

CDFA EDA Revolving Loan Fund Training Course

“THE DECISION PROCESS”

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San Francisco, CA*



Theresa Haga
Business Finance Manager



CCD is a private/non-profit corporation formed in 1971.

CCD is recognized as an Economic Development District for Coos, Curry & Douglas counties, Oregon.

In 1981, the U.S. Small Business Administration (SBA) designated CCD a “Certified Development Company”, which enabled CCD to begin helping businesses with SBA financing programs.

WHAT WE DO

- **Development Finance Programs (like USDA, EDA, SBA & OBDF)**
- **Enterprise & E-Commerce Zone Management (Coos, Curry & Douglas Counties)**
- **Grant/Project Management & Administration**
- **Staff/Technical Assistance**

Create A Cover Page



Featured CCD RLF Loan Project



Face Rock Creamery
Bandon, Oregon

Purpose: Financial assistance for community development projects, the establishment of new businesses and/or the expansion of existing businesses, creation of employment opportunities and/or saving existing jobs. *This program was created to assist with business financing when other financing is not available or a partnership is requested.*

How To Get Started: Meet with a CCD Business Development Corporation Loan Officer to determine the eligibility of the proposed project.

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If the project is eligible for funding under the RLF program, the next step is to prepare/submit a Business Plan. An application package will be required once CCD has received the Business Plan and has determined the project is eligible for the program. At that time, a \$250 non-refundable application fee will be required.

Who May Borrow: Any legal entity, including individuals, public and private organizations, which meet the definition and size standards of a small business.

Is Collateral Required: The collateral pledged, as security must adequately secure the entire loan.

What Are The Eligible Loan Amounts: RLF funds, \$25,000 - \$250,000, may be used to finance up to 75% of the total project cost.

What Terms Are Available: Interest rates are set by CCD's Loan Committee. Terms are based on use of funds and the collateral used to secure the loan.

Where To Receive Help With Writing A Business Plan: Contact a local Small Business Development Center at:

522 SE Washington, Suite 115
Roseburg, OR 97470
Phone: (541) 440-7824
Email: kemberly.todd@umpqua.edu

-OR-

1988 Newmark Ave.
Coos Bay, OR 97420
Phone: (541) 888-7026
Email: mloiselle@socc.edu

CCD IS AN EQUAL OPPORTUNITY LENDER, PROVIDER AND EMPLOYER
Complaints of discrimination should be sent to:
Federal Trade Commission, Equal Credit Opportunity, Washington, DC 20250

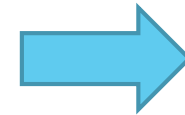
RLF LOAN APPLICATION

Items that are addressed in the application:

- Company Information
- Company Ownership
- Existing Business Locations (if applicable)
- Affiliate Business(s) (if applicable)
- Project Information
- Project Costs
- Employee Information (How many? Key Employees?)
- Business Debt Schedule
- Principal Profile (Military Service? Minority?)
- Miscellaneous Questions (Bankruptcy? Involved/Pending or Prior Lawsuits? Criminal Offenses?)
- DUNS #
- Authorization to Release Information

Checklist of items that will complete the application:

- Business Plan
- Letter from participating Lender or turn-down letter/email
- Application Fee
- Business Federal Tax Returns (3 years)
- Personal Federal Tax Returns (3 years)
- Interim Financial Statements dated within the last 90 days
- Entity Documents (if applicable)
- Personal Financial Statement(s)
- Real Estate Purchase Agreement (if applicable)
- Appraisal (if available) or current Property Tax Valuation
- Equipment List
- Completed Credit Check Form
- Completed Loan Processing Fee Form



Things to ask for at the beginning of the process:

- Background of borrower & Principals
- Detail of their loan request
- Financial Information
- Collateral Detail
- Equity Injection

Keys to Getting an Approval Quickly & Efficiently

- ✓ Work Plan or Loan Policy Manual
- ✓ Educated/Trained Loan Committee, Board and Staff
- ✓ Eligibility
- ✓ Detailed Credit Memo
- ✓ Keep your Applicant (Lending Partners) Informed
- ✓ Know what you need from the Applicant (Lending Partners) and ask for it upfront.
- ✓ Maintain a Checklist(s)

Featured CCD RLF Loan Projects



Edward Jones
North Bend, Oregon




Raevin, Inc.
Dba The Human Bean
North Bend, Oregon

Remember: "An RLF Loan will not make a bad loan good, but will make a good loan possible."

THE CREDIT MEMO (Write-up)

What to include (address) within the Credit Memo:

- Explanation of Project
- Proposed Financing (Structure)
- Use of Funds
- Business History (Background)
- Products & Services
- Target Market(s)
- Competition
- Economic Impact (Jobs)
- Environmental Impact
- Collateral Evaluation
- Structure/Ownership/Management
- Financial Analysis (Historical & Projections, if needed)
- Consolidated Balance Sheet
- Summary of Personal Financial Statement(s)
- Personal Tax Return Analysis
- Guarantor(s) - Credit Report(s)
- Fees
- Summary (Strengths, Barriers, Weaknesses, Threats, Mitigating Factors)
- Conditions
- Recommendation



Financial analysis is the process of evaluating businesses, projects, budgets and other finance-related entities to determine their performance and suitability. Typically, used to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment.

- Revenues
- Profits
- Operational Efficiency
- Capital Efficiency & Solvency
- Liquidity

*Consider also including a Loan Request Summary Page



The Decision Process

All loans should be underwritten with the expectation that the loan will be repaid...

Underwriting loans through a Revolving Loan Fund (RLF) is similar to the process a traditional lender would use except the RLF program(s) offer more latitude (flexibility) in working with the small business borrower. (Based on the program guidelines & your policy/work plan.)

Items that should be considered:

➤ Character - Owners/Principal(s)/Guarantor(s) Credit Report(s), Personal Financial Statement(s), UCC Searches, etc. (We also check CAIVRS (*Credit Alert Verification Reporting System*) and SAMS (*System for Award Management*))

➤ Capacity - Business Credit Report(s), Financial Statements, Projections (with sound assumptions), Outside Income

Historical financials are recommended to determine if a business could support the proposed loan request. Financial data and ratio's should be compared to the industry standards (we utilize RMA) Start-ups would require sound projections & assumptions, ask questions...

➤ Capital - Cash (available to inject), Equity, Assets (Owned that could be pledged as collateral.) Past Contributions (?)

➤ Collateral - Property/Equipment Values, Purchase Orders, Accounts Receivables, Possible Assets From the Owner(s) Personal Financial Statement(s)

All collateral should be based on a Loan-to-Value Ratio. These guidelines should be included within your Loan Policy Manual (Work Plan). If there is a project which the Loan Committee/Board is considering approving based on a different ratio/formula, a waiver to your policy should be noted and voted upon and included within the meeting minutes.



A RLF loan is typically used to fund a start-up business venture or structured in partnership with a traditional lender. Our loan is typically in a subordinate lien position on the collateral used to secure the loan. Therefore, the risk associated with the loan request is considered in the decision process and noted by the rate assigned to the approval.

Our historical rates have been 9-10% fixed for the term of the loan.



Loan Conditions:

Loan Conditions should fit the loan request, based on risk, industry, management experience and collateral used to secure the loan. These conditions are included in the Credit Memo and approved by the Loan Committee/Board. They are also outlined in the “Terms & Conditions” Letter provided to Borrower for review and acceptance.

Typical conditions assigned to an RLF Loan:

- Trust Deed(s) for any property used as collateral.
- UCC Filings (State & County)
- Guarantee(s)
- Copies of Entity Documents (Corporation, LLC, Partnership, Trust, etc.)
- Executed Borrowing Resolution(s)
- Proof of adequate Hazard & Liability Insurance coverage.
- Proof of Flood Insurance (If applicable.)
- Assigned Key Man Life Insurance (If applicable to the project.)
- Receipt of an acceptable valuation of all pledged collateral.
- Copies of any leases. (If applicable.)
- Assignment of Leases/Rents.
- List of Equipment/Fixtures that are collateral for the loan. Items with a value of \$5,000 or more are to include a make, model, serial number, and value.
- This approval is subject to receipt and verification of outstanding loan balances on loans secured by the collateral pledged for the loan.
- Executed Hypothecation Agreement (If applicable.)
- Executed Subordination Agreement (If applicable.)
- Borrower to submit annual professionally prepared financial statements (Balance Sheet and Profit & Loss) or a copy of Federal Tax Returns.
- Proof of Borrowers Injection.

**If the project includes construction/improvements additional items would be added.*

What would I tell a small business owner who is hoping to get financing?

COME PREPARED. Lenders want to know that the business owner understands their business, their market and their customers. Current financials statements, Profit & Loss and a Balance Sheet.

You will also (in most cases) need a business plan, with projections and assumptions, for the next 24 months.

Be realistic in your expectations. Lenders want to help companies expand, succeed and thrive.

Be patient and be responsive to request for additional documentation from your lender. Many time, once a credit request has been reviewed, questions are raised. Lenders need answers to these questions, which require input from the borrower.

Lastly, if your business is still standing, it's no accident - you've got a compelling story, and that's what you should be sharing with your financial institution. Tell your story...



Post Loan Approval/Closing:

Loan Servicing: *(Performed by Loan Servicing Specialist)*
Various ticklers are set-up to monitor the following:

- Payments
- Insurance
- UCC(s)
- Property Taxes
- Annual Financials
- Annual Site Visits
- Jobs
- Reports

(CCD is currently using Ventures+ software to manage our various loan programs.)

This information is also utilized in Management/Board of Directors Reports, Watch-List Report, Risk Rating Reports, etc.



CCD doesn't step away once the loan funds.

We're committed to remaining a partner to the business through the life of the loan and as the business grows.

CCD's Staff and Board of Directors is dedicated to helping small businesses get the financing they need to start or expand their businesses.

*Thank
you*



Business Development Corporation
—A CERTIFIED DEVELOPMENT COMPANY—

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Together We're Building The Future Through Responsible Economic Development.

