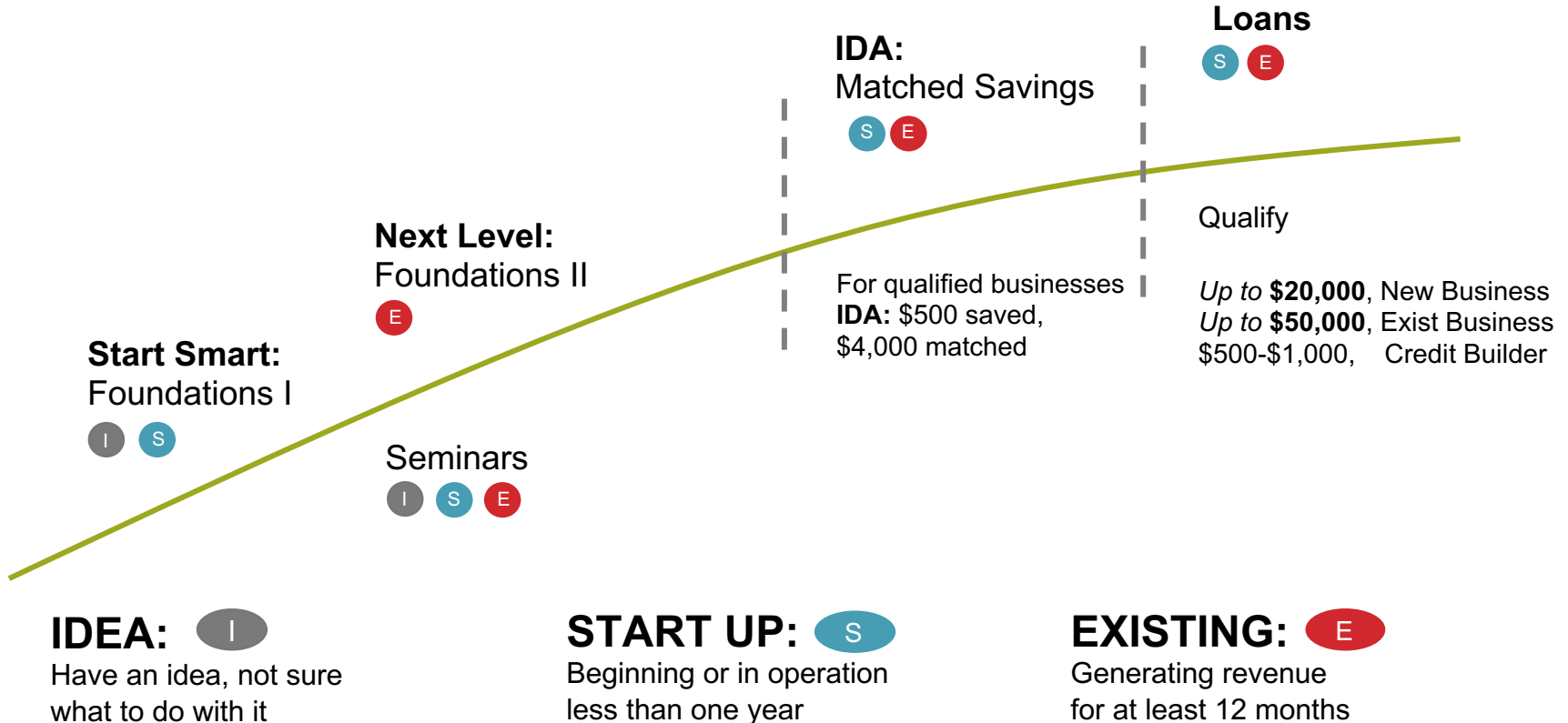




# **FINANCING YOUR BUSINESS**

# BUSINESS DEVELOPMENT

## PROGRAM OVERVIEW



Where are you in the Business Life Cycle?



# **ACCESS TO CAPITAL: WHERE ARE YOU NOW?**

*What is your business and what do you  
need to finance?*

*How much do you need?*

# ACCESS TO CAPITAL: LANDSCAPE OF FINANCING

*Where do Entrepreneurs get their money?*

## **Kauffman Foundation Study**

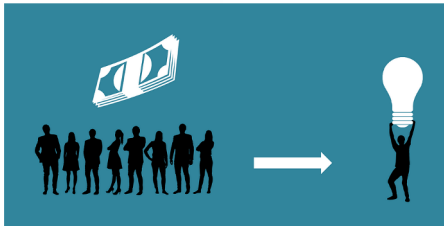
1. *Personal Savings*
  - → More than ½ of young companies get ALL of their \$ from savings, and follow it up with positive business cash flow
2. *Credit Cards*
3. *Friends and Family*
4. *Banks*
5. *Venture Capital*
6. *Others – peer to peer lending, crowdfunding, angel investors*

# WHAT KIND OF FINANCING IS RIGHT FOR YOU?

## Equity



**IDAs**



**Owner Savings**  
Friends & Family  
Business Partners

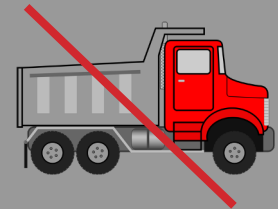
**Crowdfunding**  
Local investors

## Debt

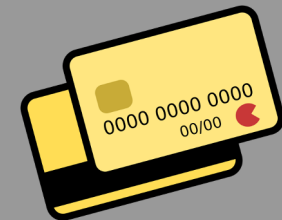


**Loans**  
Non-bank CDFI

**Commercial Banks**  
Credit Union  
SBA - government



Finance long term assets?  
**NOT** with short term credit.



**Revolving Credit**  
Credit Card  
Operating Line

# BUSINESS CAPITAL

# PERSONAL SAVINGS – MEET TOM



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#1 source of founder investment – first place most go to

---

## Personal Savings

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Have you been saving funds for this business?

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Are you personally invested into your business and its success?

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Get scrappy!

---



# FRIENDS AND FAMILY



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## Friends & Family

#3 source of investment

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Must consider current relationships, potential strains  
Can be a great source of patient capital – flexible terms.

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Rental support, cosigning, collateral, general living expenses

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You never know unless you ask! ***Be prepared*** with pitch

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# **ACCESS TO CAPITAL: WHERE ARE YOU NOW?**

*How much can you readily access?*

*How much are you willing to contribute?*

# INDIVIDUAL DEVELOPMENT ACCOUNTS (IDA'S)

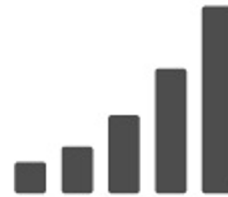
The MercyCorps Northwest IDA Program is broken down into four steps:



SAVE



TRAIN



PLAN



BUY

# INDIVIDUAL DEVELOPMENT ACCOUNTS



## IDAs

Matched savings business grants

Longer time commitment – start up funding or future money for growth and reinvestment

Pairs valuable training and incentivizes saving money to get capital for hard asset and equipment purchases

Low risk, high reward



# INDIVIDUAL DEVELOPMENT ACCOUNTS



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8:1 Matched-Savings Business Grant

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Income and net worth restrictions

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## IDAs

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Must be a Walla Walla County resident

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Need a source of earned income

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Enrolling now!

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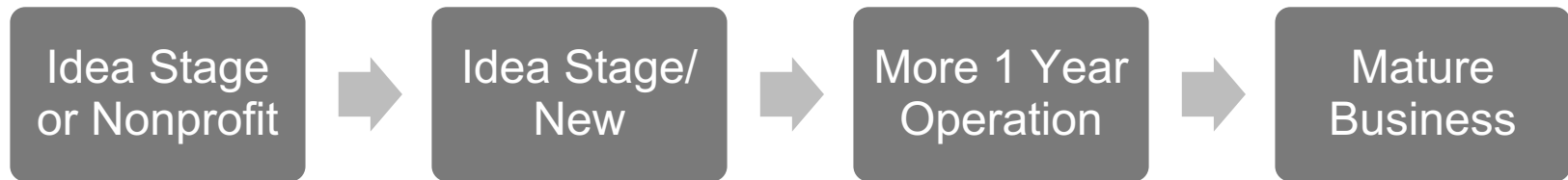
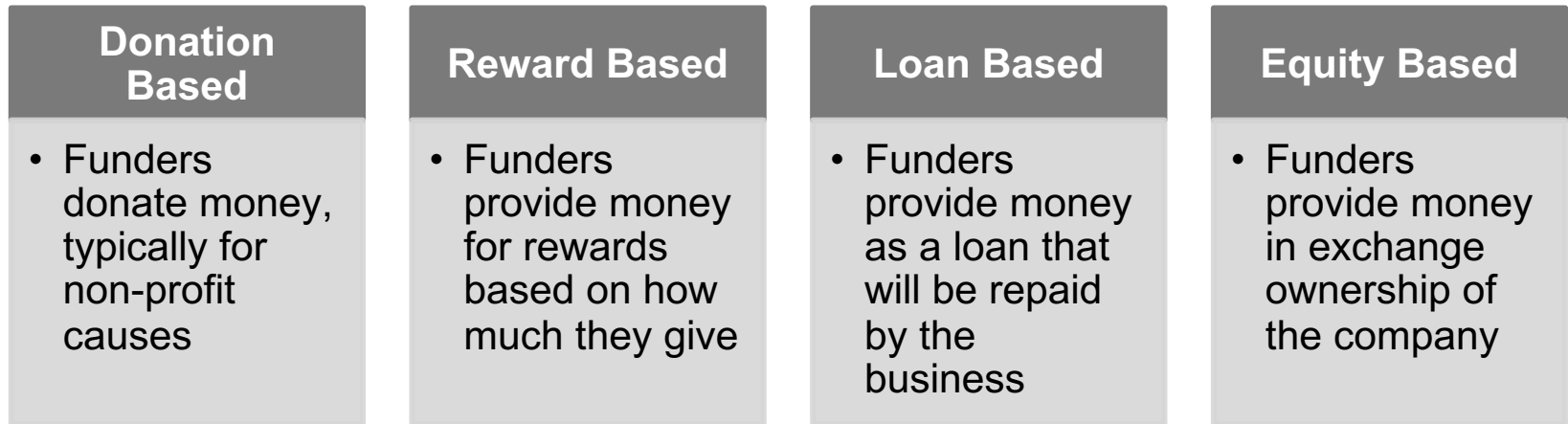
# **ACCESS TO CAPITAL: WHERE ARE YOU NOW?**

*Who here is in the IDA program?*

*What will you use the funds on?*

# WHAT IS CROWDFUNDING?

Funding a project by raising small amounts of money from a lot of people



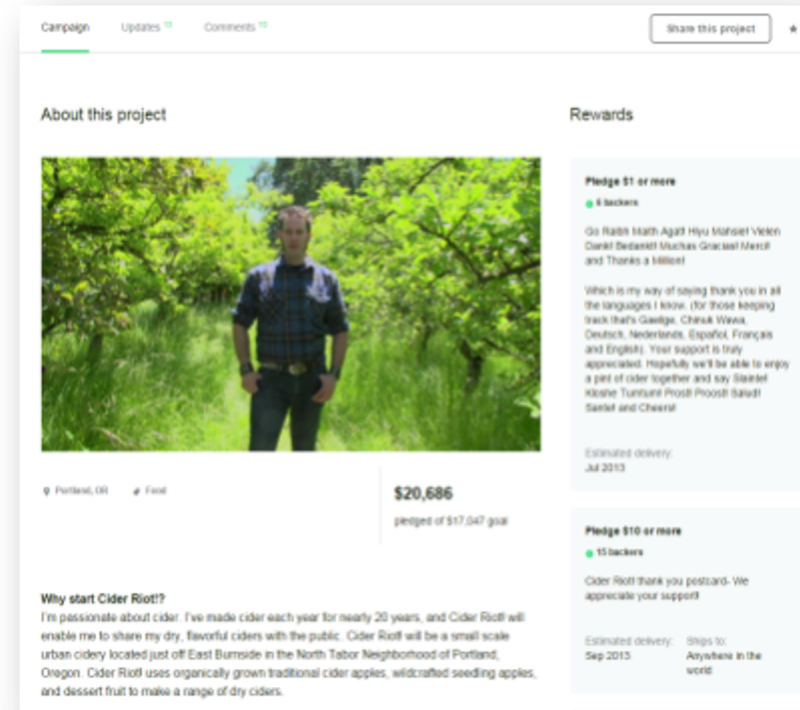
## Non-Debt Based

- Kickstarter
- Go Fund Me
- Indiegogo
- Crowd Supply

## Debt Based

- Kiva Zip
- Funding Circle
- Lending Club

# CROWDFUNDING – CASE STUDY



## Case Study

Abram Goldman-Armstrong – Cider Riot!

Strength of Network

Strong Video and Content

Builds credibility



# IS CROWDFUNDING RIGHT FOR ME?

Consider

Do we have 'social capital' & communication channels?

Do we have internal resources to conduct outreach?

Structured to have long term benefits?

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## Platform Research

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Are there local representatives to provide assistance?

---

Have businesses similar to me succeeded?

---

What is the relationship between supporters and the business? Profit vs. Community?

---

Fees/Risks?

---

# IS CROWDFUNDING RIGHT FOR YOU?

## Indiegogo Presentation Notes

- Find your champions, the ones who will support and promote
  - 30% rule – have 30% raised before launch
- Create a feeling of membership - not a customer ***but part of your story***
  - Have a brand...Paint a Picture... Have a STORY
- Prepare - video, content, build email list
- Define your target market

# **ACCESS TO CAPITAL: WHERE ARE YOU NOW?**

***Who here has a good business fit for  
crowdfunding?***

***Does anyone have experience with  
crowdfunding?***

# IS A LOAN RIGHT FOR YOU?



## Loans

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Banks are the #4 source of capital for businesses

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The problem – banks don't fund young companies, and when you need it, you can't get it

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“You can get all the money you want as long as you don't need it.”

---

Are you ready to take on debt financing? Is debt an appropriate tool for you?

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# GETTING TO YES



## MCNW Loans

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Experience and credibility are very important

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Mostly weighted to last 12 months of credit history – no adverse history or outstanding judgments/liens/collections

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Adequate income and/or revenue through business, and demonstrated commitment to business via investment

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Targeted to business growth – quality use of funds

---

# HOW DO I BECOME “LOAN READY?”

## ☐ Business Analysis & Cash Flow Projections

- ☐ Are your projections realistic and cover your expenses?
- ☐ Do you have relevant experience & managerial capacity?

## ☐ Credit

- ☐ Do you have a history of timely, reliable repayment?
- ☐ Sign up for credit counseling, make on-time payments, pay off outstanding collections/lien/judgments

## ☐ Household Finances

- ☐ Personal income and debt can be covered, strong personal financial position
- ☐ Decrease your debt burden – increase your buffer
- ☐ A strong secondary source of income and/or co-signer is always a great help in the underwriting process

## ☐ Investment to Loan- “Skin in the Game”

- ☐ Demonstrate commitment to this business through savings, IDA, family gift, crowdfunding

## ☐ Collateral

- ☐ Quality of collateral (accessible, liquid, etc)
- ☐ **Build assets and have collateral** you are willing to pledge as security (real estate, personal vehicles, equipment, etc.)
- ☐ Use of Funds: Project Budget

## ☐ Use of Funds: Project Budget



# 5 C'S OF LENDING

## Develop Your 5 C's

### **Character: Credit**

Borrower's reputation

**How have you managed  
credit in the past?**

**Credit Counseling**  
Repairing credit

**Debt Management**  
Household & Business  
How to make a plan to  
prioritize paying back  
debt.

### **Cashflow: Capacity**

Borrower's ability to  
repay a loan comparing  
income against recurring  
debt.

**How will you  
repay the loan?**

**Business Revenue**  
**Secondary Income**  
**Savings**

**Small Business Classes**  
Increase business  
revenues by building  
better practices.

### **Capital: Commitment**

Borrower investment in  
the business.

**Do you have "skin in  
the game"?**

**Project Budget**  
Build a budget for your  
project.

How much money will  
you contribute to your  
business and how much  
do you expect a lender to  
cover?

### **Collateral**

Borrower assets used to  
secure the loan.

**What assets can you  
pledge to secure the  
loan?**

**Vehicle Titles**  
**Deed of Trust on Home**

**Small Business IDA**  
IDA's help individuals  
with limited financial  
resources build assets  
that can be used as  
collateral.

### **Conditions**

Current market conditions  
and how the borrower's  
company fits into it.

**Why will your business  
be successful in the  
current market?**

**Market Research Tools**  
**Industry Research**

**Book a Librarian**  
One on one assistance

### Borrower Characteristics:

Lenders weigh these five characteristics to determine the credit worthiness of a potential borrower.  
Small business technical assistance providers support you in developing capacity across the 5 C's.

# **ACCESS TO CAPITAL: WHERE ARE YOU NOW?**

*Who here has applied for a loan?*

*What was your experience?*

# REGIONAL RESOURCES

Non Profit Lenders	Loan Range		Coverage	IDA's	Revolving Products	Business training
	Low	High				
Benton-Franklin Council of Governments <i>bfcog.us</i>	\$5,000	\$150,000	Rural Walla Walla and Columbia County	No	No	No
Craft3 <i>craft3.org</i>	\$25,000	\$1,000,000	OR & WA	No	No	No
Greater Eastern Oregon Development Corporation <i>geodc.net</i>	\$1,000	\$250,000	Umatilla County	No	No	No
Mercy Corps Northwest <i>mercycorpsnw.org</i>	\$500	\$50,000	OR & WA	Yes	Yes	Yes

## Crowdfunding

Kick-starter	0% Interest	5-10% Fees	Premiums
Indiegogo	0% Interest	5-10% Fees	Premiums
Kiva Zip	0% Interest	0% Fees	Loan-full repayment

# SMALL BUSINESS FINANCING - THE REALITY

