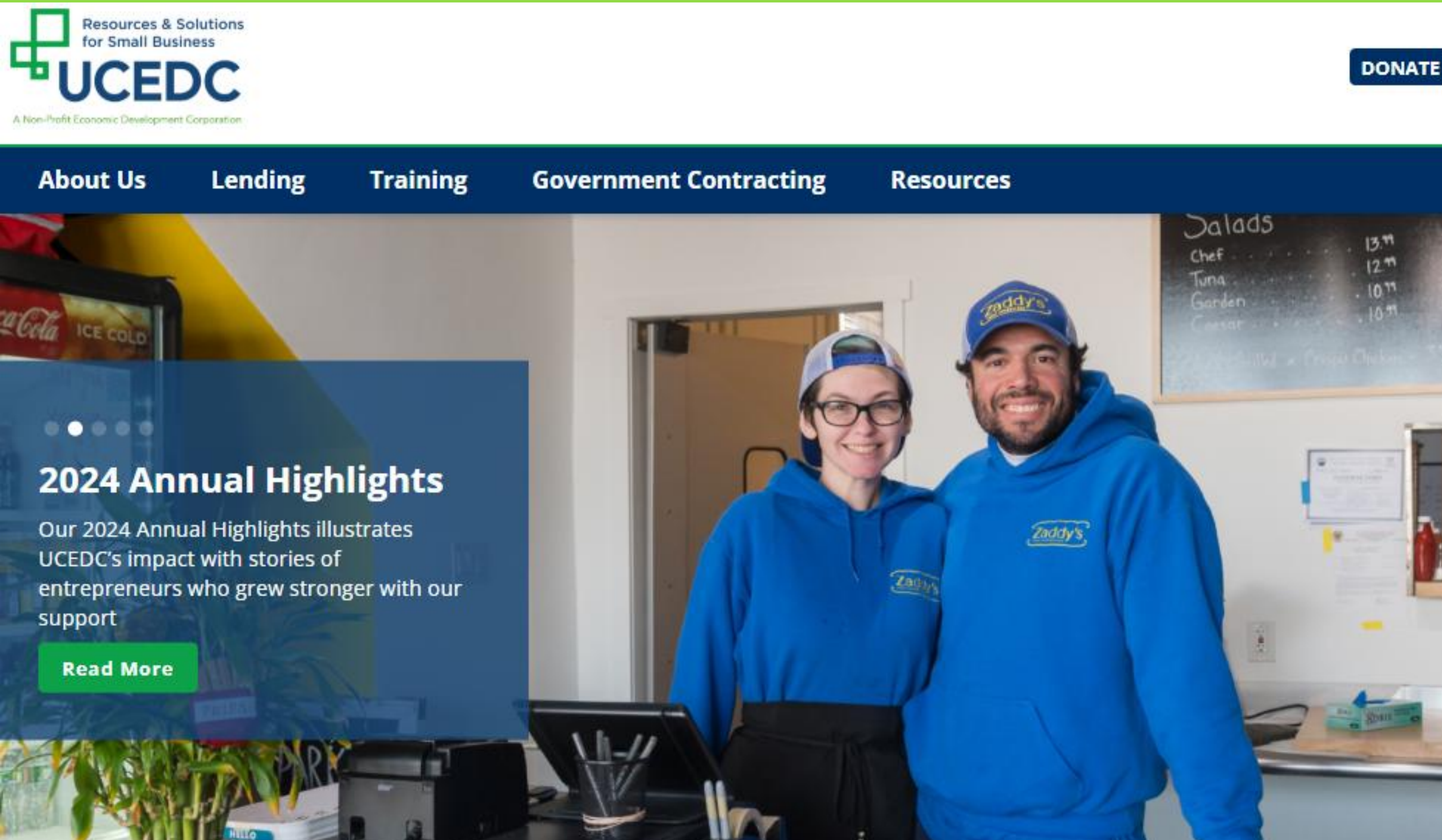
Basics of Financing Your Business

A Non-Profit
Economic Development Corporation



Lending

Your business is more than a credit score to us

- Community Development Financial Institution (CDFI)
- US Small Business Administration (SBA) lender
- Microloans – up to $50,000
- SBA 7a Community Advantage loans – up to $250,000
- SBA 504 Commercial Real Estate & Major Equip. loans – up to $5mil.

Training & Technical Assistance

Get the business skills you need to start, grow and thrive

- Free workshops
- Business Basics
- Entrepreneurship Training Courses
- Business Mentoring (one-on-one counseling)
- Special Programs
  - Entrepreneurship as a Second Chance (ESC)
  - Virtual Incubator Program (VIP)

APEX Accelerator

APEX Accelerator is your gateway to Government Contracts

- Free seminars
- One-on-one counseling
- Registrations & Certificates
- Identifying bid leads
- Marketing to purchasing agents
- Proposal development
- Regulations & Military Specifications
- Subcontracting assistance
- Government Services Administration (GSA)

Basics of Financing Your Business

Presentation Objectives

- Financing options available to small businesses
- What lenders look for
- Matching the right financing program to your needs
- How to prepare for a meeting with a lender

Small Business Financing Options

How do I decide?

- Conventional Lending
- SBA Programs
- State & Local Programs
- Crowdfunding, private investors, etc.

Small Business Financing Options

Conventional Lending (banks, credit unions)

- Many different products
- Varied amounts available
- Terms varied
- Uses for proceeds varied

Small Business Financing Options

Small Business Administration

www.sba.gov

- Microloan Programs
- 7(a) Loan Program
- Community Advantage
- 504 Loan Program

POWERED BY SBA

U.S. Small Business Administration

Small Business Financing Options

State and Local Programs

https://business.nj.gov/

- NJEDA (NJ Economic Development Authority)
- UEZ (Urban Enterprise Zones)
- Incentive Programs

NJBAC
New Jersey Business Action Center

NJEDA
ECONOMIC DEVELOPMENT AUTHORITY

Small Business Financing Options

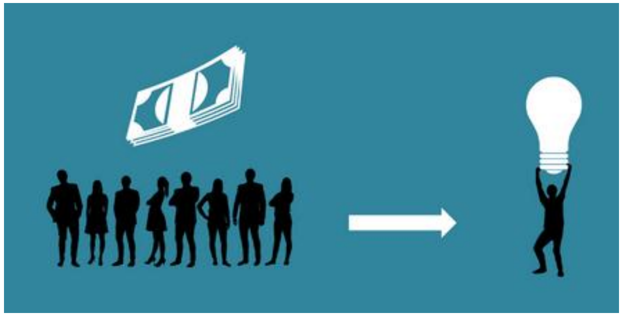
Other Possibilities

- Angel Investors – Venture Capitalists
- Factor Companies
- Hard Money Lenders
- Merchant Cash Advances
- Crowdfunding…

Small Business Financing Options

Crowdfunding

- Go directly to community for funding
- Can double as promotion
- Relies on ability to drive traffic to the host site
- Public support??
- www.kickstarter.com
- www.indiegogo.com
- www.gofundme.com



Be a Prepared Applicant

Banks and government lenders look for…

Credit and Credit Scoring
Projections, cash flow cycle, breakeven point
Personal financial statement
Tax history

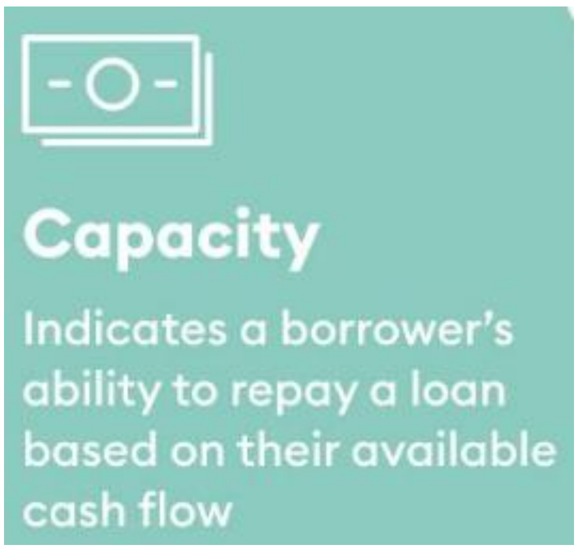
Be a Prepared Applicant

Understand The Five "C's" of Credit

The Five C’s of Credit

- Is the applicant responsible – likely to make on-time payments?
- Evaluate credit history and past interactions with lenders.
- Consider the borrower’s work experience, references, credentials and overall reputation.

The Five C's of Credit



- Lenders consider whether the borrower can cover new loan payments on top of their existing debt.
- Factors include the borrower's income and income stability.
- A lender will also evaluate the business's income.

The Five C's of Credit

Capital

Demonstrates the borrower's level of commitment

- Is borrower contributing some of own funds?
- Lenders evaluate the investments a borrower has made into the business (inventory, equipment, etc.).
- Lenders consider down payment size the borrower is committing to the purchase.

The Five C's of Credit

Conditions

The overall health of the economy and specifics of the loan

- Typically includes loan interest rate, amount of principal and intended use of loan proceeds.
- Lenders also consider outside factors like
    - state of the economy
    - industry trends
    - any other conditions that might impact loan repayment.

The Five C's of Credit

- What the lender could seize to recover from borrower default.

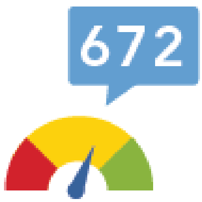
- A borrower's pledge of valuable collateral reduces the risk to the lender.

- Most common types of collateral that lenders accept:
  - Real Estate – Vehicles/Equip./Inventory – Cash/Account Balances/Receivables

Your Credit and You "Goal"

Credit Report vs. Credit Score

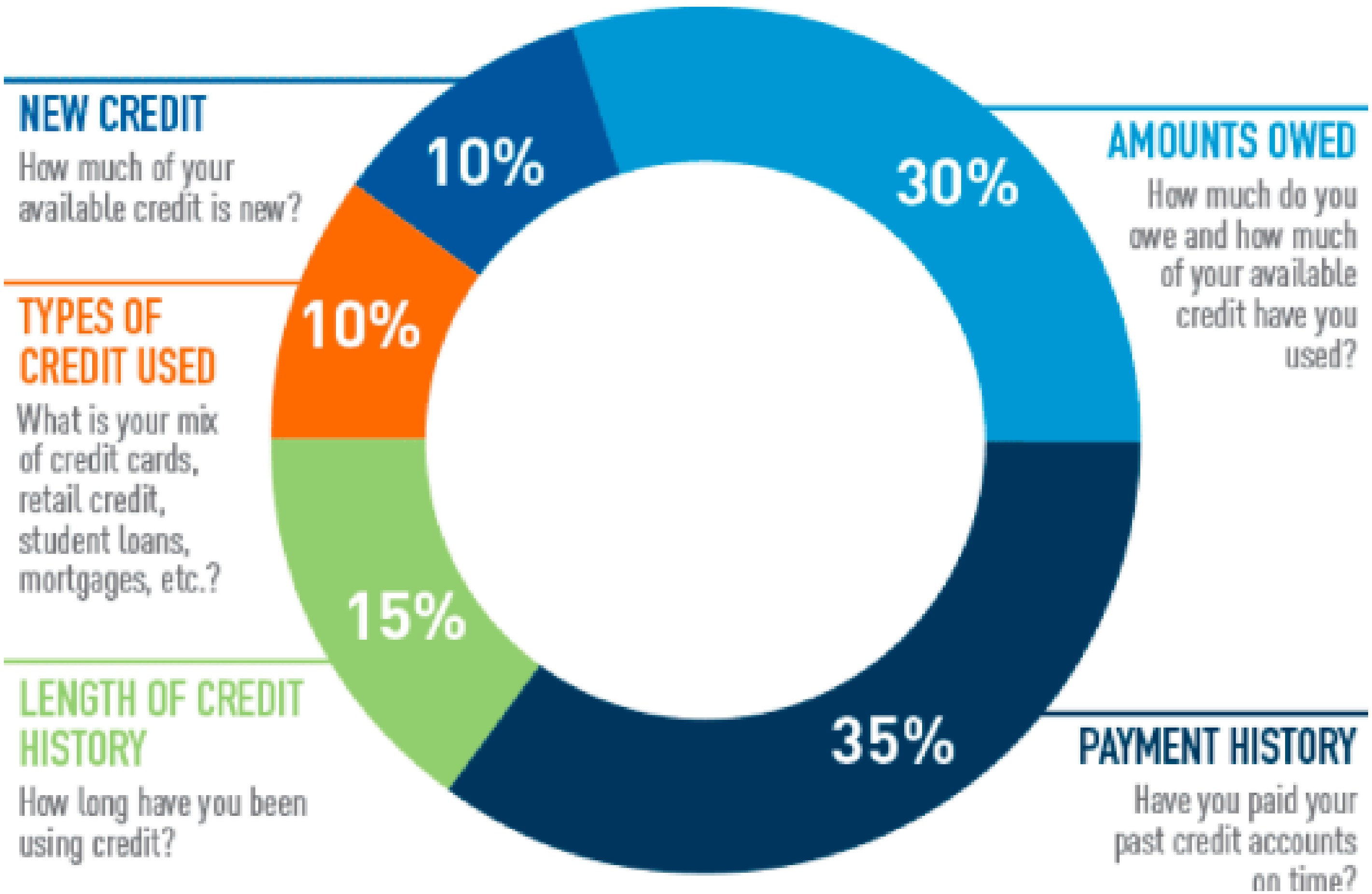
Credit Report: summary of credit history



Credit Score: risk model used by lenders/other businesses to provide a snapshot assessment of credit information at a moment in time

- Personal Identifying Information
- Credit History
- Public Records
- Inquiries

Accessing Credit Score



Accessing Your Credit Score

TransUnion. EQUIFAX® Experian™ A world of insight

Pulling Your Own Report: Consumer Options

www.annualcreditreport.com
(FREE consumer disclosure report upon request once a year)

https://www.equifax.com/personal/credit-report-services/ (Receive six free credit reports from Equifax per year through 2026 or call 1-866-349-5191)

Be a Prepared Applicant

Before going to a lender…

Review your credit history
from all three credit bureaus

Take care of discrepancies and bad
accounts

Be a Prepared Applicant

Know your tax history.

- File personal & business taxes (even if you don't owe money)
- Talk to your accountant/attorney
- Don't fear the IRS

Be a Prepared Applicant

What type financing is right for you?

CONSIDER

Maturity of business

Use of proceeds

Repayment ability

Be a Prepared Applicant

Know the "Deal Killers"

- Default on any government loan (including student loans)
- Recent bankruptcy
- Failure to file tax returns
- All owners not participating in loan
- Not a US citizen or un-documented

Be a Prepared Applicant

Know what you need and why

Ask for a $pecific amount

What to Bring to the Lender

Requirements

- Business Plan
- Tax Returns (personal & business)
- Financial Statements (historical /projections)
- Personal financial statement
- Supporting documents

What to Bring to the Lender

The Business Plan

Communicates

- Who you are
- What you're planning to do
- How you're going to do it *successfully*

Includes

- Business information
- Strategy & Implementation
- Financial data
- Supporting documentation

What to Bring to the Lender

Additional Document Possibilities

- Resume
- Credit Reports
- Reference Letters
- Legal Documents (lease, contracts, certificates of incorporation, etc.

Basics of Financing Your Business

Questions?
Comments?
Feedback?

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Resources & Solutions for Small Business

UCEDC

A Non-Profit Economic Development Corporation

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