

FIRST STATE COMMUNITY LOAN FUND

BREAKING DOWN BARRIERS • BUILDING UP COMMUNITIES

**Financing Options for your Business
through First State Community Loan
Fund**

Background:

First State Community Loan Fund (CLF)

- ▶ Established in 1993
- ▶ FSCLF is a not-for-profit Community Development Financial Institution (CDFI) and a Certified Development Company (CDC)
- ▶ Mission Statement:
 - ▶ *“First State Community Loan Fund’s mission is to educate, empower, and elevate business owners, and entrepreneurs, by augmenting technical expertise, increasing access to capital and stimulating business growth throughout Delaware and southeastern Pennsylvania.”*

Loan Programs:

▶ Microloan

- ▶ Loans from \$10,000 to \$50,000

▶ Business Growth Loan

- ▶ Loans from \$50,001 to \$250,000

▶ Community Development Loans

- ▶ Loans up to \$500,000 for eligible businesses

▶ SBA 504 Loans

- ▶ Loans up to \$5,500,000 for eligible businesses

Loan Programs: Microloans

- ▶ \$10,000 to \$50,000
- ▶ Terms of 3-7 years
- ▶ Interest Rates 7.75%-8.5%
- ▶ Start-up or Existing Businesses
- ▶ Eligible Use of Proceeds:
 - ▶ working capital, inventory, equipment



Loan Programs: Business Growth

- ▶ \$50,001 to \$250,000
- ▶ Terms of 3-7 years
- ▶ Interest Rates 7.5%-8.5%
- ▶ Existing Businesses
- ▶ Eligible Use of Proceeds:
 - ▶ working capital, inventory, equipment, leasehold improvements



Loan Programs: Community Development Loans

- ▶ Up to \$500,000
- ▶ Terms of 3-7 years
- ▶ Interest Rates 7.5%-8.5%
- ▶ Eligible Businesses:
 - ▶ Non-profit, childcare, mixed-use housing, community development projects
- ▶ Eligible Use of Proceeds:
 - ▶ working capital, inventory, equipment, leasehold improvements



Loan Programs:

SBA 504 Loans

- ▶ 40% of Total Project Cost Up to \$5,000,000 (CDC Portion)
- ▶ 20 year Term
- ▶ Interest Rates Fixed at Funding
- ▶ Eligible Project Costs:
 - ▶ Fixed Assets: building, equipment, improvements
- ▶ For loans with Total Project Costs in excess of \$250,000

Why First State?

Common Banking Challenges:

- ✓ Start-up business?
- ✓ Risky Industry?
- ✓ Collateral Shortfall?
- ✓ Low Credit Score?
- ✓ Equity/Down Payment shortfall?

Loan Application: Tips and Suggestions

- ▶ Call First!
- ▶ Be conservative with financial projections
- ▶ Work with a Technical Assistance Provider like SCORE, SBDC, or Women's Business Center
 - ▶ At least have them review your plan and projections
- ▶ Be upfront with any personal credit issues
 - ▶ It's better to tell us than have us find out later
- ▶ Women/Minority Owned businesses must be 51%

Loan Application: Strengthening your Application

Answer these questions:

- ▶ How much money have you invested in the business in the last 12 months?
- ▶ How much do you plan on putting into the business in the next 12 months?
- ▶ How many jobs will you be creating or retaining?
- ▶ What is your experience in this industry?
- ▶ What makes your product or service unique?

Loan Application: Good to Know:

A Lower Interest Rate doesn't necessarily have a significant impact on your monthly payment:

Example: \$50,000 Loan

Interest Rate Comparison

(assuming a 5 year term)

- ▶ At a 8.5% Interest Rate:
 - ▶ Monthly Payment: \$1,025.83
- ▶ At a 7.5% Interest Rate:
 - ▶ Monthly Payment: \$1,001.90

Term Comparison

(assuming an 8.5% Interest Rate)

- ▶ At a 5 Year Term:
 - ▶ Monthly Payment: \$1,025.83
- ▶ At a 3 Year Term:
 - ▶ Monthly Payment: \$1,578.38
- ▶ At a 7 Year Term:
 - ▶ Monthly Payment: \$791.82

Loan Application: Good to Know:

Equity

- ▶ How much money are you putting into the business
- ▶ Banks typically require Cash Injection of 10-30% of the total project costs:

Example:

\$100,000 Project

\$80,000 (80%) Bank

\$20,000 (20%) Borrower

Collateral

- ▶ What Assets will be used to secure the loan
- ▶ Banks typically require Collateral at least enough to cover the loan amount.
- ▶ Examples: personal residence, business assets, vehicles, etc.

Example:

\$100,000 Project

\$100,000 (100%) Worth of Collateral

Technical Assistance Programs Include:

- ▶ Women's Business Center
- ▶ Hispanic Business Development Program
- ▶ Retail Assistance Program

Technical Assistance Programs Include:

- ▶ Trainings
- ▶ Workshops
- ▶ Business Plan Development
- ▶ Networking
- ▶ Mentoring
- ▶ Business Savers Program (IDA)



First State Community Loan Fund
100 West 10th
Suite 1005
Wilmington, DE 19801
302-652-6774
www.firststateloan.org
Fax:302-656-1272

Rachel's Email: rbaldini@firststateloan.org