialized activities. Many states provide job training grants to new and expanding firms. Other states provide grants to fund scientific research projects, and grants for agricultural development. Check with your state or local government to find these sorts of specialized grant opportunities.