Financing Options for Your Small Business Guide

San Angelo Area

PROVIDED BY THE ANGELO STATE UNIVERSITY – SMALL BUSINESS DEVELOPMENT CENTER

Revised May 2013

This guide neither intends nor offers specific financial advice. Contents contained herein are intended for informational and educational use and believed to be valid as of the date of publication. Websites maintained by third parties and linked to this guide are the responsibility of the entity providing the information. Please consider consulting with your attorney or certified public accountant before you take action on financial issues affecting you or your business. For questions or comments related to this guide, contact Dave Erickson at the ASU-SBDC office, (325) 942-2098 or email david.erickson@angelo.edu.

Welcome!

This guide contains most known funding options for a small business in the San Angelo area. Use the guide as a "tool kit" and select the funding sources right for your business venture. Keep in mind most small business startups will require you invest personal funds or other assets in the business. For an existing business, you likely have already invested heavily in the business.

The ASU Small Business Development Center assists many small businesses with finding financing for their business through face-to-face advising. Our advising is free and confidential. In addition they conduct a free monthly seminar titled *Financing Options for your Small Business* that discusses financing options available. We hope you find this guide useful. Please contact us for any questions, to set up an advising session, or to attend one of our seminars. Phone 325-942-2098, email sbdc@angelo.edu, or visit our website at www.sbdc.angelo.edu.

LOAN OR DEBT FINANCING

Conventional Lender Loans

Start-up, expansion, lines of credit, equipment, working capital, commercial real estate, business acquisition, and debt consolidation. Visit with your local lender for information. SBDC advisors can offer guidance with understanding the available loan programs through local lenders, and can also assist you with putting together a loan proposal.

SBA Guaranteed Loans (all SBA guaranteed loans are through lenders) guarantee amount to the lender is 75% or 85% depending on the amount. The **7(a) Loan Program** is the standard SBA loan guarantee program. Loans up to $5 million. Eligible Use of 7(a) Loan Proceeds Include (Non-Exclusive):

- The purchase land or buildings, to cover new construction as well as expansion or conversion of existing facilities
- The purchase of equipment, machinery, furniture, fixtures, supplies, or materials
- Long-term working capital, including the payment of accounts payable and/or the purchase of inventory
- Short-term working capital needs, including seasonal financing, contract performance, construction financing and export production
- Financing against existing inventory and receivable under special conditions
- The refinancing of existing business indebtedness that is not already structured with reasonable terms and conditions
- To purchase an existing business

http://www.sba.gov/content/use-7a-loan-proceeds
Quick Reference to SBA Guarantee Loan Programs:
http://www.sba.gov/sites/default/files/files/Loan%20Chart%20Baltimore%20June%202012%20Version%202.pdf

Small Lender Advantage SBA loan guarantee program is designed to accommodate the unique loan processing needs of small community/rural-based lenders by simplifying and streamlining loan application process and procedures, particularly for smaller SBA loans. It is part of a broader SBA initiative to promote the economic development of local communities, particularly those facing the challenges of population loss, economic dislocation, and high unemployment. Loans up to $350,000.
http://www.sba.gov/content/rural-business-loans

SBA Fixed Asset Loan

SBA 504 fixed asset loan program is long-term financing, designed to encourage economic development within a community. It accomplishes this by providing small businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization. The SBDC can provide you with information on CDC's that provide services to this area. The CDC will team up with a local lender, so you can also visit your local lender for information and interest. SBA 504 can also be used to refinance fixed assets. Loans up to $5 million.
http://www.sba.gov/content/cdc504-loan-program

Special Purpose SBA Loan Programs

CAPLines is an umbrella loan program that helps small businesses meet their short-term and cyclical working-capital needs. It features five lines, each with specific regulations concerning the use of the loan proceeds. Loans up to $5 million.
http://www.sba.gov/content/caplines

SBA Express loan guarantee program gives small business borrowers an accelerated turnaround time for SBA's review. You will receive a response to your application within 36 hours. In addition, lower interest rates are often available to you when you apply through an Express program. Loans up to $350,000. Guarantee amount is 50%.
http://www.sba.gov/content/express-pilot-programs

Sam's Club SBA Express Loan program:
http://www.superiorfg.com/main/sq/SamsClubLogin.aspx?sc=SamsClub

Office Depot SBA Express Loan program:
http://www.superiorfg.com/main/sq/OfficeDepotLogin.aspx?sc=OfficeDepot

Patriot Express program is a loan Initiative is designed for veterans and members of the military community wanting to establish or expand small businesses. The SBA and its resource partners are focusing additional efforts on counseling and training to augment this loan initiative, making it more accessible and easy to use. Loans up to $500,000.
http://www.sba.gov/content/express-pilot-programs

Export Express Program offers flexibility and ease of use to both borrowers and lenders. It is the simplest export loan product offered by the SBA and allows participating lenders to use their own forms, procedures and analyses. Any business that has been in operation, although not necessarily in exporting, for at least 12 full months and can demonstrate that the loan proceeds will support its export activity is eligible for Export Express. Loans up to $500,000.
http://www.sba.gov/content/export-loan-programs

See www.Celticbank.com/express as an option for SBA express loans.

Export Working Capital Program (EWCP) SBA provides lenders with up to a 90% guaranty on export loans as a credit enhancement, so that the lenders will make the necessary export working capital available. The SBA delivers its export loan program through a network of SBA Senior International Credit Officers located in U.S. Export Assistance Centers throughout the country. Exporters can apply for EWCP loans in advance of finalizing an export sale or contract. With an approved EWCP loan in place, exporters have greater flexibility in negotiating export payment terms—secure in the assurance that adequate financing will be in place when the export order is won. Loans up to $5 million.
http://www.sba.gov/content/export-loan-programs

International Trade Loan Program offers term loans to businesses that plan to start or continue exporting, or that have been adversely affected by competition from imports. The proceeds of the loan must enable the borrower to be in a better position to compete. Loans up to $5 million.
http://www.sba.gov/content/export-loan-programs

SBA and Ex-Im Bank Co-Guarantee Program is designed to provide small business exporters the ability to obtain larger export working capital loans through the Export Working Capital Program than SBA can support alone. The Co-Guarantee offers flexible terms, low fees and quick processing time.
http://www.sba.gov/content/export-loan-programs#Export Express Program

Rural Business Loan Program

Business & Industry Guaranteed Loan Program is maintained by the U.S. Department of Agriculture. Business and industrial loans can be guaranteed in rural cities up to 50,000 in population. Priority is given to applications for loans in rural communities of 25,000 or less. Any legal entity, including individuals, public and private organizations may qualify for this loan. Loan guarantees are limited to a maximum of $25 million per borrower.
http://www.rurdev.usda.gov/ne/gbifsht.pdf

Texas Mezzanine Fund

The Texas Mezzanine Fund (TMF) is for "growth-oriented" small business owners who may not entirely qualify for loans or investments through traditional lending institutions. They will participate with other lenders in providing financing and may take a second lien position on collateral. Loans amounts up to $500,000. They also fund some stand-alone loans up to $300,000.
http://www.tmfund.com

State of Texas Loan Program

Texas Product/Business Fund provides financing to existing technology-focused companies that create products or do business with in the state.
http://www.texaswideopenforbusiness.com/financial-resources/loan-assistance.html

Tom Green County Revolving Loan Fund

Eligible borrowers: for profit businesses in Tom Green County. The average loan amounts are $10,000-$20,000. Maximum loan amount is $60,000. Loans may be used to finance land and building cost, machinery and equipment purchases and working capital needs. Contact the Concho Valley Council of Governments for further information 325-944-9666.
www.cvcog.org

Micro Loan Programs

ACCION Texas Micro Loan Program $500-$250,000 Loans, such as individual business loans, credit start loans, pronto loans, and lines of credit.
http://www.acciontexas.org/500-250-000.html

PeopleFund, another micro loan program, provides flexible loans to small businesses, non-profit organizations, and affordable housing ventures throughout the state of Texas. Small business loan amount: $5,000 to $250,000. Interest rate: 7.5% to 15%. Term of note: up to 7 years.
http://peoplefund.org/loans/

Loan Exchange Website

Boefly.com is an exchange website matching borrowers and lenders. They match your loan request with compatible lenders for evaluation.
http://www.boefly.com

Whole Foods Market Local Producer Loan Program provides low interest loans to local producers who meet their requirements for their stores.
www.wholefoodsmarket.com/loans

401K Financing

Guidant's iFinance is a small business financing plan that lets you invest your existing IRA or 401(k) funds into launching a business or franchise of your own. The plan states you are not taking a taxable distribution because you are buying stock, as an investment, in your own company. Consult with your CPA for advice when considering this type of financing.
www.guidantfinancial.com/iFinance

Cash Flow Lending

The newest approach to small business lending is cash flow lending. Existing small businesses are approved based on their ability to generate cash flow, and not looking at their credit score. Loans are from $5,000 to $150,000 and decisions are made quickly. Payments are taken daily from business bank account.
www.ondeckcapital.com

Social Lending

Social lending sites, also called peer to peer lending sites, provide borrowers and lenders a marketplace. Social lending sites connect individual lenders and borrowers through a social network that is streamlined, efficient, and legally formatted. The growth and maturity of the social lending industry in the last couple of years has made it a viable alternative to traditional lending or borrowing money from friends or family.
http://www.money-rates.com/sociallending.htm

Kiva is a non-profit organization with a mission to connect people through lending to alleviate poverty. Leveraging the internet and a worldwide network of microfinance institutions, Kiva lets individuals lend as little as $25 to help create opportunity around the world. The borrower meets with the Field Partner and requests a loan. The Field Partner disburses a loan to the borrower. The Field Partner uploads the loan request to Kiva, it's reviewed by a team of volunteer editors and translators and then published on Kiva.org Kiva lenders fund the loan request, and Kiva sends the funds to the Field Partner. The borrower makes repayments and the Field Partner sends funds owed to Kiva. Kiva repays lenders.
www.kiva.org

EQUITY OR INVESTOR FINANCING

"Angel" Investor Networks (providing equity financing)

Angel networks are groups of high net worth individuals seeking newly formed businesses to invest their own money. Most are former business owners and managers. They make their investments individually but often work together on conducting their investigation or "due diligence" on a business they are considering for an investment. They may also offer guidance and contacts for the business. In addition, most networks in Texas are part of a loose federation of angel networks called the Texas Angel Network. They often encourage entrepreneurs to present to networks within Texas in order to "fill out" their funding needs. Angel investors typically get their return on investment when the business sells or some other purchase of their shares.

Concho Valley Angel Network (CVAN)-San Angelo
http://angelsoft.net/angel-group/concho-valley-angel-network

Central Texas Angel Network (CTAN)–Austin
http://www.centraltexasangelnetwork.com/Entrepreneur_Guest.php

Houston Angel Network (HAN)-Houston

http://www.houstonangelnetwork.org

North Texas Angel Network (NTAN)-Dallas

http://northtexasangels.weebly.com/

South Texas Angel Network (STAN)-San Antonio

http://angelsoft.net/angel-group/stan

Crowdfunding

Crowdfunding is a relatively new funding option in which entrepreneurs use an internet-based launch site in order to promote their innovative ideas and give perks for funds. These ideas range from business ventures to science experiments, and include proposals from various people such as artists, poets, singers, songwriters, politicians, dancers and philanthropists. In essence, there are no limits to crowdfunding.

How does crowdfunding work? Crowdfunding begins when an innovator posts a project or an idea online for the world to see. This state-of-the-art method has opened the door for entrepreneurs, not only reducing transaction costs of business, but broadening the potential audience. Once the idea or proposal is posted, millions of potential donors are able to contribute

to the project if they so choose. Those who opt to donate are afforded the opportunity to provide valuable feedback and advice for the project, in order to make a more user-friendly and customized product. See the following websites for more information. There are many more.

www.rockethub.com
www.kickstarter.com
www.crowdfunding.org

Venture Capital

Venture Capital investors differ from angel investors in that they are a firm that invests other people's money in high growth potential firms. Typically they want a large ownership share in the business and a say in the management and direction of the business. They get their return in the same way as angel investors but have usually invested a larger sum of money in the business. They also typically invest in the stages after angel investors when a business is ready to grow substantially. Venture capital firms are in larger cities in Texas such as Austin, Dallas, Houston.
http://www.nvca.org/
http://archive.sba.gov/aboutsba/sbaprograms/inv/esf/inv_sbic_financing.html

Small Business Investment Corporations (SBIC's)

The SBIC Program is one of many financial assistance programs available through the U.S. Small Business Administration. The structure of the program is unique in that SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses. The U.S. Small Business Administration does not invest directly into small business through the SBIC Program. See the link below for SBIC's in Texas. Also visit the SBA website for more information on SBIC's.
http://archive.sba.gov/idc/groups/public/documents/sba_program_office/inv_sbictx.txt
http://www.sba.gov/sites/default/files/SBIC%20Program%20Overview.pdf

State of Texas Equity Programs

Texas Enterprise Fund is used only as a final incentive tool where a single Texas site is competing with another viable out-of-state option. Additionally, the TEF will only be considered to help close a deal that already has significant local support behind it from a prospective Texas community.
http://www.texaswideopenforbusiness.com/financial-resources/texas-enterprise-fund.html

The Emerging Technology Fund (ETF) was created by the Texas Legislature to provide Texas with an unparalleled advantage in the commercialization of emerging technologies. ETF grants are commercialization awards: funds to help companies take ideas from concept to development to ready for the marketplace.
http://governor.state.tx.us/ecodev/etf

Local Grants and other Business Incentives

Local Economic Development Corporation. The City of San Angelo Development Corporation (COSADC) provides grants and other incentives that are available for buildings, land, equipment, training, site infrastructure, moving expenses, lease subsidies, and other expansion costs. In addition, the Tax Increment Reinvestment Zone Board (TIRZ) may offer tax abatements, facade grants, sales tax rebates, and other fee reductions to qualified businesses.
www.sanangelodevelopment.com/node/370

FACTORING

Factoring (definition taken from Wikipedia) is a financial transaction whereby a business sells its accounts receivable (i.e., invoices) to a third party (called a factor) at a discount in exchange for immediate money with which to finance continued business. Factoring differs from a bank loan in various ways. First, the emphasis is on the value of the receivables (essentially a financial asset), not the firm's credit worthiness. Secondly, factoring is not a loan – it is the purchase of a financial asset (the receivable).
There are many companies in Texas that offer factoring financing.
http://www.americanfactoring.org/Links.asp