Funding for Strategic Growth

I have been devoting several of the recent columns to topics around the general theme of “growing your business”. One of the most common questions that SCORE mentors are asked is “how can I fund the growth of my business?” These comments are for those businesses that are in a good position to expand.

If your company is showing a consistent profit, offers a product or service for which there is strong demand, and has growing sales and loyal customers, there is money out there to help you. Here are expansion financing sources to consider.

**SBA Microloan Program:** This program provides small, short-term loans through nonprofit, community-based intermediaries. The loan limit is $50,000, and the average loan is about $13,000.

**SBA Express Loan Program:** This program offers loans of $350,000 and under with minimal paperwork.

**SBA 7(A) Program:** This program offers larger loans for a variety of expansion expenses and special needs. To increase your chances of success, look for a lender that makes a lot of 7(a) loans.

**Community Development Financial Institutions (CDFIs):** These community-focused lending institutions participate in a program run by the U.S. Treasury Department. Loan limits typically are in the $100,000 to $300,000 range and occasionally as high as $500,000.

**USDA Business and Industry (B&I) Loans:** These loans, made by local lenders and guaranteed by the U.S. Department of Agriculture, are available to businesses in communities of less than 50,000 and certain low-income census tracts of larger cities.

**Small Business Investment Companies (SBICs):** SBICs are privately owned and managed investment funds, licensed and regulated by the SBA, that use their own capital and funds borrowed with an SBA guarantee to make equity and debt investments in small businesses.
Angel Investors: These high-net-worth individuals invest their own money in small businesses, often in industries in which they have experience. You can find angels through local or national angel groups or through your networks of contacts.

Banks and Credit Unions: Don’t rule out conventional loans and lines of credit from banks and credit unions.

Peer-to-Peer Lending: If the amount you need is fairly small, you may be able to borrow enough money from other individuals on online peer-to-peer lending sites.

Crowdfunding: Crowdfunding enables business owners to solicit donations on crowdfunding sites such as Indiegogo, Kickstarter and Peerbackers. In 2012, a provision of the JOBS Act expanded crowdfunding to enable entrepreneurs to solicit investments totaling less than $1 million via crowdfunding without registering with the SEC. The SEC is still finalizing regulations that will affect crowdfunding investments.

If you plan to seek outside financing to expand your business, creating and maintaining accurate financial records and forecasts will improve your chances of success.

_________________________
Dean L. Swanson
Southeast Minnesota SCORE
c/o Rochester Area Chamber of Commerce
220 South Broadway, Suite 100
Rochester, MN 55904
www.seminnesota.score.org/
*Dean is a volunteer SCORE Mentor and District Director of SCORE Minnesota