



# Money Matters

Credit and Financing Assistance for Small Businesses

110 William Street

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## Three Types of Lenders

- Institutions providing financing to small businesses in New York City can typically be grouped into three separate categories:
  1. Banks
    - Traditional financial institutions that offer loans, checking accounts, and a variety of other services.
      - Examples: Chase, Capital One, etc.
  2. Credit Unions (FCU's)
    - Cooperative depository financial institutions whose members can obtain loans from their combined savings
      - Examples: Brooklyn Cooperative FCU, Neighborhood Trust FCU, etc.
  3. Alternative Lenders
    - Organizations that focus on providing loans to viable businesses that do not qualify for bank loans, often times with the aim of targeting underserved communities.
      - Examples: Seedco Financial, Accion, Project Enterprise, etc.

## The Five C's of Credit

- When considering a loan application, lenders commonly base their decisions on the 5 C's of credit:

### Credit Score

- A measure of credit risk calculated from a credit report using a standardized formula

### Cash Flow

- The movement of cash into and out of a business (cash receipts minus cash payments over a period of time)

### Collateral

- Assets that have been pledged by the borrower as security on the value of the loan

### Cosigner

- Someone who guarantees the loan will be paid if the borrower defaults on the loan

### Character

- General impression the borrower makes on the lender, including relevant experience and transferable skills

# Lending Criteria

## Other key factors

- Other key factors in lending decisions:
  - Existing Debt
  - Time in Operation
  - Industry/Economic Conditions
  - Purpose of the Loan

## Common Differences in Lender Criteria and Products

- While variation does exist among lenders within each group, the following characteristics generally apply to each of the 3 types of lenders\*:

### Banks

- Lower interest rates (7-10%), faster processing times (0-4 weeks)
- Strictest lending criteria
  - Numerically based (credit score, cash flow, years in operation)

### Credit Unions

- Moderate interest rates (8-12%), moderate processing times (4-8 weeks)
- Moderately strict lending criteria

### Alternative Lenders

- Higher interest rates (8-18%), slower processing times (4-12 weeks)
- Less strict lending criteria
  - Greater willingness to include non-numerical factors such as borrower character in lending decision

*\* Interest rate ranges and processing times are based on information gathered in August 2009 and should only be considered estimates.*

## Loan Application Material Checklist

- The following documents are commonly required as part of a loan application\*:
  - Business plan
  - Written explanation of loan purpose
  - Credit report and credit score
  - Bank statements (*previous 3 months*)
  - Cash flow projections
  - Profit and loss projections
  - Balance sheet and profit & loss statement (*previous 3 years*)
  - Copies of business income tax returns (*previous 3 years*)
  - Personal income tax returns (*previous 3 years*)
  - Lease

*\* Required documentation varies among lenders. Some lenders may not require all documents listed above, while other lenders may require additional documentation.*

# Financing Services

## NYC Business Solutions Financing Services

- We provide expert advice on how to identify and apply for the right lending products to meet the financing needs of our business customers.

## What We Do For Business Customers

- ✓ Identify appropriate lenders for their unique situation
- ✓ Address application deficiencies
- ✓ Assist in packaging their loan
- ✓ Leverage existing relationships with lenders to improve their chances of a successful award

## NYC Business Solutions Financing Performance

- NYC Business Solutions assists a diverse group of startup and operating businesses to obtain loans by leveraging relationships with banks, credit unions, and alternative lenders.
- In January-June 2009, NYC Business Solutions has helped 252 customers secure over \$24.8 million in financing
- NYC Business Solutions Center customers have been awarded loans by over 30 different lenders in 2009, including but not limited to:
  - Banks: Chase, Capital One, Citibank...
  - Credit Unions: Neighborhood Trust, Brooklyn Coop...
  - Alternative Lenders: Seedco, ACCION, Project Enterprise...

## Website Documents

- The following documents are available in English and Spanish in the Finding Financing section of the NYC Business Solutions website at [www.nyc.gov/nycbusiness](http://www.nyc.gov/nycbusiness)
  - Financing FAQ
  - Understanding Your Credit Report
  - Basic Bookkeeping Worksheet
  - Raising Financing Overview
  - Raising Financing From Alternative Lenders

# Contact Information



## Contact Information for Financing Leads

Center	Name	Telephone	Email
Bronx	Luz Maria Lambert	718-960-7988	lmlambert@grantassociatesinc.com
Brooklyn	Manuel Dominguez	718-246-5219 ext.2025	mdominguez@brooklynchamber.com
Lower Manhattan	Karen-Michelle Mirko	212-618-8914	kmmirko@seedco.org
Queens	Brad Seader	718-577-2148	bseader@grantassociatesinc.com
Upper Manhattan	Pia Longarini	917-493-7243	plongarini@seedco.org
Washington Heights	Yahaira Nuñez	212-544-2400 ext. 18	ynunez@seedco.org

\* Spanish speaking Account Managers are available at all NYC Business Solutions Centers

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