

How To Prep & Pitch Your Loan

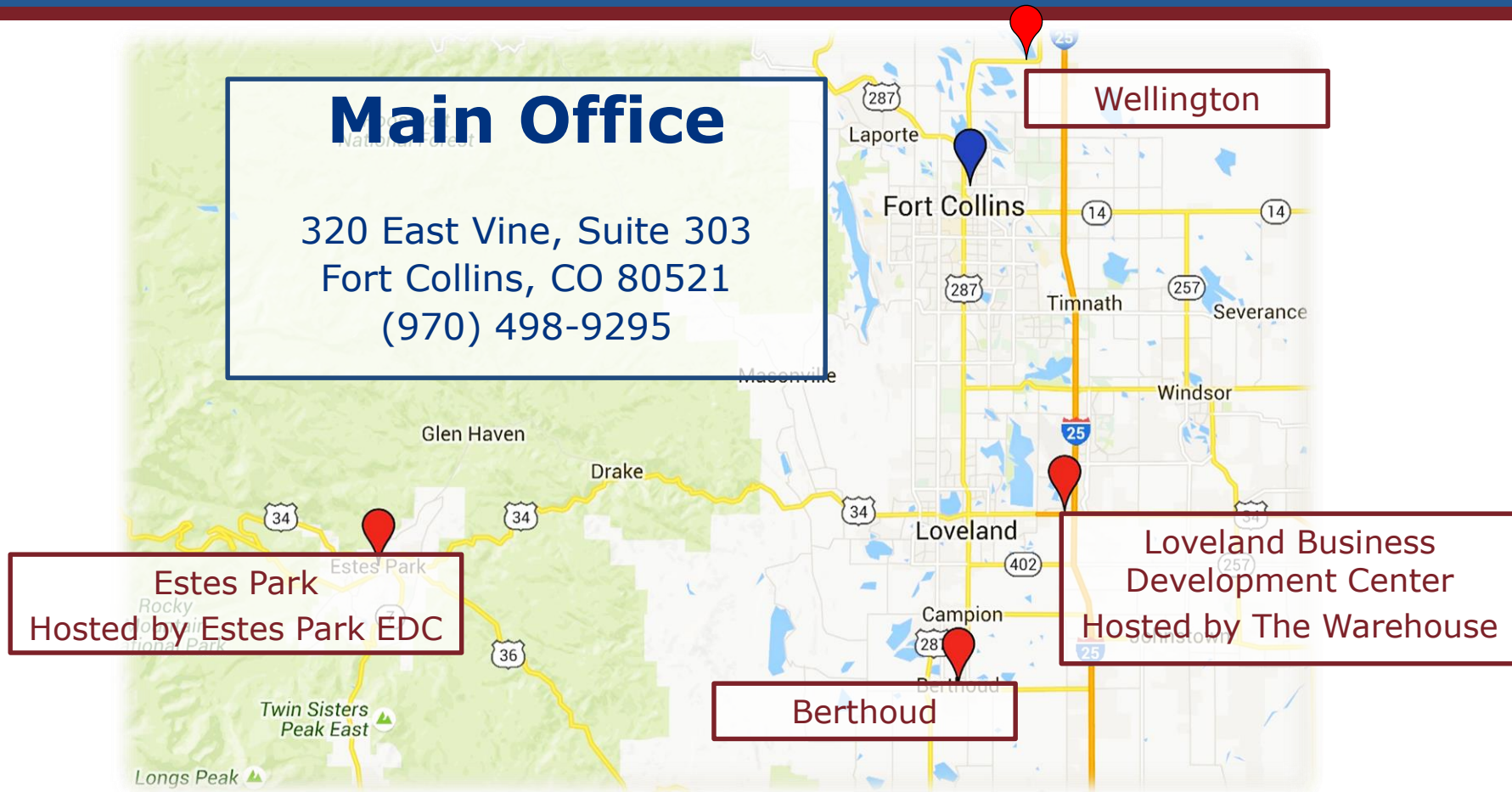


Who We Are & What We Do



Helping local businesses start, grow and prosper through street-smart business education and assistance.

Larimer SBDC Services





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NETWORKING

INNOVATION

PROJECTIONS

SUSTAINABILITY

Preparing to Approach Your Lender

CONSULTING

MENTORING

BUSINESS

FINANCING

SUCCESS

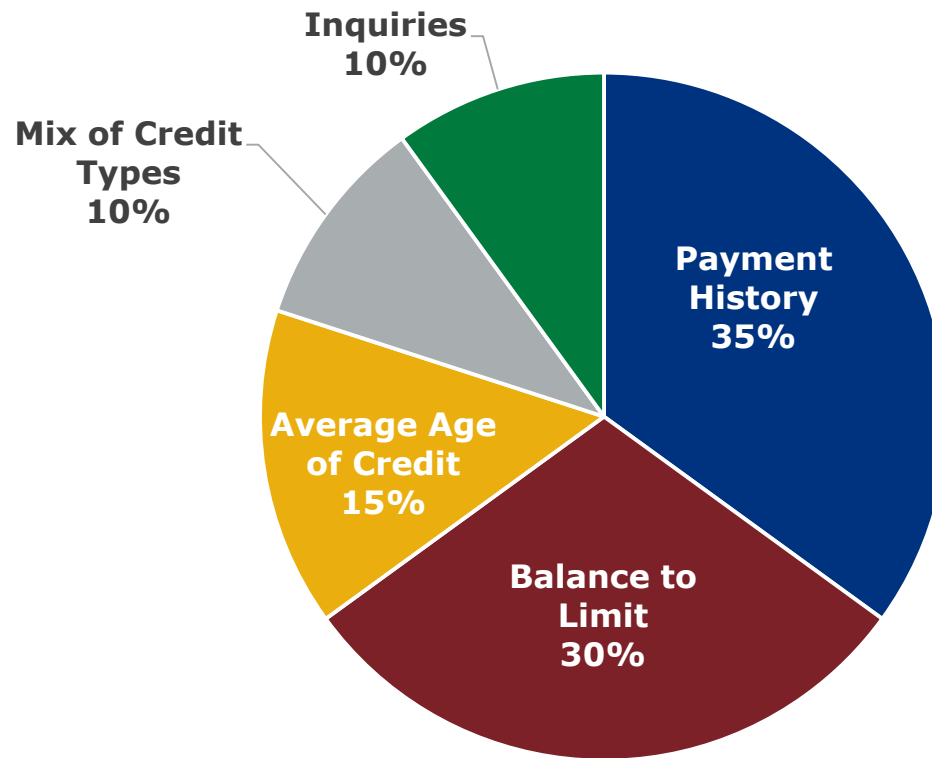
How is Your Credit?

FICO vs Credit Monitoring Websites

- Lending institutions use FICO
- Score difference around 50 points
- Annualcreditreport.com

How is Your Credit?

What Makes Up Your FICO Score?



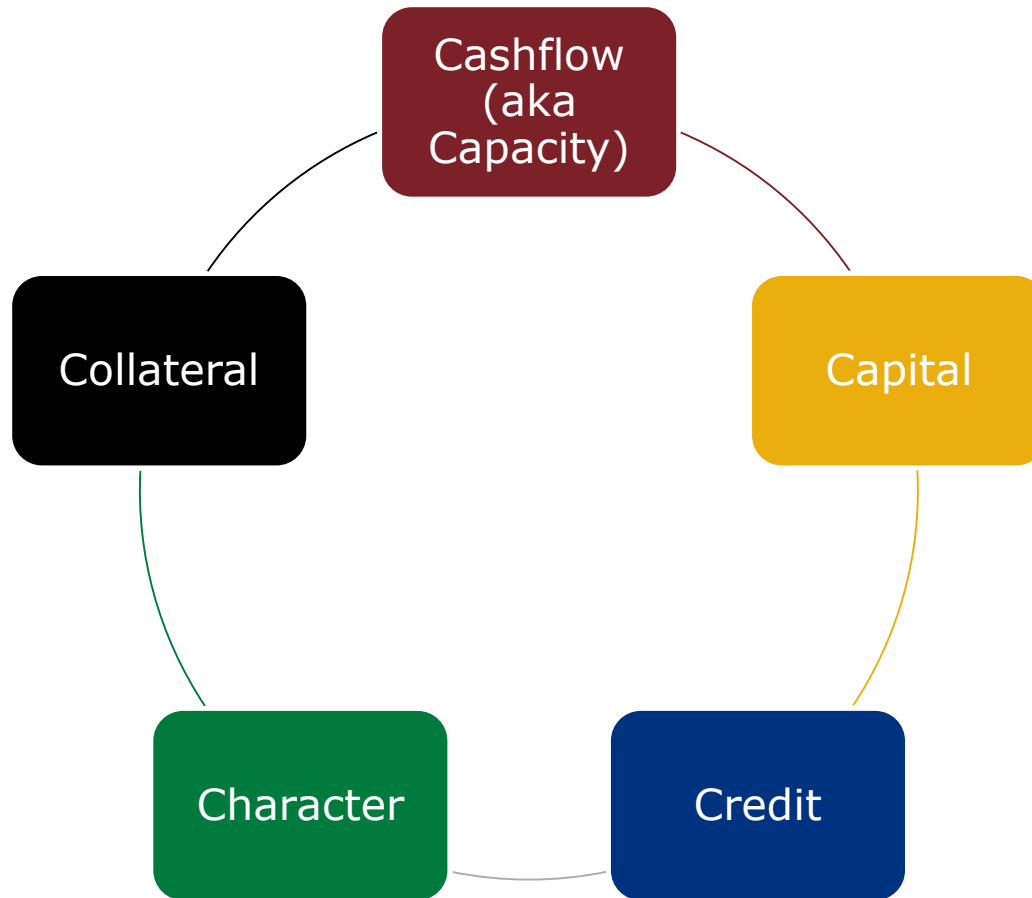
How to Improve Your Credit

- No slow pays (30+ days past due)
- Keep balance to limit at 0-10%
- If payoff credit card each month, must do it prior to statement cycle when reported
- Work with CERTIFIED Credit Experts

Understand Your Financials

- Balance Sheet-Snapshot of Assets, Liabilities and Owner's Equity
- Income Statement (P&L)-Company's revenues less their costs and expenses over a given period
- Be able to answer questions about trends reflected in the financials

The 5 C's of Credit



The 5 C's of Credit

Cashflow/Capacity

For every \$1 in expenses, the business needs to have at least \$1.20 of income to meet minimum cashflow requirements.

The 5 C's of Credit

Capital

The injection (down payment) made by the business. For example, if you are looking to purchase a building you would need 20-25% down.

The 5 C's of Credit

Credit

Any individual with $\geq 20\%$ ownership required to sign as guarantor on loan. Typically want to see score mid-700s or higher. Case by case depending on strength in other 4 areas.

The 5 C's of Credit

Character

Based on your educational background and experience in your business and industry.

The 5 C's of Credit

Collateral

Pledging an asset you own as security.
There are unsecured loans available depending on the amount and situation.

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What Are Your Choices??

What Are Your Choices?

- Microloan
- SBA (Small Business Administration)
- Conventional Bank Loan

Microloans



- Nonprofit lending source for small businesses that are unable to obtain traditional bank financing
- Loans from \$1000-\$500,000
- Startup and existing businesses are eligible
- Rates and terms vary
- Work in conjunction with banks to fill credit request gaps

Microloans

ACCION

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- Can work with lower credit scores

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Common Misconceptions of the

U.S. Small Business Administration



Your Small Business Resource

SBA

Myth #1

The SBA will give me a grant to start my business.

Fact

The SBA does not provide grants to start a small business.

SBA

Myth #2

The SBA lends money to a small business owner.

Fact

The lender actually lends the money and the SBA guarantees a portion of the loan.

SBA

Myth #3

I can start a business and get a loan with no money down.

Fact

Lending institutions will require that you have some “skin in the game”. The percentage varies, but typically 25%.

SBA

Myth #4

SBA loans are grants from the government that I won't have to pay back.

Fact

Remember, the SBA does not provide grants. Both the lender and SBA will expect the loan be repaid.

SBA

Myth #5

I can get an SBA loan anywhere.

Fact:

SBA loans are a complex process. Banks that are part of the Preferred Lender Program can help you save time and reduce complications.

SBA – Eligibility Basics

- Located in the US
- For Profit
- Has Experienced Owners/Managers+
- Demonstrates an Ability to Repay
- Not a Lender, Money Service Business, Life Insurance Company or Investment Brokerage

SBA – Eligibility Basics

Small by SBA Size Standards

- NAICS for Service Businesses based on Revenue
 - Typically < \$7.5MM
- NAICS for Wholesalers / Distributors based on Employees
 - Typically < 100 Employees (at application)
- NAICS for Manufacturers based on Employees
 - Typically < 500 Employees

SBA – Eligibility Basics

The Owners Must:

- Be US Citizen or Legal Permanent Resident (Green Card)

- Be of Good Character

SBA: Not on Probation, Parole or Pretrial Diversion

SBA: NEVER convicted of a felony for a crime of “moral turpitude”

Bank: Should have an acceptable credit score

- Not Be Affiliated with Lender

Share household with Employee, Officer, Director

SBA – Loan Programs

504

- Used to purchase major fixed assets such as equipment or owner-occupied real estate

SBA – Loan Programs

7(a)

- Used to establish a new business or to assist in the acquisition, operation, or expansion of an existing business

SBA Benefits

- Longer Terms
- Lower Down Payments
- Increased Cashflow
- Alternative when collateral does not meet conventional lending standards

Conventional Loan Programs

Fixed Term Loans

- Long term financial needs for renovations and equipment and vehicle purchases

Conventional Loan Programs

Lines of Credit

- Short term cash needs, managing business expenses and purchasing inventory

Conventional Loan Programs

Real Estate Loans

- Ready to purchase property, expanding to new location or refinancing existing real estate loan

Conventional Loan Benefits

- Lower rates than SBA and Microlender
- No SBA guarantee or packaging fees
- Shorter turnaround times
- Less paperwork

Q & A