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A Government Source for Business Loans

By Sophie Braccini

When sales and profits are down and a business really needs an infusion of cash it can be hard to convince a banker. There is another source of funds that businesses may qualify for, the Community Development Block Grant (CDBG) Small Business Loans. It is Federal money that can be borrowed at a fixed 3% rate, for a duration of 5 years, in amounts from \$1,500 to \$140,000 (depending on the type of business). Business owners need a business plan and must demonstrate that they will save or create jobs with the loan.

What are Community Development Block Grants?

The Community Development Block Grant (CDBG) program provides annual grants to state and local governments to fund a wide range of economic development projects, such as affordable housing, infrastructure improvement, assistance for low-income earners, and inner city revitalization. It was enacted by President Gerald Ford in 1974 and has been one of the longest continuously run programs at the U.S. Department of Housing and Urban Development (HUD). Local government may use CDBG grants to create programs that provide grants, loans, and/or technical assistance to small businesses.

How does a business get a loan from the program?

Businesses cannot apply for CDBG grants directly to HUD. Local governments receiving CDBG grants use the funds to create loans for small businesses. In Contra Costa County, businesses can either access loans through certain cities (like Walnut Creek or Concord). Others, like businesses in Lafayette, Moraga and Orinda, apply through a firm that administers the program for the County, the Urban Financial Services Group (UFSG).

"The CDBG Small Business Loan Program helps small businesses to create and retain jobs for low and moderate income individuals by obtaining financing for business investments," says Bob Clayton of UFSG, "the Program focuses on two types of businesses, the very small businesses with very low income and the businesses that want to expand their operation, or need assistance to survive."

The process to get one of these loans is different from that of a bank. "You have to present a business plan explaining where you want to take your new or existing business, as a way to confirm your commitment to your own success," states Clayton, before adding that his company can help in writing the plan. The owners need little if any collateral, and if their credit score is low, they need to show that they have been making prompt payment to their creditors for the past six months or more. According to Clayton it takes from 40 to 60 days to get the loan, "but it can be faster if people already have a business plan and an accounting program," he said.

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