

Small Business Grant Scams

The very small business person is often the least educated regarding how to apply for, submit or obtain a grant. A grant is frequently the best type of financing since it is a gift that doesn't have to be repaid, as does a loan. It doesn't take much marketing to sell a very small business person on applying for a guaranteed grant to help with a business expansion or upgrade.

Unfortunately, scam artists prey on these vulnerable small business people by seeming to promise the guarantee of securing a large grant.

How does it work?

- A small business wants to expand but is unable to borrow enough money to do so.
- They hear about a grant assistance company or are contacted directly by one.
- They pay an up-front fee, usually several thousand dollars, to the grant assistance company and are verbally promised a large-dollar grant that doesn't have to be repaid.
- Shortly after signing the grant assistance agreement, the business person is advised that he'll be much more successful in obtaining a grant if he restructures his business from a for-profit entity to a non-profit entity for an additional up-front fee, again usually several thousand dollars.
- The small business person soon finds out that there is no guaranteed grant coming his way. His paperwork has merely been prepared and forwarded to various grant providers.

How can you protect yourself?

- Get everything in writing.
- Do not sign a contract without reading it first.
- Check to see if the company is licensed with the appropriate local or state agency.
- Check the company out with the Better Business Bureau.
- Google the company's name for complaints.
- Be cautious if you are asked to provide more money for services you have not yet received.
- Click here for more information on grant fraud.

For more information on grants, visit http://www.grants.gov/help/general_faqs.jsp#12.

Source: Nevada Consumer Affairs Division and <http://www.grants.gov>.