

Small Business and Banking

If we had no winter, the spring would not be so pleasant; if we did not sometimes taste of adversity, prosperity would not be so welcome.

~Anne Dudley Bradstreet

Getting a small business loan now is extremely difficult as so many financial institutions – both community and national – are not giving them out at all. If loans are being offered, the requirements are onerous with heavy collateral requirements and a heavy commitment to a down payment.

Our government has done so much to bail out big business and big banks, but little of this has shown up to help small business, which is the lifeblood of our country. We had one firm that had just gotten a contract from the state of Florida to provide workers in the medical field. They had a purchase order obligating them to supply over 100 jobs employment for over nine months, but they needed additional funding to cover the initial payroll, which amounted to about \$150 thousand.

The state was going to guarantee payment once the workers were found, but this young firm just could not get the initial financing necessary to sustain them until they got the first payment from the state. The firm had tried almost every bank, but none were willing to loan them funds. They were just unwilling to take the risk required to create jobs that are so vital to our economy.

Our national government is throwing trillions of dollars into the Troubled Assets Relief Program (TARP), stimulus spending and now into health care, but these dollars have been ineffective at reducing the unemployment rate. These dollars are missing the mark because they are bypassing small business, which is the job-generating engine for our economy. If we are to get out of this recession and get people to work, we have to find some way to finance the growth of small business.

For most small businesses, there are, however, several avenues to acquire the funds that are needed to grow and build the infrastructure for the coming recovery. Firstly, look to credit unions as many of these financial institutions have funds available and are now offering small business loans with very attractive rates.

Additionally, the Small Business Administration (SBA) has a great program called the “504” loan program, which furnishes loans to small businesses. SBA “504” loans offer small business owners and manufacturers access to low interest, long-term and fixed-rate financing with only 10 percent down payment requirements for the purchase, construction or renovation of owner-occupied commercial real estate

and/or the acquisition of industrial equipment or other fixed assets. “504” loans are delivered exclusively by non-profit Certified Development Companies (CDCs) regulated by the SBA. A firm called Florida First Capital Finance, which has offices throughout Florida, offers these services as well.

Finally, if you need financing, consider raising funds from your friends or relatives, a method that is typically called bootstrap financing. There are so many wealthy investors that love to loan money to small businesses if the deal is right. Obviously, these lenders or “angels” do not carry signs that say, “We have money to loan”; rather, you need to find them by asking your accountant and possibly your banker if they know of any.

While the opportunities for acquiring funds to expand your business are exceedingly limited right now, there are still vehicles available to you to raise money. It takes much more work than it used to, but it can be done! Like most things, raising funds – especially in this market – is tough, but with a plan it can happen.

You can do this!

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