



# Bridging the Capital Access Gap

A Curriculum for Lenders, Business Development Organizations, and TA Providers



LSC



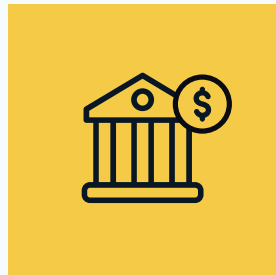
# Main Topics



## CHAPTER 1

### **Lending Landscape**

(Modules 1 - 4)



## CHAPTER 2

### **Underwriting Basics**

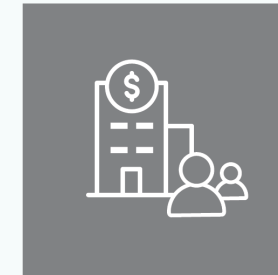
(Modules 5 - 8)



## CHAPTER 3

### **The Best Version of the Business**

(Modules 9 - 14)



## CHAPTER 4

### **Preparing for the Next Level**

(Module 15)



## CHAPTER 5

### **Resources for Professional Development**

(Module 16)



## CHAPTER 1

# Lending Landscape (Modules 1 - 4)

**Lending Landscape (Module 1)**

**When to Borrow (Module 2)**

**Finding the Right Lender (Module 3)**

**Building Relationships with Lenders (Module 4)**



# Finding the Right Lender

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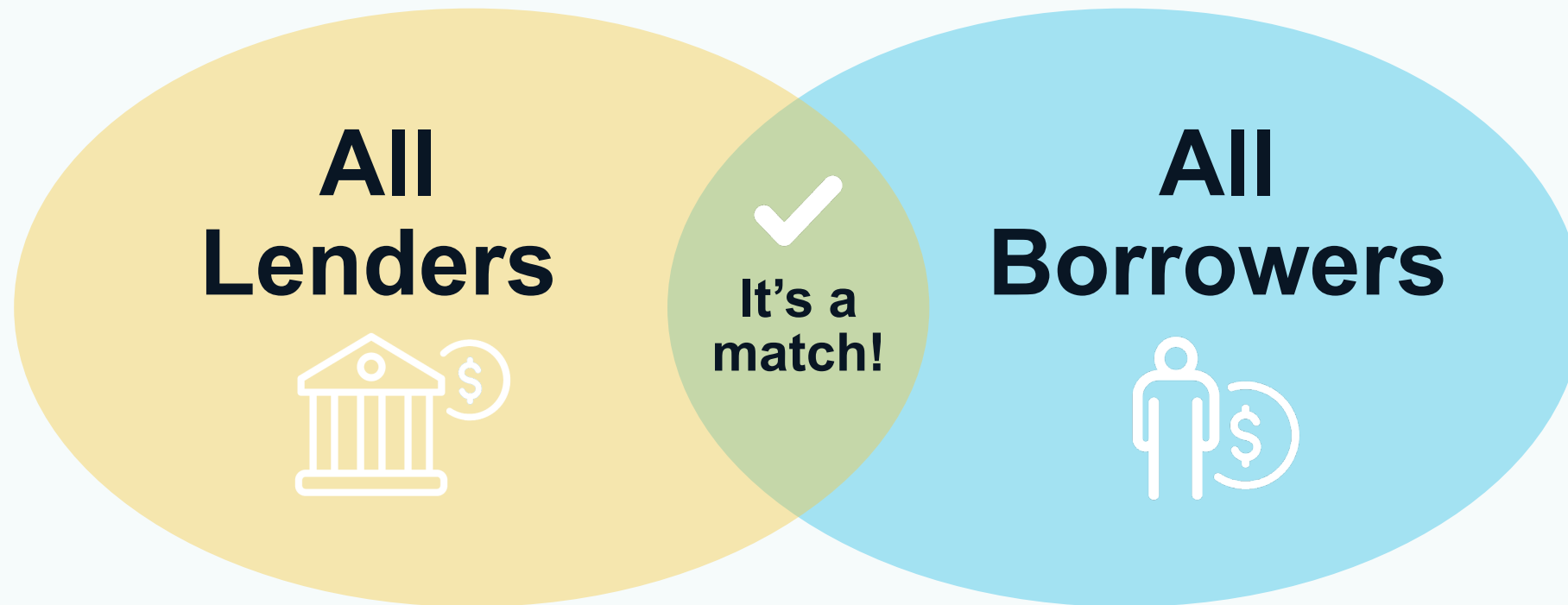
# Finding the Right Lender: What You'll Learn

- Importance of understanding the lender landscape.
- Understanding a business owner's capital needs.
- Identifying their credit reality.
- Based on their needs and realities, identifying where they might qualify.



# Matchmaking for Success

Back of the envelope assessment to get you in the ballpark.



# Importance of understanding the lender landscape

## In your community...

- Who are the small business lenders?
- What are their products: amount, rate, term, uses?
- What are their basic requirements regarding the Five C's?
  - See Module 6 for more detail about the Five C's
- What documents do they require to support an application?
  - See Module 9 for more detail about quality applications and required documents
- Who makes the underwriting decision?
- Can you get access to that person?



# Assessing Client's Request

We often serve borrowers who don't have experience with small business loan use and management.

Borrowers can be unprepared or have unrealistic ideas about how much capital they need or how best to use it.

## DO YOUR OWN ASSESSMENT:

- What is the project? Does it fall into a “good” reason?
- Has the borrower done enough research on costs? On feasibility?
- Does the project need a projection?
- Is it a start-up project? Or is there a profitable history?





# Borrower's Cash Capacity Reality

- How much money might your client be able to afford?
- Compare 'excess cash' to the monthly loan payment.
- Let's see how loan terms affect the monthly payment on the handout.
- Calculate the monthly payment for your client's loan request. Compare it to 'excess cash.' Is excess cash greater than the monthly loan payment?
- Does the amount your client can afford match the project costs?
- What documents can the borrower produce? Are they accurate?
- What terms do the lenders in your region offer?



# Borrower's Credit and Collateral Reality

- **Credit Report:** What do you see in terms of history, payment pattern, collections?
- **Collateral:** Is there any collateral?

## THE ANSWERS WILL GET YOU IN THE BALLPARK FOR:

- Size of loan the borrower might expect
- Which lender might approve with this credit report
- If there is collateral that might be acceptable to lender



# Which lender suits your client?

- How many years of operation does the lender require? Years of profitable history?
- Which lender's credit criteria does your client's credit history approximate?
- Which lender's required documents match what your client can provide?
- Which lender might accept your client's collateral?
- Which lender has a loan product that matches what your client needs?
- Which lender is best match for your back-of-the-envelope cash capacity assessment?



# Key messages for capital access clients

## Help clients understand the loan application process and standards.

- Let client know in broad terms how their credit, cash and collateral realities stand relative to lender requirements in your region.
- Affirm the “good news” and soften delivery of any “bad news.”
- Tell them that completing a loan package usually takes weeks, or even months.
- Educate the client that they might need to upgrade bookkeeping, bank account management, sales or expenses patterns, business plan, credit report, tax return reporting.



# Be a positive resource for change

- Develop services that roll out, in a manageable way, the loan application steps.
- Offer a free, one-hour introductory seminar that begins to shape your clients' understanding of the loan application process.
- Design a 'capital access' series of services that support clients through the application requirements.
- Assess the internal resources you already have and those you need to acquire to provide end-to-end support.



# Next Steps: Iterative Process

## If you see some promise:

- Start developing a loan package.
- Begin to shop the project to lenders in your area. What can you do to get the lender interested?
  - See Module 4 for more detail about building relationships with lenders.
- If lenders express concern, go back to client to restructure the project and loan package.
- Always err on the side of submitting a loan package in grey-area cases.
- You are not the underwriter – maybe halfway.





## CHAPTER 1

# Lending Landscape (Modules 1 - 4)

**Lending Landscape (Module 1)**

**When to Borrow (Module 2)**

**Finding the Right Lender (Module 3)**



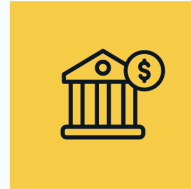
**Building Relationships with Lenders (Module 4)**

# LISC *Capital Access* Training Modules



## CHAPTER 1 **Lending Landscape** (Modules 1 - 4)

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- 1 Lending Landscape
  - 2 When to Borrow
  - 3 Finding the Right Lender
  - 4 Building Relationships with Lenders



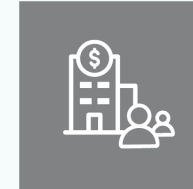
## CHAPTER 2 **Underwriting Basics** (Modules 5 - 8)

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- 5 What is Underwriting?
  - 6 Five C's Overview
  - 7 Understanding Credit
  - 8 Debt Service Coverage



## CHAPTER 3 **The Best Version of the Business** (Modules 9 - 14)

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- 9 Quality Applications
  - 10 Startups vs Existing Businesses
  - 11 Loan Ready vs Not Qualified
  - 12 Improving Credit
  - 13 Improving Debt Service Coverage
  - 14 Collateral



## CHAPTER 4 **Preparing for the Next Level** (Module 15)

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- 15 Preparing for the Next Level



## CHAPTER 5 **Resources for Professional Development** (Module 16)

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- 16 Resources for Professional Development



# Thank you for joining us!

**Presenter: Susan Brown**

Business & Nonprofit Development

Microlending & CDFI Capacity Building

Online Program Design

**[susanrileybrown.com](http://susanrileybrown.com)**

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