

Free money from grants just a scam

Experts advise consumers to be wary of such offers.

By CAROL ELLIOTT

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Free money? Who doesn't want free government money?

Bill Carnegie, for one.

It's not that the head of the Food Bank of Northern Indiana doesn't want funding for his nonprofit organization, which distributes food to the hungry. In fact, Carnegie writes about 175 grant proposals per year, looking for money.

He just knows better when he hears the offers for grant money free for the asking from the federal government.

"I just chuckle," said Carnegie. "I really don't put any stock in this."

Offers for free government grants are cropping up locally, in TV and newspaper ads and telemarketing calls. Many of the offers tell individuals that they can qualify for government grants to fix up their homes, start or expand businesses or buy a home.

But professionals who have experience with grant writing warn consumers: There still is no such thing as a free lunch.

"If these grants were available, do you think we would be doing this?" said Jan Fye, regional director of the Small Business Development Center in South Bend, which provides comprehensive planning help to people starting small businesses.

Fye said the center routinely gets calls from people who have been led to believe the government is handing out money to start day cares or other businesses. And it simply isn't so.

"I've heard of government grants, but those grants go to organizations -- normally, not-for-profit organizations -- that provide very specific kinds of service to other organizations," said Fye.

"They are not for opening businesses."

Carnegie said government grants are so hard to get, his organization doesn't write for them. Instead, he sends his proposals mostly to private foundations.

Starting a startup?

People interested in starting their own business can seek advice from the Small Business Development Center, located at 402 E. Colfax Ave., Suite 120, South Bend. For more information about the center, phone (574) 282-4350, ext. 1. Or visit its Web site, which is available through the Business Counseling Group site at www.southbendbcg.com.

The odds of an individual qualifying for government grants who does not have a nonprofit status -- specifically a 501(c)(3) designation by the Internal Revenue Service -- are virtually nil.

Even when organizations do award grants, they usually have very stringent requirements, said Carnegie. Most ask the applicant to provide a detailed marketing plan, a history of past successes and audits by CPA firms.

Plus, the lists of grants are readily available on the Internet. There is no need to pay a company to provide them, said Carnegie.

"Getting a grant is difficult," agreed W. David Griggs, an attorney with the Federal Trade Commission Southwest Region. "A lot of people specialize in grant writing. It has to be done in a certain way."

In November, the FTC settled a complaint against a New Orleans-based company, U.S. Grant Resources, for deceptive practices. The company bought ads in local papers that promised consumers free grant money with guaranteed acceptance for a processing fee of up to \$200.

The federal agency said consumers received nothing more than a list of grant prospects that never panned out. The company was ordered to cease operations and pay more than \$400,000 to redress complaints.

Griggs said "red flag" words in grant offers are "easy grants," "free grants" and "guaranteed grants."

"Any offers of money for free, be wary of," said Griggs.

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