



PeopleFund



Inspire.



Educate.



Fund.



Elevate.

Access to Capital for Entrepreneurs

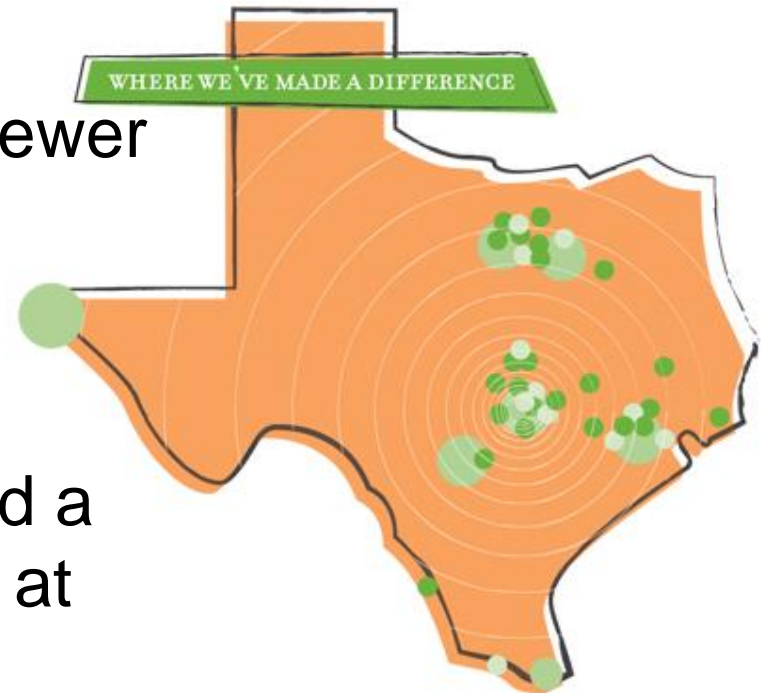
Katherine Sobel

Education and Training Specialist



Texas Market

- Small business is **BIG** business in Texas
- 254** counties
- 2.2 million** businesses with 5 or fewer employees
- Represent **89.4%** of all Texas businesses
- If just 1 of 3 small business hired a single employee, U.S. would be at **full employment**



Access to Capital

- Biggest challenge for business owners
- How to become **bank loan ready**
- Questions you need to ask prospective lenders
- How to choose best source of capital
- Money alone not the answer, particularly for small startups
- Ongoing mentorship, businesses education & training essential to success



Bank Loan Readiness

- 🌱 Get **personal credit** in order—FICO score will enable or limit you (unpaid collections, past due/default student loans, tax liens, past due child support)
- 🌱 Source of **Income**— must verify with tax returns/pay stubs. Is income stable? Retirement ?Disability Pay?
- 🌱 **Business Plan**—resume, project budget, use of funds, 2-3 years financial projections, business description, use of funds, market research, < \$25K – 2-3 pages
- 🌱 **Collateral**— adequate to support loan. 100% + for some lenders. Most lenders use liquidation value (50-80%). Options for loans without collateral.



Bank Loan Readiness

- Most lenders require borrower **Equity** “skin in the game”. May require 20% or more equity for the loan (cash, inventory, real estate).
- Your business must be **Competitive** as assessed by lender.
- Character**— honorable in meeting past obligations. Sincere and responsive. Can be “gut feeling”.
- Understanding **Financials** essential to any w business.
 - Profit & Loss
 - Balance Sheet
 - Cash Flow



SBA Products

- 🌱 SBA Microloans----->up to \$50,000(CDFI's)
- 🌱 SBA 7(a) Community Advantage--->up to \$250,000 (CDFI's)
- 🌱 SBA 7(a) Small Loan Advantage--- > up to \$350,000 (Bank)
- 🌱 SBA 7(a) with SBA Guaranty----->up to 5,000,000(Bank)
- 🌱 SBA 504 (debenture)-----> up



to 5,000,000(Banks/CDC's)

Questions to Ask Lender

Is there a **penalty** for early payment?

Is **Interest Rate** on loan fixed or variable?

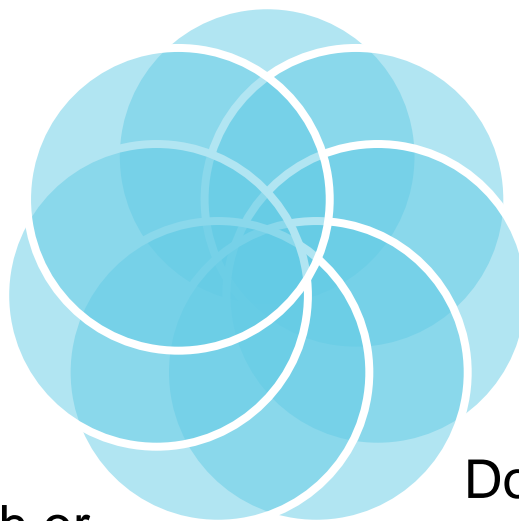
Must I have **insurance** as a condition of loan. If so what kind (e.g. life, liability, property)?

What **post loan support** do you provide such as business training, education, workshops?

How much or % of loan are **closing costs**?

Do you give **loan interest rate discounts** if I have business account or business credit card with you?

Is there a **monthly service fee** for my loan?



Other Capital Options

Bootstrapping + Family + Friends

Credit Cards

- ❖ Beware introductory periods
- ❖ Late payments – rates rise to 30% APR in some instances
- ❖ Cannot close account with outstanding balance

Pay Day Loans

- ❖ Who uses and why?
- ❖ Example: pay \$15 for a 2 week \$ 100 loan
- ❖ APR – $26 \times .15\% = 390\%$ APR



Loan Process

- ❖ Complete a loan application
- ❖ Gather and submit required documents:
 - Existing businesses: Debt schedule, business financial statements, business tax returns, 3 months business bank statements, detailed breakdown of use of funds, personal financial statements, personal tax returns, tax ID certificate, governing document (DBA, LLC), drivers license
 - New businesses: Business plan, 3 years financial projections, proof of outside source of income, proof of equity injection, resumes
- ❖ Review the documents and credit with a loan officer
- ❖ Submit documents to underwriting for approval
- ❖ Loan closing



What Makes PeopleFund & CDFI's Different



- Non-Profit Business Lender
- CDFI – Support Underserved Populations
- No Application Fee
- No Established Minimum FICO Score
- Low Loan Equity Contribution
- Flexible Loan Terms and No Pre-Payment Penalty
- Variety of Loan Products: PeopleFund Loans, SBA Microloan, SBA Community Advantage Loans, Lines of Credit – amounts vary – \$350,000 maximum
- Pre- and Post- Loan Business Training and Support



Contact Us



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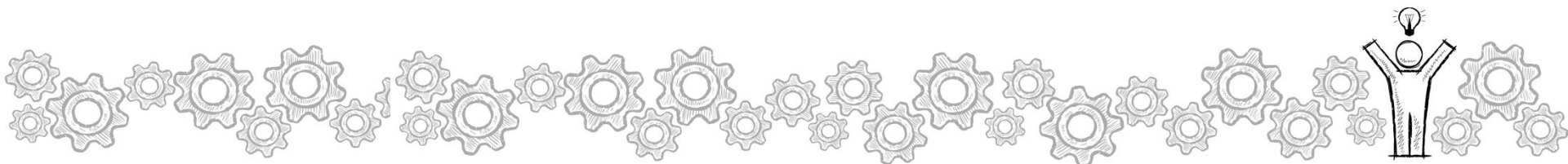
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<https://peoplefund.org/get-a-loan/>



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Together, we can provide economic opportunity and help disadvantaged people live the American Dream.