

Access To Capital

“It costs money to start and operate a successful business. Funding your business is one of the first—and most important—financial choices most business owners make. How you choose to fund your business could affect how you structure and run your business.”—

United States Small Business Administration

Introductions

- Business Credit Literacy Initiative (BCLI) is a 501(c)(3) non-profit and is a member of the Money Smart Alliance formed by the FDIC and promoted by the United States Small Business Administration (SBA).
- Innovative Capital Strategies (ICS), based in Mineola, TX, is a minority-owned business responsible for administering a grant from BCLI to educate small businesses on business credit and accessing capital.
 - ICS was formed by current/former SCORE Mentors, SBDC Advisors, and business bankers to address a key problem of most small businesses—access to capital.
- Today, we'll go through the one hour Access To Capital curriculum addressing VERY practical information that is applicable to pre-launch, start-up, and existing businesses.



Trainer Qualifications

- Thomas Montgomery
- Experience
 - Finance Officer, ICS
 - Former full-time college Professor of Business Management
 - Former SBDC Advisor
 - Our office raised over \$30M in capital in FY2019—primarily SBA loans—in a small, rural area
 - Former SCORE Mentor and Workshop Chair for 14 county area
 - Former Deloitte Senior Consultant
- Education
 - MBA in Finance
 - MHA in Strategic Planning
 - Undergraduate degree in Accounting

Learning Objectives

- Understand key variables for accessing capital.
- Learn the secrets of building business credit under your EIN without the use of personal credit.
- Become aware of the most common mistakes that keep small businesses from accessing capital.
- Learn about grant-subsidized programming available to help small businesses access capital through special program.

Key Variables Impacting Access To Capital

You **MUST** understand that different sources of capital have different underwriting requirements.

What Are Common Barriers To “Accessing Capital”?



Business Credit Overview

Learn how to immediately get business credit that is linked to your EIN (not your SSN) even if you are a start-up or have bad personal credit now.

Why This Matters

- Most people fail when trying to get money to start or grow a business.
 - There's a formula you must meet for approval for each type of capital and if you meet it, you'll often get an automatic approval, or a decline if you don't.
 - Knowing this formula is key to understanding why you may be declined, or have been declined in the past (and is essential to ensure you get approved).
- Most people don't understand the business credit building process or the three key differences of business credit:
 - Building business credit ALWAYS works and is faster than building personal credit.
 - Business credit is publicly visible so a poor business credit profile impacts more than access to capital.
 - Unfortunately, you'll have a very bad business credit score if you do nothing.

What Is Business Credit?

- Business credit is credit obtained in a business name (not personal).
- With business credit, the business builds its own credit profile and credit score for its EIN number.
- This credit is in the business name and based on the business' ability to pay, not the business' owner(s).
- Business credit is often part of the underwriting for business loans (FICO SBSS).
- Business credit is fast to build and can start accessing immediately.
- Strong business credit increases your borrowing ability (impacting approvals, amounts, and terms) and limits are 10 to 100x higher than consumer credit (per the SBA).

Example 1: Baseline Business Credit: Failing Score

Payment and Legal Filings Summary					
Payment Performance		Trade and Collection Balance		Legal Filings	
Current DBT:	Not Available	Total trade and collection (0):	\$0	Bankruptcy:	No
Predicted DBT :	N/A	All trades (0):	\$0	Tax Lien filings:	0
Monthly Average DBT:	0	All collections (0):	\$0	Judgment filings:	0
Highest DBT Previous 6 Months:	0	Continuous trade (0):	\$0	Sum of legal filings:	\$0
Highest DBT Previous 5 Quarters:	0	6 month average:	N/A	UCC filings:	0
Payment Trend Indication:		Highest credit amount extended:	N/A	Cautionary UCC filings:	No
Payment trend indicator not available		Most frequent industry purchasing terms: Industry purchasing terms not available			



Example 2: Results From Adding Just One Account

Trade Payment - New and Continuously Reported Trade Details											
Payment Experiences (Trade Lines with an (*) after the date are newly reported)					Account Status Days Beyond Terms						
Business Category	Date Reported	Last Sale	Payment Terms	Recent High Credit	Balance	Cur	1-30	31-60	61-90	91+	Comments
PACKAGING	09/2016		NET 30	<\$100	\$0						



This score predicts the likelihood of serious credit delinquencies for this business within the next 12 months. Payment history and public record along with other variables are used to predict future risk. Higher scores indicate lower risk.

Factors lowering the score:

- ✦ AVERAGE AGE OF COMMERCIAL ACCOUNTS

Every Successful Business Has Business Credit

Company Legal Name: _____ City: _____ State: _____

Company Legal Name: City: State:

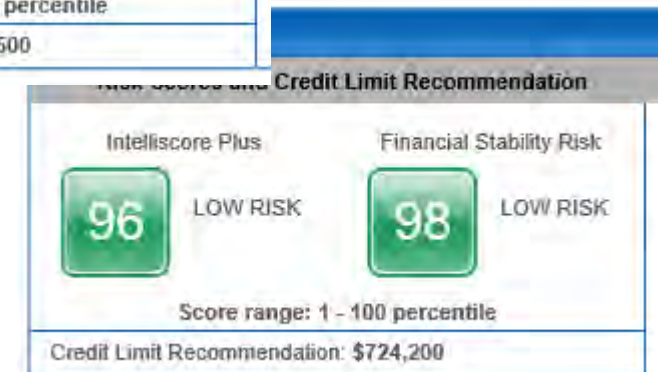
Current Experian Business Credit Reporting Status for:
[WAL-MART STORES, INC, 702 SW 8TH ST, BENTONVILLE, AR 727166209](#)

	Trade Lines 513	Credit Score Yes	Profile Plus Yes
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To access your full Experian Business Credit Report and Monitoring Plan, [Click Here](#).

Key Business Credit Vocabulary

- Dun & Bradstreet (D&B)
 - PAYDEX Scores
- Experian Business
 - Intelliscores
- DBT
- Trade lines
- Payment experiences
- Credit limit recommendations



How Do You Build Business Credit?

- It starts with the setup of your business, for example...
 - Entity. LLC's, Corporations, and non-profits are fine.
 - EIN.
 - A physical business address that is used consistently with IRS, State, bank, etc.
 - A business phone number listed with 411/directory assistance.
- Getting your business credit profiles set up accurately and optimized.
- Two options for building business credit...
 - Fast track: Up to \$100,000 in ~30 days
 - Organic build: Net 30's, then store revolving, and then unrestricted revolving

Call 1-800-553-7650 to activate your Umpqua Bank Visa Business Card



Turn all your everyday purchases into Cash Rewards



SimplyCash(SM) Business Card
 Issuer: American Express Bank, FSB
 Credit Limit: **\$24,000 (Cash Advance Limit: \$4,800)** ←

Company Name: Blue for Business
Cardmember Name: Issuer: American Express Bank, FSB
Account: Credit Limit: **\$50,000 (Cash Advance Limit: \$10,000)** ←

Company Name:
Cardmember Name:
 Account Ending In:

Rates and Fees Table

Interest Rates	
Annual Percentage Rate (APR) for Purchases	0.00% introductory APR through your billing period that ends in September. After that, your APR will be 12.24% (Prime Rate + 8.99%). This APR will vary based on the Prime Rate.
APR for Cash Advances	21.24% (Prime Rate + 17.99%) This APR will vary based on the Prime Rate.
Penalty APR and When it Applies	27.24% (Prime Rate + 23.99%) This APR will vary based on the Prime Rate. This APR will apply to all balances on your account if you: 1) make a payment that is returned; 2) make 2 late payments in 12 months; or 3) do not make the Minimum Payment due by the closing date of the billing period in which it is due. How Long Will the Penalty APR Apply? If the penalty APR is applied for any of these reasons, it will apply, subject to applicable law, for at least 12 billing periods in a row. In addition, the penalty APR will continue to apply until after you have made timely payments with no returned payments for 12 billing periods in a row.
Paying Interest	Your due date is at least 25 days after the close of each billing period. We will not charge you interest on purchases if you pay your entire balance by the due date each month. We will begin charging interest on cash advances on the transaction date.
Fees	
Annual Membership Fee	None
Transaction Fees • Cash Advance • Foreign Transaction	Either \$5 or 3% of the amount of each cash advance, whichever is greater. 2.7% of each transaction after conversion to US dollars.
Penalty Fees • Late Payment • Returned Payment • Overlimit	Up to \$35 \$35 None

Interest Rates	
Annual Percentage Rate (APR) for Purchases	0.00% introductory APR through your billing period that ends in May, 2014. After that, your APR will be 15.24% (Prime Rate + 11.99%). This APR will vary based on the Prime Rate.
APR for Cash Advances	21.24% (Prime Rate + 17.99%) This APR will vary based on the Prime Rate.
Penalty APR and When it Applies	27.24% (Prime Rate + 23.99%) This APR will vary based on the Prime Rate. This APR will apply to all balances on your account if you: 1) make a payment that is returned; 2) make 2 late payments in 12 months; or 3) do not make the Minimum Payment due by the closing date of the billing period in which it is due. How Long Will the Penalty APR Apply? If the penalty APR is applied for any of these reasons, it will apply, subject to applicable law, for at least 12 billing periods in a row. In addition, the penalty APR will continue to apply until after you have made timely payments with no returned payments for 12 billing periods in a row.
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How we calculate interest: We use the Average Daily Balance method (including new transactions). See the *How we calculate interest* section in Part 2.

Loss of Introductory APR: If you make a late payment we will end any introductory APRs and apply the APR for purchases. But if a penalty APR applies to your account for any reason we will end any introductory APRs and a penalty APR will apply to your Account.

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Loss of Introductory APR: If you make a late payment we will end any introductory APRs and apply the APR for purchases. But if a penalty APR applies to your account for any reason we will end any introductory APRs and a penalty APR will apply to your Account.

and get a \$100 bonus cash reward on your linked business credit card.

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Grant-Subsidized Capital Ready Program

Understand how we can assist you access capital
in ten simple steps with guaranteed results.

Why This Matters

- The grant-subsidized Capital Ready Program was designed to assist pre-launch, start-up, and existing small businesses access capital to start, grow, and reach their potential.
- The Capital Ready Program does not compete with banks or credit unions as we are not a lender.
 - Banks and credit unions refer their “declines” to us, we help them become capital ready, and refer them back.
- It is CRUCIAL for small businesses to identify the right type of capital for their circumstances and then strive to meet the underwriting criteria for approval.
 - That is precisely what the Capital Ready Program does.

Capital Ready Program Components

- Transparent, ten step process.
- Assignment of a Finance Officer who will assist in identifying immediate sources of capital based upon your needs and circumstances.
 - Interim funding typically in first month.
- Creation of a lender-compliant business plan.
- Development of an optimized Personal Financial Statement.
- Optimization of business and personal credit scores.
 - Proprietary access to the Total Credit Rebuild (TCR) Program providing ~\$75,000 upfront capital and a 750 personal credit score quickly with no upfront cost.
- Creation of interim financial statements, if needed, and financial projections.
- Development of your Uses of Funds.
- Guaranteed capital raise of at least \$100,000.

Typical Funding Solutions Derived From The Capital Ready Program

- SBA loans
 - 7(a) Express Loans. Start-ups qualify, up to \$150,000 funding in ~15 days, 165 FICO SBSS.
 - 504 Loans. Up to \$5M.
- Fast seed capital
 - Start-ups qualify for up to \$40,000 funding quickly.
 - Flexible credit underwriting and can be structured to report only on business credit.
- Unsecured Business Financing (UBF)
 - Up to \$100,000+ in ~30 days, often at 0% interest, and reports only on business credit.
 - No collateral required.
 - Great for start-ups and existing businesses.
- MANY other options including 401(k) financing, private equity, crowd-funding, 100% real estate financing, Bridge loans, etc.

Review

Let's see what we learned today.

Final Tips On Access Capital

- It is CRUCIAL that you, first, select the right source(s) of capital based upon your mitigating circumstances and, then, ensure that you meet the underwriting criteria.
- There ARE sources of capital for EVERY situation so remain optimistic.
- Be thoughtful in selecting your capital raise partner...
 - Permanent, physical office with credible staff.
 - Leadership with SIGNIFICANT experience raising capital.
 - True infrastructure, i.e., ability to pull credit in-house.
 - Offers guaranteed results.

Review Questions

- Why do most small business owners fail when trying to access capital?
- What makes business credit different than personal credit?
- Define new vocabulary you learned today.
- What did you learn about properly setting up your business to improve access to capital?
- What is the minimum guaranteed capital raise through the grant-subsidized, Capital Ready Program?

Thank you for your time.

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