



Better Ways of Doing Business

1st Stop Business Connection
www.odod.state.oh.us/onestop

Government Loan Information for Start-Up and Emerging Businesses



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OHIO DEPARTMENT OF DEVELOPMENT

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MONEY

One of the toughest parts of starting a small business is finding the necessary capital. In other words: Where do you find the money? This publication will help you figure out where to find the money you need to start and run a small business.

First, you must know how much money you'll need.

Write down the equipment you have and the equipment and inventory you need. How much will it cost to buy or lease the equipment and inventory?

Equipment you already have	Equipment and inventory you must purchase or lease	Cost
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
		TOTAL \$ _____

Now, it's time to estimate how much it will cost to keep your business running:

Business space	\$ _____
Business supplies	\$ _____
Insurance	\$ _____
Utilities (electricity, water, phone, etc.)	\$ _____
Employees	\$ _____
Licenses	\$ _____
Advertising	\$ _____
Emergencies/Unexpected costs	\$ _____
TOTAL	\$ _____

Remember, your business will not make a profit right away.

After you've estimated how much money you'll need to keep your business running, **add 1 1/2** times to that amount.

This will keep you from having just enough to get by.

It may take a few years before you start to see a profit.

Carefully consider how much money you'll need to pay your day-to-day expenses until your business makes a profit. **YOU MUST PLAN AHEAD!**

Don't forget to look over *Starting Your Business in Ohio* to find out what kinds of licenses and permits your business will need.

FINANCING

You should have a pretty good estimate of how much money you'll need to start your small business and to help it grow. But, what kind of financing is available?

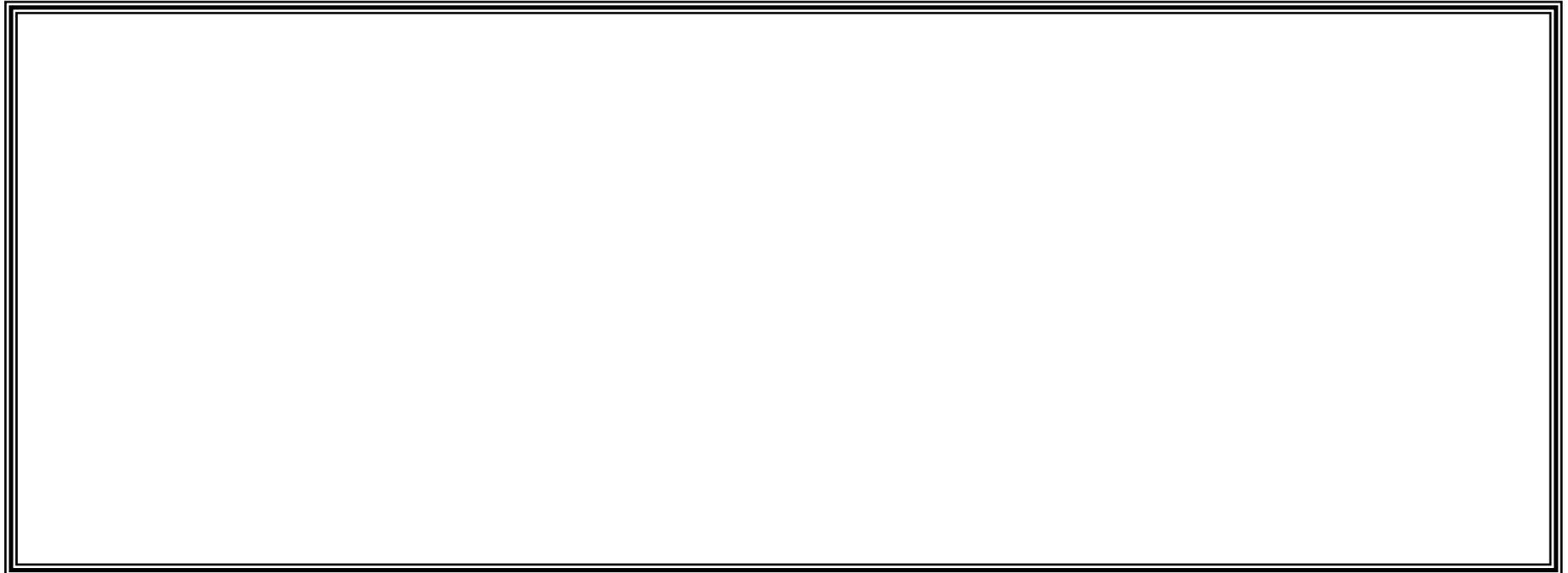
There are two main types of financing: **debt financing** and **equity financing**.

Debt financing is a loan. It can be a *short-term* loan (lasts for less than a year), an *intermediate-term loan* (lasts for three to seven years), or a *long-term* loan (lasts for 10 years or more).

Most loans to small businesses through banks are secured loans. This means you or the business will have to use assets as collateral (which is how the bank makes sure the loan is repaid).

There are two types discussed in this book: **DIRECT LOAN** and **LOAN GUARANTY**. A **direct loan** is money given directly to the borrower. A **loan guaranty** is money promised by another agency to a bank that will loan the business money. The money is promised to the bank as an assurance that the bank will get back the money it lends to the business.

Equity financing means someone (an investor) buys part of your business and gives you the money you need to start your business or to keep it running.



Whether you are asking for debt financing or equity financing, you will need a **business plan** and a **loan proposal**

A **business plan** is a typewritten description of how you will run your business. It will show potential lenders that you are serious about starting a business.

If you need help with your business plan or loan proposal, contact the **Small Business Development Center** nearest you.
There is a listing on page 14.

A **loan proposal** is like a business plan, but it is aimed directly at the investor or lender you will be talking to. They are usually about 10 pages long and include:

- **how much money you'll need**
- **exactly what the money will be used for**
- **a short description of your business**
- **what kind of terms you want**
- **how you want to repay the loan**
- **what kind of collateral you have available**
- **a list of other sources of funds**
- **a short personal history as it relates to your business**
- **a personal financial statement**
- **an earnings history**
- **financial projections for the next three years and**
- **credit, personal and business references**

When you meet with the lender or investor, be prepared to answer additional questions such as:
How will you pay back the money? When will you pay back the money? Why don't you have the money already?
The lender wants to make sure you have thought this through and can pay the money back.
The investor wants to make sure a wise investment is being made.

GLOSSARY OF BUSINESS TERMS

Assets: personal or business property you own

Capital: money

Collateral: personal or business property (assets) used to secure a loan

Cosigner: a person who also signs for the loan and is responsible for payments if you default

Debt Financing: using a loan as means to start a business

Default: failing to pay back a loan

Direct Loan: money is given directly to the borrower

Equity Financing: using an investor as means to start a business

Fixed Costs: money you must spend (costs) on a regular basis

Gross Profit: how much money your business makes after subtracting the cost of goods from the net sales

Intermediate-Term Loan: loan for three to seven years

Liabilities: amount your business owes to creditors

Loan Guaranty: money is promised by another agency to a bank that will then loan a business money

Long-Term Loan: loan for more than 10 years

Market: potential customers

Microenterprise: a small small business

Net Sales: amount of money made after sales tax and returns

Operating Expenses: how much you will spend to buy the items you will sell, plus how much money it takes to keep the business running (such as payroll, utilities, rent)

SBA: (Small Business Administration) a federal agency that offers loans, loan guaranties and partially funds the SBDCs

SBDC: (Small Business Development Centers of Ohio) provide free business counseling to small start-up and existing businesses (funded by the state and federal governments)

Short-Term Financing: a loan for one year or less

Target Market: specific type of customer you want your business to attract

Terms: conditions a bank puts on a loan

Working Capital: money a business must have on a regular basis to cover operating expenses

FEDERAL LOAN PROGRAMS

PROGRAM NAME: SBA Microloan

MAXIMUM AMOUNT AVAILABLE: \$35,000

CAN BE USED FOR: Working capital; buying equipment; buying inventory

BORROWER: Small businesses needing small scale financing and technical assistance for start-up or expansion.

ABOUT THE PROGRAM: The SBA makes money available to nonprofit community based lenders (called intermediaries). These community based lenders then make the loans to eligible potential and existing entrepreneurs.

CONTACT:

Community Capital Development Corporation

PHONE: (614) 645-6171

ON-LINE: www.ccdcorp.org

COUNTIES: Delaware, Fairfield, Fayette, Franklin, Licking, Madison, Pickaway, Union

Enterprise Development Corporation

PHONE: (740) 797-9646

ON-LINE: www.edcseo.org

COUNTIES: Adams, Ashland, Athens, Belmont, Brown, Carroll, Columbiana, Coshocton, Gallia, Guernsey, Harrison, Highland, Hocking, Holmes, Jackson, Jefferson, Knox, Lawrence, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pike, Ross, Scioto, Tuscarawas, Vinton, Washington

Hamilton County Development Company, Inc.

PHONE: (513) 631-8292

ON-LINE: www.hcdc.com

COUNTIES: Adams, Brown, Butler, Clermont, Clinton, Hamilton, Highland, Warren

Kent Regional Business Alliance

PHONE: (330) 672-1275

COUNTIES: Ashtabula, Carroll, Columbiana, Coshocton, Geauga, Harrison, Holmes, Portage, Stark, Trumbull., Tuscarawas

Women's Organization for Mentoring, Entrepreneurship, and Networking

PHONE: (330) 379-9280

COUNTIES: Cuyahoga, Lake, Lorain, Mahoning, Medina, Stark, Summit, Wayne

Working for Empowerment through Community Organizing (WECO)

PHONE: (216) 881-9650

ON-LINE: www.wecofund.com

COUNTY: Cuyahoga

PROGRAM NAME: SBA Express Loan

MAXIMUM AMOUNT AVAILABLE: \$150,000

CAN BE USED FOR: Working capital; expanding, renovating or constructing facility; leasehold improvements; refinancing debt; buying inventory

BORROWER: Star-up or growing small for-profit businesses.

ABOUT THE PROGRAM: This is a loan guaranty, which means the SBA does not give you the loan, you must go through your local lender. The SBA promises (guarantees) the lender that the loan will be paid back in full

CONTACT: Your local SBDC (See page 14)

SBA Cleveland Office PHONE: (216) 522-4180

SBA Columbus Office PHONE: (614) 469-6860

PROGRAM NAME: SBA LowDoc Loan

MAXIMUM AMOUNT AVAILABLE: \$150,000

CAN BE USED FOR: Working capital; contract financing; buying supplies or inventory

BORROWER: Start-up or growing small for-profit businesses

ABOUT THE PROGRAM: This is a loan guaranty, which mean the SBA does not give you the loan, you must go through your local lender. The SBA promises (guarantees) the lender that the loan will be paid back.

CONTACT: Your local SBDC (See page 14)

SBA Cleveland Office PHONE: (216) 522-4180

SBA Columbus Office PHONE: (614) 469-6860

ONLINE: www.odod.state.oh.us/edd/osb/sbdc
www.sba.gov

PROGRAM NAME: SBA Prequalification Loan

MAXIMUM AMOUNT AVAILABLE: \$250,000

CAN BE USED FOR: Working capital; constructing facility; buying real estate; refinancing debt; buying equipment and inventory

BORROWER: Start-up or growing small for-profit businesses. Target borrowers include disabled and low-to moderate-income individuals, new and emerging businesses, veterans, minorities, and women.

ABOUT THE PROGRAM: This is a long guaranty. For this program, you work with your local SBA designated loan intermediary to create a loan proposal and application package that is submitted to the SBA. If the SBA approves your loan package, your intermediary will help you locate a lender with competitive rates. There is usually a fee for the intermediary's service.

CONTACT: SBA Cleveland Office PHONE: (216) 522-4180
SBA Columbus Office PHONE: (614) 469-6860

ONLINE: www.odod.state.oh.us/edd/osb/sbdc
www.sba.gov

PROGRAM NAME: Certified Development Company (504) Loan

MAXIMUM AMOUNT AVAILABLE: \$1 million (or \$1.3 million if your business meets an SBA policy goal)

CAN BE USED FOR: Buying land real estate; constructing or renovating facilities; buying machinery or equipment

BORROWER: Growing small for-profit businesses. A typical borrower has contributed at least 10 percent of project cost through equity in their small business and has secured up to 50 percent of the project cost from a private-sector lender. Forty percent of the project cost is then secured from a Certified Development Company (CDC).

ABOUT THE PROGRAM: This is a loan guaranty. The SBA promises the CDC that their part of the loan will be paid back. CDCs are non-profit corporations that help with their communities' economic development.

CONTACT:

CITY: Dayton

Citywide Small Business Development Corporation

PHONE: (513) 352-4989

COUNTIES: Columbiana, Mahoning, Trumbull

Mahoning Valley Economic Development Corporation

PHONE: (330) 759-3668

CITY: Mentor

Mentor Economic Assistance Corporation

PHONE: (440) 255-1100

COUNTIES: Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, Summit

Growth Capital Corporation

PHONE: (216) 621-3300

COUNTIES: Adams, Brown, Clermont, Hamilton, Highland

Hamilton County Development Company, Inc.

PHONE: (513) 632-8292

COUNTIES: Drake, Miami, Montgomery, Preble, Shelby, Greene

County Corp. Development

PHONE: (937) 225-6328

COUNTIES: Ashland, Holmes, Medina, Portage, Summit, Wayne

Cascade Capital Corporation, Inc.

PHONE: (330) 379-3160

COUNTY: Greene

Greene County Development

PHONE: (937) 562-5644

COUNTIES: Athens, Delaware, Fairfield, Fayette, Franklin, Gallia, Hocking
Lawrence, Licking, Madison, Meigs, Monroe, Morgan, Muskingum, Noble, Perry,
Pickaway, Scioto, Union, Washington

Columbus Countywide Development Corporation

PHONE: (614) 645-6171

COUNTY: Lake

Lake County Small Business Assistance Corporation

PHONE: (440) 951-1290

COUNTY: Butler

Certified Development Company of Butler County, Inc.

PHONE: (513) 887-3404

COUNTY: Warren

Certified Development Corporation of Warren County, Inc.

PHONE: (513) 695-1939

COUNTY: Clark

Clark County Development Corporation

PHONE: (937) 322-8685

COUNTY: Counties without their own Certified Development Companies

Ohio Statewide Development Corporation

PHONE: (614) 481-3214

PROGRAM NAME: SBA 7(a) Loan Guaranty

MAXIMUM AMOUNT AVAILABLE: \$250,000

CAN BE USED FOR: Working capital; buying real estate; construction, renovation or leasehold, improvements; buying furniture, fixtures, machinery and equipment; buying inventory

BORROWER: Small for-profit businesses that can't get financing at reasonable terms through normal lending channels (such as banks, for example).

ABOUT THE PROGRAM: This is a loan guaranty. For this program, you work with you local Small Business Development Center (SBDC) to create a loan proposal and application package that is submitted to the SBA. If the SBA approves your loan package, your SBDC will help you locate a lender with competitive rates. Like the other loan guaranties, the SBA promises the lender will be paid back.

CONTACT: Your local SBDC (See page 14)

SBA Cleveland Office PHONE: (216) 522-4180

SBA Columbus Office PHONE: (614) 469-6860

ONLINE: www.sba.gov

There are no loans specifically for minorities, women, veterans or the disabled. All SBA loans are open to all existing and potential small businesses that meet the SBA size standards. SBA size standard requirements vary from program to program. For specific standards for the loan program you're interested in, contact the agency listed in the loan program description or the SBA at the following numbers:

**SBA Cleveland Office
PHONE: (216) 522-4180**

**SBA Columbus Office
PHONE: (614) 469-6860**

Information is also on the web at: www.sba.gov

OHIO LOAN PROGRAMS

PROMGRAM NAME: Small Business Linked Deposit

MAXIMUM AMOUNT AVAILABLE: \$250,000

CAN BE USED FOR: Working capital; operating costs; cannot be used for real estate

BORROWER: Small for profit businesses with less than 150 employees (the majority of whom must be Ohio residents) that operates only in Ohio

ABOUT THE PROGRAM: Ohio law allows the State Treasurer's Office to place up to 12 percent of the state's investment portfolio in reduced-rate investments at lending institutions throughout Ohio. These lending institutions then lend the funds to qualifying small businesses at below-market rates. One full-time job must be created or saved for every \$25,000 requested.

CONTACT: State Treasurer's Office
PHONE: (800) 228-1102

ONLINE: www.treasurer.state.oh.us

PROGRAM: Ohio Mini-Loan Guarantee

MAXIMUM AMOUNT AVAIABLE: \$45,000

CAN BE USED FOR: Fixed assets; buying equipment

BORROWER: Small for-profit start-up and existing businesses

ABOUT THE PROGRAM: This is a loan guaranty, which means the State does not give you the loan, you must go through your local lender. The State promises (guarantees) the lender that up to 45 percent of the loan will be paid back. This loan guaranty is open to all qualifying businesses, but is targeted for minorities and women.

CONTACT: Office of Minority Financial incentives, Ohio Department of Development
PHONE: (614) 644-7708 or (800) 848-1300 ext. 4-7708

ONLINE: www.odod.state.oh.us

PROGRAM NAME: Pioneer Rural Loan

MAXIMUM AMOUNT AVAILABLE: \$750,000

CAN BE USED FOR: Buying, expanding, or renovating land facilities; buying equipment

BORROWER: Small for-profit start-up and existing businesses in Ohio's rural areas that will create or retain jobs

ABOUT THE PROGRAM: This program is available to businesses that can document job creation in Ohio's rural areas. Borrowers must create/retain at least one job for every \$35,000 received during the first 3 years of the project.

CONTACT: Office of Business Development
PHONE: (614) 466-4551

ONLINE: www.odod.state.oh.us

PROGRAM NAME: 166 Regional Loan

MAXIMUM AMOUNT AVAILABLE: \$350,000

CAN BE USED FOR: Buying, expanding or renovating land and facilities; buying equipment

BORROWER: Small for-profit start-up and existing businesses in Ohio's rural areas that will create or retain jobs

ABOUT THE PROGRAM: This program is available through eleven local economic development organizations throughout the state. Borrowers must show repayment and management capabilities. One job must be created or retained for every \$35,000.

CONTACT: Office of Business Development
PHONE: (614) 466-4551

ONLINE: www.odod.state.oh.us

PROGRAM: Direct 166 Loan

MAXIMUM AMOUNT AVAILABLE: \$1,000,000

CAN BE USED FOR: Buying, expanding or renovating land and facilities; buying equipment

BORROWER: For-profit start-up and existing businesses. Industrial projects are preferred.

ABOUT THE PROGRAM: One job must be created or retained for every \$15,000 received or \$35,000 used in priority investment areas

CONTACT: Office of Business Development

PHONE: (614) 466-4551

ONLINE: www.odod.state.oh.us

SMALL BUSINESS DEVELOPMENT CENTERS OF OHIO

Web Address: www.odod.state.oh.us/edd/osb/sbdc

Athens	(740) 593-1797	Lima	(419) 995-8302
Ashland	(877) 289-1468	Lorain	(440) 233-6500
Akron	(330) 375-2111		
		Marietta	(740) 373-5150
Cambridge	(740) 439-4471	Milford	(513) 576-5000
Canton	(330) 244-3296	Middletown	(513) 422-4551
Cincinnati	(513) 556-2072		
Cleveland	(216) 812-3161	New Philadelphia	(330) 308-7479
Columbus	(614) 225-6910		
		Painesville	(440) 357-2290
Dayton (Wright State Univ.)	(937) 775-3487	Piketon	(800) 860-7232
Dayton (Univ. of Dayton)	(937) 229-3515		
Defiance	(419) 782-6270	Springfield	(937) 322-7821
Fremont	(800) 826-2431 ext. 210	Toledo	(419) 243-8191
Kent	(330) 672-1279	Youngstown	(330) 746-3350
Kettering	(937) 253-0031		
		Zanesville	(740) 453-0762