

Most Frequently Asked Questions About Woman-Owned Business

(The following information was taken from: <http://www.sba.gov/womeninbusiness/>)

1. *What is a start-up business?*

For the purposes of financing, 'start-up' businesses include those businesses that are about to open up their doors as well as those that have been operating for eighteen months. In fact, many banks will consider any business less than three years old to be a 'start-up'.

Start-up businesses are in a category by themselves because they lack a track history by which the company can be analyzed. A track history provides lenders the capability of evaluating the management, sales and financial strengths of the business. A strong and successful business encourages potential lenders or investors to invest in the company.

If you are buying a business or a franchise, although you will be considered a start-up, the past track history of an existing business or franchise could be an advantage in seeking financing.

2. *Can I start a business with a good idea?*

No. A good idea is not enough to start a business. Successful businesses start with a good idea that is backed up with experience, technical knowledge in the relevant industry, contacts, marketing expertise and money.

3. *How do I get started?*

Most start-up businesses need training in managing the operations and finances of their businesses. Courses will provide you with the information you need to prepare a business plan. A business plan outlines how you intend to manage and grow your business. Once you have a business plan, you can use it to pursue financing through friends, family, individual investors or, in some cases, banks.

4. *How do I get my business started?*

The SBA has local resource partners that provide free counseling and training with starting a business. There are pre-business workshops provided by resource partners to assist small businesses in virtually every aspect of business. SBA has Business Information Centers that offer FREE business training. In partnership with SCORE, SBDCs and SBI, confidential one-on-one free counseling is provided to small businesses and potential business owners.

5. *What does the SBA offer the person interested in starting?*

In addition to our loan programs the SBA offers technical assistance through one-on-one counseling through the Service Corps of Retired Executives (SCORE). They can answer questions on the necessary steps to start, offer brochures and literature on a variety of topics, and many chapters have workshops on a regular basis designed to assist the new entrepreneur. Many chapters have programs designed specifically for women where the opportunity exists to network with other participants who share common concerns. If your business plan needs editing or redlining, or you need additional information for your market research, the SBA can give you the number for the Small Business Development Center nearest you.

6. *I have recently started a business and am looking for help in getting more business.*



One of the SBA's greatest resources is the Service Corps of Retired Executives (SCORE). These people are generally retired executives from the private sector and past business owners like yourself who volunteer to share their expertise with others. Their services are free and confidential. To learn more about SCORE, visit: <http://www.score.org> or contact your local SBA office and they will put you in touch with the SCORE Chapter nearest you.

7. *Do I need my own money to start a business?*

Yes. Any lenders or investors in your business want to see that the owner has a considerable amount of her/his money in the business - your money is at risk as much as their money. If a business owner does not have owner equity in the business, she/he is more tempted to walk away from a failing business because there is little to lose.

8. *Are there any grants to start a business?*

No. Even though many publications and talk shows publicize grants to small businesses there is only one grant available and that is for research and development for technology based products and services for the government.

9. *Can I get grant money for my small business?*

There is no federal grant money for individual business owners. However, SBA has an excellent financial assistance program, which encourages bankers to help small businesses. This "loan guaranty" program is the agency's priority.

The past year has shown a significant increase in the number of loan guaranties for businesses owned by women and minorities. In this regard, the "LOWDOC" program has been especially helpful in streamlining the paperwork for business loans of \$100,000.00 or less.

In addition to micro-loans, there are several government loan programs that are available for start-ups. These programs require that a bank originate part or all of the loan. The owner should have at least 30% of the total loan request secured by equity and collateral. In addition, past experience, contacts in the industry, and capability of the owner will be important factors in evaluating the loan request.

10. *Where do I get "start-up" money?*

The answer(s) to this question will vary depending on: the amount of money a person needs; the length of time she has been in business; their geographic location; their personal credit rating; their ability to provide collateral; the viability of their business idea; whether the entrepreneur is looking for debt or equity financing, etc. We may suggest to an individual that they explore the following sources of capital: banks (developing a relationship with a bank and a banker is key); Small Business Development Centers (while they may not have access to funds, they will almost certainly have resources and contacts); the "Friends and Family" bank (this is probably the most common and most successful source of funds for start ups); community development centers (many of them have money to lend); venture capital (for those who don't mind giving up "control" of their business); angels; the use of supplier/vendor financing (have a supplier extend 120 day terms instead of the usual thirty while you extend only 30-day terms to your customers); seller financing; end-user funding (having the ultimate customer finance the research and development of the product). The SBA offers a variety of loan programs including the Women's Pre-Qualification Pilot Loan Program. This program can provide help in developing a loan application package and may allow a woman to qualify for an SBA loan guarantee before she applies to a financial



institution for a loan -- SBA approval is based on the applicant's potential for success and repayment, not collateral. In addition, in some areas, the SBA offers the Microloan Program, which provides short-term start-up or expansion loans of up to \$25,000 -- loans are made through non-profits with experience in lending and technical assistance (call SBA's Office of Finance for more information).

11. *Are there other sources of financing for start-up businesses?*

Yes. First consider your personal resources. Ask your bank about a personal loan and remember that a home equity loan is still the cheapest and fastest loan to obtain. Next, approach family and friends - those who know you best and who want to see you succeed. Show them the opportunity of investing in your business. Let them have an equity stake in your business or if they prefer to lend you the money, write up an informal contract and pay back the loan as if you were working with a bank.

Factoring companies provide money lent upon receivables. If you have a product or service that you have already provided and billed for, but you do not expect payment for several weeks, a factoring company will quickly provide you up to 80% of the total invoice. This cash helps to cover the cash flow of the company until you get paid.

12. *Should I go to a venture capitalist?*

No. Venture capital firms want to invest in companies where they can invest over a million dollars and receive a 30% return in three to five years.

13. *I am working on a new computer theory and need a grant to continue.*

The Small Business Innovation Research program may be of use to your business. They are currently accessed electronically, through the SBA Online Bulletin Board. To access the SBA OnLine Bulletin Board, dial: 1-800-697-4636. You may also be able to access the information on SBIR through your public library or local university.

14. *Are there any loans for start-up businesses?*

Yes, but on a limited basis. A number of micro-loan programs exist through SBA. These micro-loan programs offer loans up to \$25,000, though many of the first time loan recipients are limited to \$15,000 or less. Many of the loan programs require that the business owners attend training on how to start and manage a business in order to qualify for a loan. All programs require a business plan. More than one-third of all microloans goes to women business owners.

15. *How do I get a loan from SBA?*

Apply for a business loan at your bank. If financing is unavailable on reasonable terms from the lender, ask the bank to submit your loan application to SBA for consideration. In partnership with your local bank, SBA may offer a Government guaranty of a loan to be made by that lender. Most small businesses are eligible and nearly all banks participate with SBA. SBA programs are especially valuable for new business start-ups and instances where collateral is weak and/or a longer repayment term is needed. The SBA loan application package can be as simple as a one-page form, and loans can be approved in 1-7 days. Credit-worthy potential small business owners and existing small businesses that require capital to start or expand their small business may find that SBA's financial assistance programs can help them secure the financing that they need. SBA has no funding for direct loans. For information on SBA Loan Programs contact the SBA Office closest to you or call the SBA Answer Desk at 1-800-U-ASK-SBA (1-800-8-275-722).



16. *My bank has rejected me and I am looking to obtain a loan for a start up business in my home.*

The SBA no longer has direct loans available. All of our loans are guaranteed bank loans and you must be able to convince a lender that you can repay the loan from the proceeds of the business. We would suggest that you contact a Small Business Development Center to look over your current business plan or help create one if you do not have one. If the amount of money that you are looking for does not exceed \$25,000.00, another good source would be to seek out the organization that handles the SBA's Micro Loan Program. This program was targeted to assist the under serviced population such as women, minorities and businesses in rural and urban areas.

17. *I have recently received a small business loan because my business is growing and expanding. What services can you provide?*

If you have been in business at least one year check with your local SBA office about their Women's Network for Entrepreneurial Training (WNET). This is a program that was launched in 1990 and was designed to match successful women business owners with newer women business owners to share their experiences and expand the network for women business owners. You may also investigate to see what organizations are available for you in your community such as the National Association of Women Business Owners (NAWBO), National Association of Female Executives (NAFE), Business and Professional Women (BPW), to name a few. Your Chamber of Commerce may also be able to identify programs of interest and services available in the area.

18. *How do determine if my product/service will sell? Do I need to hire someone else to do my market research?*

Again, there is no "easy" answer to this question; the answer(s) will vary depending on many factors. Generally speaking, there are many low-cost or free resources that can assist individuals in their market research. For example, many public libraries have Info-Connect services, which can provide invaluable information. The Department of Commerce has census data available. Individuals can certainly conduct their own market surveys -- both written and verbal (by telephone or mail); established, new or prospective business owners must understand their competition (their strengths and weaknesses and how their business stacks up); individuals must understand what their business' "value added" is -- what positively distinguishes their product or service from the competition's; individuals may conduct their own informal "focus groups" to determine if there is a demand for their product/service and/or contact the association(s) under which their product or service falls for information on markets (many associations have departments which collect market data on an ongoing basis). Individuals may certainly choose to hire an outside market research firm, but in many cases, this is not necessary.

19. *How can I "certify" as a woman-owned business?*

On the federal level, there is not a certification process for woman-owned businesses. A woman "self-certifies." During the process of getting on a federal agency's bidders list, you'll have a chance to check-off that you are: woman-owned; small; minority; veteran; etc. The federal government is considering a separate certification process for woman-owned businesses. Currently, though, the process is self-certification.

However, you should check with your local Office of Economic Development or its counterpart in the county or city in which you're licensed. Many local and state governments certify woman-owned businesses and include them in their procurement goals.



20. *How can I get federal contracts?*

First, you should contact your closest SBA office and obtain training calendars for area Small Business Development Centers (SBDCs); women's demonstration project; and your local Service Corps of Retired Executives (SCORE).

SBA ANSWER DESK: 1-800-U-ASK-SBA (1-800-8-275-722)

SBA ON-LINE FOR LISTINGS: www.sba.gov.

Begin to determine what federal agencies are most likely to buy your products or services. One way you can do this is through reviewing fairly recent editions of the Commerce Business Daily available at local libraries. That publication is a daily listing of goods and services the government is seeking to purchase. You can decide which agencies to target for marketing. In the beginning, narrow yourself down to a small number of agencies so that your marketing to them is personalized and effective.

Then take advantage of SBA's training programs to learn and stay up to date in this complex field. You should seek training and publications on:

- How to market effectively to the federal government.
- How to write a winning proposal.
- Federal contract compliance.
- Government accounting methods.
- Subcontracting and teaming.
- EC/EDI (Electronic Commerce/Electronic Data Interchange)

21. *Is there any advantage to being a woman-owned business when attempting to do business with the federal government?*

The Federal Acquisition Streamlining Act of 1994 establishes a five percent government-wide procurement goal for women-owned businesses. Agencies have a strong incentive to look for qualified women-owned businesses when filling contractual needs.

Most federal agencies have designated a point of contact for women business owners in the Offices of Small and Disadvantaged Business Utilization (OSDBUs). These contacts, or the OSDBUs, can help you determine the appropriate procurement personnel to whom you should market. Also, you can request information on procurement fairs, agency procurement forecasts, and other research, which will help you profit in the federal marketplace.

For information about the loan guaranty process, participating SBA lenders, and ways SBA can assist you in developing a business plan and loan proposal, contact the SBA District Office closest to you or call the SBA Answer Desk at 1-800-U-ASK-SBA (1-800-8-275-722)

