

# FUNDING OPTIONS FOR YOUR BUSINESS.

By Kirk Morgan

*While the United States economy continues to be plagued by high unemployment, the affects of European sovereign debt, and a slowdown in the economy of China; there are, nevertheless, opportunities for qualified businesses to take advantage of government-enhanced funding to grow and expand.*

The adverse affect the economic down-turn had on small and start-up businesses' access to private funding led to state and federal government-launched initiatives. These initiatives are intended to assist qualified businesses by providing greater access to private lending that may be otherwise unavailable due to size, depreciated assets, cash flow deficiencies and general underwriting criteria. One such effort is through the Michigan Economic Development Corporation (MEDC).

## State Funding Opportunities

The MEDC was formed in 1999 as a public-private effort to attract and accelerate business in Michigan. It, among other things, manages the now ubiquitous "Pure Michigan" marketing campaign; and, more importantly, the MEDC offers several funding programs designed to assist small and start-up business' with private lending opportunities in conjuncture with state and federal assistance.

For instance, the MEDC offers the Michigan Business Growth Fund Collateral Support Program. This program is a frank recognition that, due to no fault of the business, the overall affect of the recession lowered the value of an otherwise solid collateral position; thereby making it difficult to leverage this position into enhanced borrowing opportunities. The program is set-up to offer otherwise qualified borrowers the opportunity to draw upon government-backing of deposits into an interest bearing account with a lender that will be pledged as collateral on behalf of the borrower.

The MEDC also offers the Michigan Business Growth Fund Loan Participation Program. This program focuses on those businesses that may not possess the necessary historic cash-flow to otherwise qualify for lending subject to strict underwriting criteria. The intent is to partner government-backed financing with private lending through the program's purchase of a portion of the loan from the lender and offer a grace period on the purchase portion for up to 36 months. The MEDC effort limits the exposure of lenders and offer borrowers greater cash-flow during the grace period of the lender's portion of the loan.

The MEDC also offers small amounts of public resources to generate lender financing through its Capital Access Program (CAP) and Credit Union Small Business Financing through a partnership with the Michigan Small Business and Technology Development Centers and MEDC.

**For qualification and eligibility criteria visit:**  
[www.michiganadvantage.org](http://www.michiganadvantage.org)

## Federal Funding Opportunities

The Federal Government also offers funding opportunities through the Small Business Administration (SBA). While there are many programs (7(a), SBA Express Program, CAPLines) that may be available to businesses, but one of the most attractive is the SBA 504 Loan Program (504 Loan Program).

The 504 Loan Program is in essence a "take-out" program where the lender finances the small business project and after SBA 504 Loan approval, the Federal Government provides funding of up to 40% of the original lender loan and leaves the lender in a first collateral position.

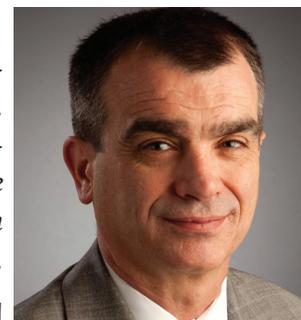
Naturally, certain criteria must be met to qualify for the 504 Loan Program. For instance, a business must demonstrate a need for credit, possess tangible net worth under \$15 million dollars, and possess a two year average of less than \$5 million dollars in net income. The benefit to the business owner can translate into a lesser interest rate for up to 40% of the loan and more generous loan terms.

## 504 Loan Benefits for Small Business

- **90% financing**
- **Longer loan amortizations, no balloon payments**
- **Fixed-rate interest rates**
- **Savings that result in improved cash flow for small businesses**

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