Financing Your Business Start-Up

One key to a successful business start-up and expansion is your ability to obtain and secure appropriate financing. Raising capital is the most basic of all business activities.

But, as many new entrepreneurs quickly discover, raising capital may not be easy; in fact, it can be a complex and frustrating process. However, if you are informed and have planned effectively, raising money for your business doesn't have to be a painful experience. This information summary focuses on ways a business can raise money and explains how to prepare a loan proposal.

Finding the Money You Need

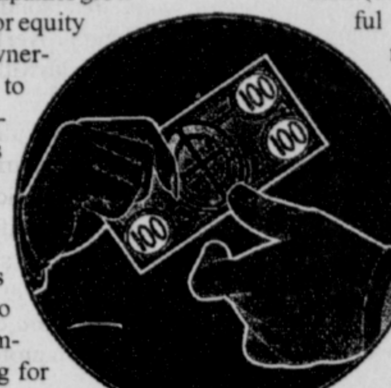
There are several sources to consider when looking for financing. It is important to explore all of your options before making a decision.

The primary source of capital for most new businesses comes from personal savings and other forms of personal resources. While credit cards are often used to finance business needs, there may be better options available, even for very small loans.

Many entrepreneurs look to private sources such as friends and family when starting out in a business venture. Often, money is loaned interest free or at a low rate, which can be beneficial when getting started.

The most common source of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.

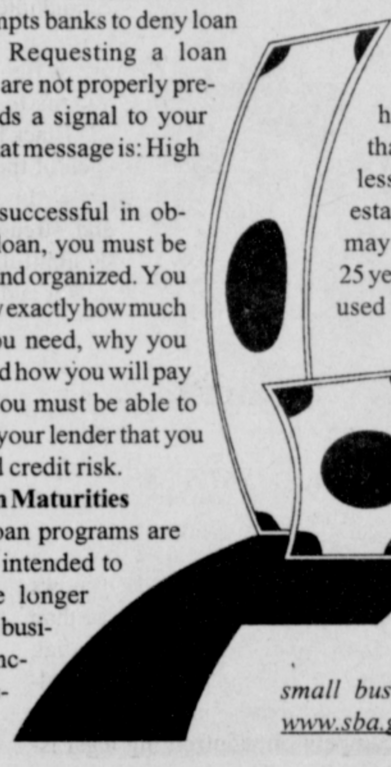
Venture capital companies help expanding companies grow in exchange for equity or partial ownership. Be sure to visit ACE-NET, SBA's Angel Capital Electronic Network. ACE-Net gives new options to both small companies looking for investors and investors looking for promising opportunities.



Borrowing Money

It is often said that small business people have a difficult time borrowing money. This is not necessarily true. Banks make money by lending money. However, the inexperience of many small business owners in financial matters often prompts banks to deny loan requests. Requesting a loan when you are not properly prepared sends a signal to your lender. That message is: High Risk!

To be successful in obtaining a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it, and how you will pay it back. You must be able to convince your lender that you are a good credit risk.



SBA Loan Maturities

SBA loan programs are generally intended to encourage longer term small business financing, but actual loan maturities are based on the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed. However, maximum loan maturities have been established: twenty-five years for real estate; up to 10 years for equipment (depending on the useful life of the equipment); and generally up to seven years for working capital. Short-term loans backed by the SBA are also available to help small businesses meet their short term and cyclical working capital needs.

Types of Business Loans

Terms of loans may vary from lender to lender, but there are two basic types of loans: short-term and long-term.

Generally, short-term loans have a maturity of up to a year. These include working-capital loans, accounts-receivable loans and lines of credit.

Long-term loans have maturities greater than one year but usually less than seven years. Real estate and equipment loans may have maturities of up to 25 years. Long-term loans are used for major business expenses such as purchasing real estate and facilities, construction, durable equipment, furniture and fixtures, vehicles, etc.

For more information on all of SBA's programs for small businesses, go online to www.sba.gov.