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Hello and welcome to preparing for accessing capital presented by Community Business Partnership. Today is August 2nd, 2023. This webinar is funded through a grant with the U.S. Small Business Administration. All opinions, conclusions and/or recommendations expressed herein are those of the author and do not necessarily reflect the views of the SBA.   
 And at this time I will introduce our presenter for today, Karlene Sinclair‑Robinson, director of the business finance center at Community Business Partnerships. Karlene, I will turn it over to you.

>> KARLENE SINCLAIR‑ROBINSON: Thank you so much for inviting ‑‑ the invite to be here to be able to share with your audience about all the wonderful opportunities that are available in the process of preparing for funding. Community Business Partnership is a non‑profit based in Springfield, Virginia.   
 And we are responsible for supporting folks starting financing and growing a business. These ‑‑ as you can see on the screen, we have a number of certifications and work with numerous sources, including the Small Business Administration, the CDFI fund via the U.S. Treasury. We are certified to provide these type of support.   
 In access to capital and providing training to help. We do so through our business finance center here at our office in Springfield to help small business owners like yourself, whether you are starting and/or growing a business. So we were asked to provide this type of a training to help in having you figure out what to do when you think of going to get capital. And what does that really mean. Okay?   
 So with that we also have support programs within the region, including the women's business center and the small business development center through Mason Enterprise. With that I will move forward. So for today's training, and I will try to slow it down, because I do speak fast sometimes. So I want to make sure that I get the words across and make sure that you clearly get the information.   
 So for today's training objectives I want you to learn the fundamentals of preparing for funding, preparing to access the capital that is available in the market. You wanted to also be able to quantify the need for funding, what exactly do you need money for now and/or in the future and how we break it up. Then we wanted to develop, if you don't know this already, develop an understanding of those key financial documents that's necessary to help move the needle with you accessing capital.   
 So it's important that you understand key things. And from there, you know, hopefully this training will be helpful to you.   
 Thanks. With that, let's have a conversation kind of around where are you. We oftentimes as a lending source, a community lending source we note that folks show up in the prestartup stage. They have an idea that they need funding. They think they should go for the capital first, before they actually start to do anything with the business.   
 And then we have those in the startup phase, that basically means in the financing world that you have already operated and you are generating money, putting money in your bank account, not necessarily talking about profit yet. But definitely operating a business where you can do a tax return in that first two years of the operations.   
 And we break it out like this, because oftentimes we see folks set up a company, but they didn't do anything with it. So there are no tax records. So we want to make sure you understand from a financing and how you access capital that you understand a difference and the makeup of how you structure your business. And then how you use it to access capital.   
 Does it play a role? And then are you more mature? Are you responding three years, five, ten years or more in business? So those dissecting of the timeline of you being in business are just thinking to start a business, it plays a role in how you access capital.   
 Whether you get a yes, or a no, a maybe in the mix, right? So it is important that you pay attention to this and then ‑‑ that will help you determine where you go, who you are asking for capital, and then how much you can actually qualify for. Okay?   
 Thank you. With that, we always ask this question, especially when we are doing this technical development, we want you to ask yourself this question, are you bankable? When you think of where you are in that startup phase, right, that also determines, you know, a bank might want to finance businesses, but you can't go and ask the bank as a prestartup because you have no business. Then if you are in the startup phase, you could potentially get some capital but not necessarily what you are looking for when you go to the traditional sources.   
 So we want to understand bankability. And then in that process what is happening with both your personal credit and business credit, if you already have a business.   
 Have you started working on building business credit? What are the things that a lender would think of that would be a major risk to us if you came to get access to capital? You are trying to prepare yourself to get funded. You want to make sure you understand what the lenders will think of, will want to see. And so understanding whether it is a local bank, a regional bank, a national or you are working with a community source like an organization that's a non‑profit like Community Business Partnership.   
 So it is definitely important that you are looking at everything. And we want you to look at it in the perspective that for those of you with credit challenges I want you not to beat yourself up. I want you to take a moment and look at where you are today and then where you want to go.   
 And if you are working ‑‑ you are working to grow a business, not if, then over time it is a matter of really systemizing the processes and going after what you can go after at a given point. So look at all aspects. And get support. You can get technical assistance where you can get a ‑‑ someone to help review where you are, what's going on before you try to get access to capital.   
 Okay? So it is important that we're asking ourselves these questions and be clear about what is going on and what our expectations are from a lender's perspective and what the market will bear for what you are looking to do.   
 Thank you. All right. So then it is important that we, you understand what you should be thinking about before you submit a loan request. What exactly should you consider before you submit that request to get capital.   
 Then that will help set you up for successfully securing funding, all right? Let's talk about some business basics because our experience through the pandemic, the last three plus years, we've noted quite a lot with small businesses. Micro enterprises and the challenges as to why they did not get funding.   
 So when you create a company, you must make sure that you are paying the actual fees associated with keeping your legal structure in place. That means if you created it in Virginia, Maryland, wherever you created your company, make sure you are keeping that active annually. There is an annual cost. For some folks it might be $50. Some it might be more. It depends on the structure of your business. If that's not paid, I want you to know this, your company could be put in an inactive status along with over time the government can actually cancel your company name, and terminate your company.   
 Okay? Now if you are operating and you have not been paying it please go check it out. Those ‑‑ that key area is one item that is the challenge for us when you have an inactive company name with the State Corporation Commission. Our lending options require that we fund businesses that are active and not in whether pending, inactive or inactive or canceled or terminated. So we're trying to help you know these are internal things you need to take care of. Whether you are going for a loan or not, it is an annual thing. Think of an annual fee. Do whatever you want to call it. Because we can't lend you if you don't have it in an active status.   
 Then the next segment on licenses, when we think about licenses, we think in a variety of ways. From a lender's perspective, we want you to make sure that you have, whether you are working in the food industry, whatever applicable food licenses.   
 If you are in cybersecurity construction, medical, any specific industry related licenses, please make sure you have them and make sure they're current.   
 Now I cannot speak for any bank. I cannot speak for any other organization. I can speak for what we do. And so the things we're telling you are required to get access to capital.   
 So if you are operating in a commercial space, and a commercial space requires you to have a commercial permit to be in that space, make sure that the permit is applicable. And it must be in your company's name, not another company.   
 So as you hear me talk over the period that we're going to be together today, you will hear some things because we have experienced a lot of challenges with business owners and folks trying to start businesses, needing to make sure you understand why these are important.   
 So if you ‑‑ any of those industries, make sure you have the appropriate licenses for that industry perspective. From that industry, including like if you are a barber shop, a salon, all of it. Okay?   
 On the other side of licenses, you are operating within a geographical area, jurisdiction. So if you are in Fairfax County, if you are in let's say Prince George's County, wherever in the United States, it might be a city or a town, make sure you have the appropriate licenses to separate from those localities.   
 Okay?   
 Each of these various counties or cities, they have mandates for you operating a business in their city, town, in the state.   
 If you move from let's pick New York, you move from New York and you want to go to Florida, you need to make sure that all appropriate licenses for where the business is headquartered, the address you are going to put on the application for a loan, that all of those licenses are applicable to the current address for that business.   
 Even if you are working from home. All right? Another thing with licenses, let's talk about your driver's license. If you drive, the driver's license needs to match the address that you are sharing. These are again challenges that we have experienced. So I want you to make sure that you have everything in order.   
 All right? So again think industry, think locality, think the personal, what are those applicable things. And make sure nothing has an expiration date. If it has expired you cannot use it. All right?   
 Now insurance, the insurance side, depending on your type of business and depending on the funding source, again whether you are going to a bank or you are coming to a non‑profit like ours, various insurance could be required. If you are in the food industry, medical, medical, especially things like construction market, think on what it is that you need to have in place to protect your business, and you, with insurance being in place.   
 Some businesses we don't ask for insurance from you. But some businesses it is mandatory. If you are a doctor's office, we need to see your insurance. So think of it from the perspective of again what type of business are you operating.   
 Now let's completely switch gears. Tax position, your tax liability status, on your tax returns, your prior ‑‑ your tax returns what's it say about you owing taxes or not. Did you overpay? So if you owe taxes, and you did not do a workout with the government that could be a challenge. All right?   
 And a workout that would be applicable by the time a source would consider you for funding. So if you have a tax lien on your credit report that's going to be even more challenging. We would not be able to fund you if it ended up on your credit. That means the government took you to court and got a lien. I mean for those of you that know about tax liens and all that, that's great. But for those of you who don't know, it is important that you do a workout with the government before it becomes a legal issue.   
 So don't get the bill in the mail and ignore it. You need to follow up and make sure that you either put a plan in place, or pay it off immediately.   
 Because that will stop us from actually supporting you. So CDFIs like ours across the country, there are about 1400 of us, whether we are a banking type CDFI or community loan fund like Community Business Partnership we cannot lend you if you have a tax lien. And we have to look at where you are if you have a tax debt. With that let's switch gears completely.   
 So it is important that as you develop or if you are already in business, that you are working through a business plan. A working ‑‑ using it as a guide to where you want to take your business. So if you are a business that's been operating for three years and you had created a five‑year plan, please go back and review it, update it. If you are brand new, definitely get support to make sure that your numbers are logical and some other things.   
 We want to understand what you are offering, products services or both. We want to know that you did proper market research. Operational needs, are you going to hire, are you going to use a commercial space. Are you going to work from home. What exactly are you going to be doing. And if you are already operating, all of what I just said is applicable to our process. We just closed three loans yesterday. And we had to document whether that business was operating from home or not.   
 And then again all applicable licenses and other requirements must be in place. Then we need to make sure that or you need to make sure that the feasibility of that financial need is logical, right? To give an example, we reviewed a business plan that showed $886 in income potential for the first year. Then $636,000 the second year. And the third year they were going for $1 8 million. And unfortunately they could not tell us how they were going to generate revenue for that. Get some other professional source to look it over. Very important.   
 Now especially for those who are just starting in business, we want to make sure that you understand key things. And when you present your information, when we look at your plan, does it sell us as a lender to be able to come to that decision that yes, this is a viable opportunity to finance. Okay?   
 Because we have sources we are reporting to. And we have to tell the government or donors okay, we finance this business. And for whatever the reason, at the end of the day, did your business plan make sense. When we go for an audit, can your loan pass the smell test. As part of that, your business plan is ‑‑ it is really essential. Now we don't have to go creating a 50‑page business plan. You can study the business model canvas. But make sure that you are including all of the critical elements as part of that process.   
 If the market isn't a viable market, we actually do research on these things. So when you submit a business plan to us, depending on whatever industry we are checking that out. We are looking at it to see is it declining. Is it stable or is it, you know, on a growth trajectory. So definitely make sure you are looking through that.   
 From there we always ask that you do a personal assessment, financial assessment to identify where you are. Now I can tell you whether, you know, we were doing classes in the actual room or doing it on Zoom where I could actually see you. I can tell you oftentimes when we hit this slide, the air leaves the room. And it is like oh, my gosh, we really have to talk about the money.   
 Yes, we do. All right.   
 What's in your savings? And I will be honest when I say this, I don't care if you have $100. If you have $20,000 or $100,000, good for you. I'm talking to each of you where you are.   
 You need to know the money you have. You need to know what the income, the debt. You have to assess your debt to be able to identify how you are going to really get out of debt, right? Is it bad debt? Good debt? We need to understand that.   
 How do you assess for tax opportunities, right? So if you are self‑employed, are you setting aside money in a separate account that's titled your tax checking account?   
 Are you setting aside money for that? Have you looked at your credit in the last year? If you have not done that, it is mandatory. All right? It is mandatory. Get the help because there is so many resources, so many folks available to help you figure these things out.   
 All right? And then what's the potential earning opportunities? I mean there are a lot of things out there that we could do, right? So think on what you bring to the market. You are solving, you know, somebody's pain point, making somebody happy, selling something that's going to make a difference in people's lives.   
 Part of my ‑‑ what I do that makes a difference is actually showing up and doing these sessions to help you better understand. So that's part of my personal process in how I help in the market.   
 So if we're not putting, you know, some thought into our financial position and assessing it over time, that would be a concern. With that we also want to make sure that from that financial position we're identifying okay, here are the revenue, the income, what are all the income opportunities that you have right now.   
 Right? And you need to list them out. You need to have a tracker. And get help. Ask family and friends, whomever else that is available to support you on this journey. Because it is really a journey. All right? So think long term but definitely refocus into today. And then, of course, working towards those long‑term opportunities.   
 Right? If we're not doing that, that's a problem. So we want to make sure we're assessing the savings and putting savings as an expense. If you put savings as an expense, hopefully that will force you to save until the end of year so that you have more cash than you ended last year with.

I want to give you a personal thing that I do every year and I have been doing this for at least 15 years.   
 Last two business days of the year I stop. I don't do business. I don't do ‑‑ I don't go on vacation or anything like that. I spend the time and I review everything that I have on a financial basis. Everything related to my business. Every line income that I ‑‑ whether it is from royalties or other opportunities that I have that I get paid on.   
 And I process that so that I know where we're going in the next year. So for you, for going into business and preparing for funding, or preparing to access capital, it's important that you know these things.   
 Right? And know what you have going on. With that, from a lender's perspective, we need to ascertain, whether you are high risk, moderate or low.   
 With that, if you are really in that high, high risk, it is possible we will not lend to you. Now for those of you that think credit is the main factor that would stop you from getting funding, I'm going to tell you right now that's not true.   
 Depending on the source you are asking for those dollars from, okay, so if you are coming to an organization like our Community Business Partnership, then we would look at you in a totally different way than a bank would. A bank automatically if your credit is below a certain number, you are out. You are not getting it.   
 Right? We have denied loan applications with credit, personal credit scores at 720, at literally 690, 660. And approved people with 619 credit scores. Because it is not only about your credit. All right?   
 Your credit is a part of the mix. And multiple types of data is used to come up with, yes, it is liable to finance you or not. All right? Now if you are low risk, great. You will get a better interest rate. All right?   
 And a lot of CDFIs like ours keep the interest rates low. We are mandated to keep the interest rates low, all right? When we think on the credit, whether we're thinking on credit or lending, we call this the Cs of credit. We're looking at credit, cash flow, collateral, character, and conditions.   
 So when we think on these various categories, think traditional financing banks. They primarily are looking at credit, cash flow, and collateral.   
 Organizations like ours we are looking at everything in detail. But we will put a lien on your business. So you don't have to come up with collateral. You don't have to give your house or your car or anything like that. But we will put a lien on the business. So business assets, whatever the business assets are, that's what we would do. When we think on cash flow, cash flow for us we look at it in a different way.   
 We think of it like this, you might have negative cash flow right now. But you need the funding, the working capital, the equipment to move the needle in generating more revenue. So guess what? Our dollars need to help you improve cash flow. So that's how we look at it. So if you show up to us with negative cash flow, we are ascertaining how the funding, the capital that you need could help you boost cash flow.   
 That could then boost profitability. Now we also look at character. We are required to check. Are you on the debarred list with the federal government? Are you someone that doesn't show up at all when we schedule meetings with you? Does your credit report share that you are someone who consistently doesn't pay your regular bills, like your phone bill, your utility bills and other types of things and consistently have negative stuff on your credit? So character for us shows up in a variety of ways. It is great to work with local organizations that provide capital.

And then conditions, we're looking at conditions across, you know, whether it's the economy, what's going on with that, what's going on with your industry.   
 And a number of things. So we look at a variety of what's happening to be able to determine yes, this business has the opportunity to grow or oh, my gosh, it is going to be stagnant for a while or maybe it is going to be stable. Those ‑‑ that actually bears almost the same score in the risk rating as your credit.   
 So just so you know that from an inside perspective. So with that, again a lot of things to think about when it comes to credit and don't want to beat too much on the credit. But it is important that you learn about it and not fear it. All right? We're looking at not just the score; we're looking at utilization, how do you pay your bills and actual current debt. When we say current debt, current debt is what you must pay within 12 months. Not the whole of all of what is due. And then the types of debt that you have.   
 Here is a big no no. Please do not do this. Do not block your credit or if you block your credit, I should say it like this, if you have blocked your credit, please make sure you unblock it before you get funding. If you know you have put in an application and you signed up on a credit authorization, make sure you unblock the credit before the lender needs to pull your credit. There is a cost to us when we pull your credit. We are a non‑profit.   
 And so it is important that you are making sure you unblock it before you submit, hit the submit on that application.   
 All right? So try to remember if you did block it, and if you blocked it whether it is fraud or whatever the case is, that's your right to do. You have that right. But we cannot fund you if we can't view your credit. So we would make you ineligible for a loan from us if you blocked it. And any other source will tell you the same thing. As a matter of fact, the banks won't tell you. They will just not approve you. All right?   
 From there, when we are thinking of the financial side of the business, what we are looking at as a lender, are you presenting a budget that's going to show what you have going on? What you need money for? Whether you are starting or you are in a growth trajectory? How are you forecasting sales and all of those different things. Showing how you are going to profit from this business or we have a loss. And please, work on the numbers so that we're not seeing negative, negative income for three years straight unless you are a pharmaceutical company or something in that realm. And then we do want to know the sources and uses of funds, how you plan to use the money that you are going to be asking for.   
 The capital that you need, what are you going to do with it because we have to account for when we give you $20,000 or $5,000 or whatever we give you. We have to account for why we gave you those funds because you said you need it for working capital or are you going to buy a vehicle. And we need to know that you are going to buy that vehicle with the funds. We want to understand the balance sheet and a number of other things.   
 Let's talk a little bit more around some of this. When we talk about budgeting, we want to understand literally do you plan to hire. So if you plan to hire, we want to know what you plan to pay these people. Do you have a marketing budget. Overall operating budget. Do you need to bring a product to the market. What would the cost look like for you to bring that product to market. And anything else that might be necessary on the budget.   
 I always say this to our technical development ‑‑ in our technical development sessions, that a business owner who shows up unprepared are oftentimes unprepared in their personal life.   
 And so if you are not budgeting using a budget with your personal financials we're going to have a challenge doing it on the business side. So please work at doing it on the personal, so that you can be more effective with doing it in the business. The brain cells that we have to engage to be able to effectively create these things and actively do them, whether we're doing it monthly, quarterly, you know, you work out something as an annual number. But bringing it back to where we know what you can spend or not.   
 All right.   
 So it is important that we understand, you actually understand those things and can sell it to us when you come to get capital, when we read your information, does that make sense. Right?   
 To give you an insight, when we think on you forecasting your numbers, how you are going to generate revenue, we are also looking at, of course, how you are going to spend it, right? But we want to make sure that you are clear based on your market research, what it is you are selling, pricing of your products or services, are they in alignment to what the market would be in.   
 Right? So if you are going to do burgers and you are going to sell your burgers at $20, that ‑‑ I'm not sure where you are going to get the customers to come and pay $20 for a burger. If it is, you know, a fast food place that you sell. Think about the pricing, be very clear about it. Get ‑‑ do research to make sure that those numbers are in alignment to what the potential buyers, your potential clients would pay you for. Whether it is a consulting service or you are going to manufacture a product or you are going to go after government contracts. All of these things they play a role. So make sure you are looking at the numbers and get support.   
 All right? I'll just put this out there. If you don't come and get the support from these resources that the government is actually funding, the government can take those resources away. All right? So just so, you know, I'm not trying to put any fear factor here. But use them.

So we want to also make you aware that we don't just look at the industry. We look at the staple of potential revenue of the business. Definitely associating it with the industry. But also seasonality. What's the seasonal process of your business? Are you, you know, whether you are a janitorial firm or you are a lawn care company or you are providing home care services, or you are selling products on Etsy or Amazon. All of these things we look at staples. Would you have more sales around holidays? One day off here in this month or there? Or would you have more sales in the third or fourth quarter. So pay attention to all of those things as you develop your numbers.

And if you have already been in business, you might need to go back to the drawing board and take a look back at what you have done, analyze month over month over years. And see which months you actually had better sales. And then what do you do to help improve the months that sales were lower? All right?   
 We take all of that into consideration. Your cash flow, what are those expenses? Take, for instance, if you plan to generate $100,000 in a year, please don't put that you are going to spend $11,000 per month for 12 months for marketing. Note that I'm not actually making these things up. These are loan applications that we receive where folks actually did these things. And so I'm trying to help make sure that you understand, critically pay attention to how you classify the expenses. Right?   
 The government wants to make sure that we are paying attention to whether fraud is being a part of this, if we see where a business owner is taking too much money out to pay themselves or are you actually paying your bills from your business account. That's a whole other, you know, thing that we don't want you to be doing. So make a note of this. Commingling of funds. Check out the IRS. I'm not a tax advisor.   
 Do check out the IRS website around commingling of personal and business stuff where you are paying the personal stuff from the business. This shows up, we see things on the cash flow. And we see things in the bank ‑‑ on the bank statement. So make sure like ladies, you like to go to the nail salon. Don't use the business bank card to pay for that. That's not how it works or should work.   
 So we definitely want to know where the money is coming in to the business from. So whether you are doing sales, revenue, income, or we're doing financing dollars or we're doing owner's cash infusion or investor cash infusion, how are you segmenting those dollars, okay? And then, of course, working out the expenses. We see patterns. We recognize things. If you are asking for funding to buy two vehicles, but in the cash flow, you are sharing that you are only going to have one employee, then why do you need funding for two vehicles. Logic is a part of how we look at your information.   
 All right?   
 With that said, again, you know, the income statement needs to tell us or profit and loss, same thing, it depends on if you are talking to a bank or a CPA. It is telling us if you are profitable or not, the possibility that you might be or might not. So we want to make sure that we help you get to that next level. What are those key things to think of? Make sure you are pricing your services and products that would include if you have to pay taxes on profit, right?   
 Make sure you are looking at all of those. Then we want to address your assets and your liabilities to the balance sheet process.   
 It's important that we're looking at you understand current versus fixed or long term versus current. Right? What are those short‑term debt? What's the long‑term debt? Do you have actual equity in the business or not. You also before I go any further, make sure you are tracking how much money you have spent on setting up the business, or you set up the business, but the business needs ongoing support. And you have to take money out of your ‑‑ whether you already are working a job, or heaven forbid you took it out of your retirement dollars of any sort. You want to make sure that you are keeping track of those dollars because it is a question we asked. And that one question making up the same percentage as your credit, your overall credit would entail in your risk assessment.   
 So make sure you are tracking how much money you are putting in. And if you need to get guidance on it, check with your CPA. Work with, you know, any advisor from the NDI company or any of the SBA related sources that are available in the market to support you. Okay?   
 Can't say that enough.   
 With that, of course, understanding your debt. We want to see a debt schedule. When you go to a bank they're going to ask for a debt schedule. What's that information that must be applicable, available for us to know. Especially if you are asking for us to pay off a debt. All right?   
 So we're here to help you pay off a high interest credit card or some other loan you had gotten, then guess what? It is really important that you have this recorded as a ‑‑ on a spreadsheet that shows this type of information from the amount you got, to the amount that's currently owed to, you know, what the monthly payment is, the interest rate and such. All right?   
 We can also ask for the actual documentation, closing documentation that you have on any specific loan that you would like for us to pay off. All right? Because the other thing, too, would be if the terms don't allow you to do certain things. All right?   
 So we want to make sure that we're in alignment to what we can or cannot do for you. When I say we, I'm including all of us as lenders, whether traditional or nontraditional. We're going to want to see what's on the ‑‑ what's your debt. All right? Now don't do this, because it will come out at some point. Let's say you round up your family and friends. And you give them ownership in the company. And they invested whether it is $5,000 or $500,000, don't try to hide it. We have seen folks try to do that. And don't try to hide that there are other owners in the business when you submitted your application. You actually might have said you are 100% owner. Please remember how ‑‑ what's the percentage you own versus what somebody else actually has in your company.   
 All right? It is very important.   
 Now I always say when I get to this slide on the personal financial statement, that if you do nothing else, if you are in business and you decide you know what, I'm going to walk away from doing business or you are thinking to start a business, and all of what you heard so far has scared the daylights out of you, and you decide you know what, I'm going to stay just where I'm at. I always, always ask that if you do nothing else, you do this. You work on your own personal financial statement. So the balance sheet is for the business, for those of you who don't know, and the personal financial statement is for you personally.   
 So again when I talk about doing that financial assessment, you need to do it for those who are already in business, you need to do it twice. Do it for the personal side and the business side. It is very important that you do this. I always share that for those of us who are not doing this, it's like traveling blind. Like you get in your vehicle, you put a blindfold on and you try to drive that vehicle as far as you think you can take it. That's how some of us are operating financially. So we want you to take the blindfolds off. Don't be scared. Look at your cash. And look at what you have going on and then fill it out as it is today. And sign it. Date it. And then go back and fill it out again with a visionary process.   
 So whether five, ten years from now what we would like to see. And save both of them.   
 And in the interim you work towards improving your financial position in whatever capacity. All right.   
 So on tax returns, please do not, do not cross out anything on the tax returns. So for those of you who have children and the kids' tax, Social Security numbers are on there, please do not block anything out. Because you have just tampered with a legal document. We don't look at your kids' tax I.D.s, Social Security numbers. We don't look at that. We are looking for key things that give us data that we can use. That also means that you are required to send us the state and federal tax returns as your CPA gave it to you. There is information that would be on those returns that we could use to help make your debt service, risk coverage overview, all of what we have to do internally on a loan be viable. Be helpful to you in the long run. Don't send us the first two pages. Don't go blocking stuff out.   
 Okay? Send us all of it. Both personal and business. And we oftentimes require two years of tax returns. You have to have a really good excuse as to why you don't have tax returns. Like I'll be honest with you, we have some young kids that are literally applying for a loan for a business right now.   
 So if they are 18, 19, we don't expect them to have two plus years of tax returns. But for those who are beyond at a certain point you must have personal tax returns. And if you think you don't want to share your tax returns, I'm going to tell you bluntly, then don't apply for a loan. As much as we want to support you, we have to follow the mandates. If we want to stay in the SBA micro loan program, and other programs, these are mandatory things that we must get. No questions about that. But we must get those documents.   
 And if you owe taxes for the last year, then what is the game plan. And if you did sign off on something for that, then in terms of a workout with the Federal Government, let us know or the state. We also need to know if you owe state taxes. Because we get funded by the state and any source that funds us we then cannot finance you if you owe them taxes.   
 With that, we're looking at for the business we want to see the Schedule C. We want to see the corporate tax returns. And that tells us also the ownership in the business. So if you say one thing on the application, and the tax return tells us something else, then if it is different you need to provide an explanation and show applicable documentation to reflect that, okay?   
 So it is very important. When it comes to bank statements, these are things that we need. Bank statements tell their own stories. We do a bank statement assessment that gives us key data. We are not one of those sources that will not fund you if you have a lot of overdrafts. We're looking at everything.   
 And then get an understanding of what's going on. And then from there what's the possibility for us to support you.   
 All right? Definitely making sure the way you withdraw funds out of your business bank account, it is being done appropriately. Be mindful of the Zelle and those money transfer options. They're easy to do. But from a reporting perspective, try not to get in trouble with the IRS. All right?   
 With that we do require as part of your being able to access capital, we do require that you provide both business and personal tax returns. All right? Bank statements, rather. So both on the tax returns and the business and personal bank statements.   
 All right? So just to add, you know, that layer to help us make sure that we are making a loan to a viable candidate. All right?   
 With that, let me see, I think I went ‑‑ okay. Sorry about that. So other factors to think on and we will be wrapping up shortly. Other factors to think on, all right? If you are going to buy an existing business, one of the first things I want you to think about before you even think to access capital for this, make sure there is no debt associated with that business because you don't want to buy a dud. And I did say that. A dud. You want to make sure you are buying a business with the least crazy stuff going on with it from a legal and/or financial perspective. Make sure there are no liens. You can check liens against companies when you go to the state Corporation Commission. Ask one of those sources that I keep mentioning because they are there to help you. If you don't know, reach out to us. We will get that information to you.

With that, what are the lease agreements that you need to sign. Are you subleasing. And if you are subleasing, then is that location and the source you are getting that lease from, are they allowed from the master lease, are they allowed to actually sublet to you?   
 Those can be tricky. All right? Are you going to take over a lease? And how do they add you to that lease? Applicable things.   
 Wanting to talk about from a lease perspective also for that commercial space, if you are operating from a commercial space, the lease must be in your business name. Okay? It can be some other business that you have. It needs to be in that business name. Unless you do something like you currently own the property and you lease it to this business that you own. Or it is a lease that you have for another business and it allows you to sublet. Those are legalese. Make sure you get support for that.

Let's talk about cosigners and guarantors, multiple owners.  
Before you get to access capital, make sure you understand your credit position, your financial position, and if you have other owners in the business with 20% or more ownership, that they are willing to be on the know. Because if they are not, that means you would be ineligible to apply for a loan with organizations like yours. I believe most banks use the 20% factor in the ‑‑ in the individual owner being on the loan as the guarantor.   
 However, you can have someone that's not a business owner, who is willing to guarantee ‑‑ cosign on a loan for you. That's definitely doable.   
 But we oftentimes see challenges with the multiple owners. And if they own 20% or more, now here's what you cannot do. Maybe I shouldn't say cannot. As long as you do this legally.   
 You cannot just say okay, because we said 20% ownership or more, that you are just going to go to your partner and say okay, I'm going to change it, the application to 85 and you have 15 and update the application like that. It doesn't work like that. We would need legal documentation that says this is now the new ownership. Even if you just did it this month. All right?

So make sure when you are making these types of changes, make sure you either do them before you come to apply, because if you try to change it after, just make sure you have something that's legally signed and dated by both parties and potentially notarized to reflect that change. Because it is important.   
 Now the other thing with multiple owners, now let's talk about those, that they have less than 20% ownership. It doesn't matter if it's 0.05% ownership. We need the list of everyone that owns anything in the company. And it must all count in to 100%. Not 150 or 120 or 98.99%. It must tally to 100%. All right? Take it from me, we have seen companies with over 20 owners. So again it's important that you document this clearly. And make sure that all sources are in good stead to make sure that we can get you across the finish line to accessing capital, all right?   
 Now I think I have been talking about this for a long time. Know your lender. Don't just pop up and oh, I found this company. And oh, I'm going to use them. Find out what they do. How they do things. Look up what they are putting out. Google their company name. Look at who's associated with them. Check out the board members. All of it. Do your own research.   
 Get your kids or family members to help you if that's what's needed or your resource partners. You must, must understand your lender. Because if you don't, you could be asking the wrong source for funding and that would waste time.   
 Okay? You want to understand our requirements. What are our requirements? Well, if you own a business with 50 employees or more, unfortunately, we cannot finance you. You are outside of our financing purview of okay, you must own ‑‑ have less than 50 employees in the business for us to consider you.   
 You can have 0. Could just be you and we can support you. What are some other requirements? Other requirements could be geographical issues. Geographical challenges. So financing really is about geography. Because a funding source could say to CVP, we only want you to finance Northern Virginia. What does the Northern Virginia map look like, right? So again understanding if financing source market is important, where do they finance. Where can they not finance. If you are in Maryland and you are in the Baltimore area, unfortunately we can't fund you. If you are in Virginia and you are in the Southern part of Virginia, south of Fredericksburg, a couple of counties down, we can't finance you. It is about our challenges and the dollars we have and where we can actually put them.   
 All right? So especially if you are working with whether local bank, regional, if you are working with a national bank, that's different. If you are working with CDFIs like ours, we're actually approved for specific markets.   
 So you want to make sure you have a better understanding of that. So if that means that you tell us to and ask questions or show up to stuff like this, that can help you. All right?   
 So you do need to learn our limitations. If we say a specific fund only goes to $20,000 we cannot give you $20,001 from that fund, right? Oftentimes we will see folks apply for $500,000. Our max says $250,000 to one fund.   
 Again it is important that you read these things. Whatever is provided on a funding source website, check it out. Look at what they are doing, how they are doing things. And definitely connect with them. All right? So definitely be prepared before you try to get access to capital. And then you have to think on that process of how you will repay the loan, right? Or that investment that you get.   
 What is the game plan? Are you going to just take the term? We do 72 months. Are you going to take the full term to pay it off? Or you have a plan to pay it off in three years or two years. What is the game plan for long term for your business. So as you are setting goals, and you are working at getting access to capital, preparing for it, you must have a plan also to pay it off.   
 Now the obvious is whatever the term they give you, you use. Right? But there could be other opportunities and ways for you to make it viable. You want to also think on if you need to recapitalize over time, you can do so. So you are showing up to the lender that you are paying down your loan; you are advancing your business. Okay. Raise your hand. Can you get some more funds? That's possible also. All right?   
 Now I will share this, I used to be a preschool teacher. So I like to give homework. Do you really need funding? What exactly do you need it for? Quantifying it. We often get this $250,000 request. And oftentimes we find a business owner might only need $15,000 to really wrap up and get started. What we cannot do, we cannot finance you getting funding dollars to sit in your bank account to cover your former job level pay.   
 Okay? We can't do that. We don't finance that. I want you to think of financing like a hammer. When you walk into the hardware store, you needed that hammer whether you are hanging a portrait or you are going to put up the blinds in the home or something, you went to the hardware store to get that hammer to do something with it. So when you apply for funding, it is to be used to do something, not just sit in your bank account, to make you feel comfortable that you have money in the account, all right? So we want to see it working.   
 Whether it is four months of working capital to cover payroll, to help with manufacturing, to help with marketing. To help ‑‑ as revenue starts coming in then you don't have to be dependent on loan funds.   
 All right? I hope I'm making sense. So with that, where do you ‑‑ where do you plan to go to get funding? That's important. Have a strategy. So we often say to you, see if you can get a small loan from your bank. Or is a small loan or both. And if ‑‑ let's say the bank says they could give you a signature loan for $20,000. And they could give you a line of credit for $5,000 to start ‑‑ a starter. Banks also have quotas they have to meet and the products that they put out.   
 And so they might have some unique offers. You might think they're too small. Well, at the end of the day, it is important that you are taking what you can get now, and work at growing it. You don't get a fully grown plant. You get it at a certain point and water it to get it to grow. All right. We're at that point where we share the types of funding that we have available and more. I will actually then turn this over to the team to come on in. And I hope I did a good job for you. I always want to make sure you get as much information as possible.

>> Karlene, this is Nikki. As much information as possible, I think we're on information overload. Thank you so much. No. That is ‑‑ you know, you think about funding and you really do not think about all the absolute, you know, total thing of it. And we really appreciate and love that you have outlined every single thing. So appreciate it.

Oh, somebody just said so can we go back one slide and share slide 39 again? I think that was where you were saying so ‑‑ just the different loan amounts. I think somebody wanted to kind of see that on the screen. So while we're doing questions, we'll leave that up so you can have a look.   
 And while Karlene was mentioning about the geographic limitations of some of the funding sources, I did pop in the chat the CDFI locator. So you can actually put in there where you are, and it will give you a list of the CDFIs that do lend for your particular area.   
 So yes, Karlene, let's take a look. So our first question comes from Darlene. And it says is it wise to set up a framework for a business using sound business practices before actually creating the actual business entity. Things like separate bank accounts, collateralized credit cards, self‑funding, training for prospective staff. Seeking consulting and membership ‑‑ mentorship experiences that are carefully documented, et cetera.   
 So I'm thinking she is sort of saying how much can be done before you actually create the business, I guess that's how I'm reading that. And certainly if I'm wrong there, Darlene, please pop it in the chat if I'm not asking that correctly.

>> KARLENE SINCLAIR‑ROBINSON: So that's a great question. And the interesting piece with Darlene's question is that this is actually a before and after component. There are pieces to it that she should consider before she starts to set up the business. And in parts of it that would be done like let's say within a month, within two months, within three months after the business is formally set up.   
 Because there is that okay, I have the idea. Let's put it on paper. Let's go get some guidance or maybe we didn't get the guidance but we got started. Now what we mean when we say get started, you actually got a client. But you might have set up the company, and you got the bank account. There is still things that you would be doing that's a part of like that early stage setup after you have formed the legal aspects. So you have ‑‑ I want you to think of your business in these categories.   
 The legal side, the financing and financial side, that operating side that would also encompass the accounting side.   
 Even though I said financials over here, we are looking at it in a variety of ways. All right. So, you know, take, for instance, you cannot set up a bank account until you ‑‑ or you should not set up the bank account until you have actually created that legal company.   
 We have seen cases where folks have gone and gotten an EIN number because they came up with the idea of a name. So they just went and got an EIN to match the name that they thought of but didn't really create an entity. And, you know, so we are sending folks back to the drawing board with certain things. So this is why I strongly recommend whether we're getting support through the National Disability Institute or you are getting support through score or one of the SBAs, small business development centers or women's development centers. Please, please use those resources so they can help segment key things.   
 And if you need to have, this is what you are going to get done this week. So you set up the company. Then you are going to set up the bank account. Are we going to work on a website. What are these different pieces. It is like quilting. It is going to be parts before you form the actual legal entity. And definitely parts of it after you form. And then when do you really go to market. I can say I want to go to market January 1st. But you legally form the company from August 1st. Because there are things that you have to put in place.   
 Like if you want to sign the lease with a commercial space, you don't want to sign it in your name. You want to sign it in a company's name. All right? So think of a runway. The plane is getting ready to take off. But there are certain things that's done before you board the plane, when you board the plane, to when you are taxying and the actual take‑off. When you take off, part of that take‑off you are still on the ground. And then off you go.   
 I hope that was helpful.

>> That's great. Karlene, I love your analogies. It was like don't get your nails done with your business money. I love that. Okay.   
 Someone asked if the presentation will be e‑mailed. And actually Lexi did answer that in the chat. But in case someone has that same question and you didn't see it, yes. Everyone that's registered will receive a link to the recording and a copy of the powerpoint within one to two weeks. Somebody wants a list. Michelle, when you say you want a list e‑mailed to you, do you mean a list of CDFIs? I'm not sure a list of what. So if that ‑‑ if you can just clarify that, that would be really helpful. Thank you so much.   
 Let's see. Great presentation. Learned a lot about the business framework and how funders assess risk. That's something in the fact that you really sort of went into what are lenders really looking at. There is a lot that has to be done. I don't want to waste our time as business owners and lender's time by not having those things prepared and knowing what they are looking for. And you went into that very well.   
 Another comment, staging a business conceptually is important. Banks want to see how prepared you are in terms of succeeding, yeah, absolutely. Another one, let's see, oh, this is actually a good thought. So somebody is saying they have been on Social Security Disability Insurance. So SSDI, public benefits for many years and don't have tax returns.   
 Would this be a red flag for lenders? I'm trying to get down to the rest of the question. To the point where I have great difficulty finding lenders. If you haven't had to file returns or anything, what's that look like? How do you think lenders are going to look at that?

>> KARLENE SINCLAIR‑ROBINSON: It is important, No. 1, someone like that would need to work with a community lender and not necessarily a bank. That's my first thought and suggestion. Second, if you ‑‑ you have evidence of you are on this type of a disability support, retirement support, you share that information. But the other thing is this, if you are going into business, the lenders can also look at it from the perspective that if you are on a fixed income, what are you going to do over time to move away from, you know, or what are the restrictions for you generating income with the business or is it going to be a hobby business versus a business that's going to be poised for growth. So a number of factors would be considered. All right.   
 If it's ‑‑ you are selling on Etsy or you are selling at the farmer's market, what exactly are you doing? So as long as you have evidence to show key things, we would then be able to take certain things into consideration. But for someone like the person that asked this question, we would want to understand what the future plans would be for owning a business. And then what's the limitation where the government regulations for the support that you actually get. And if you start growing a business, what that would do for you over time. All right?

>> Yes. Thanks. And someone else mentioned that Darlene's question was really good and something that they had been thinking about themselves. Sorry. I have a dog that's decided it needs to bark. Always at the wrong times.   
 So also the SBA says that mentorship begins before you actually begin, right?

>> KARLENE SINCLAIR‑ROBINSON: Utilize all of it, please. The government needs us to provide technical assistance before you start the start. When you do start the business you can be more successful. Okay?

>> Sorry, Karlene. Go ahead.

>> KARLENE SINCLAIR‑ROBINSON: We have to share with the government how much technical assistance we provide prior to you actually getting the loan and then after you get the loan. So those are some things for you to be aware of.

>> Okay. I think, Karlene, that your e‑mail is on the presentation when we send it out. But if you are willing to share it in the chat, somebody has asked for your e‑mail address.

>> KARLENE SINCLAIR‑ROBINSON: Absolutely.

>> A comment about not being able to live on SSDI and wanting to be self‑sufficient and needing that time. Someone else says does ‑‑ let's see, oh, yeah. Thank you. My chat popped back again when you put that in there. Ruth also put her e‑mail in the chat. And we'll sort of briefly in a second go over the things that the National Disability Institute can support you as an entrepreneur. Ruth is our community navigator and works individually with small businesses. So please feel free to reach out to her. She just put her e‑mail in the chat. I'm looking to see if there are any other questions that I have missed.

>> KARLENE SINCLAIR‑ROBINSON: Can I say, while you are looking, Nikki, I want to share this, so for ‑‑ we have special markets, right? Whether we're looking at the disability market, we're looking at the veteran market. There could potentially be opportunities where loan funds are specifically designed to support folks like yourself, wherein you want to start and grow a business.   
 And those loan funds could be potentially, whatever loan agreements could be structured in a way that support people like yourselves in, you know ‑‑ in a way that an MoU and the program guidelines could be structured to fit what the challenges you are experiencing.   
 So over time I'm not sure if there are any other loan funds out there in our area, on the East Coast. And I would need to double check but there are definitely opportunities to create something that would help people actually get off those types of government support. Because you can bring a sustainable business to the market.

>> Thanks a lot. One last question and then I think if people have other questions, you can e‑mail one of us. Feel free to do that. Does it help if you have a significant net worth that has collateralizible, hard to say that word, assets?

>> KARLENE SINCLAIR‑ROBINSON: So for an organization like ours, if you have a lot of assets and could qualify through the bank, we might have to tell you no. We are required to finance low to moderate income businesses.   
 And so with that we do get folks that are, you know, much higher. We have to say okay, you need to go to the ‑‑ go to the bank and see what the bank can give you. As a CDFI we are required to finance ‑‑ 60% of our loans need to go to low to moderate income businesses. Even if you are starting a business, we can finance you by the way. Just so you know that. All right? So it is not you have to be in business to get a loan from us.   
 Starting and/or growing a business, that's what we are required to do.

>> I think one of the beauties of the CDFI and, you know, correct me if I'm wrong, Karlene, is that there are more options and ‑‑ that you are not looking at, you know, as you said in your presentation just credit. And you are really looking at ‑‑ and people don't have to already be generating revenue in order to qualify. So I don't know, do you want to just expound that all on the differences between the CDFI and traditional bank? I think you already talked about it.

>> KARLENE SINCLAIR‑ROBINSON: Definitely. There are a number of banks that are CDFIs, too. And so what we are ‑‑ as a group collectively, whether we are CDFI loan funds as non‑profits or investment sources or banks, credit unions in this market, we are required to support those ‑‑ that demographic that would not be able to qualify for access to capital through the traditional methods, traditional sources.   
 And so if you are considered low income, moderate income, if you are minority, we are mandated to finance you as a business. If you can qualify, meet the specific requirements for each loan fund. So again like we have on the board, the Bailey's crossroads loan fund, if you don't live in Bailey's crossroads, you can't get those funds, no matter what else is going on. We are tasked by a specific set of federal regulations that Congress passed to meet the need and fill the gap that the banking sector cannot and will not touch.   
 Will not fund. Cannot touch. Won't touch. Because it is not in their best interest, right? So we are here to help, help get rid of the predatory lenders. We are here to help improve the life, the financial position of you. And when we can get you from where you are to a position where you move up the income ladder, that's the goal.

>> Okay. I said that was going to be the last question. But one more quick question. And then we're going to talk about very quickly the things that NDI can help with. What kind of interest rates can you expect from a CDFI? And about how long will it take to get qualified if you have got all of your ducks in a row and everything that's needed?

>> KARLENE SINCLAIR‑ROBINSON: Awesome sauce. I love this question. We had a major discussion yesterday and today about interest rates. And so Community Business Partnership, that's who I can speak of in terms of interest. Across the board, CDFIs are required to keep interest rates as low as possible. For us, each loan fund gives us a specific, all right?   
 We follow what those specifics are. But we also look at what the Treasury ‑‑ not Treasury, the Federal Reserve is doing. We have to pay attention to are they increasing or decreasing. We have made a decision internally that our interest rate will not go above 10%. So the maximum interest rate we charge is 10%.   
 We actually have never charged any business that we currently have on our portfolio, we have over 100 businesses. We have not charged 10%. We charge less than. Our average is somewhere around 7%. Though right now, right now I can tell you prime is 8.5. Right?   
 So we are looking at all angles, everything to say what are the loan fund mandates. Do we need to go back to our funding sources and say look, there are things going on in the market. It is not helpful. And do we need to get interest rates reduced. That's a possibility. But we can't change that until it actually reduces ‑‑ the agreements are updated.   
 Again, what are the possibilities. So definitely interest rate for us is a maximum of 10 at this time. And some loan funds actually give it to you at a less, less than the 10%.   
 All right? So again it is based on your risk assessment, and debt service coverage review. And everything that we look at that then determines your interest rate. The other piece of the requested timeline, I don't know if you can feel my pain of having to not fund a lot of businesses. This is why this presentation was actually created. I created it out of the challenges we experienced during the pandemic and are still experiencing because it should not take four months for an applicant to actually get into underwriting but that's what we are seeing. Unfortunately, yes, four months.

We like to see where it takes two weeks, no more, where you can get documents to us, and then another two weeks no matter how much you ask for to get an answer and close you within six weeks or less. We have done so that we have been able to do it in two weeks. So at the end of the day, it is incumbent on the borrower to clean house and get what I actually just spoke about, if you get those things in order, that would be great.   
 It makes my life easier. And just so you are aware of this, we as lenders, we have to report to our loan fund sources. Like the SBA, like the state, like the CDFI. And when we are telling them we cannot make a loan or we're not meeting the minimum number that they want us to meet, because people are unprepared, it is ‑‑ it is bad for us because the government can take those funding dollars back.

I can tell you right now between our company and another company just in Virginia, the government could take back a million dollars or more in ‑‑ by the end of September. After September 30th. Because people aren't prepared and we cannot give you funds if we don't have what we need to pass the audit test. All right? So that's the challenge. So if you are ready, you will get an answer very soon.

>> Okay. All right. So main question, prepare, prepare, prepare, take everything quickly. I'm not going to ask any more questions because we literally are at time.

I want to go through the last couple of slides so that folks know that we are here, National Disability Institute is available. We have some other events coming up. But if you go to our website, disabilitysmallbusiness.org, then you will find all upcoming events, all of our archived webinars and things like that. Just go to that.

Let's go to the next slide. And Lexi put the small business hub website in the chat. So you can find all things there, including how to sign up to stay in touch with us. Get into some of our programs if you want them. And sign up for our newsletter. I couldn't think of that word for a minute. And also if you want to get help from a business counselor or navigator.

We will get to the next slide. We do actually also have ‑‑ this is our team. We also have a streaming TV channel that has a wealth of information both knowledge based and motivational. We highlight some small businesses.   
 So you can sort of hear their story and journey. And that ‑‑ that's available. It is all these links are on the powerpoint. And you will be getting the powerpoint e‑mailed to you if you are registered. If you are here, you are registered. Is that the last one? Anything else on the next slide? That's it. Okay.   
 All right. Well, thanks a lot. Sorry, I tried to do that in 30 seconds or less. We are one minute over. Karlene, again amazing, amazing information. Thank you so much for being here.

>> KARLENE SINCLAIR‑ROBINSON: Thank you so much for having me.

>> And everyone just have a great day. Thank you so much for coming.

>> KARLENE SINCLAIR‑ROBINSON: Awesome.   
 (Session concluded at 2:32 p.m. CT)

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