

How to get a business loan

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Agenda

- Options to get the funding you need for your business
- Overview of Accion San Diego
- Things to consider before you apply for a business loan
- What do lenders look for when reviewing your loan application?
- Overview of the loan application process
- Overview of how credit works

Funding Options for small businesses

- Savings
- Family and Friends
- Investors
- Debt Financing (Loans)
 - Banks
 - Car Dealers
 - Alternative nonprofit lenders
 - **Accion San Diego**
 - **International Rescue Committee (for refugees)**



What are my options?

- Banks
 - Example: US Bank
 - Requires a 680 credit score
 - 2 years experience as a taxi driver
 - Will finance up to 125% value of the vehicle
 - If the car is worth \$10,000 – you can borrow up to \$12,500
 - 5.99% - 9.99% interest rate and a term up to 60 months
 - Closing cost: \$150-\$200
- Car Dealers
 - Example: Toyota Mission Valley
 - You need to have good credit
 - 20% down payment
 - Business license
 - Will only finance the car, nothing else
 - 0% - less than 10% interest rate and a term up to 36 months

What are my options?

- Nonprofit lenders
 - International Rescue Committee
 - Lends to refugees and asylees who cannot qualify for a bank loan
 - Provides 1 on 1 business counseling and technical assistance
 - Flexible credit requirements
 - Loans up to **\$14,000** for taxi businesses
 - Can use the loan for car purchase and other business expenses
 - Interest 7.5%
 - Closing cost?
 - Also offers reba-free loans



Accion San Diego, a nonprofit microlender

Small Business Loans

\$300-\$2,000

Approval within
48 hours

\$2,001-\$75,000

Approval within
3 weeks



- We lend to business owners who do not qualify for a bank loan
- The loan can be used for the car purchase and other business expenses
- 10-18% interest rate
 - Based on credit score
 - No prepayment penalties
 - Fully amortized
 - Simple interest
- 12-84 month term
- Administrative fees
 - <\$5,000: \$75 max on average
 - >\$5,000: up to 6% of loan amount

Complete a loan application on our website at www.accionsandiego.org

Fees and interest are business tax write-offs!

How is the interest calculated?

- Interest is calculated using a simple, fixed rate

Loan Information	
Loan Amount	\$ 10,000.00
Annual Interest Rate	14.00%
Term of Loan in Years	4
First Day Interest Accrues	3/30/2015
First Payment Date	4/30/2015
Payment Frequency	Monthly
Days in Year	360

Summary

Daily Interest Rate	0.0388889%
Number of Payments	48
Total Payments	\$ 13,175.52
Total Interest	\$ 3,175.52
Balloon Payment	\$ -

Pmt No.	Date	Payment	Interest Accrued	Principal Balance
	3/29/15		\$	10,000
1	4/30/15	274.65	124.44	9,849.79
2	5/30/15	274.65	114.91	9,690.05
3	6/30/15	274.65	116.82	9,532.22
4	7/30/15	274.65	111.21	9,368.78
5	8/30/15	274.65	112.95	9,207.08
6	9/30/15	274.65	111.00	9,043.43
7	10/30/15	274.65	105.51	8,874.29
8	11/30/15	274.65	106.98	8,706.62
9	12/30/15	274.65	101.58	8,533.55
10	1/30/16	274.65	102.88	8,361.78
11	3/1/16	274.65	100.81	8,187.94
12	3/30/16	274.65	92.34	8,005.63
13	4/30/16	274.65	96.51	7,827.49
14	5/30/16	274.65	91.32	7,644.16
15	6/30/16	274.65	92.15	7,461.66
16	7/30/16	274.65	87.05	7,274.06
17	8/30/16	274.65	87.69	7,087.10
18	9/30/16	274.65	85.44	6,897.89
19	10/30/16	274.65	80.48	6,703.72
20	11/30/16	274.65	80.82	6,509.89
21	12/30/16	274.65	75.95	6,311.19
22	1/30/17	274.65	76.08	6,112.62
23	3/2/17	274.65	73.69	5,911.66
24	3/30/17	274.65	64.37	5,701.38

Things to consider before you apply

Ask yourself:

How much money do I need?

- How much money is it going to take to start your business?
- How much of your own money do you have to invest in the business?

Total cost to start your business	How much \$ do you have to invest?	How much \$ should you borrow?
\$17,000 (\$10,000 – car \$3,900 – permit \$2,000 – paint, radio \$800 – insurance \$300 – other)	\$6,000 (savings, gift from family or friends)	\$17,000 - \$ 6,000 <hr/> \$ 11,000 LOAN

Things to consider before you apply

Ask yourself:

Can I afford the payment?

Loan Information	
Loan Amount	\$ 7,500.00
Annual Interest Rate	18.00%
Term of Loan in Years	3
Payment Frequency	Monthly

Est. Monthly Payment \$ 272.59

Loan Information	
Loan Amount	\$ 15,000.00
Annual Interest Rate	10.00%
Term of Loan in Years	4
Payment Frequency	Monthly

Est. Monthly Payment \$ 381.74

Loan Information	
Loan Amount	\$ 20,000.00
Annual Interest Rate	12.00%
Term of Loan in Years	4
Payment Frequency	Monthly


Est. Monthly Payment \$ 528.90

Meet Tony



He wants to know if you will let him borrow \$200?

What will lenders look for when you apply for a loan?



Know Your Strengths & Weaknesses

- **Character:** Who are you? (Work ethic, experience, professionalism)
- **Credit:** Are you trustworthy? Do you have a good history of paying your bills on time?
- **Capacity:** How are you going to repay the loan? What sources of income do you have?
- **Collateral:** If cash flow is tight, or credit is weak, how can the lender protect its investment?
- **Capital:** How much money are you investing in your business?

Application process



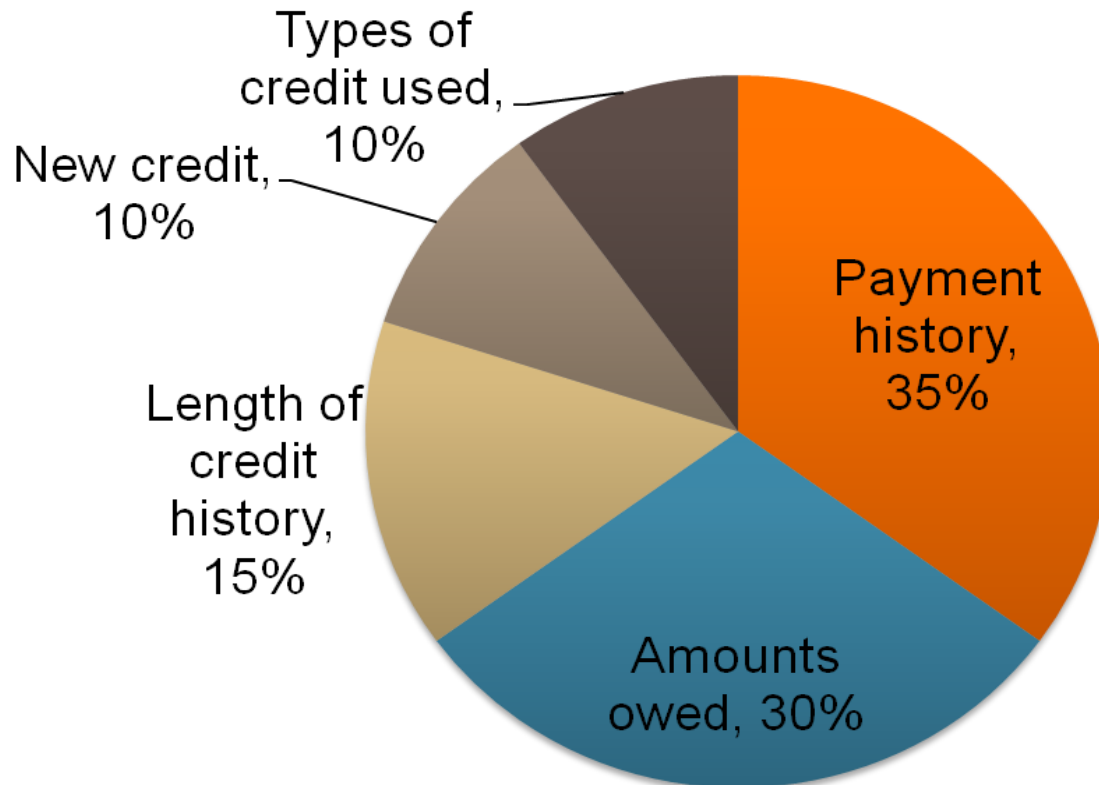
Prepare
your
paperwork

- **Step 1:** Submit your application
- **Step 2:** Lender will run your credit report
- **Step 3:** Lender will let you know if you **qualify**
- **Step 4:** Submit your supporting documentation
Paperwork may include:
 - *Proof of settled/paid delinquent accounts*
 - *Identification*
 - *Bank statements, tax returns, paystubs*
 - *Lease payment receipts, trip logs*
 - *Proof of business ownership*
 - *Car title*
- **Step 5:** Lender will let you know if you **are approved**
- **Step 6:** Schedule a disbursement appointment to get the loan money

How does credit work?

www.annualcreditreport.com

- FICO scores range between 350 and 850.
- What affects my FICO score?



- *Make sure the balances on your credit cards and lines of credit are below 50% of your credit limit*

What's next?

- Determine how much money you will need and start calling lenders
- If you are ready to apply for a loan with Accion, sign up for an appointment at next week's On-Site Loan Center at UTWSD
- If you still have questions about Accion's loan program – call 619.795.7250 or visit www.accionsandiego.org
- If you think you may want to apply for a loan in the next 1-3 months, make sure to deposit all cash sales, keep track of your lease payment receipts and trip sheets

Other Accion services



Small Business Resource Events

- Multiple presenters and business resources under 1 roof.
- Free to the public.
- *Sign up for our newsletter to receive notices at www.accionsandiego.org*

1 on 1 Business Counseling

- Offered by the Small Business Development Center (SBDC) or SCORE at Accion's office
- All loan recipients receive 1 on 1 counseling prior to loan disbursement



Questions?

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