



Small Business Funding: Considerations, Preparation and Resources

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Consideration: Types of Funding

- **Bank Loans:** Money loaned at interest by a bank to a Borrower usually on collateral security, supported by historical cash flow, for a certain period of time.
- **Grants:** Private and Government. Government is the most common and typically funded by tax dollars.
- **Venture Capital:** Equity financing that typically involves selling shares of your company
- **Seller:** Repayment Terms are established between seller and buyer including interest for repayment for a certain period of time.

Considerations: Cash Flow Solutions

- **Borrowing:**

- Lines of Credits
- Term Loans
- Commercial Mortgages

- **Cash Management**

- ACH (Automated Clearing House)
- Credit Card Processing
- Electronic Deposit
- Lockbox Services
- Cash Handling

PREPARATION: THE BUSINESS PLAN

- **Business Plan Contents**

- Company Information stating who you are, what you do, how you are different from others and your target market.
- Organization and Management
- Lines of Service, Marketing Analysis and Marketing Plan
- Funding Request aka Sources of Uses and Funds Statement
- Two years of business returns (if applicable) and three years of financial projections
- Two years of personal returns
- Personal Financial Statement
- Legal Documentation: Driver's License, Secretary of State Filing, Federal State Tax ID issuance letter

Preparation: Personal Credit and Liquidity

- **Personal Credit Score –**

- Score ranges from 500-850. Equifax, Experian and Transunion are the monitoring agencies.
- Lenders use your credit score to determine credit risk and terms of credit in addition to and/or in place of lack of business credit history.

- **Liquidity –**

- Lenders require 20-25% down payment on the total request and are looking for liquidity after the cash injection to support operations and household expenses during the first six months of operation.
- Down payment funds may not be borrowed and must be seasoned for 60 days prior to closing

Resources

- Small Business Development Center at Columbus State

www.sbdccolumbus.com

- Small Business Administration

www.sba.gov

- Economic & Community Development Institute (ECDI)

www.ecdi.org

- Service Corp of Retired Executives (S.C.O.R.E)

www.score.org/chapters/columbus-score