

How to Finance a Business: Self-Employment Course

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Note: The slides will advance automatically, but you may move or pause them manually by using the arrow buttons below.

How to Finance a Business

- US Small Business Administration or SBA
 - established in 1953 to help Americans start, build and grow their own businesses
- Course outline:
 - Sources of Financing
 - Evaluation of a credit request
 - Small Business Resources

Sources for a Financing a Small Business

- Your resources and savings
 - Need equity
 - Savings options
 - Plan for Achieving Self-Success (PASS)
 - Individual Development Account (IDA)
- Gifts or loans from friends or relatives
 - Write out terms of loan/gift
 - Have all parties sign agreement



Sources for a Financing a Small Business (cont)

- Loans from banks or non-bank lenders
 - SBA guaranteed loans
 - Other resources
 - DOL Small Business and Self-Employment Service
 - VA Department of Business Assistance
 - NewWell Fund
- Equity capital from angel investors or venture capitalists
 - money raised in exchange for a share of ownership in the company

SBA Loan Guarantee Programs

- Does not offer grants to business
- Makes disaster related loans only
- 7A Loan Program (most popular)
 - SBA Express Loan Program
 - Patriot Express Loan Program
 - Community Express Program

SBA Loan Guarantee Programs (cont)

- Microloan Program
- 504 Loan Program
- Must meet eligibility requirements
 - Business must be for-profit and small
 - SBA loan proceeds must be used for a legitimate business purpose
 - Good credit and character
 - Invest equity
 - Business plan
 - Financial records

Key Points



- Ability to repay the loan
 - Cash flow and collateral
 - If startup, bank wants a detailed explanation of how the business will be able to repay the loan
- Credit history
 - Make sure mistakes are corrected
 - Use a credit card or store card to build credit
- Equity
 - Must have a reasonable amount invested in the business
 - Strong equity increases business resiliency and sustainability

Key Points (cont)

- Collateral
 - A secondary source of repayment
 - Personal and business assets that can be sold to pay back the loan
 - Borrower may need a cosigner if s/he does not have collateral
- Experience
 - Take some time to get experience and education
- Before you meet with a lender
 - Obtain a copy of your credit report
 - www.annualcreditreport.com

Prepare a Loan Proposal

- Cover letter or executive summary
- Description of the business
- Management experience of the owners
- Personal financial statements
- Performa balance sheet (New Business Startups)
- Financial statements (Existing Business)
- Collateral offered
- Other items may include: copy of lease, franchise agreement, purchase agreement
- Use the outline offered on line by the SBA

Sources to Help Start Your Business

- SCORE Counselors to America's Small Business
- SBDC Small Business Development Centers
- Women's Business Centers
- Local and National SBA websites including one on disability information

Web Resources

The following are websites that Ford Scott mentioned throughout the presentation:

- Americans with Disabilities online resource (www.disabilityinfo.gov)
- Credit reports (www.annualcreditreport.com)
- DOL Small Business and Self-Employment Service (www.jan.wvu.edu/sbses)
- National SBDC clearinghouse (www.sbdnet.org)
- NewWell Fund (www.atifa.org)
- New Visions, New Ventures (www.nvny.org). IDA information
- SCORE (www.score.org)
- Small Business Administration (www.sba.gov)
 - Virginia section (www.sba.gov/va)
- Social Security Administration (www.ssa.gov), PASS information
- Virginia Department of Business Assistance (www.dba.state.va.us/financing/crd)