FUNDING YOUR BUSINESS

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DreamBuilder: https://www.sanpabloedc.org/dream-builder

SMALL BUSINESS TAX WORKSHOP: https://www.irsvideos.gov/Business/SBTW

Formalizing Your Business
Wednesday, April 26, 2023
10 AM – 11 AM
Register at: www.SanPabloEDC.org/Calendar
Sugey Mojica
Business & Housing Programs Manager
SugeyM@sanpabloedc.org

Jessica Leal
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For more information, visit: www.sanpabloedc.org
Jeff Jones
Business Development Officer, VP
(480) 267-3183
Jeff.jones@bankofthewest.com
Preparing for Business Lending
THREE MAIN OPTIONS

1. Bank Lending
2. Hard Money Lending
3. Private Loans
BANK LENDING

• Best interest rates, best terms
• General requirements to prepare:
  – Bank account
  – Tax returns
  – Profit & loss / balance sheet
  – 2-3 years in business
  – Good credit score
HOW TO PREPARE FOR ACCESS TO CAPITAL

• Trusted CPA
• Tracking expenses daily or weekly
• Accounting software, Wave or Quickbooks
• Check your personal credit: annualcreditreport.com
• Business checking accounts
• Make a business plan
Thank you!

Jeff Jones
Business Development Officer, VP
(480) 267-3183
Capital Readiness: 
How to Prepare for a Business Loan

Name: Lenesha Toney
Title: Community Development Officer
Date: April 19, 2023
AGENDA

• About Working Solutions
• Mental Readiness
• Business Plans
• Documentation Readiness
• Approval Readiness
• Q + A
OVERVIEW

• Small business lender ($5,000-$100,000)
• Mission-driven nonprofit
• Specializing in microloans to start-up and early-stage entrepreneurs
• Offering free technical assistance and business consulting services
• Serving 19 counties in Northern California, from Mendocino to Monterey
• Community Development Financial Institution (CDFI), certified by U.S. Department of Treasury
PRODUCT OFFERING

**Capital**
- Small Business Loans
- Microloans
- Small Business Grants

**Consulting**
- Pre-Loan Technical Assistance
- Post-Loan Business Consulting
In 2022, Working Solutions expanded its service area from the nine county Bay Area to 19 Counties in Northern California.

Business must operate in one of these counties served by Working Solutions:

- Alameda
- Contra Costa
- Madera
- Marin
- Mendocino
- Merced
- Monterey
- Napa
- Sacramento
- San Benito
- San Francisco
- San Joaquin
- San Mateo
- Santa Clara
- Santa Cruz
- Solano
- Sonoma
- Stanislaus
- Yolo
Eligibility

- Owner(s) must be at least 18 years old and have at least 1 year of recent, paid, same-industry experience in an eligible industry.

- Owner(s) must be current on all debt, have no active liens or judgement, and not have declared bankruptcy within the last 12 months.

- Startups must have a secondary source of income.

Ineligible Industries

Excluded industries:
- Cannabis
- Adult entertainment
- Real estate investment
- Gambling
- Non-profit

Restricted industries (which require additional review):
- Hookah lounges
- Bars
- Smoke shops
ALL-TIME IMPACT  
(since 2005)

$42 million  
TOTAL AMOUNT OF LOANS & GRANTS

35,000+  
TECHNICAL ASSISTANCE HOURS

2,500  
BUSINESSES FUNDED

$25,000  
AVERAGE LOAN AMOUNT

95%  
REPAYMENT RATE

ANNUAL DEPLOYMENT  
(FY16-FY22)

FY16  FY17  FY18  FY19  FY20  FY21  FY22

$0MM  $2MM  $4MM  $6MM  $8MM
Business Plan
Are you ready?

**Traditional Business Plan**
This comprises a written document containing information about the goals, structure, and potential market sector of your company.

**Conventional Business Plan**
What most financial entities expect from entrepreneurs when *applying for loans*. This is because it is a more comprehensive document that covers your prospective venture in depth.

**Business Model Canvas (BMC)**
A lean business plan and presents the same information in a much more concise, visual format on a single page.
## What Are the 3 Main Purposes of a Business Plan?

- Securing financial investment
- Assessing the feasibility of management goals
- Planning future strategy for the business
What Are the 5 Elements of a Business Plan?

- **Executive Summary** - Simple description of what your business is and why it’ll be a success.
- **Company Description** - Detail what your company will do, who it will target, and the main strengths it has in its market.
- **Marketing and Advertising Plan** - Explanation how you’ll communicate the new business and its services to the public as well as the marketing channels you’ll go through.
- **Operational Plan** - How your company will function, types of services or products that you will offer as well as how you will provide it functionally. If you have patents, copyright, and trademarks that will need to be acquired.
- **Financial Plan** - Explain what financial backing you need and what you’ve already secured. This should indicate the amount of time you’ll need the money for (for example over 5 years) and with which precise necessities it will be put to use.
- **Financial Projections**: An investor’s key goal in putting money into your business is to eventually turn a profit. Therefore in this part of the plan, you need to show when you expect to make your first profits and what will need to happen to reach that goal.
Mental Readiness
Are you ready for a business loan?

**Awareness**
Identify your confidence level. Be prepared for the possibility of being declined.

**Discovery**
If declined, understand the reason and learn from the opportunity.

**Recovery**
Commit to a new road map. Find mission-centric institutions (like CDFIs) and understand the lender’s expectations.
FINANCIAL VOCABULARY

**Owner's Draw**
How much you take monthly from the business for your personal living expenses.

**Personal Guarantee**
Your responsibility to pay back a loan.

**Variable Rate**
Flexible interest rate, usually tied to the prime rate.

**Fixed Rate**
Set interest rate for the term of the loan

**UCC Lien (Uniform Commercial Code)**
A lender's claim on your business assets, meaning that you can't sell your business without paying off your loan first
# Documentation Readiness

Do you have all your documents ready?

<table>
<thead>
<tr>
<th>Financial Documents</th>
<th>Legal Documents</th>
<th>Planning Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bank Statements</td>
<td>• Business License</td>
<td>• Business Plan</td>
</tr>
<tr>
<td>• Tax Returns</td>
<td>• Articles of Organization</td>
<td>• Recovery Plan</td>
</tr>
<tr>
<td>• Pay Stubs</td>
<td>• Articles of Incorporation</td>
<td>• Lease Agreement</td>
</tr>
<tr>
<td>• Financial Statements</td>
<td>• Bylaws</td>
<td></td>
</tr>
</tbody>
</table>
Documentation Readiness:
Financial Documents

**PURPOSE**
To verify recent income and expenses

**EXAMPLES**
Bank Statements, Tax Returns, Pay Stubs, Financial Statements

**BEST PRACTICES**
- Keep separate business and personal bank accounts
- Transfer funds needed for personal expenses into your personal bank account

**RESOURCES**
- Use reputable platforms: QuickBooks Advisors or NABA SF (National Association of Black Accountants) to hire a bookkeeper
- Take classes from SBDC (norcalsbdc.org) or get additional tutorials at businessadvising.org
- If the business is simple, use Excel to track sales and expenses – start now!
Documentation Readiness: Legal Documents

PURPOSE
To verify the legal structure of the company

BEST PRACTICES
• Keep good records and renew licenses when due
• Consult with an attorney (for free access to a business attorney, visit startsmallthinkbig.org)

EXAMPLES
• Individual/Sole Proprietorship/Partnership: Fictitious Business Name/Business License
• LLC: Operating Agreement/Articles of Organization
• Corporation: Article of Incorporation/Bylaws

RESOURCES
• County Clerk’s Office
• California Secretary of State’s office: www.sos.ca.gov/business-programs/contact
Documentation Readiness: Planning Documents

PURPOSE
To verify feasibility of the business

EXECUTIVE SUMMARY
Summarize in one page how the business operates and what makes it unique

BUSINESS/RECOVERY PLAN
• The length of the business plan is not as important as the key points
• Topics: Product/Service, Competition, Marketing, Operations, Finance

LEASE AGREEMENTS
• If you are renting a space, the lender will need to know the terms of your lease and how many years you have access to the space
• If possible, get a proposed lease agreement and wait for your loan approval before committing to the lease

Working Solutions
Capital Consulting Community
Approval Readiness
Do you know everything about your business?

**Cash Flow**
- Show business profitability OR
- Show secondary source of income

**Credit History**
- Keep your credit healthy
- Be prepared to share the reasons for any delinquencies

**Commitment**
- Time in Business or Industry Experience
- Owner Injection (Time and/or Money)

**Communication**
- Explanation of ups & down in business financials
- Provide timely clarifications

DON'T GIVE UP!
We can work with you to prepare for financing.
$5,000-$100,000
3- or 5-year loan terms
9%-11% interest
Application Fee: $50
Closing Fees: 5% of loan amount
Personal guarantee required

No minimum credit score
No minimum business revenue (can be pre-revenue)
No collateral needed
No prepayment penalties
CONSULTING

• Pre-loan = financial education and application assistance

• Post-loan = exclusive access to:
  • Digital Library of Self-Paced Tools
  • One-on-One Consulting Sessions
  • Connections to Partner Resources

• Consulting Program focuses on:
  • Money
  • Management
  • Marketing
THE VEGAN HOOD CHEFS
SAN FRANCISCO

• Motivated by the lack of access to healthy foods in their community, chefs Ronnishia Johnson-Hasan and Rheema Calloway co-founded The Vegan Hood Chefs to support food justice and improve health outcomes in communities of color.

• Capital and consulting from Working Solutions helped Ronnishia and Rheema purchase a food truck and expand their menu of vegan soul foods.

• Today, The Vegan Hood Chefs regularly serve up healthy foods at events around the Bay Area and recently published their first e-cookbook, “The Hoodest Winter Ever.”
LOAN APPLICATION STEPS:
WHAT TO EXPECT

Step 1
Loan Inquiry Form

Step 2
Full Application

Step 3
Compile and Submit Required Documents (timing determined by applicant)

Step 4
Application Review and Decision

Step 5
Funding

TOTAL TIMELINE: 2-6 WEEKS
CONTACT US

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www.workingsolutions.org

Email
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Funding Your Business

Maria Pineda
Outreach and Marketing Specialist
San Francisco District Office (SFDO)

April 2023
Today’s Objectives

• Provide SBA overview
• How we help small businesses
  o SBA-guaranteed business loans
  o International trade loans
  o Free business counseling
Who is SBA?

• **Mission**: The U.S. Small Business Administration (SBA) helps Americans start, build, and grow businesses. SBA was created in 1953 (Eisenhower Administration) as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns; preserve free competitive enterprise; and maintain and strengthen the overall economy of our nation.

• **Network of 68 district offices (DO) across the country**
  - **San Francisco District Office (SFDO) serves 14 counties**: Alameda, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma. **There are 6 state of CA DO**: Fresno, Los Angeles, Orange County/Inland Empire, Sacramento, San Diego and San Francisco.
# SBA Business Loan Programs At-A-Glance

<table>
<thead>
<tr>
<th></th>
<th>Microloans</th>
<th>Community Advantage</th>
<th>7(a)</th>
<th>504</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximum Loan Amount</strong></td>
<td>$50,000</td>
<td>$350,000</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td><strong>FY22 average loan amount (SFDO)</strong></td>
<td>$24,695</td>
<td>$185,806</td>
<td>$748,057</td>
<td>$1,242,939</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>Fixed. 8-13%</td>
<td>Max rate is WSJ Prime + 4.5-6.5% depending on loan amount</td>
<td>Max rate is WSJ Prime + 3%-6.5% depending on loan amount</td>
<td>Fixed. 5.9-6.7%</td>
</tr>
<tr>
<td><strong>Maximum Loan Term</strong></td>
<td>6 years</td>
<td>25 years</td>
<td>25 years</td>
<td>25 years</td>
</tr>
<tr>
<td><strong>Collateral</strong></td>
<td>Microlender’s policy</td>
<td>Business assets</td>
<td>Business assets</td>
<td>Property being acquired</td>
</tr>
<tr>
<td><strong>Use of Proceeds</strong></td>
<td>Working capital, inventory, supplies, and equipment</td>
<td>Working capital, inventory, supplies, raw materials, equipment, commercial real estate, refinance certain outstanding business debts, business acquisition</td>
<td>Working capital, inventory, supplies, raw materials, equipment, commercial real estate, refinance certain outstanding business debts, business acquisition</td>
<td>Acquisition or construction of commercial real estate or heavy equipment</td>
</tr>
<tr>
<td><strong>Lenders</strong></td>
<td>Non-profit microlenders</td>
<td>Mission-oriented lenders, primarily nonprofit financial intermediaries focused on economic development</td>
<td>Banks/credit unions/nonprofits</td>
<td>Certified Development Companies (CDC) + Bank (40-50-10% split)</td>
</tr>
<tr>
<td><strong>Guarantee</strong></td>
<td>N/A</td>
<td>Varies 75-85%</td>
<td>Varies 50-90%</td>
<td>40% of total project costs</td>
</tr>
</tbody>
</table>
Interested in International Trade or Exporting?

Nearly 96% of consumers live outside the U.S.

Two-thirds of the world’s purchasing power is in foreign countries

Evaluate your readiness & learn more by visiting https://www.sba.gov/about-sba/sba-locations/headquarters-offices/office-international-trade
Who Can Help?

If you are looking to go global with international trade, tap a USEAC to:

- **Explore** the process of exporting
- **Get help** with export financing and transactions

**US Export Assistance Centers (USEAC)**

Office of International Trade
Phone: (855) 722-4877
Phone: (415)-601-9708
michael.fazio@sba.gov

Website: [https://www.sba.gov/local-assistance/export-trade-assistance/export-finance-managers#section-header-5](https://www.sba.gov/local-assistance/export-trade-assistance/export-finance-managers#section-header-5)
SBA Resource Partner Network

Free business counseling

Approved and funded by SBA

-34 offices in Northern CA
-300+ advisors
-Free business advising

Find local resource partners near you at
SBA.gov/local-assistance
SBA Resource Partners

SCORE
  • https://www.score.org/find-mentor

Small Business Development Centers
  • https://americassbdc.org/find-your-sbdc/

Veterans Business Outreach Centers
  • https://www.norcalvboc.org/

Women’s Business Centers
  • https://californiawbc.org/location-finder/
Questions?

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Follow the SBA on Twitter:  @SBAGov

For more information about SBA programs and services visit:
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San Francisco District Office website
www.sba.gov/district/san-francisco