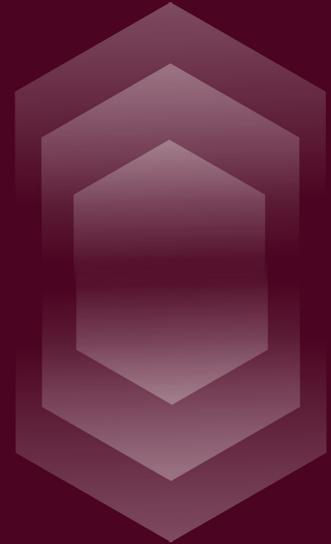


# Federal Sources of Funding



## TL;DR

The US federal government has dozens of unique funding sources available to various sorts of capital providers, often with flexible and competitive terms that are beneficial for fund managers.

## What sources of funding from the federal government are available?

All investment fund managers and providers of innovative financial products for small businesses share a universal challenge: finding well-suited sources of capital to pass along to entrepreneurs and cover the costs of their business operations. Fortunately, the US federal government has dozens of unique funding sources available to various sorts of capital providers, often with terms that are beneficial for fund managers. Grouped below by the federal agency that manages them, the following programs provide direct funding for capital allocators to pass along to entrepreneurs.

# Small Business Administration (SBA) Programs:

## Guarantee Programs

Among the most widely recognized governmental capital access programs are the SBA loan guarantee programs—aimed at established small business lending institutions of various types, ranging from CDFIs to community banks. Each program is intended to decrease the risk of an approved debt provider in extending credit to business borrowers who otherwise might not access loan capital for their business.

### 7(a) Loan Guarantees

7(a) loans can be used for real estate purchases, short- and long-term business capital, refinancing current business debt, and purchase of furniture, fixtures, and supplies. Eligible small businesses must be for-profit, doing business in the United States, have reasonable invested equity, and not be delinquent on any debt obligations to the US government. Some for-profit businesses are ineligible, including real estate investment firms when the real property is held for investment purposes, and firms involved in lending activities. The maximum loan amount is \$5M for standard 7(a) loans and \$350K for the small loan 7(a) program.

- SBA Express

An accelerated loan program where the SBA will respond to an application in 36 hours. The maximum loan amount is \$500K.

- Community Advantage

A pilot loan program to assist small businesses in underserved markets. This includes businesses located in certain underserved communities, new businesses, veteran-owned businesses, and businesses where more than 50% of the full-time workforce is low-income or resides in low-income census tracts. The maximum loan amount is \$350K.

- Other 7(a) subtypes

- Export Express

- An accelerated loan program for businesses selling to international markets and to enhance a company's export development. The maximum loan amount is \$500K.

### [Export Working Capital](#)

A loan program for businesses that can generate export sales and needs additional working capital to support these sales. The maximum loan amount is \$5M.

### [International Trade](#)

A program to provide long-term financing for business expansion or modernization because of growing export sales or to counter the adverse effects of foreign competition. The maximum loan amount is \$5M.

### [504/Certified Development Company Loan Guarantees](#)

504 loans can provide long-term, fixed-rate financing for major fixed assets that promote business growth and job creation, including the construction and purchases of facilities, land, and machinery and equipment, or the modernization or improvement of existing facilities. 504 loans are not for working capital, inventory, debt consolidation, repayment or refinancing, or passive or speculative activities. Eligible businesses must operate for profit within the United States, have a tangible net worth of less than \$15M, and have an average income of less than \$5M for the past two years (after federal income taxes). The maximum loan amount is \$5M.

## **Direct Investment Programs**

In addition to providing guarantees to lenders who offer debt capital to business borrowers, the SBA also injects funds into the small business capital marketplace via several additional programs:

### [Microloan Program](#)

The microloan program provides very small loans to startups, newly established, or growing small businesses. The loans are made through nonprofit community-based lenders. The maximum loan amount is \$50K. With microloans, the SBA loans capital directly to intermediaries, up to \$5M in total.

### [Small Business Investment Companies \(SBICs\)](#)

SBICs typically invest in small, mature, and profitable businesses through debt and equity. Eligibility varies by SBIC, but all businesses must qualify as small businesses, be a US-based business, and be in an approved industry (farmland, real estate, financing, and certain other industries do not qualify). Loans typically range from \$250K to \$10M. Equity investments typically range from \$100K to \$5M. Once certified, qualified SBIC fund managers can leverage a private-public partnership investment model, where every \$1 of private money raised by the SBIC (e.g., from banks, high net worth individuals, other institutional investors) is [matched with \\$2 of government-guaranteed SBA debt](#), up to \$175M.

## Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR)

The SBIR and STTR programs are competitive grants for small businesses engaged in research and development with the potential for commercialization. Eligible small businesses must be for-profit and US-based with no more than 500 employees. STTR awards require a partnering nonprofit research institution. SBIR/STTR awards range based on phase from \$50K to \$750K.

## Department of Commerce Programs

### Economic Development Administration (EDA)

- **Revolving Loan Funds (RLFs), under Economic Adjustment Assistance Program**  
EDA grant-supported RLFs are established by governments, higher education institutions, and public or nonprofit organizations, matched with local funds. RLFs provide loans that typically focus on working capital for operating expenses for both for-profit and nonprofit businesses where credit is otherwise unavailable. Loan amounts and eligibility varies by RLF but often target specific industries, geographic areas, or distressed communities. After seven years and program terms are met, RLFs become “de-federalized” with added flexibility for local lending and investment activity.
- **Build to Scale (B2S)**  
The B2S Program can provide grants to governments and organizations with state or locality support, focused on improving science, technology, innovation, or entrepreneurship (including institutions of higher education and public-private partnerships) to assist in building regional economies that foster technology-driven business growth.

#### **Venture Challenge**

The Venture Challenge provides grants to help communities build enterprise ecosystems and scale commercialization and startup acceleration. “Build” applicants may request up to \$750K, and “scale” applicants may request \$750K to \$2M.

#### **Capital Challenge**

The Capital Challenge provides grants to form investment programs and networks to aggregate and deploy equity-based capital to companies. “Form” applicants may request up to \$300K and “deploy” applicants may request between \$300K and \$750K.

## National Oceanic and Atmospheric Administration

- [Fisheries Finance Program \(FFP\)](#)

The FFP is a direct government loan program that provides US fishermen and aquaculture operators with long-term fixed-rate financing for vessels, facilities, harvesting privileges, fishing quotas, and debt incurred for these purposes. Maximum loan amounts vary by year.

## Department of the Treasury Programs

### CDFI Fund [awards](#)

- [CDFI Bond Guarantee Program](#)

The Bond Guarantee Program is a federal credit subsidy program that allows qualified CDFIs (or their designees) to issue bonds that are sold to the Federal Financing Bank. This provides CDFIs with long-term credit at below-market interest rates. CDFIs may use the capital to extend credit to other community development borrowers or to refinance existing loans. Bonds must be worth a minimum of \$100M, with the Federal Financing Bank providing a 100% guarantee on the bonds up to \$1B per year.

- [CDFI Program Financial Assistance Awards](#)

The CDFI Program provides financial awards of up to \$2M in the forms of grants, loans, equity investments, deposits, and credit union shares to certified CDFIs. These funds must be matched by CDFIs with nonfederal sources. Financial Assistance awards can be used for lending capital, loan loss reserves, capital reserves, operations, and development services.

- [Native Initiatives Financial Assistance Awards](#)

The Native Initiatives program provides financial assistance awards to certified CDFIs with at least 50% of activities serving Native American, Alaska Native, or Native Hawaiian communities. The awards come in the form of loans, grants, equity investments, deposits, and credit union shares.

- [New Markets Tax Credits](#)

New Market Tax Credits attract private capital into low-income communities by permitting individuals and corporate investors to receive a 39% federal income tax credit on the original investment amount over seven years in exchange for making equity investments, in Community Development Entities (CDEs). CDEs provide loans, investments, or financial counseling in low-income communities, and must be certified by the CDFI Fund.

### **State Small Business Credit Initiative (SSBCI)**

SSBCI provides a combined \$10B to states, territories, and tribal governments to expand access to capital for small businesses. The SSBCI provides funding for states to create and fund debt and equity investment programs for small businesses and startups, matched 10:1 by private capital investment over a 10-year horizon. Programs can include venture capital, loan participation, loan guarantee, collateral support, and capital access programs.

### **Small Business Lending Fund (SBLF)**

The SBLF provides capital to qualified community banks and community development loan funds (CDLFs), i.e., depository institutions with assets under \$10B. The more a lender increases small business lending, the lower rate the lender will pay for SBLF funding. Loans up to \$10M to businesses with up to \$5M in annual revenue can qualify as small business lending.

### **Opportunity Zones (Internal Revenue Service)**

Opportunity Zones provide tax benefits to investors who elect to temporarily defer their capital gains taxes if they invest those gains into a Qualified Opportunity Fund (QOF). QOFs are investment vehicles that must hold 90% of assets in qualified properties within US Treasury-designated Opportunity Zones; investments can directly benefit operating businesses. The tax benefit is determined by the length of time the taxpayer holds the QOF investment.

## **Department of Housing and Urban Development Programs**

### **Appalachia Economic Development Initiative (AEDI)**

The AEDI provides grants to state, community, or economic development agencies that apply on behalf of a nonprofit organization or community development corporation focused on small business development that benefits the Appalachia Region. Some eligible activities include loan or investment capital, loan loss reserves, program staff costs, information systems, marketing studies, portfolio analyses, and business planning. The maximum grant amount is \$1M.

### **Community Development Block Grants (CDBG)**

CDBG provides annual formula-funded grants to states, certain metropolitan cities, and certain urban counties to develop housing and expand economic opportunities for low- and moderate-income persons. Funds can be used to acquire real estate, relocation and demolition, rehabilitation of structures, construction of public facilities, public services, energy conservation and renewable energy programs, and assistance to for-profit businesses to carry out economic development and job creation or retention activities. Funds cannot be used for government buildings, political activities, certain income payments, or the construction of most new housing.

## Department of Agriculture Programs

### Rural Development Business Programs

- **Business & Industry Loan Guarantees**

Provides guarantees to rural lenders for loans to for-profit and nonprofit business, cooperatives, federally recognized Tribes, public bodies, and individuals. Some eligible loan uses are business development, the purchases of land, buildings, infrastructure, machinery, supplies, equipment, or inventory, and debt refinancing that improves cash flow or the number of jobs.

- **Rural Business Investment Program**

USDA licenses Rural Business Investment Companies (RBICs) to make venture and equity capital investments in smaller enterprises in rural areas and leverage investment from larger banks and institutional investors. RBICs must be qualified newly formed for-profit entities or subsidiaries, raise at least \$10M, have relevant experience in venture capital or community development financing, and invest at least 75% of investments (dollar and number) in rural areas.

- **Rural Economic Development Loan & Grant Program**

The USDA offers zero-interest loans and grants to local utilities. Loans are passed through to local businesses to create and retain employment in rural areas. Grants are awarded to establish revolving loan funds (RLFs). Funds can be used for business incubators, community development assistance, education, training, medical care facilities and equipment, startup venture costs, business expansion, and technical assistance. Intermediaries can request up to \$300K for RLF establishment grants and up to \$1.5M in loans.

- **Rural Microentrepreneur Assistance Program**

The USDA offers loans and grants to Microenterprise Development Organizations (MDOs) to provide microloans to startups, establish Rural microloan revolving funds, and provide training and technical assistance. Grants amount reach up to \$205K annually, and total aggregate debt from lending cannot exceed \$2.5M in aggregate. Nonprofits, federally recognized Tribes, and institutions of higher education may qualify as MDOs. Ultimate loan recipients must be located in eligible rural areas and have 10 or fewer full-time employees. Ultimate loan recipients can receive up to \$50K and use funds for expenses including working capital, equipment, debt refinancing, and improving real estate.

- **[Food Supply Chain Guaranteed Loan Program](#)**  
Entities may qualify for loan guarantees if involved in the aggregation, processing, manufacturing, storage, transportation, wholesale, or distribution of food. Eligibility and uses of funds are similar to the Business & Industry Loan Guarantee Program. Projects can be in rural or urban areas.
- **[Intermediary Relending Program](#)**  
The USDA provides low-interest (1%) loans to local lenders who then lend to businesses that can help improve economic conditions and create jobs in rural areas. Qualified nonprofits, federally recognized Tribes, public agencies, and cooperatives may apply as intermediary lenders. Ultimate loan recipients can include qualified individuals, public or private organizations, or other entities. The project must be located in a rural area, and funds can be used to promote community development; establish or expand a business; buy, build, expand, or renovate facilities; buy equipment, machinery or supplies; or other uses. The ultimate loan recipient can receive up to the lesser of \$400K or 50% of the loan to the intermediary lender.
- Other specific small business programs listed on site (e.g., [Renewable Energy Systems](#), [Co-ops](#), [Meat and Poultry](#)... so on)

## Department of the Interior Programs

### Bureau of Indian Affairs

- **[Indian Loan Guaranty, Insurance, and Interest Subsidy Program](#)**  
The BIA offers loan guarantees to lenders for Indian-owned businesses to receive financing for their projects. The borrower must be a federally recognized Tribe, a member of such Tribe, or an entity that is at least 51% owned by members of such Tribe. The borrower must have at least 20% equity in the project and the project must serve a reservation or tribal area. Some loan uses include operating capital, equipment, purchases, acquisition, refinancing, building construction, and lines of credit.