Financing a Day Care Center

Day care centers are a critical community resource. After all, without children there IS no future. Someone’s got to look after them. While bankers and other lending organizations are now always this forward thinking, if you are looking to finance a daycare center, resources are available.

Private sources are the easiest to tap and the hardest to accumulate. These include private savings, friends, family and others. Recent developments, including peer-to-peer lending and crowdsourcing make this easier, however.

Commercial sources include commercial banks, but most do not have specialized daycare financing units. Only two states, Washington and Oregon (Cascadia Child Care Fund) have specialized financing programs.

“Cascadia’s Child Care Fund helps Washington and Oregon based child care providers manage the expense of implementing program improvements by offering low-interest loans and technical assistance to providers who don't qualify for traditional bank financing. Many program improvements can help providers become licensed to care for more children, boost profit margins, and improve the long-term prospects of the business.

Quick Loan Facts

Childcare providers may obtain a loan of up to $500,000

Interest rates range from 8-10%

Loan term lengths range from 12 to 84 months

Monthly loan payments may be as little as $130, depending on the amount, rate, term and closing costs of the loan

What can loan funds be used for?

Child Care Fund loans have been used to finance major projects such as center and home expansions and improvements and smaller projects such as fencing a playground, purchasing supplies and equipment, and installing child-sized bathroom fixtures.”

This is a great, great program, but, if you are not in one of these two states, you are out of luck. For information on resources in other states, see the “State Child Care Assistance Policies Report

This nationwide annual analysis by the National Women's Law Center compares child care assistance policies from year to year and to and 2001 in four policy areas: income eligibility, waiting lists for assistance, copayment requirements and reimbursement rates for providers. Some states have made progress, but most states continue to be behind where they were in 2001. The report series reveals that states continue to fall short of providing low-income parents the support they need to obtain good-quality child care, despite modest gains in some areas.” <http://www.nwlc.org/our-resources/reports_toolkits/state-child-care-assistance-policies-report>

Federal Funding for Child Care Facilities

Below we list a few links to Federal information sources. Keep in mind that these are likely to be ineffective.

U.S. Department of Agriculture (USDA) The Rural Development, http://www.rurdev.usda.gov, (RHS) has a Community Facilities funding program available for non profits or local governments that can support child care facilities. http://www.rurdev.usda.gov/HCF\_CF.html

Additionally, there are Business Programs that may also assist child care business programs, http://www.rurdev.usda.gov/Business.html To determine eligibility or to apply for any of the Rural Development programs, contact your state or local Rural Development Office, http://www.rurdev.usda.gov/recd\_map.html.

U.S. Department of Health and Human Services (DHHS) has funding programs that support child care services. The Child Care Bureau, http://www.acf.hhs.gov/programs/ccb/ has several funding programs for child care facilities.

State Child Care and Development Fund Contacts, http://nccic.acf.hhs.gov/statedata/dirs/display.cfm?title=ccdf

A few private sector organizations are listed below. Again, given the demand, these guys are NOT going to fund you. You will have better luck at a credit union or with family and friends….sorry.

Most private funding is available to organizations and government entities

Annie E. Casey Foundation, Baltimore, MD. http://www.aecf.org/AboutUs/GrantInformation.aspx

Charles Stewart Mott Foundation, Flint, MI. http://www.mott.org/grantseeker.aspx

The David and Lucile Packard Foundation, Los Altos, CA. http://www.packard.org/what-we-fund/children-families-and-communities/

Foundations Supporting Early Childhood Care and Education, Fairfax, VA: National Child Care Information and Technical Assistance Center, 2005, updated March 2011. 5p.p. http://nccic.acf.hhs.gov/poptopics/foundations.html

Financing a Beauty/Hair Salon

Beauty salons can have high overhead costs (outlined below) and uncertain cash flows. The first few years of business are critical and difficult. This makes commercial bank financing unlikely. Your best bets are friends and family, crowdfunding, and credit unions, in that order. You must have as solid business plan, and a thorough understanding of all relevant costs.

Beauty Salon Overhead Costs

Real estate. Location, location, location is a critical factor in the success of a beauty salon. In most cases, the best locations are expensive, however. This will be a key overhead cost.

Payroll. Employees are another high overhead cost. Of course, employees are critical to the success of your beauty salon.

Inventory. The beauty supplies and products you purchase are essential to the smooth operation of your salon.

Equipment. Blow dryers, curling irons, tanning beds and hot tubs are some of the equipment costs you will incur.

“High Risk” Financing

According to one website, “Banks are reluctant to approve financing for beauty salons because they are considered a ‘high risk’ investment. Not only is much of a beauty salon’s capital tied up in overhead, but the income it generates is generally inconsistent.”

To the extent that you can show a banker that you have a firm, consistent set of clients and manageable equipment and location expenses, your chances of getting a bank loan are higher.

Several alternative methods of funding may be available for beauty salon financing:

“Vendor financing. If you are looking for financing for equipment or supplies, then you may be able to get it from your vendor. Vendors can sometimes play a major role in financing a new or growing business. Just keep in mind that you need to shop around for credible companies, and you can expect to pay a higher interest rate on any financing that you receive.

Get an unsecured business cash advance. A business cash advance is a small business finance method that is based solely on future credit card transactions. The company offering the cash advance will purchase these credit card transactions at a discount and provide your beauty salon with a quick injection of cash. The approval process is generally quick, and the money can be received within a week of approval. Since financing is based on future sales, credit and sales history are usually not considerations. Payments are also based on sales volume.”

Leasing

Lease your equipment. Instead of purchasing all of your salon equipment and furniture, try leasing it. Through equipment leasing, beauty salon owners can free up their working capital which can then be used to operate and grow their businesses.

What is leasing?

“Leasing is a process by which a firm can obtain the use of a certain fixed assets for which it must pay a series of contractual, periodic, tax deductible payments. The lessee is the receiver of the services or the assets under the lease contract and the lessor is the owner of the assets. The relationship between the tenant and the landlord is called a tenancy, and can be for a fixed or an indefinite period of time (called the term of the lease). The consideration for the lease is called rent. “

“Advantages of Leasing Equipment

Less initial expense. The primary advantage of leasing business equipment is that it allows you to acquire assets with minimal initial expenditures. Because equipment leases rarely require a down payment, you can obtain the goods you need without significantly affecting your cash flow.

Tax deductible. Lease payments can usually be deducted as business expenses on your tax return, reducing the net cost of your lease.

Flexible terms. Leases are usually easier to obtain and have more flexible terms than loans for buying equipment. This can be a significant advantage if you have bad credit or need to negotiate a longer payment plan to lower your costs.

Easier to upgrade equipment. Leasing allows businesses to address the problem of obsolescence. If you use your lease to obtain items that may be outdated in a short period of time, such as computers or other high-tech equipment, a lease passes the burden of obsolescence onto the lessor. You are free to lease new, higher-end equipment after your lease expires.”

Financing a Music/Film business.

Music/Film businesses are some of the hardest ventures to finance. There is hope, however. Crowdfunding is a major advancement. According to one website, “crowdfunding is basically a community that funds ideas, dreams, and projects.” If we were looking to finance a film, this is the first place we’d go. Below, a few crowdfunding websites.

Profounder. <http://www.profounder.com/>.

“A professional crowdfunding website; for equity & revenue share. The Profunder crowdfunding website is the way to go for many Entrepreneurs. Hands down, profounder is the best. It’s much more professional, and follows by better guidelines. Entrepreneurs (and start-ups) must be registered as a C-corp, making it legit to receive crowdfunding investments.”

“Efilmfund at [www.filmdeveloper.com/](http://www.filmdeveloper.com/)

Efilmfund bills itself as ‘an online marketplace for financing film projects.’ Efilmfund was developed to help aspiring filmmakers find potential investors to finance and market their films. Efilmfund provides a venue for filmmakers and investors to meet, and the rest is up to the individuals using the site. Filmmakers submit a description of a project for consideration by investors, while investors register themselves on the site to access a list of projects seeking funding. Efilmfund is one of the simplest and most straightforward options.

idealive at [www.reelmind.com/idealive/](http://www.reelmind.com/idealive/)

idealive is ‘an online marketplace designed to link artists and investors.’ Filmmakers can present their project to investors interested in funding film, music, and multi-media projects. idealive promises to match artists to investors and even audiences. As a filmmaker with a project, you can post information on the investing website where potential investors submit bids and you sell shares in your future work. If your project isn’t fully developed, you can provide information about yourself and your project to idealive, which will then create an artist page on their website. This page generates attention and an audience in order to attract investors later. idealive encourages artists to seek offerings between $50,000 and $1 million.

Hollywood Investors at [www.Hollywoodinvestors.com](http://www.Hollywoodinvestors.com)

The site offers more structured help from development through distribution. The website provides an impressive listing of their services, but their database of filmmakers and investors isn’t fully functioning yet. They declare their commitment to ‘giving filmmakers the creative and financial freedom to produce films with high artistic and commercial potential,’ and they claim they can raise as much as $50 million (although there are no confirmed reports of financing to date). They encourage filmmakers to send information about their project although they will evaluate it and seek investors before taking anything on. They offer help with development and then will raise money for your project ‘using traditional and non-traditional financing methods,’ by seeking investors on- and off- line. When your project is completed, they’ll help with distribution and marketing, promising artistic freedom all the way through. Hollywood Investors offers far more than a link between filmmakers and investors, practically reaching into production. This level of participation might not be to everyone’s taste, but those seeking greater support might benefit. Take a cue from the ‘Hollywood’ in their title; this company sounds like they have big-time aspirations.

Next Wave Films at [www.nextwavefilms.com](http://www.nextwavefilms.com)

A company of The Independent Film Channel, Next Wave offers two main services for emerging and established filmmakers. First, they express dedication to helping young filmmakers launch their careers. They supply finishing funds to low budget features by new filmmakers, including assistance through post-production, then aid with festival and press strategies and distribution. New Wave Films suggests filmmakers contact them at any stage in the process, then submit a rough cut for consideration of up to $100,000 in finishing funds for feature-length projects. Secondly, Next Wave Films has developed ‘Agenda 2000,’ offering production and financing to established filmmakers working with digital video. They hope thereby to encourage filmmakers to make films less expensively and with more creative control. Their rhetoric sounds very generous, and the connection to the IFC may help increase the profile of filmmakers who benefit from Next Wave Films.

Webcinema at [www.webcinema.org](http://www.webcinema.org)

This non-profit organization focuses on helping independent filmmakers in new media technologies find funds to finance and distribute films. They don’t fund projects themselves, but offer fiscal sponsorship to filmmakers. Sponsorship allows filmmakers ‘without nonprofit status to receive funding from sources that limit their funding to nonprofit organizations.’ This nonprofit angle sounds enticing, but you should be sure to check out all the legal ramifications. New media is definitely Webcinema’s focus, which isn’t for everyone.

Surfview at [www.surfview.com](http://www.surfview.com)

The site links independent producers and interested investors. They encourage fundraising by allowing producers to post web ads and information about projects for perusal by investors. Surfview also offers video streaming for posting trailers once a project has been completed, in order to attract potential distributors. Essentially Surfview offers free exposure to investors, though their emphasis seems to weigh more on the side of the investor, and barely mentions the filmmaker at all.”

How to complete a Bank Loan Application (completed sample application included) from: <http://www.inc.com/guides/filling-out-loan-application.html>

Filling Out a Loan Application

Most loan applications start with the basics: Asking your business name and phone and fax numbers, as well as the legal structure for your business (LLC or S-Corporation, for example), and the date of incorporation. If you are just starting a company, you should meet with an accountant to determine your method of incorporation ideally before you go to the bank.

The next few questions on the loan application will inquire as to the "type of business" you run. For starters, you'll need to know just how your business is covered under the North American Industry Classification System, commonly referred to as the NAICS code. (To learn more, go to the Census Bureau's website, http://www.census.gov.) Then, under "description of products and services," you should include a pithy explanation of what your business does. There's no need to be long-winded, but it makes sense to explain exactly how you make money—your sources of revenue, a phrase describing products, the sorts of customers you have, and what your typical deal or sale looks like.

For the next section, on finances, you'll enter your current bank account information, including your account number and recent deposit information. For gross annual income, list your business's income for the year. And remember to stick to your current numbers: You should enter the income earned in the past year, not your expected income in the future. The same goes for the number of employees, cash balance, debt payments, etc. You'll want to check with your accountant or financial advisor before listing your fiscal assets and deciding on a fiscal year-end, since that can vary depending on what type of company you are.

The next question on an application is often: Are you in good standing with your secretary of state? Basically, the bank wants to know whether you have paid your business taxes for the past three years. If yours is a new entity, check with your secretary of state to make sure you are properly registered and in good standing before checking this box.

These days, lenders tend to ask small businesses owners for collateral or a personal guarantee – or to put up personal money should your business not be able to repay its loan. So when you are asked whether you wish to pledge as collateral your accounts receivables, inventory, or equipment, you should weigh your options carefully. Pledging collateral, just as in making a personal guarantee, can improve the chance of approval. But keep in mind that it also increases your exposure. "If you're going to start a business, you've got to be willing to lose some money, but don't lose your entire future, your house and your children's college education by pledging too much," says Dan Short, a professor of accounting at the Neeley School of Business at Texas Christian University.

The loan application's next section will also remind you that the obligation you hope to take on could have serious personal financial consequences. Most applications will ask for additional personal information, including everything from a breakdown of the business's ownership (do you own 100 percent of the company, or share equity with other principals?) to your personal cell phone number.

It will also inquire as to whether you are married and are filing the loan application jointly with your spouse. If your spouse will play an integral role in the company, especially if you will both work from home, this is something to consider, because you both have a stake in the business's success. But if it is a venture you are embarking upon with non family-members, bringing your spouse and his or her financial interest into the venture has the potential to cause complication down the road. You'd be wise to consider first consulting both of your financial and legal advisors before putting in a joint loan application.

Finally, most loan applications will conclude with a section of financial questions that can vary from state to state and from institution to institution. Most commonly, this section includes a question or two about whether your business complies with state law, such as whether one customer will take up a large share of your sales.

Additionally, you may be asked to provide personal tax information, which you can attach or provide in separate documentation. Information on whether you or others will provide a personal guarantee is often requested at this point. If your business partners or investors are able and willing to not only pledge some startup funding but put up backing in case the business cannot repay its loan, the bank will want to know how much of a guarantee each co-signer intends to make. Making a personal guarantee not only shows the bank you have financial stability, but also have faith in your project.

"The personal guarantee is something that just about every young business is going to have to offer," says John E. Clarkin, a professor of entrepreneurship at the College of Charleston, South Carolina. "You're making personal decisions, such as how much money to take out of the business, so the bank needs to make sure you're prevented from running all your expenses through your business."

Dig Deeper: The Financial Section of a Business Plan

Filling Out a Loan Application: Additional Tips

• Typically at the end of your application there will be an agreement concerning the fees associated with the loan, and a section of notes applicable just to your borrowing situation. These can and should be discussed one-on-one with your lender.

• Be sure to double- and triple-check that you've filled in every question and check box necessary on the application. If anything is missing when the application gets to the bank's loan underwriter, your application will likely be delayed for an additional two to three weeks.

• When you meet with a banker to go over a loan application, bring along plenty of documentation including a resumé, a credit report, and past tax returns, as well as your business plan and balance sheets.

• Err on the side of too much information.

Why there are NO specialized grants for Minority and Women-owned Small Businesses. What programs exist and how you can benefit from them.

Many nonminority individuals assume there are multiple funding sources for minority and women owned firms. Nothing could be further from the truth. The decline started under Reagan and was completed under Bush II.

We saw one website that stated the following:

“Billions of dollars are accessible to Minority Small Businesses, most commonly in the form of Grants and low interest Loans.” The spelling error should be a hint. Do not believe anything you read or hear.

Another website, Dun and Bradstreet, stated: “If you are a woman or an ethnic minority, you may be entitled to funds earmarked for minority business development. Many businesses and government organizations allocate funds to lend to minority business owners.”

If you think being a minority of woman in business entitles you to anything other than a hard time, then you are on the wrong planet. This is the type of misinformation that is prevalent.

The bottom line is this: minority business funding programs do not exist.

There are NO specialized sources of financing for minorities at the Federal level. None.

Some limited programs exist at the State level, but these are few and far between. We list a few below.

Ohio

Minority Business Direct Loan Program

Provides fixed, low-interest rate loans to certified minority-owned businesses that are purchasing or improving fixed assets and creating or retaining jobs.

Program Summary: http://www.development.ohio.gov/minority/MDLP.htm

Minority Business Bonding Program

Provides bid, performance, and payment surety bonds to state certified minority-owned businesses that are unable to obtain bonding through standard surety companies.

Program Summary: <http://www.development.ohio.gov/minority/MBBP.htm>

Wisconsin

The Forward Innovation Fund (FIF) loan program is designed to provide financial assistance for the start-up and expansion of minority- owned businesses in Wisconsin. This program provides low interest loans to assist in the development of minority-owned companies.

Eligible applicants are Minority Businesses that have a comprehensive business plan fully describing the proposed project. The business plan should demonstrate access to a team of professional advisors.\*

Minority Businesses are defined as businesses 51% owned and controlled by any of the following: Black, Hispanic, American Indian, Eskimo, Asian Pacific, Asian Indian, Aleut, or Native Hawaiian.

If you do not currently have a business plan, the Early Planning Grant (EPG) program may be able to provide you with a grant to develop a comprehensive business plan. To access this grant, go to www.wenportal.org

If you do not qualify for an Early Planning Grant you may qualify for an Entrepreneurial Training Grant (ETG). The Department of Commerce can provide applicants with a grant to help cover a portion of the cost of attending Small Business Development Center's (SBDC) new Entrepreneurial Training course. To access this grant, go to www.wenportal.org

Maryland

Maryland Small Business Development Financing Authority Management Group Corporation

Meridian Management Group, Inc. is a professional asset manager for economic development and private equity funds. MMG manages a comprehensive State program fund, providing qualified clients with the essential and critical tools needed for a company to grow, succeed and leverage opportunities through the Maryland Small Business Development Financing Authority (MSBDFA).

[www.mmggroup.com](http://www.mmggroup.com)

Pennsylvania

Pennsylvania Minority Business Development Authority. Low-interest loan financing to businesses owned and operated by ethnic minorities.

Guidelines: <http://www.newpa.com/sites/default/files/uploads/PMBDAGuidelines2010.pdf>

Uses: Land and building acquisition; Building, construction and renovation; Machinery and equipment acquisition and installation; Working capital

Funding: Manufacturing, industries, high-tech, international trade or franchise companies: Loans up to $500,000 (within Enterprise Zone, $750,000) or 75% of total eligible project costs, whichever is lessRetail or commercial firms: Loans up to $250,000 (within Enterprise Zone, $350,000) or 75% of total eligible project costs, whichever is less

Eligibility: Businesses owned and operated by ethnic minorities

Terms: 50% of prime interest rate, but no less than 4%; Up to 10-year term for land and buildings; Up to 7-year term for machinery and equipment; Up to 3-year term for working capital; 25% private-sector match required; May subordinate lien position; Disbursement at closing; $15,000 cost per job created

Where to Apply: <http://www.newpa.com/what-can-pa-do-for-you/single-application>

Arkansas

Minority Business Loan Mobilization Program

This program is specifically geared toward certified minority-owned businesses seeking to embark on a state-funded project. It helps these minority businesses obtain start-up and emergency working capital. To qualify, the business must be a state-certified MBE, in business at least one year and have been awarded a new contractual agreement with an Arkansas state agency. The program is designed to promote the development of minority business enterprises to compete for contract opportunities and sustain the economic growth of Minority Business Enterprises in Arkansas.

Applicants must submit:

Application\*

Clear, concise business model\*

Three years projected financial statements (income statement, balance sheet, cash flow)

Resume of all owners and key managers

Last three years' personal income tax returns

Last three years' business income tax returns

Personal financial statement\*

Marketing Action Plan\*

Copy of contractual agreement with a state agency

<http://arkansasedc.com/small-and-minority-business/financing/state-programs.aspx>

Washington (State)

<http://www.omwbe.wa.gov/financing/financing_otherfinancing.shtml>

Grants

If you are a women or minority looking for US Government grant funding, the only place to look is in the Catalog of Federal Domestic Assistance (CDFA). If it is not in the CDFA, it does not exist as a legitimate federal government grant program. “CDFA is a government-wide compendium of Federal programs, projects, services, and activities that provide assistance or benefits to the American public. It contains financial and nonfinancial assistance programs administered by departments and establishments of the Federal government.

As the basic reference source of Federal programs, the primary purpose of the Catalog is to assist users in identifying programs that meet specific objectives of the potential applicant, and to obtain general information on Federal assistance programs. In addition, the intent of the Catalog is to improve coordination and communication between the Federal government and State and local governments.

A ‘Federal domestic assistance program’ may in practice be called a program, an activity, a service, a project, a process, or some other name, regardless of whether it is identified as a separate program by statute or regulation. It will be identified in terms of its legal authority, administering office, funding, purpose, benefits, and beneficiaries.

‘Assistance’ or ‘benefits’ refers to the transfer of money, property, services, or anything of value, the principal purpose of which is to accomplish a public purpose of support or stimulation authorized by Federal statute. Assistance includes, but is not limited to grants, loans, loan guarantees, scholarships, mortgage loans, insurance, and other types of financial assistance, including cooperative agreements; property, technical assistance, counseling, statistical, and other expert information; and service activities of regulatory agencies. It does not include the provision of conventional public information services.”

Of course, there may be private foundation grants. We have not heard of a single nonwhite applicant who got money by applying for one of these “grants” without knowing someone on the inside.

Same thing at the State level. If you know differently, please let us know.

How to complete a Grant Application (completed sample application included)

“It is a challenge to complete a grant proposal, but if you are passionate about your business, then it is a small hurdle to overcome. Each grant is different in its requirements, but most of them ask for the same basic things as follows.

Cover Letter

The cover letter introduces the grantor to the business and extols its virtues about why the business is ideal for the grant. Make sure to cater to the specific grant and not speak in generalities as if you are applying to every financing source under the sun (even if you are).

Table of Contents

This section helps the grantor flip right through to the specific section he wants to see. Make the grantor's life easier and display your professionalism and courtesy at the same time.

Executive Summary

The executive summary of a document summarizes the rest of it. In this document you should pinpoint the main reasons the grant is needed and how it will solve the problems of the grantee. The amount of funding as well as information about the venture should also be listed. Use this part of the document to convince the grantor that funding your business is the greatest idea ever and they'll continue reading the rest of the proposal.

Statement of Need/ Problem Statement

In this section of the document, detail the needs and problems that the project or venture is fulfilling and solving. Conduct research and show that you have done your homework. Answer key questions: What is the scope of the problem? What will your business do that someone hasn't or can't easily do in the future? Show that you fill a void in the market and that you need the grant to do so. Be concise and to the point.

Project Description

The project description section is the main section of the grant proposal. This section is written best by separating different issues and ideas in separate sections. This will make it easier for you to write the section by focusing on idea at a time and make it easier on the reader as well since the section won't jump all over the place.

Goals/Objectives

The goals section doesn't list anything in intense detail, but gives the reader an idea of what the potential grantee is trying to achieve. The objectives section includes measureable aspirations of the venture such as achieving a hold of a certain percentage of the estimated market. Break down objectives in a bulleted list so it's easier to read.

Methods / Project Management Plans / Timelines

This section will show the reader how objectives will be achieved. The methods, plans, and timeline of implementation for those methods and plans will also be shown. Visual timelines are best to show the reader exactly where everything fits into the scheme of things as well as when. This section shows the reader you not only have goals and objectives but that you also know how to achieve them using a detailed well thought out plan.

Staffing

Many government grants will have stringent personnel requirements because they want you to create employment with the money that they are giving you. If the grant requires a certain number of personnel, make sure your personnel planning matches those requirements. Also make sure that your objectives match personnel planning. Aggressive objectives might have to be matched with substantial growth in employment in certain industries.”

How to Apply for a Grant. <http://www.wikihow.com/Apply-for-a-Grant>

This is a brief summary of the process of submitting and completing federal grant applications using the application package found at grants.gov. <http://www.youtube.com/watch?v=EPwjJxyfIiM>

Banks: Do they hate Women and Minority-owned Small Businesses or do they just hate small businesses in general?

One would be forgiven for questioning the performance of banks with respect to women and minority businesses. It is well documented that banks and minority businesses do not get along.

A December, 2011 article noted that “New federal data show that the number of small bank loans to business has fallen to the lowest point in more than a decade, cutting the flow of money to a sector that's usually a job-creation powerhouse. An analysis of recently released Federal Deposit Insurance Corp. data by the Investigative Reporting Workshop shows that overall commercial and industrial lending by banks has increased for five straight quarters, but small loans to business of $1 million or less have been shrinking consistently since June 2008. As of Sept. 30, total outstanding loan volume was down 14.7 percent from its peak.”

The same article noted that “Though small business has suffered, bank results continued to improve in the third quarter of this year. Profits rose to $35.3 billion, the best in more than four years.”

And, another December, 2011 article in the Wall Street Journal noted that “America's big banks should be ashamed of their lending record to small businesses. The top 5 big banks in our country hold 40% of all domestic deposits ($2.965 trillion), yet only make 16%, ($97.3 billion) of all the small business loans in America, according to data reported by the FDIC. This record is particularly disappointing after these banks took in $151.59 billion of TARP money.”

For women and minority businesses, the picture is even bleaker. We conclude that it is not so much that all banks hate women and minority businesses, (although some do), it’s just that they are greedy and short sighted.

Where we would go.

The figures above are another reason to support credit unions. The Federal Reserve Bank of Philadelphia noted that “During the current recession, credit unions are making inroads in small business lending, while banks are tightening underwriting criteria for such loans.”

Fortune Magazine noted “The number of credit unions reporting that they gave out business loans reached 2,248 in 2010 -- or 30% of all credit unions -- up from 780 in 1986, according to an SBA report released in September. And, according to the National Association of Federal Credit Unions (NAFCU), credit unions increased business lending by 4.5% in the 12 months ending in June 2011, while bank lending declined by 1.8% in the same period.”

A study by the SBA indicates that “even during the financial crisis, credit unions may have provided some extra business lending in response to the reductions in bank business lending. While credit unions partly offset changes in business lending by banks, the findings also show that these effects have not been consistent over time.”

See: <http://www.mbda.gov/sites/default/files/SBA_CreditUnion_FullReport.pdf>

Has your business credit lines been reduced or revoked? How to find both short-term capital financing and long-term business financing.

We’ve noticed a marked trend over the past few years. Banks have been cutting credit lines to small businesses rapidly and dramatically. According to one source, “About one in five cardholders had their credit limits reduced recently, according to a July survey by Consumer Action, a San Francisco-based consumer advocacy group.” The same website gave a list of steps you can take if this happens. We have modified the list somewhat:

1. Complain diplomatically.

2. Transfer your account and balance to a Credit Union. Make sure the bank knows you are doing this and why.

3. Use what credit you have left very carefully. Save more.

Read more: Coping with cut credit <http://www.bankrate.com/finance/financial-literacy/coping-with-cut-credit-1.aspx#ixzz1qErAQuin>

Make sure to review your credit report. Look for any errors.

You may also purchase your credit score from any of the credit bureaus by calling them or visiting their websites.

Equifax: Call 1-800-685-1111 or

visit [www.equifax.com/compare-products](http://www.equifax.com/compare-products)

Experian: Call 1-888-397-3742 or

visit [www.experian.com/consumer-products/personal-credit.html](http://www.experian.com/consumer-products/personal-credit.html)

TransUnion: Call 1-800-493-2392 or

visit [www.transunion.com/corporate/personal/creditTools.page](http://www.transunion.com/corporate/personal/creditTools.page)

Our response to this effort is to seek out alternative financing sources. Two of the best are credit unions and crowdfunding.

In addition, we think business owners should complain to regulatory agencies, including the Federal Trade Commission. <https://www.ftccomplaintassistant.gov/>

To file a complaint with the Federal Reserve Board: <https://www.federalreserveconsumerhelp.gov/complaint/formcomplaint.cfm?source=home>

The new Consumer Financial Protection Bureau may also wish to hear from you: <http://www.consumerfinance.gov/contact-us/>

This will not help with your immediate problem, we know. But it will help document the problem and establish a path for compensation should a class action lawsuit against the bank pop up at some later point.

Why you should avoid Venture Capital and Private Equity firms. If you must deal with them, here’s how.

Our opinion concerning Venture Capital and Private Equity is well known. Basically, we think these guys are thieves. We know that “David M. Rubenstein, a co-founder and managing director of Carlyle Group, (now) argues that private equity can help companies become more sustainable and socially responsible. And that, in turn, can help companies make even more money.” No kidding. Mr. Rubenstein joins the party about twenty years too late.

As we have said, “most, but not all, venture capital firms targeted to minorities and, to a lesser extent, women, are ineffective. Most venture capital firms cannot correctly evaluate investment opportunities in minority markets. They don't have the personnel to do so, (if you know what I mean.) Many VC firms simply collect good business plans and ideas, which they then develop.”

Still, if you must deal with them, protect yourself. Get a confidentiality and nondisclosure agreement up front. Learn as much as you can about the firm. Look on LinkedIn, Facebook, and other sources. Find out who runs the firm. Look on the firm’s website. Get the names of firms they have funded in the past (if any). Speak with people at these firms. Find out as much as you can. Really. It’s the only way to deal with these firms.

How to work with the Small Business Administration (SBA), the Minority Business Development Agency (MBDA), and other Federal, State and local Agencies.

We have never been big fans of these agencies. The Small Business Administration certified our firm as an 8(a) (Minority Business) program participant on October 19, 2005. We did not find the 8(a) Program honest, fair or effective, and voluntarily withdrew from the program in 2008. The firm never received any revenue due to our participation in the program, despite responding to and submitting several proposals to federal agencies. For example, as an 8(a) firm, we submitted an unsolicited proposal to Department of Housing and Urban Development (HUD) on April 7, 2006. In our proposal, we offered to create a collaborative, market-based approach to increase participation in HUD’s Energy Efficient Mortgage (EEM) Program. Rather than support the types of predatory subprime lending practices that have negatively impacted the mortgage market and the country, we proposed to develop alternative, socially responsible methods to enhance homeownership opportunities.

Needless to say, our proposal was rejected.

Most assistance decisions made by these agencies are political in nature. If you have significant political resources, then, by all means, reach out to these agencies. For everyone else they are, for the most part ineffective.

Let’s face it. You would not be here if they worked.

They do, however, offer some resources, mainly educational, that can be helpful. They may offer other services (documents, webinars, networking, counseling) you can use.

Thus, you have to limit you dealings with them for these educational items. If you are trying to get money from them, make sure you have a close friend or relative on the inside. Or a political sponsor (a city/county councilperson, supervisor, mayor, congressperson, governor, President…) to help you. And, I mean REALLY help you.

Otherwise, they are a gigantic waste of time…

Financing a Franchise

As always, our first visit is to a Credit Union. Having said that, franchise financing is one area where commercial banks actually have a better track record. Still, the decline in small business funding affects these activities, too.

Banks look at credit ratings first and foremost, so review yours before you consider this option. (See this page on credit reporting.) If you are going to solicit bank financing, read our section of filling out a loan application. You will need a personal financial statement, copies of personal tax returns for three years, and verification of income and the source of your down payment.

Bankers want to finance well known franchise businesses with brand names, a long track records of consistent cash flow, so choose your franchise carefully. A bank is much more likely to finance a McDonald’s than a no-name franchise system. Of course, the location of your store/franchise is critical.

Collateral may be required. Unless you have a strong track record, be prepared to secure a franchise financing loan with a mortgage on your home or other asset, and you may have to put your own money into the deal, typically about 20% of the total. You will want to consider a loan backed by the U.S. Small Business Administration (SBA).

According to one source, “SBA loans are partially guaranteed by the government, making them less risky. The standard SBA loan for franchisees is known as the 7(a), which is issued by a bank or other qualified lender, and partly guaranteed against default by the government. Because of that backing, such loans are seen as relatively low-risk.

SBA loans of five- to six-year maturities can provide short-term working capital and equipment. Real-estate loans can run for 20 years or more. About 10% of all SBA loans go to franchisees, with the size running between $250,000 and $500,000, and maximum of $2 million. Most of that money is for franchise entry fees, improvements or working capital. Borrowers must be creditworthy, typically must contribute some equity, and are expected to repay the SBA loan out of the franchise’s cash flow.”

If you are a veteran, you may be eligible for the Department of Veterans Affairs Patriot Express Program. The program “makes loans up to $500,000 to active-duty military preparing to transition to civilian life, as well as to spouses and survivors of veterans. The loans come with the SBA’s lowest rates.”

Make sure you check with your franchiser. Some “offer internal financing. For example, a company may defer a portion of the initial franchisee fee, essentially financing the deal. Interest rates are likely to seem high compared to other options. However, you may not have to put up collateral.”

A word on “Bridging the Gap Between the Minority Community and the Franchising Industry.” If you are a woman or minority looking for franchise financing, you have probably run across the “National Minority Franchising Initiative (NMFI). NMFI was created to level the playing field and meet the needs of a largely under-represented market. Our program represents an effective and cost-efficient tool for franchisors to increase minority representation within their systems.”

Our experience is that this initiative does not, has not worked. The website is a good information resource, but it is no longer functional.

Buying an Existing Business

We get many inquiries from people who currently work at a business and are interested in buying it from retiring owners. In most of these cases, the worker/buyer knows the operation, the customers and the business procedures, systems and policies. This makes buying an existing business less risky than starting from scratch. Given this, buying an existing business is going to be more costly than starting one. On the plus side, it may be easier to get financing. Note: easier does not mean easy..your financing choices are still limited.

Assets. A current business has (or should have) assets. These include:

“Inventory - If the business sells products, you’re going to pay for everything that’s in the store or on the shelf in the back room.”

Furniture and Fixtures

Papers

All “legal documents and contracts.” Contracts may be especially valuable, since they are a source of revenue. Accounts receivable are another asset you may be able to use to help finance the purchase.

Location

If the business has been running for a number of years, it’s location is an asset. Even if it is in a new location, the cost imbedded in the lease may be less than what a new business would pay for the same space. This makes the lease/location/building an asset.

You may be able to use these assets to obtain business credit.

Steps to take

Create a good business plan. You will need one, since investors and lenders will want to see one. In addition, “a good business plan tells everyone that you know the business you want to buy and that you are capable of running that business. It also highlights the profitability of that business in the past and its future growth potential.”

“Go to family and friends for funding. This is the easiest way to find the capital to buy a business, but it will not apply to everyone. If you have family and friends who can finance you, go to them. They know you and won’t ask to see your credit history if you can convince them that the business you want to buy has been and will continue to be profitable. Having a good business plan helps in this area.” Use Crowdsourcing tools to collect funds.

Use crowdsourcing and micro lenders. Micro loans are special loans designed for borrowers who are unable to get loans from banks, and the Small Business Administration (SBA) guarantees them. These banks charge higher interest and other fees, and the limit for these loans is $50,000. Micro loans may not be available to you if you are buying a business valued at more than $50,000.

Borrow on your assets. If you have one, taking out a second mortgage on your house or borrowing against your equity line of credit may be your best option.

Read more: How to Buy an Existing Business With Bad Credit | eHow.com http://www.ehow.com/how\_4510203\_buy-existing-business-bad-credit.html#ixzz1qGczkv4U

SBA.gov has a good checklist on buying a business. The steps they outline are:

“Choosing a Business

If you've decided to buy an existing business, you'll want to be sure you're making the right choice in your new venture.

Sales Agreement for Buying a Business

The sales agreement is the key document in buying the business assets or stock of a corporation. You need to review the document in minute detail to make sure it outlines the terms you have agreed to.

Doing Due Diligence

As you become a small business owner, there are items that need to be addressed before entering into any business agreements or transactions.

Checklist for Closing On a Business

The closing is the final step in the process of buying the business.

Determining the Value of a Business

Before purchasing your business, you need to determine the value of the business..

Doing Research for Purchasing a Business

Once you've found a business that you would like to buy, it's important to conduct a thorough, objective investigation. Look into every aspect of the business..”

Minority and Women Business Program Documentation

We have included copies of the forms you will need to certify with various minority business programs. Keep in mind that these are agencies do not guarantee that you will get work, just that you will be certified as a women or minority business.

By the way, the best WMBE Certification program is run by the California Public Utilities Commission. It is free, fast and fair. Apply there first.

Alternative Funding Sources: Crowdsourcing, Credit Unions, Community Development Financial Institutions, Community Development Entities, and Microcredit Funds

As noted in other sections of this guide, a new alternative for business financing is “CROWDFUNDING/SOURCING: Financial contributions from online investors, sponsors or donors to fund for-profit or non-profit initiatives or enterprises. Crowdfunding is an approach to raising capital for new projects and businesses by soliciting contributions from a large number of stakeholders following three types of crowdfunding models: (1) Donations, Philanthropy and Sponsorship where there is no expected financial return, (2) Lending and (3) Investment in exchange for equity, profit or revenue sharing.” See: <http://www.crowdsourcing.org/>

We are big fans of credit unions these days. As noted on Wikipedia,

“A credit union is a member-owned financial cooperative, democratically controlled by its members, and operated for the purpose of promoting thrift, providing credit at competitive rates, and providing other financial services to its members. Many credit unions also provide services intended to support community development or sustainable international development on a local level, and could be considered community development financial institutions. Worldwide, credit union systems vary significantly in terms of total system assets and average institution asset size,[6] ranging from volunteer operations with a handful of members to institutions with several billion dollars in assets and hundreds of thousands of members.”

We strongly suggest you consider obtaining business financing from a credit union. Strongly.

CDFI’s. Again, according to Wikipedia, “a community development financial institution (CDFI) is a financial institution which provides credit and financial services to underserved markets and populations.. A CDFI may be a community development bank, a community development credit union (CDCU), a community development loan fund (CDLF), a community development venture capital fund (CDVC), a microenterprise development loan fund, or a community development corporation.

CDFIs are certified by the Community Development Financial Institutions Fund (CDFI Fund) at the U.S. Department of the Treasury, which provides funds to CDFIs through a variety of programs. Broadly speaking, a CDFI is defined as a financial institution that: has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity.”

These are another potential source of financing for women and minority businesses. Please see our list of CDFI’s.

A Community Development Entity is like a CDFI, but, “a CDE is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in Low-Income Communities (LICs).”

Again, see our list of CDE’s here.

“Microcredit is the extension of very small loans (microloans) to poor borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed to spur entrepreneurship, increase incomes, alleviate poverty and often also to empower women. Microcredit is a part of microfinance, which is the provision of a wider range of financial services, in particular savings, to the poor.”

We think microcredit funding might work for many of the people who inquire. It is another option to consider.

All Banks in the US. (7,847 as of 7/1/2010) (Name, address, phone, email, website)

All Credit Unions in the US. (7,950 as of 7/1/2010) (Name, address, phone, email, website)

All Community Development Financial Institutions in the US. (Name, address, phone, email, website)

All Community Development Entities in the US. (Name, address, phone, email, website)

All Microcredit Funds in the US. (Name, address, phone, email, website)

Templates:

Business Plan

Bank Loan Application

Credit Union Loan Application

Grant Application

Franchise Purchase Application

Tax Forms

Employer Identification Number (EIN) also known as a Federal Tax Identification Number Application

Federal Income Tax forms: Schedule C.

Partnership Forms

Incorporation Forms

IRS Publications:

Publication 583: Starting a Business and Keeping Business Records

Publication 535: Business Expenses

Publication 587: Business Use of Your Home

Publication 463: Travel, Entertainment, Gift, and Car Expenses

Publication 15: Employer's Tax Guide

Form 941: Employer's Quarterly Federal Tax Return

Form 943: Employer's Annual Federal Tax Return for Agriculture Employees

Form 944: Employer’s Annual Federal Tax Return

Form 941: Employer’s Quarterly Federal Tax Return

Form 940: Employer's Annual Federal Unemployment (FUTA) Tax Return

Form W-2 (Blank): Wage and Tax Statement

Form I-9: Employment Eligibility Verification

Form SS-4: Application for Employer Identification Number (PDF)

Form SS-8: Determination of Worker Status (PDF)

Form W-3: Transmittal of Wage and Tax Statements (PDF)

Form W-3C: Transmittal of Corrected Wage and Tax Statements (PDF)

Form W-4: Employee's Withholding Allowance Certificate (PDF)

Form W-4P: Withholding Certificate for Pension or Annuity Payments (PDF)

Form W-5: Earned Income Credit Advance Payment Certificate (PDF)

Form 1040ES: Estimated Tax for Individuals

Form 1040: Schedule H, Household Employment Taxes

Form 1120: U.S. Corporation Income Tax Return

Form 8027: Employer's Annual Information Return of Tip Income and Allocated Tips

Form 8850: Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits

Social Networking Websites and Online forum

We have established a password protected online forum at Minorityfinance.com. Buyers of the Guide can communicate with each other and share insight into the Women, Minority and Small Business Financing process.