

Secure Funding

Your business plan is an important gateway into the funding market. Most funding agencies, including potential government partners, are going to be interested in the various financial aspects of your proposed business, you and your business partners. There are five “C”s of financing to be aware of:

Capacity	A borrower’s ability to repay is the most important factor in the lending world. Lenders will want to know how you are going to repay a loan. There is no better indicator of future performance than past performance, and elements like your credit score and how existing debts are paid are very important considerations.
Capital	Lenders will also want to see the level of commitment you have in this business venture. All business ventures involve risk and if you have not taken on risk, can you expect them to be willing to accept risk on your behalf?
Collateral	Collateral and guarantees help reduce the risk that lenders assume when they lend you money. Collateral involves the use of an existing asset to secure the loan, while a guarantee involves a third-party promissory commitment.
Conditions	How will the money be used? Lenders need to know that money is going into the business, rather than to offset personal obligations of the business owner.
Character	Many lenders can sense the seriousness of the business venture. Do you have what it takes to run the business? What background do you have in the industry? Do your references provide insight into your business acumen?

Sources and Uses

The easiest way to think of your funding needs is to put them into either the **sources** (where funding is coming) or **uses** (how funding is being spent).

For many start-ups, cooperation among lenders is the key. Many new businesses need to piece together a patchwork of funding to satisfy their financing. Banks, alternative lenders, government programs, family and friends often become partners to assist in the development of business.

If you encounter resistance in obtaining financing, review your business plan and strengthen areas of concern identified by potential lenders.

Facts About Government Grants

The U.S. SBA (Small Business Administration) does NOT provide grants for starting and expanding a business.

Government grants are funded by tax dollars and, therefore, require very stringent compliance and reporting measures to ensure the money is well spent. As you can imagine, grants are not given away indiscriminately.

Grants from the Federal government are authorized and appropriated through bills passed by Congress and signed by the President. The grant authority varies widely among agencies. SBA has authority to make grants to non-profit and educational organizations for many of its counseling and training programs, but does not have authority to make grants directly to small businesses.

sba.gov

What if you do not qualify for traditional financing through a bank?

There are several “alternative lenders,” listed below. These lenders often have more flexibility than banks. Once your business is established and proven, a banking institution is more likely to favorably consider the request. In general, banks have stricter guidelines on risk than alternative lenders. However, banks are better suited to grow along with your business, and their many valuable services and products could ultimately present your venture with more choices and greater flexibility.

Financing your start-up or expansion should be considered as you begin your planning. It makes no sense to think of planning and financing separately. Financing can take an unexpected amount of time, so identifying key issues of your plan is wise.

The federal government does not give money away to businesses. There are several programs available for businesses, but these programs require commitment, Business Plans, and a project that fits into the program requirements of the particular program.

Local Banks and Lenders

► TRADITIONAL LENDERS

Charter Oak Federal Credit Union | charteroak.org
860.446.3561

Chelsea Groton | chelseagroton.com
860.823.4915

Dime Bank | dime-bank.com
860.859.4300

Eastern Savings | eastern-savings.com
860.889.7381

People’s United | peoples.com
860.889.4711

Putnam Savings | putnambank.com
860.823.0957

Savings Institute | savingsinstitute.com
860.423.4581

► ALTERNATIVE LENDERS

Norwich Community Development Corporation | askncdc.com
860.887.6964

Connecticut Community Investment Corporation (CIC) | ctcic.org
203.776.6172

Community Economic Development Fund (CEDF) | cedf.com
203.235.2333

Southeastern Connecticut Enterprise Region (seCTer) | secter.org
860.437.4659 Extension 204