Small Loan & Financing through CDC Small Business Finance

December 11, 2019
Logistics

• All audio will stream through your computer speakers.

• Please submit your questions anytime throughout the presentation in the Question box or Chat box, located on the bottom of your screen.

• Webinar recording and slides are posted within one week of the event.

ampsocal.usc.edu/webinars
USC Price
Center for Economic Development

Outreach arm of the Price School of Public Policy

Supports EDA’s mission by

• Providing technical assistance to economically distressed and underserved communities
• Developing strategies to enhance collaborative regional innovation

Capabilities

• Planning
• Economic development and policy studies
• Feasibility and market analyses
• Needs assessments

• GIS mapping
• Consensus building
• Technical assistance workshops
• Strategy development
About AMP SoCal

- Collaboration of government, academia, and industry partners
- Designed to strengthen the Southern California aerospace and defense manufacturing supply chain
- A federally designated “Manufacturing Community” by the U.S. Department of Commerce
Who We Are

AMP SoCal is led by the USC Center for Economic Development (CED), an applied research center of the USC Sol Price School of Public Policy, in partnership with the City of Los Angeles and over 135 companies and organizations.

Partners Include:

- USC Price
- Boeing
- NASA Jet Propulsion Laboratory
- CSU5
- City of Los Angeles
- The Port of Long Beach
- Cal Poly San Luis Obispo
- Northrop Grumman
- San Diego East County Economic Development Council
- UCLA
- Workforce Development Board
- CMTC

Creating Solutions
AMP SoCal Upcoming Events

January Webinar for A&D Suppliers
10 – 10:30 am
Social Media Tools for Business Development & Employee Recruitment

AMP SoCal Cal Annual Summit
April 29, 2020 @ USC
Featuring One-on-One B2B Matchmaking Meetings between Suppliers & Southern California OEMs

www.AMPSoCal.org
Today’s Presenter

Stacy Sanchez
Senior Community Loan Officer
CDC Small Business Center
Alternative Small Business Financing

Presented by:
Stacey Sanchez
CDC Small Business Financing
CDC Background

• In business for 40+ years!

• We focus on non-real estate, viable deals with some strengths, but not strong enough for bank financing.

  • Start-up businesses
  • Weak Cash Flow
  • Weak Collateral
  • Credit Issues
  • Small dollar request.
Speed / Risk Impact Rates & Terms

- 89% - Low Doc – No Doc
  - Business financials
  - Minimal forms

- 45% - Fully Underwritten
  - Taxes – business & personal (3yrs)
  - Financials
  - Forms

- 8% - Minimal forms

**Rate**
- 89%
- 45%
- 8%

**Time**
- 2 weeks
- 30-60 days
What Do We Evaluate?

- Credit
- Cash Flow
- Collateral
- Capital
- Conditions/Character

Consider the strengths and weaknesses of your situation.
Credit

Personal Credit of:
• Anyone with 20% or more ownership in the business
• Spouses of business owners

Credit Score: 620+
Bankruptcy or Foreclosure must be 3 years old, short sale must be >2 years old.
No delinquencies since filing.

Credit Resources:
www.annualcreditreport.com
www.credit.org
Explaining the Score

What actions will hurt the score?
- Missing payments (regardless of $ amounts...It will take 24mo to restore credit with one late pay).
- Credit cards at capacity (i.e. maxing out credit cards).
- Closing credit cards out (this lowers available capacity)
- Opening up numerous trades in a short time period.
- Having more revolving loans in relation to installment loans.
- Loans at finance companies.

What does not Affect the Score
- Income
- Length of residence
- Length of employment

Approximate Credit Weight for each Year
- 40% = current to 12 months
- 30% = 13-24 months
- 20% = 25-36 months
- 10% = 37+ months

What makes up the score?
- 35% = Payment History
- 30% = Capacity (Capacity is King)
- 15% = Length of Credit
- 10% = Search & Acquisition for New Credit
- 10% = Type of Credit

How to Improve the Score
- Pay down on credit cards.
- Do not close credit cards. because capacity will decrease
- Continue to make payments on time (old late pays will become less significant with time).
- Slow down getting new loans.
- Acquire a solid credit history with years of experience.
- Move revolving debt to installment debt.
Business Income:
- Profit on recent tax returns and interim financials
- Projected income for new businesses or those planning significant expansion

Personal Income:
- Other employment
- Other businesses
- Spousal
- Military

Business profits + Personal outside income = Cash flow for personal and business debt repayment
Collateral – Small business will be required to pledge all business assets. No minimum LTV requirements for loans under $250,000.

Common forms of collateral:

- Personal Residence – *if the property has equity when valued at 85% of the present market value.*
- Business Assets – *all inventory and equipment owned by the business*
- Personal Assets – *personal vehicle, cash*
Capital

**Capital** - Funds the business owner(s) will put into the business for this project.

**Sources:**
- Savings
- Home equity line of credit
- Partner contributions
- Family and friends (gifted)

Start-up > 20% injection required
Business Acquisition & second locations > 10% injection required. We can finance 100% of equipment, inventory, and working capital.
Types of Financing

Alternative loan programs are available when your bank says “No”
Community Advantage Loan Program

- Offered directly by CDC Small Business Finance
- Offered throughout CA, AZ and NV
- Loan Range: $50,000 - $250,000
- Loans offered for start-ups, existing businesses, expansions, and business acquisitions
- Rates: Prime + 2.75% to Prime + 6%
- Terms: 7-10 years
SBA Micro Loans

- Offered directly by CDC Small Business Finance
- Offered in San Diego, Orange, Los Angeles, Ventura, Riverside, Imperial and San Bernardino Counties
- Loan Range: $5,000 - $50,000
- Loans offered for viable businesses that do not meet bank requirements
- Rates: 8-9% fixed
- Terms: 3-5 years
- Post-loan business counseling is required
Let’s talk:

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