

Need cash? Try Uncle Sam

If all else fails, the Small Business Administration has 3 types of loan programs available to the pro

by **Lee R. Arnstein** Managing Editor

Financing the pro shop can often be a problem. Many clubs and boards of directors refuse or can't "lend" the club professional the necessary funds. However, he should know that he isn't at a dead end, if that's the case.

The pro does have a last resort—the Small Business Administration. (As long as his gross sales are \$1 million or less he qualifies as a small businessman in retailing). And the requirements for a loan are not as stringent as he may think.

There are three types of loan programs. The first type is called the economic opportunity loan program and consists of two kinds of loans, which are an outgrowth of the Economic Opportunity Act of 1964. One of these is a below marginal income loan and the other is an above marginal income loan. In the former, the loan is given with the object of improving the business and enabling the person to raise his personal income level to the same "average" salary of the people that live in his area of the country. (The "average" income level for each area is also determined by living expenses and size of family). There is a maximum of \$15,000 provided on this loan.

The second kind, the above marginal income loan, has a maximum of \$25,000 and is designed for people well-experienced in their field who have had trouble getting additional monies to strengthen or expand their small business and who have lacked the opportunity to compete in business on equal terms. These are people whose income is above the "average" level of their area of the country and who want to go even higher.

In both of the above cases, the borrower has up to 15 years to pay back the loan.

The direct loan program is the second type of setup. There are three kinds of loans available in this section—the direct, the bank participation, and the displaced business.

The direct loan provides a maximum of \$100,000 and gives the borrower generally from five to six years of monthly installments, at 5½ per cent interest, to repay. In this case, aside from the basic requirements to qualify for a loan, (to be discussed shortly) the owner should have invested in his business approximately what he is asking for.

As far as the pro is concerned, the second kind



SBA regional director Solomon Ferziger (r) and SCORE chapter secretary Murray Aronson are pros too—in financing.

of loan under this program, a bank participation loan, merely means that the SBA works with a local bank in providing it.

The displaced business loan is a much rarer type of loan. Here the government gives loans to businesses that have been displaced by federally aided projects.

The third type of loan program is also a not too commonly used one. It comes under the heading of disaster area loans. In order to apply, the president must declare your area a disaster. There is an extremely low interest rate, which is set anew each year, in this case.

Having discussed the loans, here are the necessary credit requirements to apply for one.

There are four criteria:

1. Repayment ability—This simply means you have to show a record of your past earnings. If they aren't at a fairly proportionate rate (such as weekly, monthly, etc.) then you have to give a one-year projection.
2. Collateral—Fixed assets are preferred. However, in some cases the agency will consider accounts receivable and inventory.
3. Investment—Owners should have invested in their business approximately what they are requesting. For example, if the pro wants a \$25,000 loan, he should have close to \$25,000 invested in the pro shop.
4. Objective—The borrower must meet the lending purposes listed in the SBA's pamphlet. (These are basically those reasons for borrowing that were explained with each of the types of loans).

Assuming by now that a pro has found the loan he needs, and feels he fulfills the initial requirements, his next step is to see if there is financing from his local bank, either on a direct basis or in participation with SBA. If outside financing is not available, then he should go to any SBA branch. (There is at least one branch in every state. Each local unit can be found in any telephone directory under government agencies).

What must the pro bring?

1. A current balance sheet (profit and loss statement) no older than 60 days.
2. The last two full fiscal years' profit and loss statements.
3. His personal federal income tax return for the

previous year. No appointment is necessary. He just goes in and asks for a loan officer.

"If he has a good chance for a loan," says Stephen Cristofar, a loan officer at the New York City branch, "he's given an application right then and there. After that, notification of the final determination of the loan usually takes a few weeks."

The loan, as you can see, is not that hard to procure. The only fly in the ointment now is that the SBA will not weigh heavily loans to pro shops while the war in Vietnam is still on. However, the SBA, in a move to counteract this situation and continue the activity of its loan program, is vigorously working with banks throughout the country on several types of loan programs. Thus, with the local bank and the SBA working together, the pro has a much better chance of getting a loan now where before it wouldn't have been possible.

Looking even further into the future, you may wonder, after receiving one loan, if you can get another one.

You can, if the need for financing still exists. Again, the same evaluation will be made. However, this time the loan could even be for a different purpose, such as expansion, if the initial loan was just to get out of the red.

Public golf links, incidentally, are eligible for these programs, but not private clubs—just the pros at the private clubs.

"The SBA does more than just loan money to the

pro," says regional director Solomon Ferziger, who is in charge of all New York regional business activities pertaining to the SBA.

"We have a management assistance chapter that we feel is just as important as our loan program. In many cases, if we feel a person needs advice or administration, we will stipulate that he must accept it with the loan. The pro, whether he likes it or not, then gets professional merchandising guidance at no charge.

"In addition to this," continues Mr. Ferziger, "we have another program, Service Corps of Retired Executives (SCORE), that also gives help. This is a group of retired businessmen who on their own time give their knowledge and service, also free of charge, to people who ask for guidance in retailing."

Other aids from the SBA for the pro interested in learning more about running a business include:

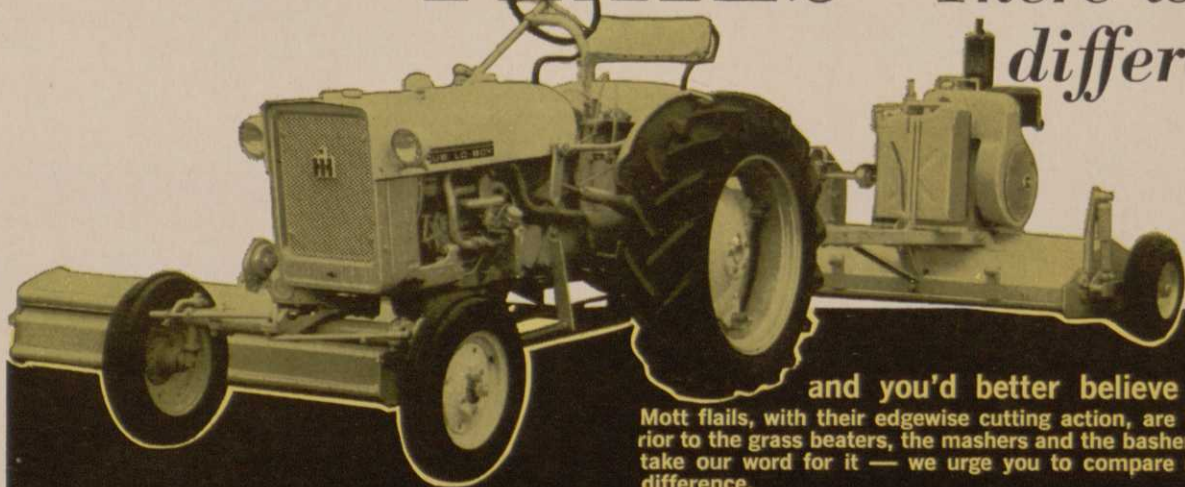
1. Daily courses.
2. Workshops, which include full days that cover all aspects of going into business, in cooperation with universities, trade associations, etc.
3. Free pamphlets and brochures on business.

Even if you're a pro who doesn't need financing, it might be wise to check into the local SBA branch for merchandising information.

And, if anybody knows how to help, the SBA should. For according to their statistics, 50 per cent of all new businesses fail within three years, if not run right. □

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