



# FUNDING BASICS



# FUNDING BASICS: OBJECTIVES

## EVALUATION

Understand how lenders evaluate loan requests

## LENDER READY

Identify what “lender ready” means and steps to take

## PROGRAMS

Learn the fundamentals of SBA and USDA programs

## NEXT STEPS

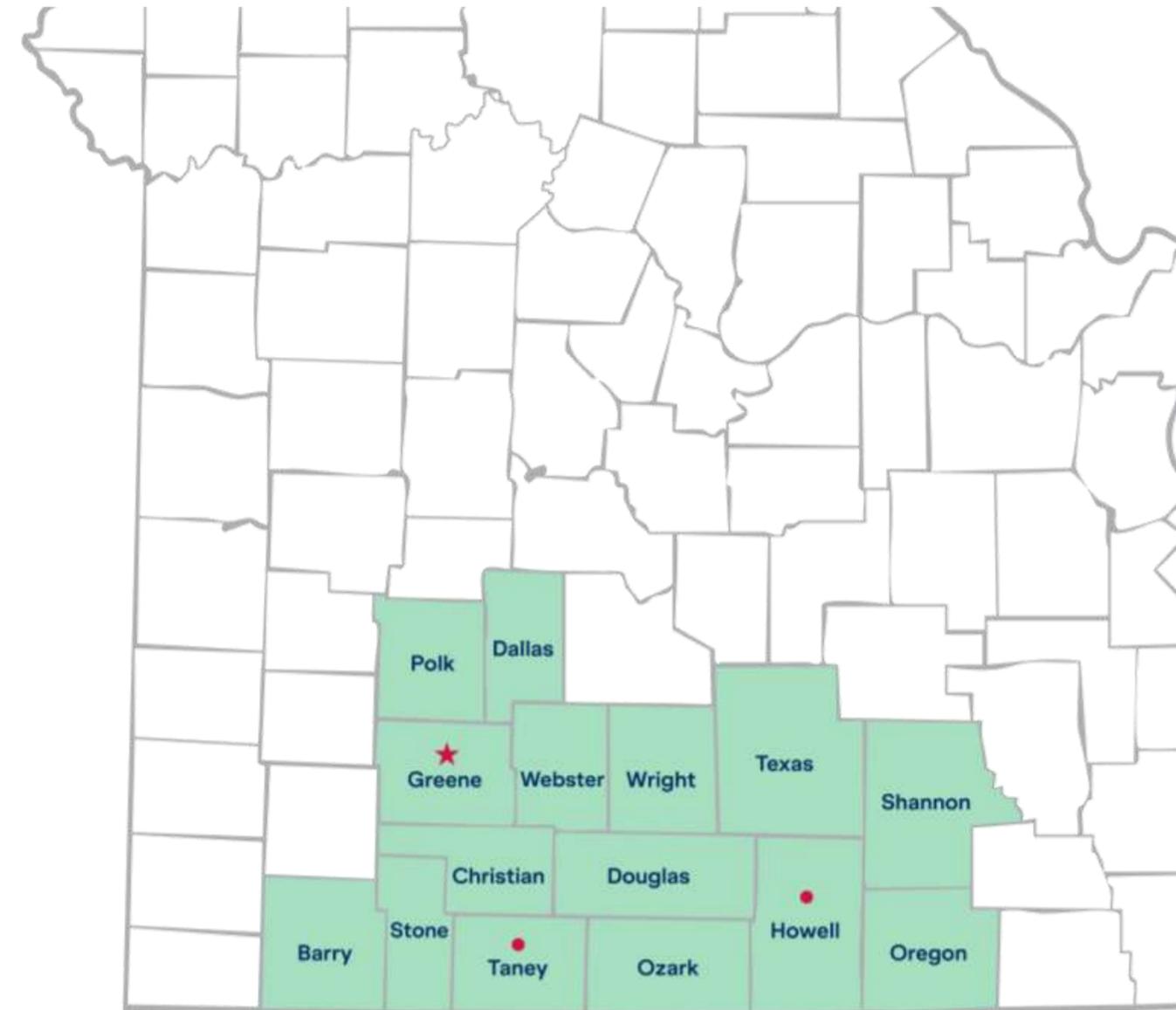
Leave with clear next steps

# WHO WE ARE

Our Passion is Your Business.

The Missouri SBDC at Missouri State University assists business owners at every stage providing:

- Confidential, one-on-one consulting
- Mentorship
- Course projects
- Growth programs
- Training programs





The largest workforce and business development network in the state's history



# WHY BUSINESSES SEEK FUNDING

- —● Start-up costs
- —● Equipment or inventory purchases
- —● Working capital / cash flow support
- —● Expansion or new locations
- —● Refinancing or restricting of debt

# TYPES OF FUNDING

## DEBT FINANCING

Loans repaid over time

## INTERNAL CAPITAL

Savings, retained earnings, owner injection

## EQUITY FINANCING

Ownership exchanged for capital

## GRANTS

Targeted, competitive, purpose-driven



# **THE FUNDING REALITY**

**BUSINESSES USE A MIX OF FUNDING SOURCES**

**DEBT FINANCING IS THE MOST COMMON**

**GRANTS EXIST BUT ARE LIMITED**

**LENDERS MANAGE RISK – THAT DRIVES DECISIONS**

**EVERY FUNDING SOURCE REQUIRES PREPARATION**

# GRANTS: SETTING EXPECTATIONS



**TARGETED AND COMPETITIVE**



**TIED TO SPECIFIC INDUSTRY OUTCOMES**



**RARELY FUND AN ENTIRE BUSINESS**



**APPLICATIONS REQUIRE TIME AND PREPARATION**

# TYPES OF SMALL BUSINESS GRANTS

- Local and regional
- Corporate or national
- Industry-specific or demographic
- Programs tied to specific goals or initiatives



# WHERE TO SEARCH

- Grant platforms and aggregators
- Corporate grant programs
- Local ecosystem partners
- Industry associations and newsletters

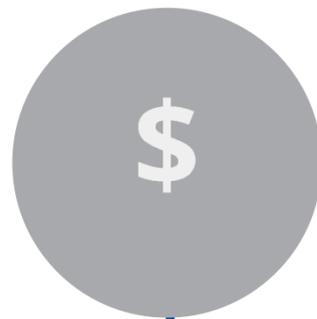


Join us for “How to Find & Apply for Small Business Grants”



In partnership with:  
Borealis Consulting

# DEFINE THE PURPOSE OF FUNDS



How much do you need?



What will it be used for?



What results should it produce?

# BUILD YOUR BUSINESS CASE

CLEAR REVENUE MODEL

DEFINED CUSTOMER DEMAND

CREDIBLE PROJECTIONS

REALISTIC ASSUMPTIONS





# **UNDERSTAND YOUR FINANCIAL POSITION**

**CURRENT PERFORMANCE**

**DEBT SERVICE OBLIGATIONS**

**PERSONAL CREDIT MATTERS**

**BUSINESS CREDIT HISTORY**

# STRENGTHEN YOUR CREDIT PROFILE

- Pay your loans, bills and taxes on time
- Make sure your business is visible
- Maintain good relationships with vendors
- Separate personal and business finances
- Monitor your personal and business credit history



# WHAT LENDERS EVALUATE

## The 5 C's of Credit



# CHARACTER

**YOUR REPUTATION, CREDIBILITY,  
AND INTEGRITY**

- Reputation in the community
- Banking relationships
- Management and industry experience
- Credit and repayment history



# CAPACITY / CASH FLOW

**WHETHER YOUR BUSINESS MAKES ENOUGH MONEY TO PAY ALL BILLS - INCLUDING THE NEW LOAN**

- Historical cash flow
- Future financial projections
- Seasonality and revenue patterns
- Existing debt obligations



# COLLATERAL / GUARANTEES



Something of value you pledge to secure a loan

**BUSINESS ASSETS PLEDGED**

**LENDER LIEN RIGHTS ON ASSETS PLEDGED**

**PERSONAL GUARANTEES FROM OWNERS**



# CAPITAL: SKIN IN THE GAME



**OWNER INVESTMENT**



**EQUITY INJECTION**



**DEMONSTRATES COMMITMENT**

# CONDITIONS



## LENDER CONSIDERATIONS

- —● Loan amount and interest rate
- —● Loan terms and repayment period
- —● Purpose of the loan
- —● Industry and local economic conditions

# LENDER READINESS CHECKLIST

-  Is the request clearly defined and feasible?
-  Is there a clear and validated customer base?
-  Do the financial projections make sense?
-  Is there a realistic repayment plan?

# DOCUMENTATION CHECKLIST

- ✓ 2-3 years tax returns and personal financial statement
- ✓ Year to date Profit & Loss Statement and Balance Sheet
- ✓ Cash flow projections
- ✓ Narrative or business plan

# ARE YOU READY?

## THINK LIKE A LENDER

If it was your money, what would you want to know

## GOOD PREPARATION

You should be able to answer almost any question your lender asks

## TELL A STORY

Talk about your business with enthusiasm

## KNOW YOUR PLAN

Know your business plan and financial data – never let others speak for you

## FULL DISCLOSURE

Address any situations that may appear to be a weakness

# US SMALL BUSINESS ADMINISTRATION

Krishin Thadani

Outreach and Marketing Specialist

Springfield Branch Office





U.S. Small Business  
Administration

# Small Business Assistance Overview

U.S. Small Business Administration (SBA)

Kansas City District Office

1000 Walnut Street, Suite 500

Kansas City, MO 64106

Phone: 816-426-4900

Web: **[sba.gov/mo](https://sba.gov/mo)**

**“SBA’s participation or support is not an endorsement of any products, service or entity.”**

# Our Mission

- To maintain and strengthen the United States economy, by helping new and existing small businesses grow and create jobs.
- To aid, counsel, assist and protect the interests of small businesses.
- To help families and businesses recover from natural disasters.

# Did You Know?

- Small businesses have accounted for 62% of net new job creation since 1995.
- There are over 33 million small businesses in the U.S. compared to 20,516 large businesses.
- 99.7% of firms with paid employees are small businesses.
- 43.5% of gross domestic product is attributed to small businesses.

# How We Do It

- Capital - Small Business Financing
- Contracts – Government Contracting and Small Business Certifications
- Counseling – Business Advice From our Partnering Organizations
- Disaster Assistance – Low-interest Disaster Loans

# Capital - Small Business Financing

## What can you get an SBA business loan for?

- Purchase of an existing business
- Funding for a start-up business
- Construction and leasehold improvements
- Working capital and lines of credit
- Purchase of machinery and equipment
- Refinance of business debt

*\* SBA doesn't provide direct loans, only guarantees loans made by SBA approved lenders.*

# Capital - Small Business Financing

## Basic Eligibility Requirements for a Small Business SBA Loan

- Organized for profit
- Located in the U.S.
- Be small based on regulatory size requirements\*
- Demonstrate a need for the desired credit (Credit Elsewhere)
- Demonstrate repayment ability through cash flow
- SBA guaranty is not a substitute for available collateral. Personal real estate may be required to cover any collateral shortfall, if you have at least 25% equity in the real estate.

# Capital - Small Business Financing

## Loan Programs:

- **7(a)** – The 7(a) loan program is SBA's primary program for providing financial assistance to small businesses. The terms and conditions, like the guaranty percentage and loan amount, may vary by the type of loan. <https://www.sba.gov/partners/lenders/7a-loan-program/types-7a-loans>
- **504** – The 504 Loan Program provides long-term, fixed rate financing of up to \$5 million for major fixed assets that promote business growth and job creation. <https://www.sba.gov/funding-programs/loans/504-loans>

# Capital - Small Business Financing

## Loan Programs:

- **Microloans** – SBA Micro-lenders can make loans up to \$50K for the same uses as 7(a) loans, except they cannot be used for real estate. Microlenders may accommodate lower credit scores. Microlenders are not for profit mission-based lenders. The SBA does not guarantee any portion of the loans made under the SBA Microloan program.

<https://www.sba.gov/funding-programs/loans/microloans>

AltCap: info@altcap.org, 833-549-2890

Justine Petersen: intake@justinepetersen.org, 314-533-2411

New Growth: wbcinfo@newgrowthmo.org, 417-282-5936

Forge: forge@forgefund.org, 479-738-1585

South Central Kansas Economic Development District: 316-262-7035

# Capital - Small Business Financing

Through its Signature Lending Programs (7(a) and 504):

- Nationwide, the SBA facilitated more than 63,200 loans totaling \$33.9 Billion to small businesses in FY 2023
- 782 loans totaling \$471.7 million were approved in KCDO service area in FY 2023

# Capital - Small Business Financing

## How to Apply for an SBA Loan?

Visit [sba.gov/lendermatch](https://sba.gov/lendermatch)

### Lender Match helps you find lenders

*Lender Match is a free online referral tool that connects small businesses with participating SBA-approved lenders.*

**FIND LENDERS**

## MySBA Loan Portal

A Web-based platform where SBA borrowers can view loan details, make payments, and access statements for COVID-19 EIDL, Disaster, or SBA-serviced 7(a) loans.

Visit [lending.sba.gov](https://lending.sba.gov)



# Counseling – Business Advice From our Partner Organizations

Through our partners, the SBA provides free quality education, information, technical assistance and training to small businesses and entrepreneurs.

We provide helpful resources to **Plan, Launch, Manage, and Grow your business**

- Market research and competitive analysis
- Write your business plan
- Calculate startup cost
- Fund your business
- Buy an existing business or franchise
- Disaster planning
- Cybersecurity

# SBA Resource Partners

SBA partially funds the following organizations to provide small business trainings and counseling.

- Small Business Development Centers
- SCORE Mentors
- Women’s Business Center
- Veterans Business Resource Center

<https://www.sba.gov/local-assistance>

- APEX Accelerators - for education and training in federal, state, and local contracts
- Funded by the Department of Defense, Office of Small Business Programs

<https://www.apexaccelerators.us/#/service-area-locator>



# Disasters Happen. Prepare Your Business.



An estimated 25% of businesses don't reopen after a major disaster.\*



Businesses can protect themselves with an up-to-date plan of action.



Prepare your business & learn more by visiting [SBA.gov/prepare](https://www.sba.gov/prepare)



\*According to the Institute for Business and Home Safety (IBHS).

# SBA Disaster Assistance Loans

Each year, the SBA provides billions of dollars in low-interest, long-term **disaster loans** to help small businesses, homeowners, and renters recover from declared disasters. Loans may cover:



**Real Estate**



**Personal Property**



**Economic Injury**



**Machinery & Equipment**



**Inventory**



**Active Duty Military**

# SBA Local Success Stories

Many successful large businesses started small with the help of the SBA. Some local successes include:

- **The Roasterie**
- **The Hereford House**
- **Gates Barbeque**
- **Cabela's**
- **Shatto Dairy**
- **ECCO Select**
- **Town Topic Hamburgers (since 1937)**

# Hotline – Office of Advocacy

<https://advocacy.sba.gov/hotline/>

## Red Tape Hotline

As the watchdog for small businesses in the regulatory process, the Office of Advocacy works to restrain regulation that imposes excessive costs on small businesses. Advocacy empowers you to make your voice heard in the regulatory process. If you have a concern with a federal regulation, please reach out and let us know.

[\*\*RED TAPE HOTLINE\*\*](#)

Or call 800-827-5722 and select option 3.



U.S. Small Business  
Administration

# How are we doing?

Please take a minute to let us know

[www.sba.gov/feedback](http://www.sba.gov/feedback)



# Thank You for Attending

- Krishin Thadani - [krishin.thadani@sba.gov](mailto:krishin.thadani@sba.gov) 417 501 0542

**Questions?**

# US DEPARTMENT OF AGRICULTURE

Makeesha Munro

Business Program Specialist

Rural Business-Cooperative Services

Devin Sonnenfelt

Senior Business Development Specialist

White River Valley Electric Cooperative





# USDA Rural Development Rural Business Programs-Missouri

# Rural Business Programs

## State Office Programs:

- Business & Industry Guaranteed Loans (B&I)
- Rural Energy for America Program (REAP)
- Rural Economic Development Loan & Grant (REDLG)
- Intermediary Relending Program (IRP and RMAP)
- Value Added Producer Grant (VAPG)
- Rural Business Development Grant (RBDG)



## B&I – Eligible Loan Purpose:

- Purchase and develop land and improvements
- Business expansion
- Business acquisitions which will create or save jobs
- Refinances
- Machinery & equipment
- Start-up costs and working capital
- Fees & charges for professional services (legal, appraisal, feasibility, etc.)

## Business & Industry Guaranteed Loans (B&I)

- Grain cooperatives, Seed/feed dealers
- Meat processing
- Retail
- Manufacturing
- Distribution/logistics
- Hospitality & resorts
- Medical/healthcare
- Greenhouses
- Service businesses
- Educational/ technical schools

## B&I – Ineligible Use of Funds:

- Revolving Credit Lines
- Golf course, racetracks, or gambling businesses
- Agriculture Production
- Residential and Apartment Complexes or Airbnb's
- Lending, investment, or insurance business
- Payment to owner, partner, or shareholder who retains ownership in business
- Loans involving a conflict of interest

## Business & Industry Guaranteed Loans (B&I)

- **Maximum Loan Amounts** – 80% Guarantee up to \$25 Million
- **Loan Terms** – Set by lender according to normal lending practices
- **Interest Rates** – Fixed or Variable
- **Collateral** – must be adequate
- **Equity** – 10% (Existing Business), 20% (New Business), or 25%(New Business – Guarantee During Construction)

# Rural Economic Development Loan and Grant Program (REDLG)

## What does this program do:

- Fund eligible projects using local utility organizations as intermediary lenders.

## Who may apply for program:

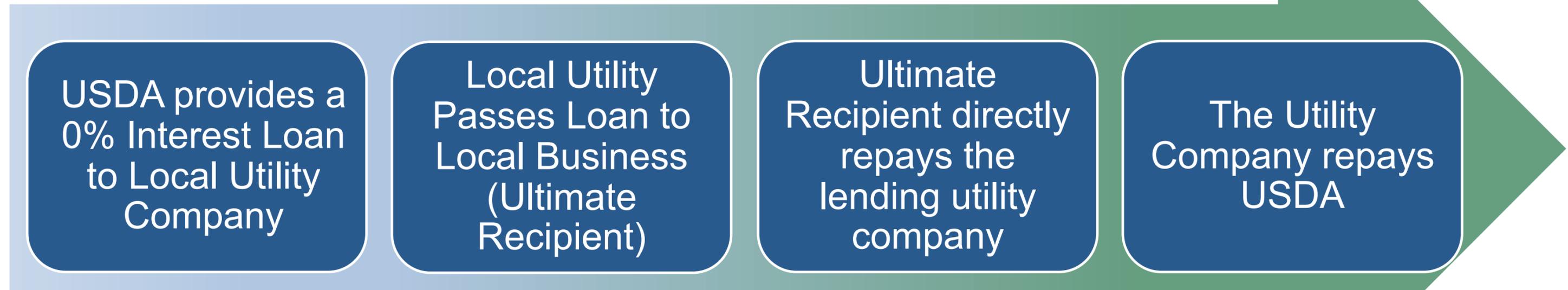
- Current USDA Rural Development Electric or Telecommunications Programs Borrowers
- Former USDA Rural Development Borrowers that have paid off their loan or loans
- Nonprofit Utilities Eligible for Assistance from UDSA RD Electric or Telecommunications Programs



**Application Window Open:** Quarterly – December 31<sup>st</sup>, March 31<sup>st</sup>, June 30<sup>th</sup>, and September 30<sup>th</sup>

# Rural Economic Development Loan and Grant Program

## How REDL Program Works:



## How REDG Program Works:

- Local Utility establishes a revolving loan funds (RLFs)
- RLFs suppose projects that help create or keep rural jobs
- Once RLF is exhausted or otherwise ends – funds repaid to USDA Rural Development

# Rural Economic Development Loan and Grant Program

Intermediaries can pass along funding to Ultimate Recipients for projects such as:

- Business Incubators
- Community Development Assistance to nonprofits and public bodies (particularly for job creating or retention)
- Facilities and equipment necessary to educate and train residents in rural economic development.
- Facilities and equipment to provide medical care to rural residents
- Start-up venture costs, including things as financing fixed assets like real estate, new or existing buildings, equipment or working capital
- Technical assistance and business expansion

# USDA Rural Development Rural Business Programs

Makeesha Munro,  
Business Program Specialist

[Makeesha.munro@usda.gov](mailto:Makeesha.munro@usda.gov)

Direct: 417-520-7395

Cell: 417-818-7907

Website: [www.rd.usda.gov/mo](http://www.rd.usda.gov/mo)



# WE'RE HERE TO SUPPORT YOU

- Business planning and market research
- Assist with financial projections
- Review current financials
- Education on different lending programs
- Lender referrals

# CONTACT US

Chrystal Irons

 [ChrystalIrons@MissouriState.edu](mailto:ChrystalIrons@MissouriState.edu)

Amy Jackson

 [AmyJackson@MissouriState.edu](mailto:AmyJackson@MissouriState.edu)



# THANK YOU



in partnership with

