



How to Access, Prepare and Apply for Funding

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Business Impact NW



Coaching, Classes and Capital for Underserved Entrepreneurs
Nonprofit CDFI since 1997
Serving Washington, Oregon, Idaho and Alaska

Our Mission:

Grow businesses that create jobs in underserved communities

Our Vision:

All business owners have an equal opportunity to succeed

Our Values:

Integrity, Community, Inclusivity, Celebration



Our Focus Area:

Women | Veterans | Communities of Color | LGBTQ+ | Immigrants | Rural

Our Program Centers



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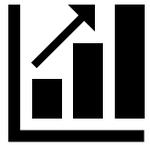
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Accessing Funds - Things to Consider



Business Stage



Need, Purpose, Use



Resources



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Need, Purpose and Use

- What are your business goals?
- What benefit will capital provide to business?
- What types of resources, assets or cash do you need to do that?
- How much?



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Why would I need a loan?

- Need large ticket item – property, equipment, renovations
- Don't have enough savings
- Don't have right type of business for equity investors
- Temporary cash flow issues
- Refinance higher interest loans
- Working capital to get started or expand
- Need COGs now, get paid later



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EXISTENCE Pre-revenue	SURVIVAL Profitability	GROWTH Expansion	MATURITY & EXIT Renewal or decline
No past revenue or business credit	Generating revenue and have some credit	History of revenues and good credit usage	
Personal savings	Debt Financing/Loan	Debt Financing/Loan	Cash Out Strategies
Credit Cards	Equity	Equity Capital	- management buy back
Friends & Family	Retained Earnings	Retained Earnings	- sell
Micro Loans			- succession strategy ESOP

Loans - Where?



- Personal
- Peer-to-Peer
- Commercial Banks
- Credit Unions
- Community Lenders/Non-Profit
- FinTech

Examples:

Personal Loan from a family member

Home Equity Line of Credit

Credit Card

SBA Guaranteed Loans

Factoring

Invoice Financing

Specialized Products – ITIN, Sharia

Merchant Advances



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Loans - Types and Uses



Small Business
Loans



Commercial Loans



Merchant Cash
Advance



SBA Loans



Business Line of
Credit



Real Estate
Financing



Equipment
Financing



Franchise Loans



Disaster Loans

Prepare!

It's never too early!

- Think and plan ahead.
- Know how much money (retained earnings) your business needs.
- Budget and Cash Flow Projections.
- Calculate the gap.
- Determine where you can get the deficit.



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Risk Factors

Your Ability to Repay the Loan is a Lender's Main Concern

- Do you pay back loans?
- Have you been successful or have a good case that you will be?
- How are you going to generate the cash to pay back the loan?
- Is your industry growing or in decline?
- Is there demand for your products and/or services?
- Do you have assets to back up the loan?



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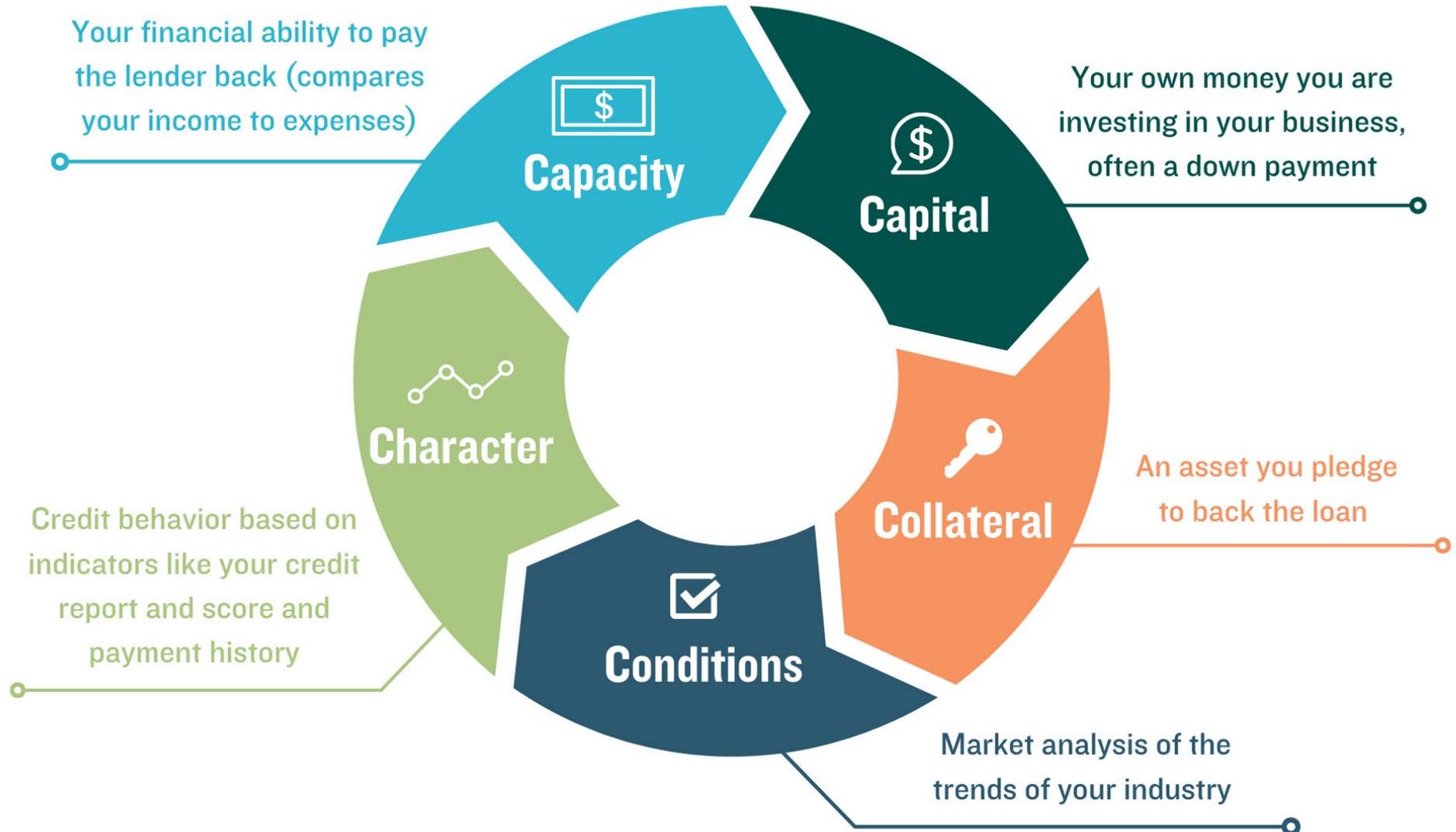
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The 5 C's of Credit



Credit Scores (character)

Personal Credit Scores are monitored by three credit bureaus: TransUnion, Equifax, and Experian. Scores typically range from 0 - 800 with a good average being rated from 690 -719.

Business Credit Scores are monitored by: Equifax Business, Experian Business, and Dun & Bradstreet. Scores typically range from 0-100, with a good average being a minimum of 75.

Lenders will look at personal scores. Vendors & suppliers look at business.



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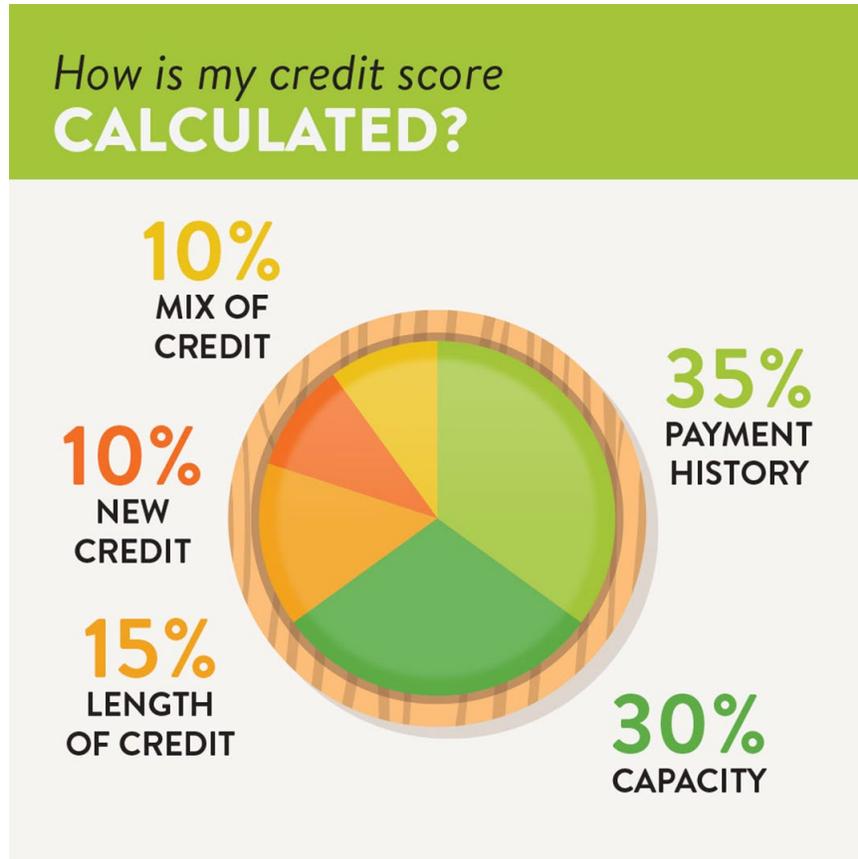
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Credit Reports (character)



- Credit Score
- Payment History
- Delinquencies, Charge-offs, Bankruptcy
- Length and type of credit
- Number of inquiries and how recent

Understanding Collateral

Collateral:

*Assets such as **equipment**, **buildings**, **accounts receivable**, and (in some cases) **inventory** are considered possible sources of repayment if they can be sold by the bank for cash. Collateral can consist of assets that are usable in the business as well as personal assets that remain outside the business.*

**Reduces
Risk for
Lender !**



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How Much Collateral?

Expect a 1:1 ratio or more

Real Estate (Most common)	Equipment	Inventory	Accounts Receivable	Cash or Securities
				

How Much Capital (down payment)?

Expect to put some of your own money toward the project

10% - 20%

Personal Savings

Retained Earnings

Invested Capital

Project Cost	\$200,000	
Capital Injection Needed 20%	\$40,000	Owner or business
Remaining	\$160,000	Loan



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Capacity - Business Financials

Demonstration of enough revenue to support operations and debts and business equity:

- Balance Sheet
- Income Statement (3-5 years is typical)
- Tax Returns
- Cash Flow Projections



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Capacity & Conditions - Business Plan

Demonstration of ability to generate revenue:

- Market and Industry Conditions
- Proven Demand
- Management Capabilities
- Marketing and Sales Plan
- Risk Mitigation Plan



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Documentation



- Business Plan/Loan Proposal
- Proof of Collateral/Down Payment
- Financial Statements/Financial Projections (12-24 months)
- Resumes of anyone owning 20% or more of the business
- Business/Personal Tax Returns (3 years)
- Recent Mortgage Statements
- Personal Bank Statements
- Personal Financial Statements



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The Lending Process Start to Finish

- Borrower determines **amount and use** of loan funds
- Borrower **applies** for loan with the lender
- Borrower provides specific **documents** for application review
- Lender **discusses** client needs and helps determine loan solutions
- **Originator reviews loan application**/documentation to pass to underwriting
- **Underwriter/Credit Manager reviews package** and determines approval status
- If terms are met, loan then goes to the **document process**
- Loan documents are then sent back to the client and loan officer to **sign**
- Signed documents are **reviewed for completion** and needed signatures
- **Loan funds are disbursed** to the client's business account and/or other

How and When to Apply

Before you Apply Prepare:

- Have your books in order
- Understand your financial statements and position
- Have a strategy and clear goals
- Put numbers to those goals, cash flow scenarios
- Know how much outside funding you will need
- Know what exactly the money is for and be prepared to be as specific as possible.



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How and When to Apply

Before you Apply, Research:

- What is your timeframe?
- Research types of loans and types of lenders
- Get coaching or consult with experts
- Put together a marketing plan/business plan
- Research your risk factors and mitigate beforehand
- Discuss with your accountant
- Get a copy of your credit report: www.annualcreditreport.com



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How and When to Apply

When completed with preparation and research:

- Choose the lender you feel is right for you
- Ask questions (terms, rates, required documentation needed)
- Prepare documentation needed
- Keep additional documentation on hand
- Apply for a loan
- Communicate openly with your lender



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Get Loan Ready - Assistance



Free assistance to help small businesses:

- Credit Counseling
- Advise on types of financing & products
- Financial Statements
- Review of Business Plan & Projections
- Understanding Financial Statements
- Assistance with underwriting requirements



Visit Us at the BizFair Booth

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