

Ask SCORE...

Counselors to Naples Area Small Businesses

SCORE Naples
www.scorenaples.org



Got business questions?

Ask SCORE

By: Gray Poehler, Business Counselor

FINANCING YOUR BUSINESS

QUESTION: *I am a recently divorced woman with limited resources. I would like to start a small decorating business. Where should I begin to locate sources of start-up capital? Are there grants available? Any assistance will be appreciated.*

Linda M., Estero

ANSWER: *Linda, grants are few and quite hard to come by; mostly available to non-profits providing management and technical assistance to other businesses. Many entrepreneurs need financial assistance to start or expand a small business and must combine what they have with other sources of financing. These sources can include family and friends, venture-capital financing and business loans. If you have limited resources and no real credit history of your own you still may be eligible to qualify for one of the Small Business Association (SBA) loan programs. There are several programs designed specifically to assist women and minorities. Check out the SBA Web site www.sba.gov/services/financialassistance/sbaloantopics/index.html*

It is important to note that the SBA does not actually make loans but, rather, guarantees a portion of the loan to qualified individuals, made by participating banks. These guarantees begin at 50% and can be as high as 85% depending on the size and type of the loan. Both fixed and variable interest rates are available. Rates are set based on the lowest prime rate (5.25% as of March 31, '08) and maturity. For loans of less than seven years the rate will be fixed or start at prime plus no more than 2.25%. For loans with maturities of seven or more years the rates can be as high as prime plus 2.75%. For loans under \$50,000 and loans processed through SBAExpress, rates are permitted to be higher. SBA also charges the lender a nominal upfront fee to provide its guaranty, which is usually passed on to the borrower. On loans of more than one year the lender fee is 2% of the SBA guaranteed portion of a loan up to \$150,000.

The SBA expects every loan to be fully secured, however they will not decline a loan if the only unfavorable factor is insufficient collateral. In a nutshell, if you have personal assets, SBA will expect you to pledge them and personally guarantee the loan.

When you seek a business loan familiarize yourself with the SBA's business loan programs to see if they may be a viable option. The business should have its business plan prepared before it applies for the loan. The plan should explain what resources will be needed to accomplish the desired business purpose including the cost of everything, the applicant's contribution, use of loan proceeds and most importantly, explain how the business will be able to repay the loan in a timely manner.

Other documentation the lender may require include:

- *Financial statements for three years (existing business).*
- *Aged accounts receivable & payables (existing business).*
- *Personal financial statement of owner(s).*
- *Three years personal and, if applicable, business tax returns.*
- *Projected opening-day balance sheet (new business)*
- *Twelve month projections of income, expenses and cash flow(new business).*

*In summary, financial help is available but you must do your homework. Assistance is available from the Naples Chapter of SCORE, Counselors to America's Small Businesses. **FREE** business counseling is offered to US citizens and legal aliens. Here you'll meet knowledgeable volunteers ready to help you realize your dream. Just call 239-430-0081 or visit WWW.SCORENAPLES.ORG and click on "request counseling now as a first time client." The SCORE business office is located at 900 Goodlette Road North, in the Fifth Third branch bank building. Office hours are 9:00 AM to Noon, Mondays through Fridays.*

*SCORE will present a **FREE** workshop titled "Local Women Who Succeeded in Business" Saturday, April 19, from 9:30 AM to 12:30 PM, at the Collier County public library, 650 Central Avenue, in downtown Naples. To register log on to WWW.SCORENAPLES.ORG and click on **WORKSHOPS**, or call 239-430-0081.*

If you would like an answer to your question, please fill out the form located at www.scorenaples.org/askscore. A counselor will contact you within 48 hours. Please include your name, email address and a contact phone number.