



VENDOR ACADEMY

Funding Sources & Business Planning Services

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VENDOR ACADEMY

OBJECTIVES

Participants will:

- Gain an understanding of funding sources and types available for contractors
- Learn how to prepare to access capital
- Learn about resources available for business plan assistance

Funding Sources: Small Business Administration



- Certifies lenders to authorize SBA products
- Provides borrower guarantees
- Mitigates lender risk
- Can reduce interest rates*
- Requires minimal collateral
- Available to startup businesses
- Provides technical assistance
- Provides services and products for importing/exporting and contract professions (HUB/8A, surety bonds, etc.)
- Charters SBDCs, SCORE, WBCs, APEX, and VBOC



Funding Sources: Banks and Credit Unions



- Traditional and most visible
- Highly regulated
- Often the most lucrative option
- Difficult to access
- Longest lasting relationship
- Large variety of product options

Funding Sources: Alternative Lenders

- Highly visible
- Little regulation
- Easy to access
- Often higher interest rates and shorter terms
- Watch out for the fine print
- Includes payday lenders, factoring companies, cash advance lenders, title lenders, some online lenders, etc.



Funding Sources: Community Development Finance Institutions (CDFIs)



- Community Reinvestment Act
- Designation awarded by the U.S. Treasury
- Non-profit organizations
- Mission to help those underserved by the financial mainstream
- Bridge the gap between traditional sources of financing and predatory lenders
- Much more regulated than alternative lenders, but much less regulated than traditional lenders
- Affordable capital: small business, home ownership, consumer products
- Differentiators: low loan equity contribution, no pre-payment penalty, technical assistance, education, and training

Funding Sources: Trade Creditors



- Suppliers, manufacturers, equipment providers
- Provides business to business financing
- Terms may or may not be net-30-120
- May require business credit

Funding Sources: Other (not typically applicable to contracting)



- Venture capital firms
- Crowdfunding platforms
- Grant funders (foundations, etc.)
- Pitch competitions
- Angel investors
- Private equity firms

Funding Types: SBA Loans



- Certified SBA lenders including banks, credit unions, and CDFIs
- Microloans, 7(a) loans including Community Advantage, 504 loans
- Loan terms, uses of funds, and interest rates dependent on product and lender
- Collateral requirement often lower as the SBA becomes a guarantor for the lender
- Traditional process can be lengthy; SBA Express available*
- Also has a Surety Bond program



Funding Types: Revenue-Based Loans

- Relies on future revenue to obtain financing*
- No fixed monthly payment (as in debt financing)
- No ownership share trade (as in equity financing)
- Repayment cap determined by financing institution
- Fixed percentage of business's monthly revenue until repayment cap achieved



Funding Types: Purchase Order & Project Cost Financing



- Lender pays the supplier directly for materials, supplies, or equipment (third-party negotiation)
- Repayment on net-30-120 terms
- Can help when trade credit is unavailable
- Should partner with lenders who specialize in contract or construction financing



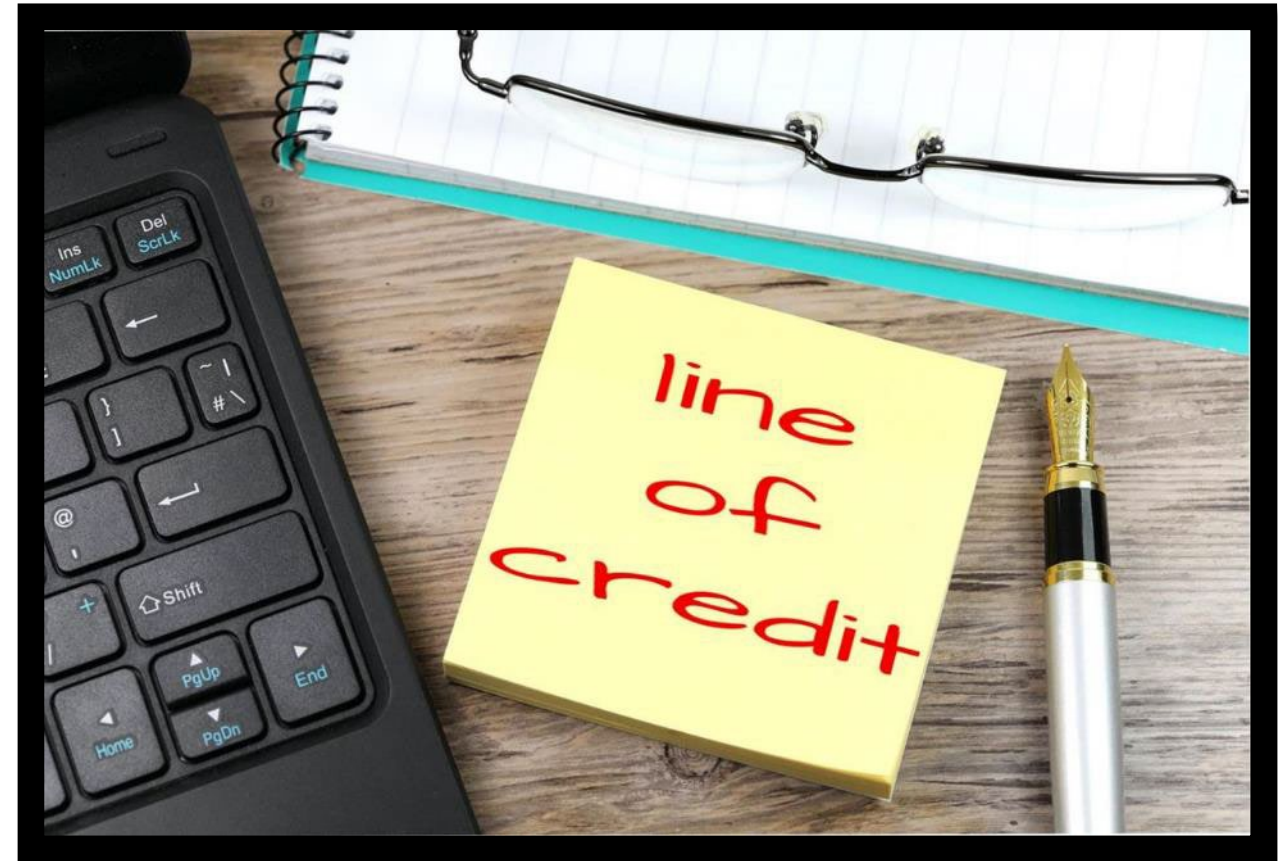
Funding Types: Equipment & Vehicle Loans



- Financing and leasing options
- Direct supplier or third-party institution
- May require business credit
- Terms and interest dependent on lender and loan amount needed

Funding Types: Business Credit Cards & Lines of Credit

- Revolving
- Credit cards do not mature; LoC mature
- Interest rate averages ~23% (credit cards) & ~5-11% (LoC)
- Pay attention to introductory periods and promotions
- Determine if reward structures are beneficial



Funding Types: Trade Credit



- Material or supply financing
- Provided directly by the supplier
- Supplier sets terms, rates, etc.

Funding Types: Invoice Factoring



- Selling your invoice for immediate cash flow while you wait on net 30/60/90
- Typically, will take a percentage of the invoice amount up front
- Interest rates range from very low to very high
- Caution: What happens if your customer pays late?

Family Business Loan Program

- Public-private partnership between the City of Austin, HUD, and participating private lenders
- Focuses on expansion and job creation
- Must be in operations for 2 years prior accessing
- Low interest rates
- Flexible repayment terms
- Low equity requirement



Preparing to Access Capital

- Business plan
- Capabilities statement
- Financial statements (pro formas, forecasts, historical performance, personal statement)
- Personal and business credit
- Purchase orders, invoices, etc.
- Financial records (tax returns, bank statements, verification of income/equity)
- Regulatory requirements (permits, licenses, insurance, bonds, entity filing/certificate of formation, tax IDs, certifications)
- Supporting documentation (LOIs, lease agreements, resumes)
- Equity injection

Additional Considerations

- Establishing business credit
- Understanding your business activities
- Preparing your financial documentation
- Understanding risk and exposure
- Shopping around
- Asking the right questions
- Planning ahead
- Obtaining requirements complimentary to funding
- Managing cash flow appropriately
- Separating business and personal
- Diversifying financing sources and types
- Utilizing your network
- Choosing the appropriate capital source and type for your specific need at that time

Free* Business Coaching and Technical Assistance

- Business Coaching program ([City of Austin Economic Development, Small Business Division](#))
 - [BizAid](#)
 - [1-1 consulting](#)
 - [Market research databases](#)
 - [Classes](#)
 - [Resource directory](#)
- [Small Business Development Center](#)
- [SCORE](#)
- [Women's Business Center](#)
- [Veteran's Business Outreach Center](#)
- [SMBR](#), [APEX](#), and [UTSA Center for Government Contracting](#)
- Online Learning: [SBDC online](#), [SCORE online](#), [SBA online](#), [Verizon Small Business Digital Ready](#), [Kaufmann FastTrac](#), [library](#)
- [BusinessAdvising.org](#)
- [AOF Coaching Hub](#)
- [MicroMentor Texas](#)

Questions

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AFO-Policies and Programs