

Starting a Small Business

So, you're thinking of starting your own business? Well, you're not alone. Last year thousands of people across the United States decided to exercise their independence by creating their own small businesses. It's the American entrepreneurial dream to take a business idea from the concept, research and planning stages to the day when you open your door, hang out your shingle or go live online.

Whether your target market is the entire world or just your neighborhood, the U.S. Small Business Administration has valuable information to help turn your entrepreneurial dream into a thriving new business.

New business owners often have the same concerns as new parents. Will I be successful? Who has done this before and can advise me? Where will I get the financing? What help is available, and how much will it cost? All those concerns seem to hit at once.

Most of those who succeed in starting their own businesses have planned for every phase of their success. Thomas Edison, the great American inventor, once said, "Genius is 1 percent inspiration and 99 percent perspiration." That same philosophy also applies to success in business.

To enhance your chances for success, first generate a little bit of that perspiration to eliminate the most common mistakes new business owners make. According to the experts, most novices should spend a great deal of time researching their potential businesses and the marketplace.

Developing a workable business plan can help smooth over the bumps in the road to your success. Before you start your plan, carefully research and answer these basic questions:

- What niche or void will my business fill?
- What services or products will I sell?
- Is my idea practical, and will it fill a need?
- Who is my competition?
- What is my business's advantage over existing firms?
- Can I deliver a better quality service?
- Can I create a demand for my business?
- Once you've determined that your business idea is feasible, answer these questions:
 - What skills and experience do I bring to the business?
 - What will be my legal structure?
 - How will my company's business records be maintained?

- What insurance coverage will I need?
- What equipment or supplies will I need?
- How will I compensate myself?
- What are my resources?
- What financing will I need?

If you are starting a home-based business, you should answer these additional questions:

- Does my home have the space (preferably separate) for a business?
- Can I successfully run the business from my home?
- Can I deal with the isolation of working from home?

Your answers to these questions will help you create a focused, well-researched business plan that should serve as a blueprint. The plan should detail how the business will be operated, managed and capitalized.

Research Resources

Some questions you will be able to answer on your own. Others will require careful research. There are many sources available to help you find the answers and make informed decisions. The SBA's business information centers, located throughout the country, offer the latest in high-technology hardware, software and telecommunications to help you in your research. BICs offer electronic bulletin boards, computer databases, online information exchange, periodicals and brochures, counseling, videotapes, reference materials, texts, start-up guides, application software, computer tutorials and interactive media. One-to-one counseling with seasoned business veterans is available through SCORE members affiliated with the SBA.

Other sources include:

- trade association studies, journal articles and trade shows
- regional planning organization studies on growth trends
- banks, realtors and insurance companies
- customer surveys in your market area, which you can conduct on your own or which may already exist

The Business Plan

Your business plan should cover the business basics from goals to management, from marketing to operations. A business plan is a blueprint for success, so don't scrimp on the details. A good business plan covers the following areas:

Executive Summary

- Describe in detail the business and its goals
- Identify the business ownership and the legal structure
- Discuss skills and experience you and your partners bring to the business
- Identify advantages you and your business have over your competitors

Operations

- Explain how the business will be managed on a day-to-day basis
- Discuss hiring and personnel procedures
- Discuss insurance, lease or rent agreements, and issues pertinent to your business
- Account for the equipment necessary to produce your products or services
- Account for production and delivery of products and services

Marketing

- Describe your product or service
- Identify the customer demand for your product or service
- Identify your market, including its size, location and demographics
- Explain how your product or service will be advertised and marketed
- Explain your pricing strategy

Financial Management

- Explain the source and amount of initial equity capital
- Estimate start-up costs
- Project operating expenses
- Develop a monthly operating budget for the first year
- Develop an expected return on investment and monthly cash flow for the first year
- Provide projected income statements and balance sheets for a two-year period
- Discuss your break-even point
- Explain your personal balance sheet and method of compensation
- Discuss who will maintain your accounting records and how the records will be kept
- Provide "what if" statements that address alternative approaches to problems that may develop

Legal Requirements

Small businesses must comply with federal, state and local laws and regulations. You need to know the legal requirements affecting your business.

Be sure to check with your state department of labor and county government. You may want to consult with an attorney for additional compliance assistance.

Registration and Accounting Requirements

You may need a:

- work certificate or a license from the state (your business's name also may need to be registered with the state)
- sales tax number
- separate business bank account

If your business has employees, you are responsible for:

- withholding income and social security taxes
- complying with laws covering employee health, safety and minimum wage

The U.S. Business Advisor, a Web site found at www.business.gov, can help you identify and comply with federal regulations, and links you to the Internal Revenue Service, the Social Security Administration, the Occupational Safety and Health Administration, and numerous other federal agencies. You can also obtain federal tax information by calling the IRS at 1-800-TAX-FORM.

A home-based business is subject to many of the same laws and regulations affecting other businesses and some additional ones.

Zoning

Be aware of your city's zoning regulations. If your business operates in violation of them, you could be fined or closed down.

Restrictions on certain goods: Most states outlaw home production of fireworks, drugs, poisons, explosives, sanitary or medical products, and toys. Some states also prohibit home-based businesses from making food, drink or clothing.

Understanding Your Market

Market evaluation is critical and provides the basic data that will determine if and where you can successfully sell your product or service. This process involves defining your goals, scrutinizing your competition and your customer base, and

interviewing potential suppliers. The information collected can help you, if necessary, adapt your product or service to better meet customer needs.

Market research can help you:

- create primary and alternative sales approaches to a given market
- make profit projections from a more accurate database
- organize marketing activities
- develop critical short- and mid-term sales goals and establish the market's profit boundaries
- identify what makes your business different from similar businesses with similar products

Questions To Ask

Your research should answer these basic questions:

- Who are your customers?
- Where are they located?
- What are their needs and resources?
- Is the service or product essential in their operations or activities?
- Can the customer afford the service or product?
- Where can you create a demand for the service or product?
- Can you compete effectively in price, quality and delivery?
- How many competitors provide the same service or product?
- What is the general economy of your service or product area?
- What areas within your market are declining or growing?

Research on competitors is extremely important. Visit industry trade shows to find out what your competitors are selling and how they are marketing their products. Similarly, stay current on industry magazines and publications.

Market research isn't a one-time activity. Once you establish your business, you should stay in touch with your customers. You may have to adapt your product or service and alter your marketing strategy to keep up with your customers' changing needs.

Pricing Your Products and Services

There are several pricing strategies. Select the approach that will make your goods or services the most competitive and will help you reach your profit goals.

Retail Cost and Pricing

A common pricing practice among small businesses is to follow the manufacturer's suggested retail price. The suggested retail price is easy to use, but it doesn't adequately account for the element of competition.

Pricing Below Competition

This strategy reduces the profit margin per sale. It requires you to reduce your costs and -

- obtain the best prices possible for raw materials or inventory
- locate the business in an inexpensive area or facility
- closely control inventory
- limit product lines to fast-moving items
- design advertising to concentrate on price specials
- limit non-essential services

One word of caution: pricing goods below the competition can be difficult to sustain because every cost component must be constantly monitored and adjusted. It also exposes you to pricing wars. A competitor can match the lower price, leaving you out in the cold.

Pricing Above Competition

This strategy is possible when price is not the customer's greatest concern. Factors important enough for customers to justify paying higher prices include:

- service considerations, including delivery, speed of service, satisfaction in handling customer complaints, knowledge of product or service, and helpful, friendly employees
- a convenient or exclusive location
- exclusive merchandise

Price Lining

This strategy targets a precise segment of the buying public by carrying products in a specific price range only. For example, a store may wish to attract customers willing to pay more than \$50 for a purse.

Price lining has certain advantages:

- ease of selection for customers

- reduced inventory and storage costs

Multiple Pricing

This approach involves selling a number of units for a single price, for example, two items for \$1.98. This is useful for low-cost consumer products, such as shampoo or toothpaste. Many stores find this an attractive pricing strategy for sales and year-end clearances.

Cost Factors and Pricing

Every component of a service or product has a different, specific cost. Many small businesses fail to analyze each component of their commodity's total cost, and therefore fail to price profitably. Once you do this analysis, set your prices to maximize profits and eliminate any unprofitable services.

Cost components include material, labor and overhead costs. Material costs are the costs of all materials found in the final product, such as the wood, glue and coverings used in manufacturing a chair.

Labor costs are the costs of the work that goes into manufacturing a product. An example would be the wages of all production-line workers producing a certain commodity. The direct labor costs are derived by multiplying the cost of labor per hour by the number of personnel hours needed to complete the job. Remember to use not only the hourly wage but also the dollar value of fringe benefits. These include social security, workers' compensation, unemployment compensation, insurance and retirement benefits.

Overhead costs are those not readily identifiable with a particular product. These costs include indirect materials, such as supplies, heat and light, depreciation, taxes, rent, advertising, transportation and insurance. Overhead costs also cover indirect labor costs, such as clerical, legal and janitorial services. Be sure to include shipping, handling and/or storage as well as other cost components. Part of the overhead costs must be allocated to each service performed or product produced. The overhead rate can be expressed as a percentage or an hourly rate. It is also important to adjust your overhead costs annually. Charges must be revised to reflect inflation and higher benefit rates. It's best to project the costs semiannually, including increased executive salaries and other costs.

Understanding Cash Flow

Failure to properly plan cash flow is one of the leading causes of small business failures. Understanding the basics will help you better manage your cash flow.

Your business's monetary supply can exist either as cash on hand or in a business checking account available to meet expenses. A sufficient cash flow covers your business by meeting obligations (i.e., paying bills), serving as a cushion in case of emergencies, and providing investment capital.

The Operating Cycle

The operating cycle is the system through which cash flows, from the purchase of inventory through the collection of accounts receivable. It measures the flow of assets into cash.

For example, your operating cycle may begin with both cash and inventory on hand. Typically, additional inventory is purchased on account to guarantee that you will not deplete your stock as sales are made. Your sales will consist of cash sales and accounts receivable credit sales, usually paid 30 days after the original purchase date. This applies to both the inventory you purchase and the products you sell. When you make payment for inventory, both cash and accounts payable are reduced. Thirty days after the sale of your inventory, receivables are usually collected, increasing your cash. Now your cash has completed its flow through the operating cycle, and the process is ready to begin again.

Current Assets

Cash and other balance-sheet items that convert into cash within 12 months are referred to as current assets. Typical current assets include cash, marketable securities, receivables and prepaid expenses.

Cash-Flow Analysis

Cash-flow analysis should show whether your daily operations generate enough cash to meet your obligations, and how major outflows of cash to pay your obligations relate to major inflows of cash from sales. As a result, you can tell if inflows and outflows from your operation combine to result in a positive cash flow or in a net drain. Any significant changes over time will also appear. Understanding this will lead to better control of your cash flow and will allow adequate time to plan and prepare for the growth of your business.

It is best to have enough cash on hand each month to pay the cash obligations of the following month. A monthly cash-flow projection helps to identify and eliminate deficiencies or surpluses in cash and to compare actual figures to past months. When cash-flow deficiencies are found, financial plans must be altered to provide more cash. When excess cash is revealed, it might indicate excessive borrowing or idle money that could be invested. The objective is to develop a plan that will provide a well-balanced cash flow.

Planning a Positive Cash Flow

Your business can increase cash reserves in a number of ways.

Collecting receivables: Actively manage accounts receivable and quickly collect overdue accounts. You stand to lose revenues if your collection policies are not aggressive. The longer your customer's balance remains unpaid, the less likely it is that you will receive full payment.

Tightening credit requirements: As credit and terms become more stringent, more customers must pay cash for their purchases, thereby increasing the cash on hand and reducing the bad-debt expense. While tightening credit is helpful in the short run, it may not be advantageous in the long run. Looser credit allows more customers the opportunity to purchase your products or services. You should measure, however, any consequent increase in sales against a possible increase in bad-debt expenses.

Taking out short-term loans: Loans from various financial institutions are often necessary for covering short-term cash-flow problems. Revolving credit lines and equity loans are types of credit used in this situation.

Increasing your sales: Increased sales would appear to increase cash flow. However, if large portions of your sales are made on credit, when sales increase, your accounts receivable increase, not your cash. Meanwhile, inventory is depleted and must be replaced. Because receivables usually will not be collected until 30 days after sales, a substantial increase in sales can quickly deplete your company's cash reserves.

Finding an Accountant

If you hire an accountant, find someone who is knowledgeable, capable and discreet. With the ever-changing complexities of tax laws and developments in accounting methods, it is important to look for an accountant who takes advantage of educational seminars, professional publications and other continuing-education opportunities. Professional accountants are listed in telephone directories under accountants, public accountants, bookkeepers and tax preparers. Look for references or recommendations from local business associates, your banker or your attorney.

Raising Money for a Small Business

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

There are several sources to consider when looking for financing. Explore all your options before making a decision. These include -

- personal savings
- friends and relatives
- banks and credit unions
- venture-capital firms.

Borrowing Money

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 aware of the bank's loan policies. Lending institutions generally require fully secured loans and sufficient commitment of capital by the borrower.

Types of Business Loans

Short-term loans: Short-term loans are paid back in less than one year. Types of short-term loans include:

- working-capital
- accounts receivable
- revolving lines of credit

Long-term loans: Long-term loans generally have maturities of more than one year but 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:

- equipment
- furniture and fixtures
- vehicles
- commercial mortgages
- real estate

Applying For a Loan

Approval of your loan request depends on how well you present yourself, your business plan and your financial needs to a lender or investor. The best way to improve your chances of obtaining a loan is to prepare a thoughtful and professional-looking proposal. The proposal is your business plan with a few important additions:

In the executive summary, state the purpose of the loan and the exact amount required. Explain specifically what the loan will be used for and why it is needed.

In the financial information section, include personal financial statements on yourself and other principal owners of the business, if this will be a partnership. Also identify the collateral you would be willing to pledge as security for the loan.

What Lenders Look For

Many loan officers will order a copy of your credit report from a credit-reporting agency. Therefore, you should work with these agencies to help them present an accurate picture of yourself. The lender will also look at your work history and letters of recommendation. Using the credit report and the information you have provided, the lending officer will consider the following issues:

- Do you have a sound record of credit-worthiness?
- Do you have sufficient experience and training to operate a successful business?
- Have you prepared a loan proposal and business plan that demonstrate your understanding of, and commitment to, the success of the business?

U.S. Small Business Administration Financial Assistance Programs

The SBA offers a variety of financing options for small businesses. The SBA's assistance usually is in the form of loan guaranties. The SBA guarantees loans made by banks and other private lenders to small business clients. Generally, the SBA can guarantee up to \$750,000 or 75 percent of the total loan value, whichever is less.

Whether you are looking for a long-term loan, a general working-capital loan, a revolving line of credit or a microloan, the SBA has a financing program to fit your needs.

For More Information

SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory.

The need for financing is a critical and perennial concern for the owners of small businesses. Indeed, few things are as crucial to the health of a small business operation. Many small businesses are launched by the personal resources of their owners. But they can quickly reach the stage where the owner must look to the credit market for financial help in expanding operations. The banking industry is an important source of working capital. However, entrepreneurs may not realize that applying for commercial credit is a more customized process than obtaining consumer credit, and requires a great deal of preparation by the business applicant. This brochure may help to de-mystify the process and improve your chances of getting the credit you need.

Types of Loans

Banks and other financial institutions can assist you by providing funds through personal or commercial credit. Examples of personal credit include automobile

loans, credit cards, and home mortgages. Commercial credit includes business loans; here are some of the options:

Short-term loans are one of the most common types of business loans and are usually for less than one year. They can provide interim working capital for a business temporarily in need of cash, and are typically repaid in a lump sum when inventory or accounts receivable are converted into cash.

Intermediate-term loans are often used for a business start-up, the purchase of new equipment, expansion, or an increase in working capital. The maturity dates range from one to three years.

Long-term loans generally are made for major capital improvements, acquiring fixed assets, or business start-ups. The term of the loan runs for periods of three to five years and is usually based in part on the life of the asset financed. Repayment is usually made in monthly or quarterly installments.

A line of credit offers you the ability to borrow money repeatedly, up to your credit limit, without having to reapply. A line of credit is particularly important to businesses that experience seasonal fluctuations. The lender generally will perform a review once a year, at which time the borrower is asked to provide updated financial statements.

The Credit Application Process

Applying for commercial credit can be tedious. It calls for more documentation than you might initially have expected and certainly a lot more than when you apply for consumer credit. For lenders, extending credit to an entrepreneur usually means customizing the loan to suit the credit needs of that business. So don't be disheartened by the amount of paperwork needed to accompany the application. Instead, be prepared!

Among the best assets you can bring to the lender is a well thought-out and documented business proposal. You need to clearly state the purpose of the loan (will the money be used for temporary working capital, buying equipment, or expanding facilities); the amount of funds needed and for how long; and a repayment schedule.

Your business proposal should include the following information:

- business description that tells the nature of the business, describes the product and its market, identifies its customers and competition.
- personal profile that outlines the background and experience of each of the principals in a resume.
- proposal that states the type of loan requested and its purpose.
- business plan that outlines your corporate strategy for the next three to five years; it will aid you and the lender in determining whether the business will generate the cash flow needed to repay the loan.

- repayment plan that tells how you propose to repay the loan or outlines a repayment schedule. The lender will be expecting you to repay the borrowed funds from the profits produced by the business. As a contingency, you might need to develop a plan on how you would repay the loan if the profits alone turned out to be inadequate.
- supporting documentation will include copies of pertinent papers that support the information contained in your loan proposal—for example, a lease, certificate of incorporation, partnership agreement, letters of reference, contracts, invoices or vendor quotes.
- collateral that you will use to secure the payment of the loan. Collateral can include business and personal assets such as inventory, equipment, and accounts receivable or real estate, stocks, bonds, and automobiles.
- financial statements, both personal and for the business. The business financial statement should be provided for the last three to five years of operation including a year-to-date interim report. It should contain a balance sheet showing business assets and liabilities, and a profit-and-loss statement showing revenues and expenses. The lender uses this information to calculate a debt-to-worth ratio for the business. Be prepared to provide copies of tax returns for the business for this same period.

The personal financial statement should list your assets and your liabilities. Identify the names in which title to each asset is held and its fair market value. You should be prepared to provide copies of your personal tax returns. You may be asked for a list of credit references. Lenders will check your personal as well as your business credit rating.

Lenders will carefully examine your financial statements and business projections. As a borrower, you must be fully prepared to answer questions about them.

Personal guarantees of the owners or other principals usually are required, even from an established business. The lender also may request another party's guarantee such as a cosigner or a surety, or may request a government guarantee from the U.S. Small Business Administration or other government agency.

In addition to the personal guarantee that you give, under the Equal Credit Opportunity Act the lender is allowed to require another person's guarantee should your application fail to meet the lender's standards of creditworthiness. If all or most of the assets listed on your personal financial statement are owned jointly with your spouse, or with someone else, the lender is likely to require such a guarantee. But the lender may not require that your spouse be the guarantor.

In the case of secured credit, the lender is allowed to obtain a spouse's or other co-owner's signature on certain documents when the applicant offers, as security for the loan, property that the two own jointly. In this case, the spouse or other co-owner may be asked to sign documents---such as a mortgage or other

security agreement that would be necessary under applicable state law to make the property available to satisfy the debt.

Sources of Technical Assistance

Before you approach a lender, you might want to seek the advice of another, more experienced "set of eyes" to review your business proposal, particularly if you are a first-time borrower. By doing so, you'd be getting the loan package in shape to make it easier for the lender to reach a favorable credit decision. There are some business support groups whose members could counsel you on how your package looks. A qualified counselor might even discover that you really don't need more money, and instead suggest better inventory control, improved marketing techniques, or other changes that could actually solve your growth problems. One source of counseling available to small businesses is the Service Corps of Retired Executives (SCORE), which is sponsored by the U.S. Small Business Administration. Others might include accountants and financial advisers.

Once you are satisfied that your proposal is in good shape to present to a lender, set up an appointment to discuss your application. You will find that the lender can also be an excellent source of business and financial counsel.

If Your Application Is Not Approved

Most lenders, banks especially, are conservative in granting business loans. Given the obligation to their stockholders and depositors, they need to be sure there's a good chance the loans they make will be repaid.

If your application for credit is not approved, find out the reasons why. Some of the reasons that lenders often give for denying a business loan include, for example, insufficient owner's equity in the business; lack of an established earnings record; a history of slow or past-due trade or loan payments; or insufficient collateral. Finding out the reasons may help you qualify the next time you apply. The lender will keep you informed about the status of your application. If you are considered a "small business" (when your business revenues are \$1 million or less, or when you are applying to start up a business), a lender has 30 days to let you know, either orally or in writing, whether or not you get the loan. The 30-day period begins after the lender has received all of the information needed to evaluate your credit request.

If your application is denied, the lender must give you either:

- a written statement of the reasons for denial, or
- a written notice telling you of your right to obtain the reasons in writing. This notice may be given to you during the application process or at the time of the denial.

The lender also will keep for one year the records relating to your application.

Different rules apply for larger businesses (those with more than \$1 million in revenues). Within a reasonable period of time after getting all the necessary information on which to base a decision, the lender must decide and let you know whether or not you get the credit. Then you'll have 60 days in which to ask for a written statement of the reasons why you were denied credit; this is important to remember because the lender need not notify you of this right. The creditor will keep records of your application for at least 60 days after telling you of the credit decision. If within the 60 day period you request that records be kept longer, or ask for a written statement of the reasons for denial, records will be kept for one year.

Equal Credit Opportunity Act

Obtaining credit can be a difficult process for any business owner and especially for first-time borrowers. But keep in mind that different lenders have different standards; if you did not meet the standards of a particular institution, you may still qualify elsewhere. If you have a full understanding of why the initial lender didn't approve your application, with time and more attention to these areas, you can improve your proposal as a result and may succeed the next time you apply.

Women and minority applicants may be concerned that they have received less favorable treatment which is unrelated to their creditworthiness. All business applicants have certain protections against unlawful discrimination under the Equal Credit Opportunity Act. The Act makes it illegal for lenders to deny your loan application, discourage you from applying for a loan, or give you less favorable terms than another applicant because you are a woman or a minority group member.

Under the law, a lender may not take factors such as sex, race, national origin, or marital status into account.

In addition, the lender may not ask for information about your spouse unless your spouse has some connection to the business, or unless you are relying on your spouse's income to support your credit application or relying on alimony, child support, or separate maintenance payments to establish creditworthiness. But the lender may ask you for information about your spouse if you are living in, or you are relying for security on property located in, a community property state (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, or Wisconsin).

Whether your business is large or small, if you are not granted the credit, be sure to discuss any questions you may have with the lender.

If You Need Help

If you are not granted credit by the lender and you believe the lender may have acted unlawfully, you can seek further assistance from the regulatory agency that supervises the institution. A list of some of the agencies is contained in this

brochure for your reference. If it becomes necessary to seek legal assistance, the Act provides some remedies. If you have been denied credit because of unlawful discrimination and are able to prove it, courts may award actual damages and in some circumstances may impose punitive damages against the lender. If a lawsuit alleging discrimination is successful, the court also may award court costs and attorney fees.

Federal Enforcement Agencies

All creditors are subject to the Equal Credit Opportunity Act (ECOA) and Regulation B (issued by the Federal Reserve Board), which contains specific rules governing credit transactions. The following is a list of the federal agencies that enforce the ECOA and Regulation B for particular classes of financial institutions. Any questions concerning a particular financial institution should be directed to its enforcement agency.

State Member Banks of the Federal Reserve System
Division of Consumer and Community Affairs
Mail Stop 800
Board of Governors of the Federal Reserve System
20th & C Streets, N.W.
Washington, D.C. 20551
(202) 452-3693
www.federalreserve.gov

National Banks
Office of the Comptroller of the Currency
Consumer Assistance Unit
1301 McKinney Street
Suite 3710
Houston, Texas 77010
(800) 613-6743
www.occ.treas.gov

Non-Member Federally Insured Banks
Federal Deposit Insurance Corporation
Office of Compliance and Consumer Affairs
550 17th Street, N.W.
Room PA-1730, 7th Floor
Washington, D.C. 20429
(202) 942-3100 or
(800) 934-FDIC (934-3342)
www.fdic.gov

Savings and Loan Associations
Office of Thrift Supervision
Consumer Programs
1700 G Street, N.W., 6th Floor

Washington, D.C. 20552

(202) 906-6237 or

(800) 842-6929

www.ots.treas.gov

Federal Credit Unions

National Credit Union Administration

Office of Public and Congressional Affairs

1775 Duke Street

Alexandria, Virginia 22314

(703) 518-6330

www.ncua.gov

Small Business Investment Companies

Consumer Affairs

Small Business Administration

409 Third Street, S.W.

Washington, D.C. 20416

(800) U-ASK-SBA (827-5722)

www.sba.gov

Other Lenders

Federal Trade Commission

Consumer Response Center

600 Pennsylvania Avenue, N.W.

Washington, D.C. 20580

(202) 326-3758 or

Alternative Sources of Capital

The U.S. Small Business Administration (SBA), the federal agency created specifically to assist and counsel small businesses, suggests the following sources of capital in addition to banks:

- Friends, Relatives, Individuals
- Savings and Loan Associations
- Insurance Companies
- Finance Companies
- Mortgage Companies
- Small Business Investment Companies
- Venture Capital Firms
- State Government Financing Sources
- Pension Funds
- Government Agencies (such as SBA)

- Private Foundations