



Guide To Financial Programs

Local-Regional-State-Federal
Financial Assistance Programs



**Financial
Assistance
and
Tax Incentives**

South Central Iowa Area Partnership

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All information is, to the best of our knowledge, accurate.

Due to continual changes in program funding, guidelines, and contact information, we recommend you contact the listed number to confirm the program's requirements. If you find any information that needs updating, please contact us and let us know. Thank you.

Potential Funding Sources

Funding for your small business venture can be obtained from a variety of different sources. Refer to the “Iowa Small Business Resource Guide” in this packet to locate different organizations that may be able to help fund your project. In addition to the content in this guide, this website has information about types of funding available. www.myentre.net Be sure to check out the following sources:

- Banks and other financial institutions (Talk to their Commercial Loan Officer)
- City, county, and state governments (See your Resource Guide for contact information)
- Regional economic development groups & community development corporations (See Resource Guide)
- Councils of government or regional planning commissions, with revolving loan funds
- Investor-owned electric and gas utilities (Check in your county phone directory)
- Rural electric and telephone cooperative companies (Check in your county phone directory)
- Venture capital funds and individual venture investors (Contact the JPEC office on the UNI campus)

How to Secure Funding

You will need a combination of the following to secure outside financing for your venture:

Personal & Business Credit

Your personal and business credit will need to be in good standing in order to proceed with financing. Contact a credit bureau and review your credit report for any deficiencies or errors. There are three credit-reporting agencies:

- Equifax – (800) 685-1111 or www.equifax.com
- Experian – (888) 397-3742 or www.experian.com
- Trans Union – (800) 888-4213 or www.transunion.com

Assistance with resolving credit account issues, structuring or consolidating debt, and reviewing your credit report is available from Consumer Credit Counseling Service of Des Moines. If you have problems that need to be resolved, contact 1-800-955-5765 or www.consumercredit-dm.com for a free counseling appointment.

You will also need to provide information that illustrates your personal financial standing, and history. These documents include copies of your tax returns for the past 2-3 years, and a written declaration of your personal assets (anything that could be sold or cashed-out) and your liabilities (debts). (Refer to the back of your Business Plan Guide for a Personal Balance Sheet/Statement worksheet.)

Collateral

Collateral is property, equipment, or investments (not cash) pledged as security for a loan. These holdings insure the lender of a return on their investment in nearly any future circumstance. Collateral may be personally owned, business owned, or consist of/include a Federal Small Business Administration (SBA) loan guarantee.

Owner Equity

Owner equity is the amount that the owner is expected to put into the business. This is required in most cases, and a reasonable amount is expected to be at stake. (Reasonable is determined on a case-by-case basis). It is generally, but not always, about a third or 30% of the projected cost for the start-up of a new business. The minimum required is 10%, usually for an existing business. Owner

equity is usually in the form of a portion of the loan paid up-front, often in the form of cash. In some instances items already funded or purchased for the business may be counted towards the owner equity share of the total project.

A down payment of 30% is standard for a commercial loan. If you do not have 30% cash, other sources of funding may be used to supplement the gap. Often called “gap financing”, some options are listed in this guide. Other types of loans may require less cash down. Examples are loans in the Economic Development category, which may run as low as 10% down for qualifying projects.

In this example, we will assume the start-up cost of a proposed business is \$50,000. Seventy percent (\$35,000) of the start-up cost can be covered through commercial financing. The other thirty percent (\$15,000) will need to be in the form of owner equity.

Owner's Equity 30%	\$15,000
Commercial Financing 70%	\$35,000
Start-up cost Total	\$50,000

Repayment Ability

For existing businesses, funders will require financial statements on the business for the last three fiscal years to be submitted, plus current year-to-date statements not more than 90 days old. In addition, cash-flow projections will need to be prepared, which show the estimated, future income and expenses from the business and any new ventures, for two to three years out. For new businesses, only the projections will be required, unless the new venture consists of a purchased or acquired business.

Related Experience and Management Qualifications

The potential funder will need information on the experience and education qualifications of the individuals that will have the responsibility of running and managing the business. Resumes or other written documentation will be required that assures the major decision-makers for the company have the skills necessary and are competent and capable of carrying out the business plan.

Business Plan

In order to qualify for business financing, a business plan is usually required by both commercial and government funding agencies. (Refer to the Business Planning Guide provided in your packet) The Business Planning Guide has important information about preparing a business plan and the content needed. It also includes a money section that outlines the financial documents you will need to prepare and provide.

Loan Review Process

In seeking a loan for your venture, you are essentially asking the bank or financing agency to become your business partner. Before requesting financial assistance, make sure you've done all the necessary groundwork and are prepared to answer these four questions:

1. How much do you need and for what? (Complete the Project Budget Worksheet located in the Business Planning Guide.)
2. What terms such as interest rates and length of payments, do you need for your loan? (Complete the Cash-Flow Projection Worksheet to determine what size of payments your business will be able to support.)
3. What shape is your business in? (Provide copies of your last three years of income tax forms, and income-expenses statements with balance sheets, for your business.)
4. How will you generate sufficient cash flow to repay the loan? (Complete the marketing section in your business plan, and provide two to three years of the Cash-Flow Projection Worksheets.)

The answers to these questions are central to the lending decision. The information you provide, supported by your financial statements, will help the banker make a decision as quickly as possible. Remember, loans are the products that bankers sell. Look for the best combination of price and service available at various institutions.

In the end, getting a loan depends upon the financier's decision on the degree of risk for financial loss there will be, on the loan given to your business. This risk will be primarily measured by your past history of financial management skills, your ability to inject personal assets as collateral, the amount of collateral or securities that are tied to the business loan, and the past and future earnings of the business.

Every lender tries to understand the condition of the borrower's business as well as its prospects. That is why you're asked to submit several types of financial statements. This information presents the banker an opportunity to see if your business is well planned and managed and has sufficient collateral with adequate income, to support the loan repayment. The following are other measurements that may be of interest to bankers, in gauging your company and its strengths.

- **Liquidity:** The amount of cash and working capital a company has is very important to bankers as an indication of how efficiently a company generates internal cash flow, which can be used to repay the loan. Liquid assets are those assets that are easily converted into cash.
- **Leverage:** The amount of debt on a company's balance sheet, when compared to the amount of equity in the business will give the banker an idea of how leveraged (in debt) the business is.
- **Inventory:** Your banker will want an accurate account of your inventory, particularly if you run a wholesale or retail operation. An inventory count will also help determine inventory turnover. Occasionally a physical count of your inventory will be necessary.
- **Turnover (or Activity):** Activity refers to the turnover of receivables, inventory and sales. By measuring these variables in relation to each other, and to fixed assets, the bankers get an idea of how much activity results from the company's day-to-day operations.
- **Inventory Turnover:** Inventory ratios may have value in monitoring internal operations. Your Inventory Turnover Ratio is delicate. It helps you achieve the right balance between overstocking and under-stocking, which can be a fine line. If you're overstocked, you pay interest on working capital as well as paying for inventory. If you're under-stocked, you could have shortages; this could give a business a bad image and cause a loss of sales.
- **Receivables Turnover and Average Collection Period:** Your own credit policy is one of your most important marketing decisions. If your credit is too tight, you lose sales. If it's liberal, your carrying costs can be higher than necessary. You must collect receivables within a reasonable time for them to remain a liquid asset. The Receivables Turnover Ratio measures the amount in accounts receivable, in relation to sales.
- **Gross Profit:** This ratio provides a clear indication of the basic ability of your business to meet direct costs, and operate profitably. Gross profits are sales (minus returned goods, discounts, price reductions, etc.) minus cost of goods sold. Gross profit is also known as gross margin.
- **Profit Margin:** Profit margin is net income (gross sales less all direct expenses) divided by sales. Profit margin is stated as a percentage.
- **Return on Sales:** This ratio is an overall measure of the profitability of the business. It illustrates the percentage of profits remaining after all costs are subtracted (direct expenses, overhead, unusual items and taxes).

Your banker can help calculate these ratios and other information they will require. Check the UNI-RBC Business Information Center, or the public library, for reference books on this subject or on your industry. You can also ask your banker or accountant to provide you with industry averages. This can

help you determine projections for your new venture, or how your existing company stands in relation to your business peers/competition.

Completing Financing Program Paperwork

We know preparing business plans with financial information and projections can seem hard. But, we are here to guide you. After your first introduction to the start-up and financing process, go home and review the applications, worksheets, and guides provided. Investigate what program or loan type you and your venture might qualify for, and read the corresponding information and application. Then begin the process of gathering and preparing all the necessary paperwork.

Complete a Draft of Your Materials

Part of our role as your consultant is to advise you through the financial application process and to review your information and supporting documents. The more professional and complete the plan and application, the greater your chances of obtaining project financing approval. Expect the process of completing applications and materials to involve three to four revisions. Make your first attempt a rough draft and work toward a final version that will be the best it can be!

Prepare Financial Documents

Begin by making a list of all initial costs that will be required to start your venture. Then drop these costs into a project budget. Prepare a list of the business's projected monthly on-going operating sales and expenses for the next two years. If needed, the Regional SBDC can help you drop your numbers into a cash-flow format that is easy to read. Don't forget to pull-together a personal financial statement of your assets (things of value that can be sold or cashed out) and liabilities (debts), as well as copies of your past two to three years of income taxes. If you currently own the business, you will need copies of the businesses' income tax returns, balance sheets and monthly statements, as well.

Review the Application and Your Materials/Documents

Make sure the application you are submitting is complete. The Regional SBDC is very familiar with the guidelines for each of the programs. Leaving out one key piece of information can delay your approval by months. So, be detailed and careful.

***Most clients need a two-month minimum to complete these applications.**

FINANCIAL ASSISTANCE PROGRAMS LIST

Local/Regional Programs

Revolving Loan Funds

There is a variety of revolving loan funds available across Southern Iowa. These flexible financing tools offer low interest financing for your business expansion needs. These funds are typically used in conjunction with traditional financing sources and other state or federal programs. The amount and terms of these loans would depend on the specifics of your project and are subject to approval of the governing bodies of these organizations. The following lenders have revolving loan funds available to qualified applicants. Check out Iowa's Money Map at www.myentre.net for updated information.

- [Grow Iowa Foundation](#)
- [Southern Iowa Council of Governments](#)
- Southern Iowa RC&D
- [Farmers Electric Cooperative](#)
- Clarke County REC
- Southwest Iowa REC
- Central Iowa Power Cooperative
- Lorimor Community Development Corporation (2mile radius of Lorimor, IA)

Commercial Property Loan

[City of Creston, IA](#) - This is a low interest loan program designed to stimulate investment in commercial real estate properties within the city limits of Creston. The program will provide an affordable financing option for interior/exterior building improvements and/or landscape improvements. Available to all existing, new or relocating business subject to credit standards established by the participating financial institutions.

Other communities may have similar programs. Inquire with the Local EDC.

Technical Assistance Cost Share Program

The South Central Iowa Area Partnership provides financial support to entrepreneurship by providing "Cost-Share" of eligible local professional technical assistance for businesses located in the six county Southern Iowa region.

Cost Share Application

Commercial - Industrial Tax Abatement

The communities in the Southern Iowa Region can provide commercial or industrial property tax exemption as allowed by Iowa Law over a five year period. The improvements must be added during the time the area is designated as a revitalization area. Improvements, consisting of rehabilitation or additions to existing buildings, must increase actual value of the qualified real estate by at least 15%. Improvements must be completed in compliance with all applicable zoning and building codes.

Each property owner may implement upon application and approval upon the governing entity. The amount of partial exemption is equal to a percent of actual value added by the improvements determined as follows:

Commercial Abatement Schedule

First Year - eighty percent (80%)
Second Year - sixty percent (60%)
Third Year - forty percent (40%)
Fourth Year - thirty percent (30%)
Fifth Year - fifteen percent (15%)

Industrial Abatement Schedule

First Year - seventy-five percent (75%)
Second Year - sixty percent (60%)
Third Year - forty-five percent (45%)
Fourth Year - thirty percent (30%)
Fifth Year - fifteen percent (15%)

Tax Increment Financing (TIF)

Tax Increment Financing is a method of reallocating tax revenues which are produced as a result of increase in taxable valuation above a "base valuation" with in an urban renewal area. The increase in tax valuation is then used to pay the cost of public improvement projects (streets, water, sewer, etc...) or make direct economic development grants or loans as an incentive to locate in an urban renewal area. The funds must be spent in the urban renewal area.

This tool is available to projects locating or expanding within urban renewal districts in Southern Iowa communities. Each community in the region has a different policy and approach when using TIF. Contact Local EDC for program specifics and availability.

Enterprise Zones

Enterprise Zones are designed to stimulate development by targeting economically distressed areas in Iowa. Through state and local tax incentives, businesses and developers are encouraged to make new investments, and create or retain jobs in these areas. The goal of the program is to revitalize these areas and make them competitive with other locations throughout the state. Businesses locating or expanding in an established Enterprise Zone may be eligible to receive certain local and state tax incentives.

Eligibility Requirements:

- The business must make a minimum qualifying investment of \$500,000 over a three year period. Qualifying investment includes the cost of land, buildings, improvements to buildings, manufacturing machinery and equipment, and/or computer hardware.
- The business must create or retain at least 10 full-time, project-related jobs over a three year period and maintain them for an additional two years.
- The business must provide some level of medical benefits to all full time employees. Additionally, the business must also provide all full-time employees with a standard medical and dental insurance plan of which the business pays 80% of the premiums for employee-only coverage, pays 50% of the premiums for family coverage, or provides a monetarily-equivalent benefit package.
- The business must pay new or retained employees a starting wage which is equal to or greater than 90% of the average county or regional wage, whichever is lower. [Wage thresholds requirements.](#)
- The business cannot be a retail establishment or a business whose entrance is limited by coverage charge or membership

- The business can not close or relocate its operation in one area of the state and relocate substantially the same operation in the Enterprise Zone.
- The local Enterprise Zone Commission and IDED must approve the business' application for Enterprise Zone program incentives prior to project initiation.

Tax Incentives

- A local property tax exemption of up to 100% of the value added to the property to a period not to exceed 10 years may be available.
- Additional funding for training new employees. If applicable, these funds would be in addition to those authorized under the Iowa New Jobs Training Program.
- A refund of state sales, service, or use taxes paid to contractors or subcontractors during construction.
- For distribution center projects, a refund of sales and use taxes paid on racks, shelving, and conveyor equipment.
- An investment tax credit of up to a maximum of 10% of the qualifying investment, amortized over 5 years. This tax credit is earned when the corresponding asset is placed in service and can be carried forward for up to seven additional years or until depleted, whichever occurs first.
- The State's refundable research activities credit may be increased while the business is participating in the program.

State Programs

State of Iowa Financial Assistance Programs

Through attractive financial assistance and business friendly government policies, Iowa offers advantages that help grow revenues for your business. A variety of financial programs are available to businesses expanding in Iowa. The Ready Resource Team will work with the Iowa Department of Economic Development to accommodate your financial assistance request to meet your expansion needs.

[Financial Assistance Programs from the State of Iowa](#)

Iowa MicroLoan Program

IowaMicroLoan is a program created to help Iowans realize their goal of achieving business success when there is a solid idea, team, and commitment to make it work. IowaMicroLoan was created for those microbusinesses that are considered on the fringe of risk-bearing capacity for most traditional financial institutions.

IowaMicroLoan has created a fund to provide a source of capital for microentrepreneurs who are seeking a direct loan of \$5,000 to \$35,000 or a co-financing arrangement of up to \$105,000. Applicants must have applied for a loan at a traditional credit source and have been denied before either of these opportunities are available.

How IowaMicroLoan can help you:

- Loans for start-up, expansion, and refinancing of small business entrepreneurs
- A technical assistance plan of work tailored to the needs of your business
- A technical assistance grant up to \$500/client/year to assist in the cost of accessing technical assistance resources
- Access to networks of local, regional, statewide, and online microbusiness development mentors, coaches, and professionals willing to help your business become profitable.
- Assistance in improving your credit scores and overall business risk that will allow you to utilize traditional credit resources once you graduate from IowaMicroLoan.
Once you have downloaded, completed and submitted the IowaMicroLoan Credit application, our loan administrator will review your documents and advise you of the status of your credit application. If the application is accepted as eligible and complete, we will inform you within 10 working days as to the decision of the loan committee reviewing your credit application. We will begin processing your IowaMicroLoan documents and make closing arrangements at that time.
IowaMicroLoan loan terms:
- \$5,000 minimum
- \$35,000 maximum (may be a combination of IowaMicroLoans)
- 9.875% Interest (Maximum)
- 6 Year term (Maximum)
- Electronically debited loan payments in accordance to cashflow budget
- IowaMicroLoan funds may not be used for the purchase of real estate or as a line of credit.

- Co-financing opportunities to work with local lenders and loan pools up to \$105,00

A link to the program's applications is here: <http://www.docstoc.com/docs/15092700/Type-Business-Name-Here> .

Targeted Small Business Assistance

The Targeted Small Business (TSB) Assistance Program supports the creation and expansion of specified businesses. To qualify for the program, a business must have annual gross sales of less than \$4 million and be at least 51% owned, operated and actively managed by women, minorities or persons with disabilities.

The business must be certified as a "Targeted Small Business" by the Iowa Department of Inspections and Appeals before applying for or receiving TSB funds. A business can receive "Targeted Small Business" certification through the Iowa Department of Inspections and Appeals [www.dia.iowa.gov].

Forms of Assistance

- Loans of up to \$50,000 may be provided at interest rates of 0-5% that must be repaid in monthly installments over a five year period. The first installment can be deferred for three months for a start-up business and one month for an existing business.
- Loan guarantees are available in limited cases for lines of credit up to \$50,000. Loan guarantees can cover up to 80% of a loan obtained from a bank or other conventional lender. Interest rates are at the discretion of the lender.
- Equity grants, up to \$50,000, may be available but must be used to leverage SBA or conventional bank loans.
- Applicant must be able to invest 10% cash of the total project cost. For example, if a loan of \$30,000 is sought, the applicant must have \$3,000 (10%) of his or her own cash.
Funds may be used to purchase equipment, acquire inventory, provide operating capital or leverage additional funding.

For more information please visit: <http://www.iowalifechanging.com/business/downloads/tsb.pdf>

Federal Programs

Small Business Administration Programs

SBA 504 Loan Program

- Provides long-term, fixed rate financing to small businesses to acquire real estate or machinery or equipment for expansion or modernization.
- Requires a loan secured from a private-sector lender with a senior loan, a loan secured from a Certified Development Company (Iowa Business Growth Company) with a junior loan covering 40% of total project cost with at least 10% equity from the borrower.
- Maximum \$1 million

Iowa Business Growth Company (IBGC) is certified by the U.S. Small Business Administration to offer the 504 loan program. They work in conjunction with financial institutions to provide a low down payment on fixed rate, long-term financing.

Contact your Local Financial Institution or the Iowa Business Growth Company (www.iabgc.com) to learn more about the SBA 504 Loan Program.

SBA 7(a) Loan Guaranty

- Funds may be used by eligible small businesses for sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building, leasehold improvements, and debt refinancing (under special conditions)
- Loan maturity is 10 years for working capital and up to 25 years for fixed assets.

Contact your Local Financial Institution for more information on the SBA Basic 7 (a) Loan Guaranty.

To view frequently asked questions about small business administration please visit <http://www.sba.gov/advo/stats/sbfaq.pdf>

Small Business Innovation Research (SBIR)

Established by Congress in 1982 in the Small Business Innovation Development Act. Ensures the nation's small, high-tech, innovative businesses are a significant part of the federal government's research and development efforts. Eleven Federal department's participate in the SBIR Program.

Eligibility Guidelines:

- Companies must have no conflict of interest with the eleven federal agencies participating;
- Companies must be a privately owned proprietorship, partnership, corporation, joint venture, association, trust or cooperative and for-profit;
- Not more than 500 employees, including affiliates and business must be 51% owned and controlled by US citizens or permanent resident aliens;
- Must first participate in Phase I before eligible for Phase II funding;
- Project must respond to a defined eligible topic and develop a new technology, applying an existing technology to a new application, or make significant improvements or advancements to an existing technology;

Assistance Available:

- Phase I grants up to \$100K (varies by agency) for six months, to evaluate scientific technical merit and feasibility of an idea/project.
- Phase I grants up to \$250K (varies by agency) for thirty-six months, to expand results of a further pursue the project through research and development activities such as prototype creation and testing, clinical trials, etc...
- No SBIR funds for the "commercialization" of Phase 3 of the project.
- Amount of work/research subcontracted to research institutions cannot exceed 1/3 of the total award.

For more information visit <http://www.sbir.gov> or <http://www.techtransfer.iastate.edu/>

Small Business Technology Transfer (STTR)

Modeled after the SBIR program (above). It differentiates in that a small company must team up with a federal lab or university project. Five Federal department's participate in the STTR Program.

Eligibility Guidelines:

- Companies must have no conflict of interest with any of the 5 Federal Agencies participating.
- Companies must be a privately owned proprietorship, partnership, corporation, joint venture, association, trust, or cooperative - and for-profit.
- Not more than 500 employees, including affiliates, and business must be 51% owned and controlled by US citizens or permanent resident aliens.
- Must first participate in Phase 1 before eligible for Phase 2 funding.
- The small business must find new technology initially developed at a Federal Lab or University and then set up an STTR program to transfer the use of the technology into the private sector and commercialize it.
- Or, a small business is doing research and development and/or has their own new technology, and a Federal Lab or University has the expertise and facilities needed to develop its commercialized use.

Assistance Available:

- Phase 1 grants up to \$100K (varies by agency) for twelve months, to evaluate the scientific technical merit and feasibility of an idea/project.
- Phase 2 grants up to \$500K (varies by agency) for 36 months, to expand the results of and further pursue the project through research and development activities such as prototype creation and testing, clinical trials, etc.
- No SBIR funds for the "commercialization" phase 3 of the project.
- Amount of work/research subcontracted to research institutes or partners cannot exceed 2/3 of total award (\$67,000).

For more information visit <http://www.sbir.gov> or <http://www.techtransfer.iastate.edu/>