



Rogue Community College

Small Business Development Center

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SMALL BUSINESS FINANCING INFORMATION SHEET

This information sheet covers only the basics. Circumstances may vary per individual. Please make a free-of-charge appointment to discuss your particular needs.

If you are contemplating applying for a commercial loan, your key to successfully obtaining financing for your small business is a solid business plan. You must know who you are, where you've been, and where you're headed. In addition, you must know who your market is (and it's NOT everyone), your competition, and what you can provide that they're not. In other words, you must fill a need ("niche") that isn't being met; otherwise, you'll just be adding another competitor to the marketplace. This will result in reducing the consumer base ratio, no one in the industry will be profitable, and you will, most likely, suffer the consequences first.

The following are financing basics:

- **BUSINESS PLAN:** Prepare a convincing business plan. It will require considerable research, but you will need the information you obtain to be successful in your business anyway. The lender must be convinced you know what you're doing and have given your business considerable thought.
- Any financing will require personal financial data. You will need to have a good credit rating and list what you will be offering for assets and collateral.
- ***You will be required to have a certain percentage of your own money. There is no such thing as "100% financing."***
- Some lending institutions will allow the money already invested in the business to count towards the required match.
- To discuss your proposal with the banker, it is recommended you first make an appointment with the bank's commercial loan officer to ensure they have time set aside for you
- Requirements vary depending on the loan program. This information sheets provides basic information and Web sites for complete details. It is not meant to endorse any particular bank or financing program.

Loan specifics change. Please check agency Web sites for current information

Note: Sample business plans can be downloaded from <http://www.sba.gov>



Business Plan Outline—Existing Business

The following is a general outline of items included in a business plan. More detailed information is available at the RCC SBDC business library or is for sale at the SBDC.

I. Information About Your Business:

- A. Description of business
- B. Your market
- B. Your competition
- C. Location of your business
- E. Management of your business
- F. Personnel information

II. Financial Information:

- A. Sources and application of additional funding
- B. A list of your capital equipment
- C. A balance sheet of your business
- D. A breakeven analysis of your business
- E. An projection of income, often called a profit and loss statement
 - 1. A two year summary
 - 2. A monthly detail for each year with year-end summaries
 - 3. Assumptions of each line item.
- F. A cash flow projection over at least the next year, based upon your obtaining the loan:
 - 1. a one year summary (minimum)
 - 2. A monthly detail of each summary
 - 3. Notes to explain various items you feel necessary
- G. Three years historical financial reports for existing business (or however long you've been in business if less than three years):
 - 1. Balance sheets
 - 2. Income statements
 - 3. Income tax returns

III. Supporting Documents:

- A. Personal resumes of those actively involved in the business.
- B. Job descriptions of all involved in the business
- C. Personal financial information for those signing on the loan
- D. Letters of reference
- E. Letters of intent to do business with you
- F. Copies of leases
- G. Contracts and other legal documents pertaining to your business
- H. Anything else you feel is relevant to your proposal

IV. Narrative:

The narrative portion of your plan supplements and explains the above information. If there is anything unfavorable in your credit history, explain it away before the bank uncovers something that may cause them to deny your request. **Don't give the bank any surprises!** Remember, your personal credit and financial status will be intertwined with that of your business.

Business Plan Outline--Start Up Business

I. Information about your business:

1. Purpose: Your Mission Statement (why are you in business?)
2. What will you provide (to begin with)?
3. Industry trends and sources you used
4. Your market—who is your customer
5. Your marketing plan.
6. Where do you intend to advertise
7. Your competition—who are they? What do they offer? What will you do differently to encourage them to go to you rather than the competition?
8. Location of your business
9. Management of your business—who are you? Who else will be involved? What do each bring to the business: education, licenses, skills, experience in the industry—be specific
10. Personnel information—about non-owners
11. Expansion plans. At what point will you expand? Into what other areas? In what order?
12. Other goals and objectives

II. Financial Information:

1. Sources and applications of additional funding
2. A list of your capital equipment
3. What else will you bring to the business?
4. Start up costs and cash flow projections for at least the next year
5. Assumptions for each line item: What did you base your projections on?

III. Supporting Documents:

1. Personal resumes of those actively involved in the business
2. Job descriptions of all involved in the business
3. Personal financial information for those signing on the loan
4. Letters of reference
5. Letters of intent to do business with you
6. Copies of leases
7. Contracts and other legal documents pertaining to your business
8. Anything else you feel is relevant

The narrative portion of your plan supplements and explains the above information. If there is anything unfavorable in your credit history, explain it away before the bank uncovers something that may cause them to deny your request. **Don't give the bank any surprises!** Remember, your personal credit and financial status will be intertwined with that of your business.

SOURCES OF SEED MONEY - ALTERNATIVES

Before considering a commercial loan and incurring additional debt, look for alternatives, such as:

- * Use money saved over a period of time from your business and build slowly.
- * Borrow money from family or friends who believe in you.
- * Borrow against any insurance policies you might have.
- * Sell an extra automobile.
- * Use your personal savings.
- * You or your spouse may obtain a part-time or full-time job elsewhere.
- * Borrow against your home--only make sure you can repay or your home will be in jeopardy.
- * Use credit cards for smaller purchases and needs.
- * Take on a partner.
- * Use your suppliers credit terms to delay payment.
- * If there is a franchise available in your area that is similar to your business, convert yours to their franchise and use their financing.
- * Research the availability of Lottery funds that may be set aside for businesses such as yours.
- * If yours is a business geared toward innovative research or the benefit of mankind, research the availability of grants.
- * In some areas there are small business incubator programs to help existing business through the growth stage.
- * Use loan brokers/finders, but make sure they are reputable.
- * Sell your stock.
- * Look for venture capital; however, venture capitalists usually want a large share of your business.
- * Utilize letters of credit (standbys) and subordinations (often used by corporations.)
- * Use factoring.
- * SBIC-MSBIC
- * Trading companies

CHECK WITH REPORTING AGENCIES TO DETERMINE YOUR CREDIT RATING

Before applying for a loan, check your credit report so you don't have any surprises. You can write to the following major credit reporting agencies and ask if your credit report shows any history of missed payments, liens, or other problems. The agencies are required to respond to your inquiry within 30 days. The following describes how to apply for a copy of your credit report by each agency:

TRW, PO Box 2350, Chatsworth, CA 91313-2350 : Include your printed name, including middle initial and Jr., II (if applicable) current address, previous addresses during the past five years, your Social Security number and date of birth. Also include a copy of a recent credit card bill, utility bill or driver's license (TRW wants something that verifies your address.) And, of course, sign your letter. 1-800-916-8800

Equifax, PO Box 105873, Atlanta, GA 30348, 1-800-685-1111: Include your full name, your current address, former address, Social Security number, date of birth and day-time and evening phone numbers.

Trans Union Corp., PO Box 390, Springfield, PA 19064-0390, 1-800-851-2674: For a free report include a copy of a letter of denial within the past 60 days. Include your full name, spouse's name, current address, addresses for past two years, Social Security number, spouse's Social Security number, date of birth, current employment, telephone number and signature of both spouses.

CSC Credit Service, PO Box 674402, Houston, TX 77267-4402: Enclose a copy of the letter of denial or name of the company that denied you credit, your full name, current address, previous address the past two years, Social Security number and a copy of your signature. Separate information about your spouse must be submitted.

Experian: 888-3907-3742

Consumer Credit Counseling Services, (541) 479-6002: *The company also offers help with a debt repayment program for clients who need this service.*

Commercial Bank Loans

- The first place to begin
- Start with your own bank
- First impressions are vital, so have your business plan and cash flow projections prepared in advance. The SBDC will help you prepare the business plan. You will make the actual preparation, but SBDC counselors will guide you.
- The bank will make the decision whether or not to use the additional guarantee of the Small Business Administration (SBA), but will do so only if necessary
- You'll need to have some investment of your own—usually cash
- Some banks will count some of your own equity in the business towards the required investment
- SBA approved lenders will provide a faster turn around if an SBA guarantee is required, as they are able to make SBA loan decisions on their own
- A complete listing of Josephine and Jackson County banks and contacts is included at the end of this document

Small Business Administration (SBA) Financing

SEVEN STEPS TO SBA LOANS

Every loan requires certain basic elements, documentation, a plan, etc. The following seven steps are important to businesses seeking an SBA or any small business loan:

- Develop a plan--a business plan that is. This is especially necessary for start up and small businesses on the threshold of expansion. Any lender will need to see a business plan. It not only outlines business strategies, planning and forecasting, but it is also an exercise to help the borrower focus on where business is headed. It forces business owners to crystallize opportunities and challenges and make plans to meet objectives and provide for possible contingencies.
- Determine how much you need and document how it will be spent. You may have a ball park figure in mind, but you'll need to provide a lender with an amount derived from solid data. Lenders want to see a well prepared itemization of how the loan's proceeds will be used. An SBA loan can cover commercial real estate acquisitions, equipment acquisitions, working capital, inventory, even debt consolidation (if not in arrears.)
- Compile a three year compendium of tax returns. Your lender will want to see both personal and business tax returns for the past three years. The information on these returns helps the lender verify profitability and cash flow.
- Update resumes. Possibly the most important factor in a business's success is management experience. Resumes on business principals will help satisfy the lender that the folks in charge have the experience to manage it profitably. This helps build the lender's confidence that the business is here to stay.
- Prepare a personal financial statement. A personal financial statement speaks to the borrower's need by verifying SBA loan eligibility.
- An SBA lender must ensure that the borrower has no more than 25% of the requested loan amount in liquid assets such as savings.
- Compile a business debt schedule.
- Borrowers will need to show the lender prior obligations and debts and how these effect cash flow. This includes loans and credit lines.
- Complete the loan application package. Most lenders have a comprehensive loan application which, when completed and compiled with the above six documents, comprises the SBA loan request package.
- You can receive assistance in completing these forms from the SBDC, but the information must come from you.

SBA Loan Programs

SBA does not offer a direct loan program—all loans are processed through local banks
Complete information is available at www.sba.gov. Click on “services” and then “financial assistance”.

7a Program:

- ✓ Maximum loan amount: \$2,000,000
- ✓ Maximum loan guarantee: \$1,500,000
- ✓ Loan of \$150,000 and less: 85% guarantee
- ✓ Loans above \$150,000: 75% guarantee
- ✓ Requires collateral & SBA loan fee

Benefits:

- ✓ Flexible payment schedule
- ✓ Longer payment terms
- ✓ Quick approval time
- ✓ Can enhance cash flow
- ✓ No balloon payments
- ✓ Can finance fees

Patriot Express (7 a Program) For:

- ✓ Veterans
- ✓ Service-disabled veterans
- ✓ Some active-duty service members
- ✓ Reservists and National Guard
- ✓ Current spouses of the above
- ✓ Widowed spouse of a service member or veteran who died during service or of a service-connected disability

Rural Lender Advantage (7 a Program)

- ✓ Enables smaller, rural lenders a partnership with SBA
- ✓ Encourages job growth in rural areas
- ✓ Shorter, simplified application for loans of \$350,00 or less
- ✓ Not all banks are participating

Community Express Loans

- ✓ Flexible terms for
 - Low-moderate income areas
 - Woman, minority or veteran (51% ownership)
 - Predefined area with high concentration of minority residents
- ✓ Loans up to \$350,000 with a 50% guarantee
- ✓ Export express loan: 75-85% guarantee, based on loan amount
- ✓ Uses:
 - Start-up
 - Expansion
 - Equipment purchases
 - Working capital
 - Inventory
 - Business purchase

SBA 504 Loan Basics:

Loan amount: \$250,000 to \$10,000,000

- ✓ Long-term, fixed rate Financing
- ✓ One new job created or retained for each \$50,000/\$100,000 for manufacturers
- ✓ Used:
 - to purchase land, building, equipment
 - business expansion
 - land improvements
 - renovations
- ✓ Requires owner equity/injections: 10%-20%

SBA CAPLines Loan:

- ✓ Short term and cyclical working capital needs
- ✓ Working capital loans include:
 - Seasonal
 - Contract
 - Builders
 - Standard/small asset-based lines
 - Exporting
- ✓ Available to support:
 - Labor and material needs'
 - Cash cycle financing
- ✓ Maximum of \$1,500,00 guaranty by SBA

Micro-Loan Program

Illinois Valley Community Development Organization (IVCDO) Revolving Loan Program

For details call: 541-592-4440 or e-mail info@ivcdo.org

- ✓ For Josephine County businesses only
- ✓ For harder to place loans
- ✓ Loan amounts: \$200 to \$25,000
- ✓ Terms: 5-9% fixed up to 5 years
- ✓ Loan processing fee: \$50 plus 1% of the loan
- ✓ No bankruptcy in past two years
- ✓ Acceptable recent credit history
- ✓ Ineligible
 - Multi-level marketing
 - Refinancing
 - Passive investing
 - Business distress

State of Oregon Loan Programs

For complete information and a listing of all State of Oregon loan programs go to:

<http://econ.oregon.gov/ECDD/finance.shtml>

State Entrepreneurial Development Loan Fund: Initial direct loans to help businesses get started

- ✓ Initial loan amount: \$25,000
- ✓ Additional loan amount: \$15,000
- ✓ Fixed interest rate
- ✓ Must meet two of the following criteria:
 - Be in operation less than 24 months
 - Revenues less than \$100,000 in last 12 months
 - Owned by severely disabled person
- ✓ Secured by adequate collateral
- ✓ Ability to repay
- ✓ Personal guarantees required
- ✓ 20% minimum equity
- ✓ Not used to refinance debt
- ✓ Maximum term: 5 years
- ✓ Must work with SBDC
- ✓ Application made to SBDC

Oregon Business Development Fund:

- ✓ **Provides incentives for**
 - **creating or saving jobs**
 - **encourages companies to locate or expand in distressed areas of Oregon**
- ✓ Funds to support economic development through direct loans to businesses to retain and expand operations and jobs, targeting traded-sector companies
- ✓ Maximum loan amount: \$500,000
- ✓ Maximum of 40% of the cost of projects that
 - Assist manufacturers, processors and “regionally significant” tourism businesses
 - Do not include retail businesses, shopping centers, office and food service facilities
 - Require that bank or other lender finance part of the project
- ✓ Uses:
 - To purchase land, buildings, equipment and machinery
 - To construct, modernize, expand or renovate existing facilities
 - To provide long-term working capital
- ✓ Advantages
 - Long-term financing
 - Improved access to bank loans
 - Low down payments with up to 90% total project financing
 - Below-market, fixed interest rates and no pre-payment penalties

Other State Loan Programs (see above web site for complete information)

- ✓ Oregon Business Retention Program
- ✓ Oregon Capital Access Program
- ✓ Oregon Credit Enhancement Fund
- ✓ Industrial Development Revenue Bonds/Express Bonds

Southern Oregon Regional Economic Development, Inc. (SOREDI) Loan Programs
For detailed information visit: www.soredi.org or call 541-773-8946

Revolving Loan Fund:

- ✓ SOREDI operates a \$6.6 million revolving loan fund for private business with nearly \$2 million available as of February 2007.
- ✓ Various loan programs—local, state, and federal—are available
- ✓ May package with other loan programs
 - Banks
 - State of Oregon
 - SBA

Grant Assistance to nonprofits:

SOREDI administers grants to nonprofit agencies and municipalities through the Regional/Rural Investment Fund, a lottery-funded program of the Oregon Economic and Community Development Department. This program operates biennially.

United States Department of Agriculture (USDA)
For complete information: <http://www.rurdev.usda.gov/>

Available Loan Programs:

- ✓ Farm Loan Program
- ✓ Section 9006 Guaranteed Loan Program: for Rural Energy Projects
- ✓ Business & Industry (B & I) Guaranteed Loan Program
- ✓ Loans for Beginning Farmers and Ranchers
- ✓ Loans for Socially disadvantaged Persons (Minorities and Women)
- ✓ Loan Contract Guarantee Pilot Program
- ✓ Loan specifics change. Please check agency for current information

Participating Banks

Bank of America
Bank of the Cascades
Home Valley Bank
Key Bank
Liberty Bank
Northwest Community
Credit Union

People's Bank of
Commerce
Premier West Bank
Rogue Federal Credit
Union
South Valley Bank and
Trust

Sterling Savings Bank
U.S. Bank
Umpqua Bank
WAMU/Chase
Wells Fargo Bank

Other Loan Programs

- ✓ **City of Grants Pass: Building Renovation Loan Fund** For complete information: <http://www.ci.grants-pass.or.us/Index.aspx?page=538>
- ✓ **Cascades West Financial Services, Inc.:** <http://www.cascadeswest.com> One of the largest SBA-certified Development Companies, providing Oregon business with up to 90% financing and below market interest rates with terms up to 20years, through the SBA 504 program.
- ✓ **Capital Associates, Shari Bagshaw (541) 637-0840 or (1-800) 727-3377**
www.capitalassociates.com Asset Based Lending.
- ✓ **Evergreen Community Development Association: SBA 504 loans. Joseph Cowles, 541-689-2317** www.ecda.com
- ✓ **OREGON NATIVE AMERICAN BUSINESS NETWORK (ONABEN):** www.onaben.org . (800) 854-8289