

Understanding Sources of Business Funding

SCORE GREATER BALTIMORE

“Profiting” From The Webinar

- Participation is encouraged!!
 - Ask questions as we go along using the Q&A icon
- Get the most out of this webinar by using these resources:
 - Presentation materials: online version (PDF) of the webinar presentation.
 - Mentor: a business professional that will provide you advice and guidance that will help you optimize and complete your business planning
- We may not have time to fully resolve every issue so consider getting a SCORE mentor!

SCORE's Business Success Resources

What is SCORE?

- National non-profit with over 10,000 volunteers.
- Has helped over 11,000,000 businesses since we started 50 years ago.

SCORE Mentors

- Provide free business advice and mentoring
- Clients meet one-on-one with expert business mentors in many business specialties.

SCORE Training

- Low or no-cost business training through webinars and workshops



SCORE Resources

- Templates, articles and recorded webinars on a wide range of topics can be found on the SCORE website

SCORE Website

www.greaterbaltimore.score.org

Your Presenters

Craig Panos, *Business Owner and Business Consultant*

The University System of Maryland,
Md Small Business Center in Baltimore

In his role at the SBDC, Craig assists the owners of new and growing businesses to overcome their challenges so that their businesses become sustainable and profitable.

Rosa Scharf, *Vice President and Senior Business Banker*

M&T Bank

Rosa has more than 30 years of financial sales, SBA lending and management experience. She is committed to Small Businesses and she is focused on increasing lending to minority and women owned businesses.

Webinar Objectives

- To help individuals that are starting a new business to:
 - Understand the risks of using someone else's money.
 - Learn the sources of funding available to small business
 - Understand the Pros and Cons of each funding source

Agenda

1. Understand what all funding sources have in common and what they want to know.
2. Identify sources of funding and understand the pros and cons of each.
 - a. Banks and Credit Unions
 - b. Government Sponsored Sources
 - c. On Line Lenders
 - d. Loan Brokers or Loan Matching Sites
 - e. Crowd Funding
3. How to Choose?

POLL



Start-Up Capital – Where does the money come from?

A survey of 500 fast growing private companies in America show that the top ways to access start up capital were:

- ❖ Personal savings (71%)
- ❖ Loans from friends and family (21%)
- ❖ Personal bank loans (13%)
- ❖ Home equity loans or lines of credit (12%)
- ❖ Angel funding (9%)
- ❖ Venture capital (6%)
- ❖ SBA loans (3%)

Common Characteristics of ALL Funding Sources (Loans AND Investment Capital)

1. Repay. All funds lent or invested must be repaid over some period of time. It could be as short as 30 days or as long as 30 years with numerous variations in between.
2. Interest. The cost of using money adds to business expenses.
3. Risk. A lender or investor bears the risk that they may not get their money back.

These 3 factors are directly related to each other. Numerous options for lending or investing money have been created by simply varying these 3 factors

How to Qualify for Business Financing (or) What All Lenders Want to Know

Remember the Five C's of Credit:

1. Character
2. Credit
3. Collateral
4. Capital
5. Conditions

Character

What is your background and experience?

- ❖ Your personal history and your company's history
- ❖ Your experience and qualifications
- ❖ Your repayment history
- ❖ Your reputation

Credit

What is your past history of repayment and future projection of repayment?

- ❖ Your personal credit score and report
- ❖ Your business credit report
- ❖ Your history of successful operations
- ❖ Your projection of future revenue and expenses that shows the ability to repay.

Collateral

What business or personal assets will be pledged as collateral?

- ❖ Do you have collateral?
- ❖ Amount of collateral
- ❖ Collateral quality
- ❖ Do you have a co-guarantor?

Capital

How much are you contributing?

- ❖ Have all the costs been identified?
- ❖ Does the borrowing amount make sense?
- ❖ What is the ratio of owner funds to total project costs?

Conditions

What industry are you in?

- ❖ Are economic conditions favorable for your industry and business?
- ❖ Could your business survive an economic downturn?
- ❖ Do you have a cash reserve for your business?



Sources of Funds

1. Banks and Credit Unions
2. Government Sponsored Sources
3. On Line Lenders
4. Loan Brokers or Loan Matching Sites
5. Crowd Funding

Banks and Credit Unions

Pros:

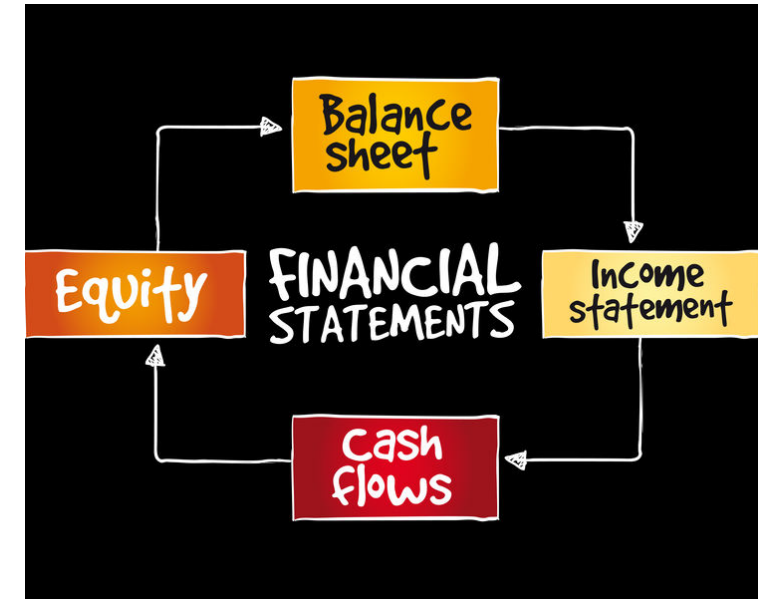
1. Personal attention and service
2. Variety of products
3. Grows with your business
4. Someone to talk with when things don't go as planned



Banks and Credit Unions

Cons

1. Minimum 2 to 3 years in business
2. Solid financial statements
3. Five C's are positive and strong



Government Sponsored Sources

Examples

- ❖ Maryland Capital Enterprises, Inc. (marylandcapital.org)
- ❖ Baltimore Community Lending (bclending.org)
- ❖ Meridian Management Group (mmgcapitalgroup.com)
- ❖ MD Dept. of Housing & Community Development (dhcd.maryland.gov)
- ❖ County Loan Funds (check your county)

Government Sponsored Sources

Pros

- ❖ Smaller loan amounts
- ❖ Relaxed credit standards (one of more of 5C's is weak)
- ❖ Personal attention and service

Government Sponsored Sources

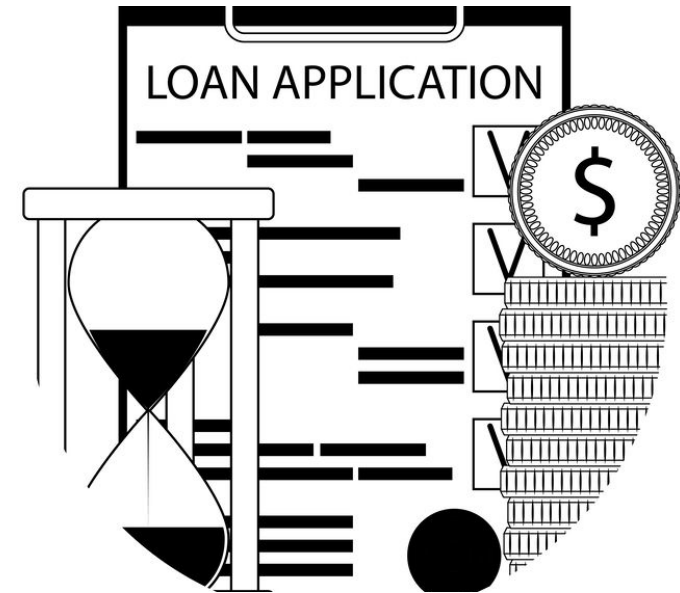
Cons

- ❖ Must meet specific qualifying criteria (such as residency, minority status, etc.)
- ❖ Small loan size
- ❖ Inconsistent funding availability

On Line Lenders

Examples

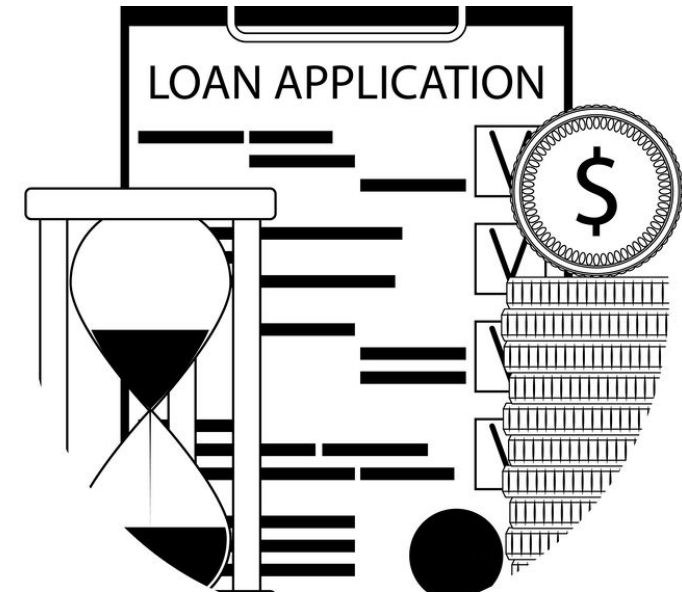
- ❖ Ondeck (ondeck.com)
- ❖ Kabbage (kabbage.com)
- ❖ Funding Circle (fundingcircle.com)
- ❖ SmartBiz (smartbizloans.com)



On Line Lenders

Pros

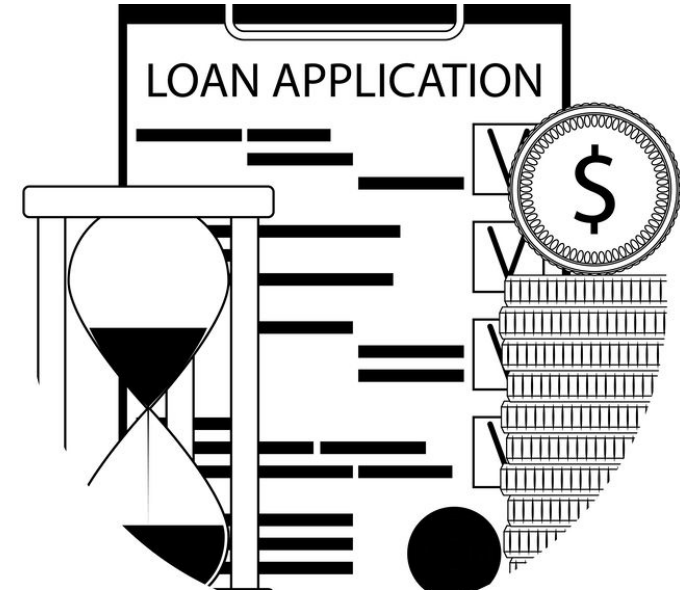
- ❖ Short application process
- ❖ Less paperwork requirements
- ❖ Data driven approach
- ❖ Lend Smaller loan amounts
- ❖ Will work with younger businesses
- ❖ Often do not require specific collateral



On Line Lenders

Cons

- ❖ Approvals based upon formula
- ❖ No personal attention
- ❖ No one to help when things go wrong



Loan Matching Site

Loan Brokers

Examples

- ❖ NAV (nav.com)
- ❖ SBA Linc (sba.gov/tools/linc)
- ❖ BoeFly (boefly.com)
- ❖ Fundera (fundera.com)
- ❖ Lendio (lendio.com)



Loan Matching Site

Loan Brokers

Pros

- ❖ Filters financial information and suggests best lending option
- ❖ Can help find lenders not known to you
- ❖ No cost to the borrower



Loan Matching Site

Loan Brokers

Cons

- ❖ Must still apply with each lender selected
- ❖ Often still dealing with traditional lenders and requirements.



Crowd Funding

Types

1. Reward-Based: Backers receive early version of product or service. Sites: Kickstarter or Indiegogo
2. Equity: Individuals invest in return for an ownership share of the company.
3. Debt: Backers provide businesses with loans in exchange for interest. Sites: Kiva
4. Donor Based: GoFundMe.



Crowd Funding

Need to know

1. Time consuming
2. Product type matters
3. Requires good marketing
4. Be aware of costs and funding conditions
5. May be taxable



Next Steps

- ❖ SCORE Mentors can help you navigate
- ❖ Develop a Business Plan



Q & A

Type your question into the Q & A box

We will address as many question as we can in the time remaining

If your question does not get answered:

Get Mentoring Assistance

Visit

www.greaterbaltimore.score.org

THANK YOU FOR YOUR PARTICIPATION



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