

Small Business News & Notes



Using Government Resources To Grow Your Business

(NAPSA)—Although capital access is a hurdle even for elite entrepreneurs and can dampen the growth of successful companies, some smaller firms are finding they can get the financing they need.

To help educate entrepreneurs on available capital resources, the Initiative for a Competitive Inner City (ICIC) and the Staples Foundation have compiled a short guide for CEOs about federally funded capital access programs.

•SBA 7(a) Loan Program:

The SBA's 7(a) loan program is the largest government-backed loan program for entrepreneurs and is designed to encourage lenders to work with companies they might otherwise consider too risky. The 7(a) loan program can help finance up to \$5 million, which can be used to buy a business, for long-term working capital or to purchase equipment.

Depending on the size of the loan, the SBA generally guarantees from 75 to 85 percent of the total loan amount. The caveat is that SBA loans can come with hefty fees—in a sense, the business owner is buying insurance on the loan. Such fees currently start at 3.5 percent of the guaranteed amount of the loan and can be financed as part of the loan. Learn more at www.sba.gov.

•Community Development Financial Institutions (CDFI):

CDFIs are financial institutions that support the economic revitalization of low-income communities, including the businesses there. Banks, credit unions and venture funds may all be certified as CDFIs and use federal funds to invest in businesses or real estate,



Many businesses may get loans and guarantees from more resources than they realize.

to make consumer loans or to provide other services in communities that lack them. Entrepreneurs who have worked with CDFIs describe the due diligence process as being more intensive than that used by most banks but often say they get a valuable mentoring relationship—in addition to cash—in return. The availability of CDFI financing varies greatly. You can learn about this resource at www.cdfifund.gov/.

•New Markets Tax Credits (NMTC):

This program is designed to encourage investment in low-income areas. Investments in qualifying projects can get a 39 percent tax credit taken over seven years. More than \$25 billion in tax credits has already been granted. NMTC money is chiefly used for real estate, with about 82 percent being used this way. Entrepreneurs of all kinds can also benefit from the program, using it to build new physical locations. For more information, visit www.icic.org.