



Bridging the Capital Access Gap

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



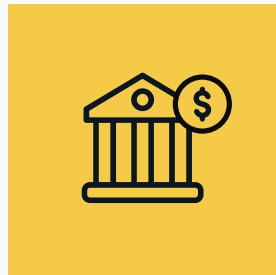
LSC



Main Topics



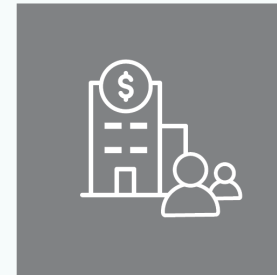
CHAPTER 1
**Lending
Landscape**
(Modules 1 - 4)



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 3

Best Version of the Business (Modules 9 - 14)

Quality Applications (Module 9)

Startups vs. Existing Businesses (Module 10)

Loan Ready vs. Not Qualified (Module 11)

Improving Credit (Module 12)

Improving Debt Service Coverage (Module 13)

Collateral (Module 14)



Quality Applications

9

Quality Applications: What You'll Learn

How to create a quality application which involves understanding:

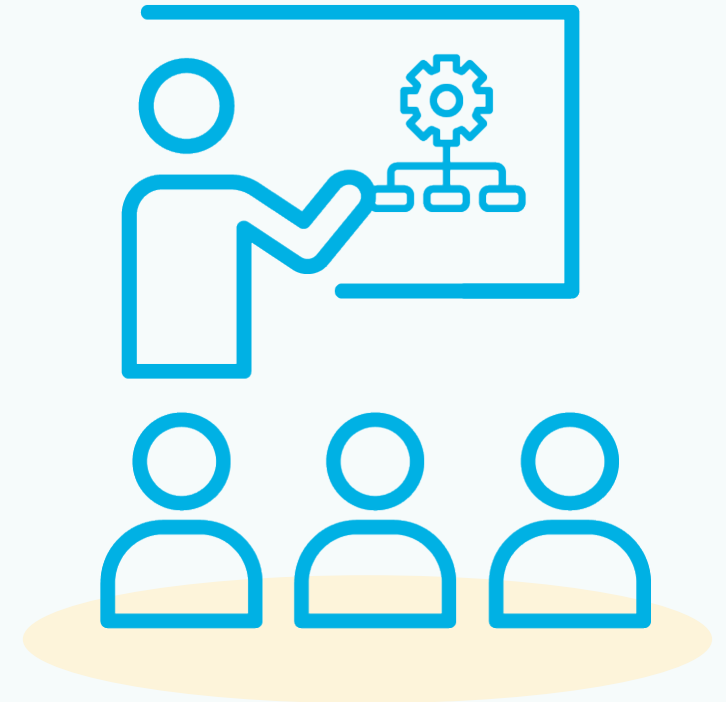
- Your role in helping clients access capital.
- How to prepare your clients for the application process.
- How to present your client in the best light.
- For additional resources and information, please review Module 16.



Your Role

If you teach a business planning course, what are the most important topics you cover?

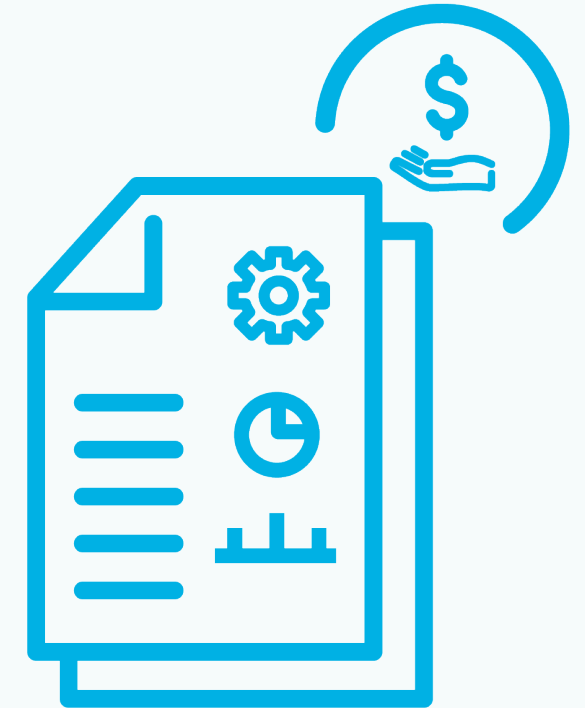
- **Product and service description**
- **Target market research**
- **Market analysis**
- **Competitive analysis**
- **Marketing plan**
- **Sales strategy**
- **Bookkeeping**
- **Projections**



Business Plan for Loan Packages

Have a different focus:

- Sales strategies, history, successes
- Income and expenses
- Growth strategies
- Profitability
- Increased efficiency
- New expansion opportunities
- Project description and costs



You are their champion

- Important to attend business planning sessions and complete assignments.
- Support your clients and get invested in their journey.
- Understand their personal circumstances and struggles.
- Get inspired as they make progress.



Lender has a different perspective

A lender must:

- Fit a client's Five C's and credit request to specific underwriting criteria and product parameters.
- Assess and minimize risk.
- Get repaid.
- Adhere to their institution's policies.
- Answer to shareholders and address profitability.
- Focus on the numbers, less on the story.



Preparation: A good financial argument

- Know the loan options in your region.
- Prepare client to meet the criteria.
- Focus on credit, cash, and collateral.



Know your lender's products & criteria

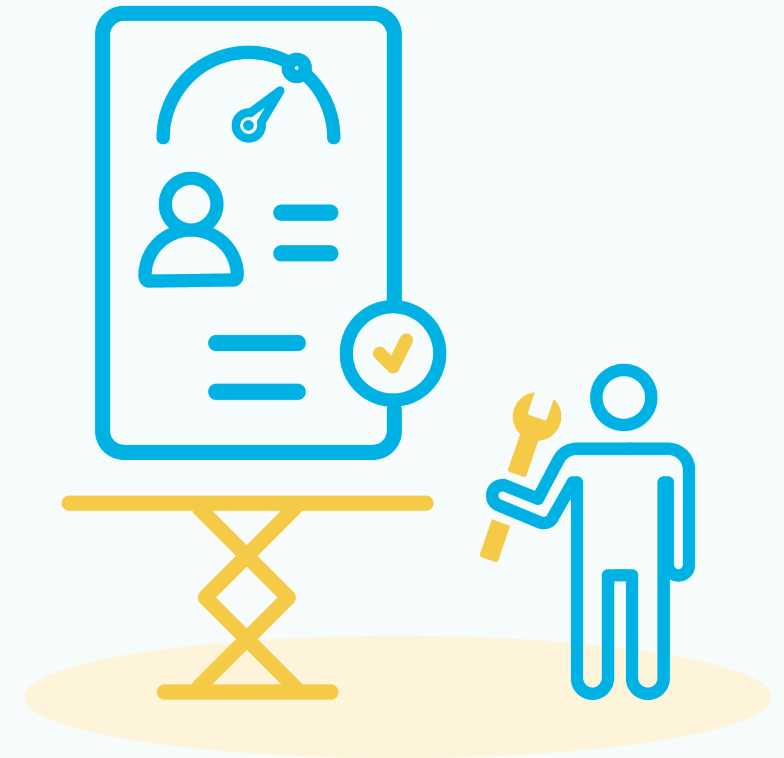
- To prepare your client, you need to know his/her financing options.
- In many cases, you need to step into the lender's world – not the other way around.
- Get to know your regional lenders and their products.
- Get as much intel as you can about their underwriting criteria.
- Strategize with your fellow business coaches on ways to move your clients closer to those criteria.

Each lender will have a different criteria, products, process, and required documents.



Credit: Assessment and Repair

- Help your client pull their credit report.
- Pay for FICO score – consider putting this in your budget.
- Review each trade line.
- Identify: errors, slow/late pays, collections, public records – and coach your client on how to address problems.
- FICO: If above 680, could go to community bank or credit union. If below, consider mission-based lender, credit cards, crowdfunding.
- <https://www.annualcreditreport.com/index.action>



Credit: Analyze Existing Debt

- Add up all the current monthly payments your client makes on all debt.
- Compare to the cash available to make bill and loan payments.
- Is your client highly leveraged relative to income? If so, might need to pay down some debt before applying for a new loan.



Thin or No Credit Report



**Identify reasons:
youth, never approved,
never applied,
immigration status,
identity theft.**



**Address financial
literacy issue:**

Checking accounts

Filing tax returns

Tracking expenditures

Applying for and managing credit card

Budgeting

Understanding income/paystubs

Saving



**Start with a
secured credit card or
become authorized user on
someone else's card**

Cash: How will the loan be repaid?

- Defining the project costs will determine how much cash the client needs to qualify for a loan. Then amortize using lender's terms.
- Best: Historic profitability on clean P&L and/or tax returns.
- Highlight growth trends if client has them.
- If using projections to demonstrate cash capacity: well-researched, reasonable, and annotated.
- Identify personal sources of cash: spouse's job, side jobs, transfer payments.



**Help your client
demonstrate where
repayment will
come from.**

Cash: Bank Statements

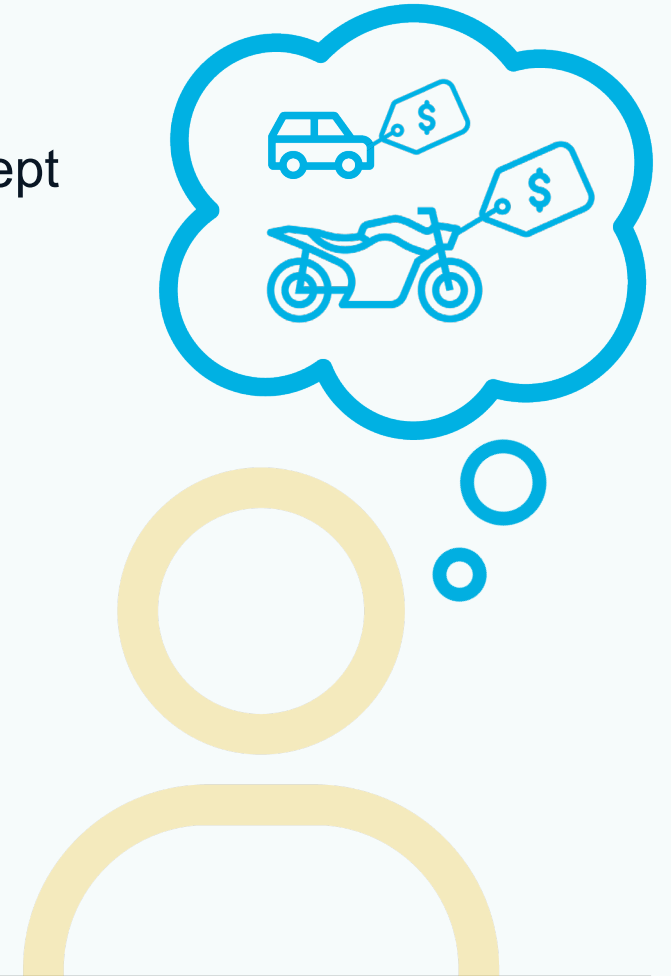
- Might be the best 'financial statement' your client has.
- Consolidate accounts if your client has multiple.
- Collect 4-12 months of statements that illustrate:

- **Proper separation of personal and business.**
- **Business checking debits are business expenses, not personal.**
- **No NSF's/bounced checks: not sufficient funds.**
- **Ending or average balance greater than the new loan payment.**



Collateral: What can the client offer?

- Most lenders require collateral, a secondary source of repayment.
- Mission-based lenders may accept low-value collateral. Might accept general lien on business assets. Others take personal vehicle.
- Banks and credit unions might require higher-value collateral.
- If the loan is for equipment or vehicle, that can serve as collateral. If loan is for inventory or working capital, some other form of collateral will be needed.
- Review your client's assets. Do research on the value.
- Endeavor to have loan request be close to collateral value.



Is a co-signer available?

A common way mission-based lenders make a deal work when credit, cash, or collateral is thin: the participation of a co-signer.

Finding a cosigner can be a great way to secure a loan when you'd otherwise be denied, because now the bank has two parties guaranteeing the loan rather than just one.

[Accion Opportunity Fund](#)

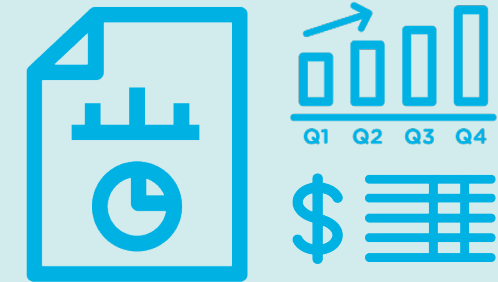
Please read through the pros and cons of co-signer participation, then discuss with your client.



Presentation

- Financially-focused business plan with project strategy defined and costs delineated.
- Statement presenting credit report strengths and addressing problems.
- Clean financials – the best your client can provide.
- Other sources of income documented: pay stubs, tax documents.
- Collateral options, with value documented.
- Identification: drivers license, utility bill.

Help your
client digitize
the package.



Division of labor over time

This is a heavy lift for clients who have been left out of conventional financing systems.

- Determine your organization's orientation about how you help clients who can't develop all these elements themselves.
- Assess client's capacity to develop a loan package.
- Consider time available: yours and your client's.
Who should be responsible for what?
- Work as a team, over time, to pull together a package.





CHAPTER 3

Best Version of the Business (Modules 9 - 14)

**UP
NEXT**

Quality Applications (Module 9)

Startups vs. Existing Businesses (Module 10)

Loan Ready vs. Not Qualified (Module 11)

Improving Credit (Module 12)

Improving Debt Service Coverage (Module 13)

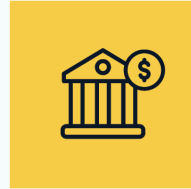
Collateral (Module 14)

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** 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** (Modules 15)

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- 15** Preparing for the Next Level



CHAPTER 5 **Resources for Professional Development** (Modules 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

LISC

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