

How to Get the Capital You Need for Your Business



**Carolina
Small Business**
DEVELOPMENT FUND



Agenda

- Introduction
- Overview of Carolina Small Business loan programs
- Questions to consider before applying for a business loan
- How to become **business loan ready**
 - Character
 - Capacity
 - Conditions
 - Collateral
 - Capital
- How to prepare a loan package

Overview of CSBDF's Loan Program



Carolina Small Business makes loans to support local small businesses



These “Main Street” businesses are the economic engines of healthy communities.

These businesses create economic activity in their communities



They create jobs, generate community wealth and support supply chains for larger businesses.

Their employees reinvest in their local economy



They spend on goods and services, save for their futures, and pay taxes.



Who We Are:

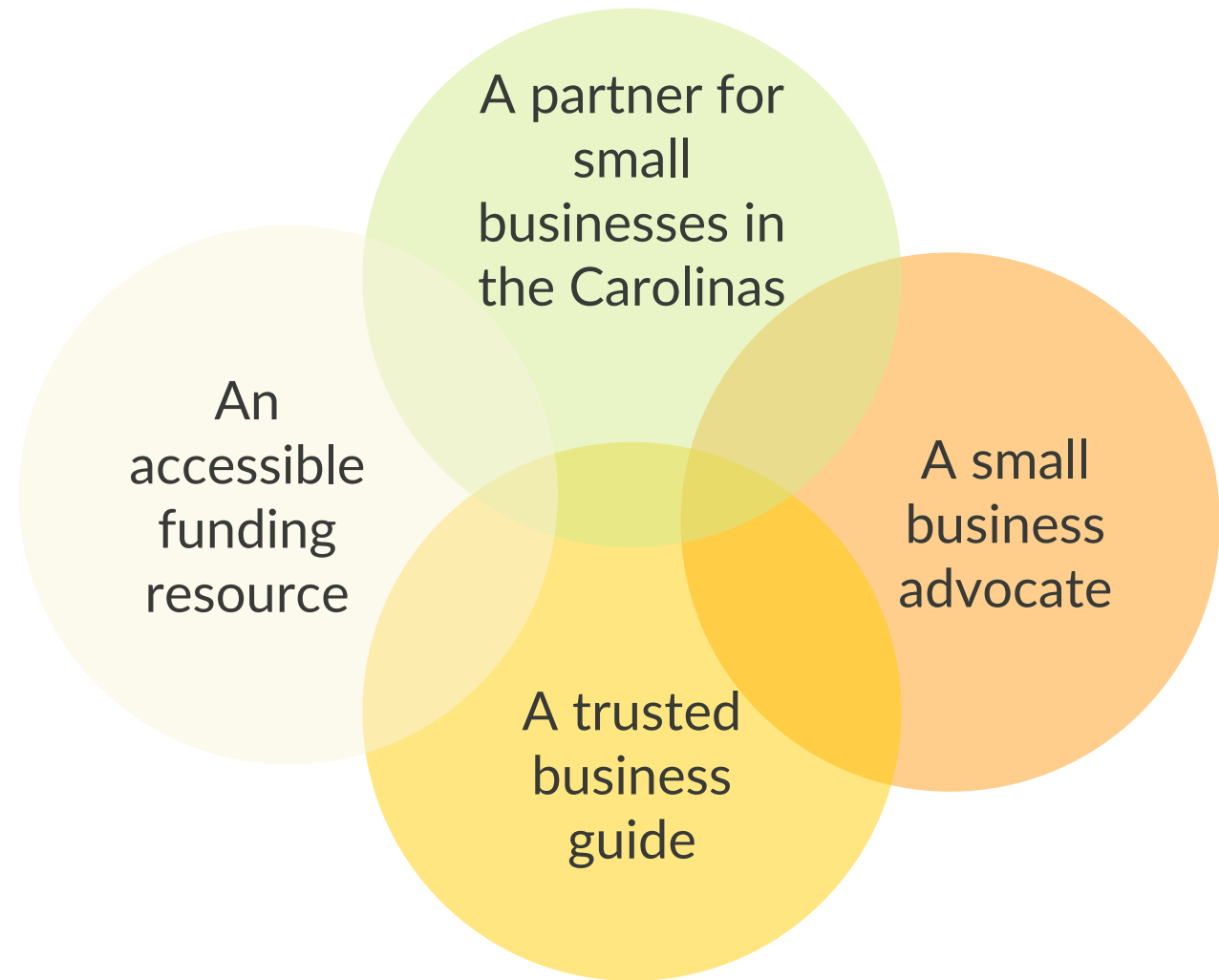
Carolina Small Business Development Fund is a 501(c)(3) nonprofit and CDFI that fosters economic development in underserved communities by providing capital, business services, and policy research to support small businesses.



Who We Are:

We fulfill a critical lending need for startups and existing businesses in North Carolina, with a special focus on unserved and underserved entrepreneurs.

We provide the opportunity for small businesses to succeed, while achieving financial sustainability.



CSBDF is an approved lender for the SBA, USDA/FSA & USDOT Guarantee Loan Programs:



SBA Community Advantage 7(a) Loan Guarantee Program

Statewide program for new and existing small businesses
Designed to address collateral needs for small businesses
Maximum loan amount is \$250,000



USDA Farm Service Agency Guarantee Lending

Lending available to farmers, especially smaller agricultural operations
Flexible payment schedules available to meet a farmer's seasonal workload
Maximum loan is for \$200,000



US Department of Transportation Short Term Lending Program

Funds available for transportation-related contracts granted by the U.S. Dept. of Transportation.
Up to a one year line of credit for a maximum of \$250,000, potentially renewable for up to five years



USDA Business and Industry Guaranteed Lending Program

Funds available to help improve, develop, or finance business, industry and employment and improve the economic and environments climate in rural communities.

Looking for a Loan

Where should you look for a business loan?

- Mission Based Lenders
- Banks
- Regional lending organizations

How are we different?

- Non-Profit Business Lender
- No Application Fee
- No Established Minimum FICO Credit Score
- Low Expected Owner Equity Contribution
- Post Loan Business Training and Support
- Mission-based Lender
- Concerned with economic growth and job creation
- Considerate of rural and underserved populations



How to become business loan ready



Answer These Questions Before Applying for a Business Loan

Key questions to ask yourself:

- How much money do I need?
- What are my other funding options?
- What personal resources am I able to invest/risk in the business?

What to do:

- Do your research and develop good cost estimates for the resources that will be needed.
- Educate yourself on available funding options (personal loans from friends and family, home equity loans, leases, etc.)
- Understand the risk with borrowing. You will be expected to provide security for the loan, which means putting your personal assets at risk.

How to Become Business Loan Ready

Character

- The lender needs to be sure that you or the person making the business decision knows what they are doing.

What to do:

- Have resumes prepared for all key stakeholders.
- Edit your resume to highlight the skills and background that directly relate to running the business.
- If you don't have the relevant business experience, have a plan in place to address your lack of experience. Plan could be hiring someone with experience, having a mentor or coach, etc.

How to Become Business Loan Ready

Credit

- The lender will look for indications of how trustworthy you are. In particular, lenders will review your credit history. How you have handled debt in the past may indicate how you'll handle it in the future.

What to do:

- Know your credit report. Get a copy well before your loan application is made. If you have a low score, clean it up before applying. Consider using a credit repair service.
- If you have business partners, know their credit scores.

How to Become Business Loan Ready

Collateral

- Lenders are looking primarily at your business's ability to repay what you borrowed from them. However, they need to be able to recoup the potential loss from a bad loan. Both your business and personal assets will likely be at risk to secure the loan. Lenders value assets that can be easily turned into cash that is equal or more than the loan amount.

What to do:

- Make sure everyone involved is aware of the need for their potential guarantee on the loan repayment.
- If you're planning on using something that can be appraised for its value (like a house) have a recent appraisal available.
- Understand how lenders are likely to value assets:
 - Certificate of deposit 100%
 - Real estate 75-80%
 - Vehicles 75-78%
 - Equipment 50-75%
 - Inventory 0-50%

How to Become Business Loan Ready

Capital

- Lenders expect that you will invest your own money in the business. You will be expected to invest 10-30% of the capital needed. They also want to see that you have money in reserve in case of unexpected needs.

What to do:

- Be able to document your costs thus far in the business. They can count as part of the expected owner investment.
- Identify your source of funds for the owner investment.
- If you are starting a business, include at least 90 days of operating expenses in the loan request.

How to Become Business Loan Ready

Capacity

- The biggest question for the lender is can you pay back the loan? The information you provide must be accurate, believable, and credible.

What to do:

- Create your projected cash flow for monthly income and expenses. It should demonstrate that you can make your loan payments and that the business will be sustainable.
- Every key number in your cash flow must have some sort of “reasonable assumption” backing it up. If asked, you should be able to explain your assumptions.
- Be sure your numbers show seasonality. Very few companies have the same income and expenses every month of the year.

How to Become Business Loan Ready

Conditions

- What your business is going to offer and where it is going to offer it is a big part of the decision-making process. Lenders will want to know about your competition and the are where you will be located.

What to do:

- Be prepared to describe your competitors.
- Include information about the local economy in your business plan.
- Have a clear idea of who your target customers are and how you plan to reach them.

Preparing a Loan Package



Loan Package

Common elements of a loan package

- Business plan
- Business financial statements (current and historical)
- Personal financial statements
- Personal and business tax returns

Loan Package

What are elements of a loan package?

- Source and amount of equity contribution
- Credit report
- Collateral
- Purchase agreement, appraisals, contracts, and estimates

How We Can Help

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