

## **FAQ for Ex-Offenders Interested In Entrepreneurship**

### **Questions addressed in this guide:**

#### **Starting Up:**

- I'm thinking of starting a business—where should I begin?
- What are the different business structures?
- What is a business plan and why do I need one?
- Where can I get legal advice?
- Will I need to get licensed?
- If I am a minority business owner, what resources are available for my business?
- How can I network with other small business owners or find a mentor?
- How can I learn more about personal finance?

#### **Financing:**

- What are some things I should consider before applying for my loan?
- What should I bring to a meeting with potential supporters?
- What should I wear to an interview with a possible financial supporter?
- What is an elevator pitch?
- What is the difference between equity and debt financing?
- Is a bank loan right for me?
- What is a micro loan?
- Who are some micro lenders in Travis County?

#### **Organizations to Know:**

- City of Austin Small Business Development Program
- ACCION Texas
- BiGAUSTIN
- The PeopleFund

## Starting Up

### **I'm thinking of starting a business—where should I begin?**

Start by considering your strengths, weaknesses, and skills. You will need to do research to learn about who your customers will be and who your competitors will be. You will also need to determine start-up costs and consider your financial resources.

**City of Austin Small Business Development Program** is an excellent place to start. They offer free counseling and classes, including a weekly class that provides an orientation to starting a small business. Contact information is provided at the end of this FAQ.

There are a number of online guides that will give you an overview of what is involved in starting a business:

#### **Basic Steps in Starting a Small Business (pdf)**

*City of Austin Small Business Development Program*

<http://ci.austin.tx.us/sbdp/downloads/business.pdf>

#### **Hire Yourself: A guide to starting a small business for ex-offenders (pdf)**

*Legal Assistance to Microenterprise Project*

<http://lamp.texasbar.org/resource-library/legal/downloads/HireYourselfExOffenders09.pdf>

#### **The US Small Business Administration (SBA): Starting a Business**

<http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/thinking-about-starting>

### **What are the different business structures?**

As you develop your business idea, you will need to decide on a legal structure. The business structure will determine what taxes you owe, the amount of control you will have over your business, and the amount of risk to your personal funds. Some common business structures are:

**Sole proprietorship:** In a sole proprietorship, there is a single owner who makes all business decisions. The owner is entitled to all profits from the business and reports profits and losses on his or her personal income tax return. The owner is personally responsible for any business debts.

**General partnership:** When two or more individuals become co-owners of a business, they can form a general partnership. Partners file separate income tax returns, but each partner is personally responsible for all business debts.

**Corporation:** In a corporation, two or more people own shares in the business. The owners, or shareholders, are not personally responsible for business debts—they risk only as much money as they invest in the corporation. Income taxes depend on the type of corporation that is formed. A corporation is more complicated and expensive to set up, and needs to comply with a number of rules and regulations.

**Limited Liability Company:** This is a structure that combines some aspects of a partnership, and some aspects of a corporation. Owners have limited liability, which means that their personal funds are not at risk for business debts. An operating agreement is created to determine how the business will be run.

There is much more detailed information available on each of these structures the **Texas Secretary of State** website: <http://www.sos.state.tx.us/corp/businessstructure.shtml>

### **What is a business plan and why do I need one?**

A business plan is a formal presentation (spoken or written) of business goals, why these goals are attainable and how the plan will be accomplished. When seeking financing the investors or lenders will want to read your plan before they supply you with funding. Counseling on business plans is available at the agencies listed at the end of this FAQ.

The **SBA** provides a very helpful online overview on how to create a business plan: <http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/writing-business-plan>.

### **Where can I get legal advice?**

**Legal Assistance to Microenterprise Project (LAMP)** provides free legal services and referrals to pro bono attorneys for microentrepreneurs who are financially eligible. LAMP also runs free legal clinics. Online: <http://lamp.texasbar.org/index.html>

**Lawyer Referral Service of Central Texas (LRS)** will help determine your need for legal services and refer you to an attorney or other legal resource. LRS cannot give legal advice directly, and will not link you to free legal services. The referral from LRS is free, but if you meet with an attorney referred through the service, the initial 30-minute consultation fee is \$20. After that, you will be responsible for any attorney fees. Phone: (512) 472-8303 or 866-303-8303. Online: <http://www.austinlrs.com/>

### **Will I need to get licensed?**

Many types of businesses require a license to operate in the state of Texas. For people with criminal convictions, there are restrictions on certain licenses.

You can find information about specific licenses at the **Texas Department of Licensing and Regulation (TDLR)**. Phone: 800-803-9202. Online: <http://www.tdlr.state.tx.us/>

Here is the TDLR online guide to license restrictions for people with criminal convictions: <http://www.license.state.tx.us/crimconvict.htm>

## **If I am a minority business owner, what resources are available for my business?**

### **City of Austin Small and Minority Business Resources**

The city of Austin offers Minority Business Enterprise (MBE) certification. An MBE is a business that is at least 51% owned and controlled by a person who is African American, Hispanic American, Asian American, Native American, and/or a woman. A certified MBE is placed in a City of Austin vendor database of certified MBEs, and will have opportunities to bid on City of Austin projects.

Phone: 512-974-7600. Online: <http://www.ci.austin.tx.us/smbr/default.htm>

### **Texas Statewide Historically Underutilized Business Program**

Similarly, the state of Texas will certify a minority or woman-owned business as a Historically Underutilized Business (HUB). If your business qualifies for MBE status, and you can provide proof of US citizenship, your business can be added to the state HUB Directory.

Online: <http://www.window.state.tx.us/procurement/prog/hub/>

## **How can I network with other small business owners or find a mentor?**

Networking is nothing more than good conversation that exchanges information and creates an interconnected web of contacts. There are three steps you can take to make networking not only effective, but informative.

1. Connect with the past
2. Attend networking events targeted towards your area of interest
3. Use social media (i.e. Facebook)

## **How can I learn more about personal finance?**

Before starting a business, it's important to have a bank account develop your personal finance skills.

### **Bank On Central Texas**

<http://bankkonzentraltexas.org/index.php>

On this website you can find information on opening a bank account and financial education classes in your area.

## **Financing**

### **What are some things you should consider before applying for your loan?**

- Define your need. You will need to tell perspective investors what the money you are requesting will be used for. Is it startup capital you are seeking or are you using the funds to expand your business or cushion against risk?
- Identify risk. Is your business seasonal? Is your industry in decline or are similar businesses prospering?
- Gauge the strength of you management team. Businesses with strong management and solid business plans are the most likely to receive financing.

## **What should I bring to a meeting with potential supporters?**

- Business plan
- Previous work experience
- Letters of recommendation

## **What is an Elevator Pitch?**

This is a two minute conversation where you quickly summarize your business goals to a possible financial or networking supporter. This works well to get the possible funder's initial attention.

## **What should I wear to an interview with a possible financial supporter?**

You can seldom go wrong with wearing professional attire (suit, dress shirt and shoes and a tie (for males)). If you are meeting with a family friend or going to a setting that is particularly casual, more casual attire can be appropriate, but it is best to always error on being overdressed.

## **What is the difference between equity and debt financing?**

### **Equity Financing**

This is money you have invested in your business. Businesses that have more money invested personally are viewed as lower risk by potential investors and are more likely to be approved for additional financing. Common sources of equity financing include personal savings or investment from family and friends.

### **Debt Financing**

This is money that is loaned to you to fund the start-up or expansion of your business. Common sources of this type of funding include bank loans, funding from the US Small Business Association and micro-loans. Factors that will be considered by investors when reviewing your application for funding include your credit score, financial history as well as personal references. It is important that you are familiar with your financial history, your business plan and the loan process before meeting with potential investors. The more confident and knowledgeable you appear, the more willing potential investors will be to approve your request for funding.

## **Is a bank loan right for me?**

Banks most often provide loans for those who already have financial assets and have personally invested in their businesses. It is easier to get a short term loan from a bank for a specific purpose (e.g. a set amount of money to be used to purchase equipment or to rent office space). However, there have been recent shifts putting pressure on banks to make long-term loans for establishing and expanding small businesses. Some banks are more selective than others in deciding who to offer financing. A list of banks and their ranking on willingness to provide long-term loans can be found on [sba.gov](http://sba.gov).

## **What is a micro loan?**

This type of financing includes smaller loans and is a common source of funding for business owners who have trouble applying loans from banks. Reasons include weaker credit score, lack of experience managing a business or a low amount of startup capital (personal investment). These types of loans can generally be taken out for up to \$35,000. However smaller amounts, \$5,000 and less, take less time to apply for and receive (as short as a few days). Requests for larger amounts can take between two and four weeks. A downside to applying for micro-loans over other types of debt financing is that they often carry a higher interest rate. The US SBA has a micro-financing program.

## **Who are some of the larger micro-lenders in Travis County?**

### **Kiva**

Kiva is a group of personal investors in the Austin area interested in assisting low-income entrepreneurs get their businesses up and running. Online: [http://www.kiva.org/team/austin\\_texas](http://www.kiva.org/team/austin_texas)

### **BiGAUSTIN**

BiGAUSTIN offers up to \$15,000 for starting businesses in Austin and the surrounding area. Phone: (512) 928-8010 Online: <http://www.bigAustin.org/loans/index.html>

### **ACCION Texas**

ACCION Texas provides business loans from \$500 to \$250,000, business consultation and a resource for business management needs. Online: <http://www.acciontexas.org/>

More detailed information on BiGAUSTIN and ACCION can be found at the end of this FAQ.

## **Organizations to Know**

### **City of Austin Small Business Development Program**

#### **Purpose**

“The mission of the Small Business Development Program (SBDP) is to foster job creation and support the growth of new and existing businesses by providing capacity building information, tools, and resources.”

#### **Services**

- SBDP offers classes on a variety of topics related to starting or running a small business, including weekly orientation classes providing an overview of the process of starting a business and the resources available in Austin. SBDP also offers information on classes that are available through other organizations.
- The SBDP provides individual counseling, such as help on developing a business idea and writing a business plan.
- The Business Solutions Center (BSC), run by the SBDP, offers computer workstations with Internet connection and access to numerous business software programs and databases. The BSC provides access to books, journals and other print materials, as well as a notary service.

#### **Cost**

All services available through the SBDP are provided at no cost.

#### **Contact**

One Texas Center

505 Barton Springs Rd.

Austin, TX 78704

Phone: (512) 974-7740

Online: <http://www.ci.austin.tx.us/sbdp/>

## **ACCION Texas**

### **Purpose**

“The mission of ACCION Texas Inc. is to provide credit and service to small businesses that do not have access to loans from commercial sources, and to provide leadership and service to the micro-lending field on a national level.”

### **Services**

- Provides a variety of loans for existing and start-up businesses, including small start-up loans for entrepreneurs looking to establish credit for the first time.
- ACCION Texas assists with the development of business plans, and linking clients to resources that will help their businesses succeed.
- Accommodation is provided for Spanish speakers.

### **Cost**

Cost will depend on the loan product, but ACCION Texas specializes in low-cost loans. All other services provided through the organization are provided at no additional cost.

### **Contact**

Wells Fargo Building, Suite 201

912 Bastrop Highway

Austin, TX 78741

Phone: (888) 443-2987

Online: <http://www.acciontexas.org/accion-loans-small-business>



# **BiGAUSTIN**

## **Purpose**

“BiGAUSTIN is Central Texas' single-source solution for entrepreneurial education, tailored business counseling and flexible loans. BiGAUSTIN remains the leading non-profit micro-enterprise development organization for a number of very specific reasons: BiGAUSTIN strives to be the leader as a self-sustainable small business development organization by providing innovative growth strategies to underserved entrepreneurs in Central Texas. BiGAUSTIN assists small businesses to successfully grow by providing comprehensive education, tailored business counseling and flexible loans.”

## **Services**

- BiGAUSTIN provides up to \$15,000 in micro-loans for starting businesses in Austin and the surrounding area
- BiGAUSTIN offers a program geared specifically towards ex-offenders interested in entrepreneurship. They offer small business trainings and individual counseling.
- Services are provided in English with some accommodation for Spanish speakers.

## **Cost**

All services provided through BiGAUSTIN are no cost.

## **Contact**

5407 N IH-35 Suite 200

Austin, TX, 78723

Phone: (512) 926-2997

Online: <http://www.bigAustin.org/>

# **The PeopleFund**

## **Purpose**

“PeopleFund creates economic opportunity by helping people:

- Build healthy small businesses
- Purchase safe and affordable homes
- Achieve financial security and independence
- Develop communities”

## **Services**

- The Small Business and Non-Profit Loan Fund provide financing for equipment purchases, permanent working capital term loans, revolving lines of credit, and real estate.
- The Business Consulting and Technical Assistance Program offers essential services (i.e. legal assistance, accounting services, web development, etc.) through a network of professional volunteers and partner organizations.
- Additional resources such as a collection of documents, templates and other helpful tools for small business owners and non-profit organizations are available on the website.

## **Required Documents**

- Proof of secondary source of income or guarantor
- Business plan
- Personal tax returns
- Personal bank statements

## **Cost**

2.5% closing fee

## **Contact**

2921 E 17<sup>th</sup> St, Bldg D, Suite 1

Austin, TX, 78702

Phone: (512) 4728087

Online: <http://www.peoplefund.org>