

October 12, 2018

# REQUEST FOR PROPOSALS FOR Women Entrepreneurs NYC (WE NYC) PIN: 80118P0003 ADDENDUM # 1

This addendum includes the following information:

Section I: Questions and Answers

Section II: Date for Submission of Proposals
Section III: Acknowledgement of Addenda

Section IV: Schedule B (Revised)
Section V: Sample Curriculum

Attachments: Attachment C – Acknowledgement of Addenda

Attachment L- Schedule B (Revised)
Attachment M- Sample Curriculum

#### Section I: Questions and Answers

1. Are there specific eligibility requirements for organizations wishing to apply? Section III B 'Preferred Qualifications and Assumptions' notes that a consortium of vendors may apply -- must all members of the consortium be 501c3 organizations? (Ours is a 501c1 organization, a federal credit union and CDFI.)

#### Answer:

There are no specific eligibility requirements wishing to apply.

2. Is a sample curriculum for the WE Master Credit, WE Master Funding, and WE Master Leadership workshops available? Into which languages has the curriculum been translated?

#### Answer:

Yes, the program team can provide a PDF of the curricula for WE Master Credit, WE Master Funding, and WE Master Leadership. (See attached as part of addendum. Attachment M)

3. Are there length or page limits for the application?

#### Answer:

No.



4. Do the maximum award sizes in each pool cover the full 3-year term, or are they annual budget limits?

#### Answer:

The maximum award sizes in each pool are for the full 3-year term.

5. Will preference be given to vendors that have already worked with SBS on these trainings?

**Answer:** No preference will be given to prior vendors. This is a new solicitation.

6. If other vendors have provided these services in the past, what challenges, if any, were encountered that SBS is looking to address through this new RFP?

**Answer:** Based on service delivery over the past years, SBS recommends that sufficient capacity is allocated to outreach. This includes working with community organizations to reach the target population. Additionally, with the impact evaluation service component, SBS wants to add more focus on data management and outcomes measurement.

7. Is there an MWBE participation target?

Answer: Yes, there are M/WBE utilization goals. See attached as part of addendum. Attachment L

8. Please clarify by what you mean as "Year 1 of this engagement." Is it CY or FY?

**Answer:** The start date of the contract will be finalized during execution. Year 1 will refer to one year from the start date of the contract.

- 9. Please See the Below:
  - I. Outreach
    - a. Would it be possible to submit a proposal for only the outreach component of the trainings?

**Answer:** No, that is not possible. Proposals must be submitted by service component (see Section III.A and Section V).

b. Would you be open to a single campaign for all "Master" programs?

**Answer:** Consultant(s) may bid for more than one competition pool/service component (see Section V), however, proposers must submit separate proposals for each competition pool/service component they are interested in. Once submitted, proposals will be evaluated separately by service component, with no scoring advantage given to proposers who compete for multiple components.

The selected contractors will be required to collaborate with each other. An aligned campaign across all programs is encouraged.

c. Should the budget include third-party expenses, such as printing, media spend, street teams?

**Answer:** Proposers are required to complete and submit the Price Proposal Form for the service component that they are bidding for. They may submit a detailed attachment with additional information, as they find relevant.



d. Is the agency willing to leverage existing network relationships (e.g., BIDs) to support outreach efforts?

**Answer:** Yes, SBS is willing to leverage existing network relationships. However, SBS expects vendors to take the lead and deliver on outreach efforts.

e. What email system does the agency use for email communications?

**Answer:** Constant Contact.

f. Does the agency have existing email lists for small business owners that we can segment and leverage?

**Answer:** SBS has existing contact information from small business owners in our CRM database. Vendors will be given access to and training on the SBS CRM.

g. Does the agency have existing press lists that we can segment and leverage?

**Answer:** The SBS program team works with our communications and press team. They have existing press lists and are willing to collaborate.

h. How many languages should we expect to provide translations for?

**Answer:** SBS expects that services should be available to limited English speakers. The primary expected languages are Spanish, Chinese, and Russian.

i. What kinds of partnerships is the agency expecting to see? Co-sponsorships?

**Answer:** SBS is open to suggestions. Please explain your logic in your proposed approach.

- II. WE Master Leadership
  - a. Can you share the current WE Master Leadership curriculum?

Answer: Yes. See attached as part of addendum. Attachment M

b. Do you expect the facilitators to deliver the workshop/curriculum in other languages?

Answer: Yes. From previous experience, the primary foreign languages are Spanish, Chinese, and Russian.

c. The RFP states the consultant will have to train 500 entrepreneurs per FY. Given that this contract is commencing in 1/2019, are you going to prorate the number of trainees in Year 1?

**Answer:** The contract goals are set by fiscal year, because the program goals are set by fiscal year. SBS will negotiate what is reasonable for fiscal year 2019.

- III. Impact Evaluation:
  - a. What are your current intake processes? Can you share your current baseline collection tools and common intake form? Can you share the electronic pre-registration process for workshops, mentoring sessions, and events?



**Answer:** SBS uses Eventbrite for intake. You can find current examples online: <a href="https://we.nyc/workshops-events/#borough=&date=&category=we-nyc">https://we.nyc/workshops-events/#borough=&date=&category=we-nyc</a>

b. What are your current follow-up processes to collect information from workshop participants to track their acquired knowledge and progress as it relates to the impact of WE NYC Services?

**Answer:** SBS asks vendors to collect short surveys at the end of the workshops, and then follows up later with online surveys.

c. What CRM software do you currently use to collect, manage, and analyze customer data?

Answer: Oracle CRM on Demand

d. Approximately how many Agency staff and service delivery vendors will be trained on new baseline data collection tools?

**Answer:** The SBS program team consists of 3 teams members. The number of staff for the three WE Master service delivery components will not be clear until vendors have been selected and contracts executed.

e. After training the staff on the new baseline data collection tools, do you expect the consultant to provide ongoing coaching to staff and vendors?

Answer: Yes, regular updates are expected as necessary.

f. Please clarify if you want an impact report every fiscal year or calendar year.

**Answer:** SBS expects quarterly updates and a final report at the end of each fiscal year.

- 10. Proposal Logistics
  - a. How many duplicates of the Price Proposal should the consultant submit?

#### Answer:

A separate sealed inner envelope labeled "Price Proposal" containing one (1) original and [3] duplicates of the Price Proposal Form (see section IV.B.4)

11. Can SBS confirm if the anticipated funding for the contract awarded from this RFP for each year, or the anticipated contract term of three years?

Answer: The anticipated available funding (section II.D) is for the contract term of three years.

12. Since the contract term is three years, will number of entrepreneurs served be multiplied by three? Using the We Master Funding as an example, can SBS confirm that over a three-year period, the number of entrepreneurs served would be 1500?

**Answer:** Yes, that is correct. The deliverables are what is expected on an annual basis.

13. Can SBS confirm whether there is an established curriculum for the WE Master Leadership program, and whether the selected vendor will have the ability to modify the curriculum.



**Answer:** SBS has an established curriculum for the WE Master Leadership program. The selected vendor will have the ability to modify the curriculum. SBS is open to discussions about how to constantly improve the curriculum and service delivery.

14. For the WE Leadership Program, deliverable IV: Can SBS provide further insight as to how impact will be measured for the leadership program.

**Answer:** The SBS team has tested surveys with participants. How impact will be measured going forward will be determined in collaboration with the selected impact evaluation vendor.

15. Is there information available as to how often services are provided in Chinese, Russian, Haitian Creole, Korean and Bengali?

**Answer:** Currently, programming in those languages has been very limited. SBS is excited to expand service delivery in more foreign languages.

16. Regarding WE Master Credit – can SBS clarify what the specific license that will be accepted for credit counselors. Is there a preferred source for licensure and training for credit counselors?

**Answer:** SBS expects the credit counselors to have a Financial Counselor Certification. This should be comparable to forty-five (45) hour professional development training on Personal and Consumer Finance and Financial Empowerment, meeting the standards of the New York City Department of Consumer Affairs, Office of Financial Empowerment.

17. Under 3. Master Leadership, deliverable III Page 9 of the RFP states that "workshops must be made available in multiple languages, including but not limited to English and Spanish". Should this be interpreted as workshops to be conducted in a multitude of languages as mentioned on page 6 of the RFP, i.e. workshops to be conducted in Chinese, Russian, Haitian Creole, Korean, and Bengali? Further, should Deliverable I - Outreach also be conducted in multiple languages as mentioned above, or in English?

**Answer:** Yes, SBS expects that outreach will be conducted and services delivered in multiple languages. To date, the program has primarily delivered services in English and Spanish. Going forward SBS hopes to reach more communities across NYC and serve entrepreneurs in their preferred language. This will depend on the demand.

18. Deliverable II – Venues – should specific venues be identified in our proposal?

**Answer:** SBS expects the Consultant to identify suitable venues. In the proposal, SBS hopes to see the Consultant's planned approach to meet the deliverable.

19. In the table under Attachment B3: Price Proposal Form -WE Master Leadership, is the last row that has Deliverable I – Outreach inadvertently repeated?

Answer: Yes. Please disregard the last row.

20. Will the interested bidders list be published - to promote collaborating opportunities?

Answer: → No, the bidders list will not be published



21. If a participant has taken multiple programs, will there be one record or multiple records based on the number of programs she's taken? How many unique records are there?

**Answer:** In the SBS Customer Relationship Management system, a participant that has received multiple services would have a unique account and multiple service requests (for each program taken) attached to that account.

22. How many records were added last year? What was percent change in the number of records between 2016 to 2017? Are numbers trending upward in 2018?

**Answer:** WE NYC met its annual goals (500 participants in each of the WE Master Workshops) in 2018 for the WE Master programs. Th number of services provided has increased since launch, with the exception of WE Master Credit, where annual goals have been adapted down to 500. SBS has set the annual targets in the RFP based on past service provision and will share more pipeline details with the selected vendor.

23. Are there any privacy issues regarding maintaining the database?

**Answer:** Only contracted vendor staff that has a license may access the database. It can only be used for the scope of services under contract.

24. Moving forward, when reporting, is there trending data from the current NYC SBS intake forms that will need to be included?

**Answer:** This will be determined in collaboration with the selected vendors.

25. Will the intake form differ between WE Master and WE Connect?

Answer: No, WE NYC uses one common intake form.

26. Do you anticipate adding questions to the intake form?

**Answer:** SBS is open to suggestions to add questions to the intake form as necessary.

27. Can data from your current system be downloaded into an Excel spreadsheet? If no, what format do you provide data in?

Answer: Yes, data can be downloaded into Excel.

28. For the benchmark research, are sending the survey to everyone who has participated in a WE NYC program since the program opened its doors?

**Answer:** This will be determined in collaboration with the selected impact evaluation vendor.

29. Are WE Connect participants included in the impact evaluation surveys?

**Answer:** No, not for the scope of this contract.

30. What has been the response rates to any online surveys NYC SBS has previously done?



**Answer:** The response rates in previous WE NYC surveys has been approximately 10%.

31. Are there differences in response rates between general NYC SBS vs WE NYC? Are there any differences in response rates between WE NYC programs?

**Answer:** No, we don't have full comparison of NYC SBS vs WE NYC surveys. Response rate between the WE Master service components are comparable.

32. On page 6 of the RFP, it states that contractors will provide the proposed services to all New Yorkers, regardless of language (including but not limited to Spanish, Chinese, Russian, Haitian Creole, Korean, and Bengali) or disability. Does this requirement apply to all workshops under each of the four service components? Would you please identify any other languages that you anticipate the recipients of the proposed services will speak?

**Answer:** To date, the program has primarily delivered services in English and Spanish. Going forward SBS hopes to reach more communities across NYC and serve entrepreneurs in their preferred language. This will depend on the demand. (See answer to guestion 1).

33. Similarly, for the WE Master Leadership Curriculum described on page 9 of the RFP, it states that workshops must be made available in multiple languages. In what languages other than English and Spanish will contractors be expected to provide the leadership workshops and materials?

**Answer:** To date, the program has primarily delivered services in English and Spanish. Going forward SBS hopes to reach more communities across NYC and serve entrepreneurs in their preferred language. This will depend on the demand. (See answer to question 1).

34. Please confirm that the WE Leadership Curriculum that is referenced on RFP page 9 is already developed and will be provided to the contractor ready-to-use without the need for customization or modification. If some modification or development is required, please describe your Agency's expectations in this area. Also, will the curriculum already be translated into the required languages or is the contractor responsible for doing this?

**Answer:** The curriculum for WE Master Leadership is already provided and ready-to-use. It is available in English and Spanish already. SBS would be open to discussing adaptations and translations as necessary.

35. Does a proposed instructor have to be certified to teach the WE Leadership Curriculum, or any other curriculum provided by the Agency under this contract? If so, must the instructor have this certification prior to conducting the workshop?

**Answer:** For the WE Master Leadership curriculum, we expect the proposed instructor to have prior experience (see Section III.B), but no certifications are required.

For the WE Master Credit service, SBS expects the credit counselors have a Financial Counselor Certification. This should be comparable to forty-five (45) hour professional development training on Personal and Consumer Finance and Financial Empowerment, meeting the standards of the New York City Department of Consumer Affairs, Office of Financial Empowerment.

36. Regarding relevant experience noted on page 13, may we use the experience of our proposed instructor(s) to meet certain requirements (specifically, "Working with the target audience: entrepreneurs that are women from low-to-moderate income or non-English speaking communities in New York City") as opposed to the experience of the corporation?



**Answer:** Yes, SBS will consider the experience of the proposed team, organization and any sub-contractors if proposed.

37. If a company has provided similar services to the type of populations referenced here, but in an urban area other than New York City, would the Agency consider this to be relevant corporate experience?

Answer: Yes.

38. Do I submit marketing materials with the RFP?

**Answer:** At the proposer's discretion.

39. As a sole proprietor, I have no staff to list. Can I submit subcontractor info at a later date?

Answer: Please include your project team that you will need to meet the deliverables in your proposal.

40. Am I creating the complete curriculum for the workshop based on my own creation?

Answer: SBS already owns the workshop curriculum (See attached as part of addendum. Attachment M)

Section II: Due Date for Submission of Proposals: Tuesday, October 23, 2018 at 4:00pm

#### Section III: Acknowledgement of Addenda

Please be reminded that you must acknowledge the receipt of this addendum by completing and submitting Attachment C with your proposal

Section IV: Schedule B (Revised)

Attachment L

Section V:

**Sample Curriculum** 

Attachment M



# **ATTACHMENT C**

# ACKNOWLEDGEMENT OF ADDENDA

# Women Entrepreneurs NYC (WE NYC) PIN: 80118P0003

**Directions:** Complete Part I or Part II, whichever is applicable, and sign your name in Part III.

### **Part I Questions and Answers**

Turri Questions und rinswers	
Listed below are the dates of issue for each Addendum received in conr	nection with this RFP:
Addendum # 1, DatedOctober 15, 2018	_, 2018
Addendum # 2, Dated	_, 2018
Addendum # 3, Dated	_, 2018
Part II Acknowledgement of No Receipt	
No Addendum was received in connection with this RFP	
Part III	
Proposer's Name:	
Proposer's Authorized Representative:	
Name:	
Title:	
Signature:	
Date:	



# ATTACHMENT L

SCHEDULE B (REVISED)

Women Entrepreneurs NYC (WE NYC) PIN: 80118P0003

Tax ID #:	APT E-PIN #:	80118P0003



# **SCHEDULE B - M/WBE Utilization Plan** Part I: M/WBE Participation Goals

Part I to be completed by contracting agency

Contract Overview			
APT E- Pin # Project Title/ Agency PIN #	80118P0003	FMS ProjectID#	#:
Bid/Proposal Response Date Contracting	Depe		
Agency Agency Address	DSBS	City	State NY Zip Code
Contact Person Telephone#		Email	
Project Description	(attach additional pages if necessary)		

M/WBE Participation Goals for Services

<u>Enter the percentage amount for each group or for an unspecified goal. Please note that there are no goals for Asian Americans in Professional Services.</u>

# Prime Contract Industry: Professional Services

WE Master Credit

Group	Percentage
<u>Unspecified</u>	9%
or	
Black American	0%
Hispanic American	0%
Asian American	0%
Women	0%
Total Participation Goals	9%

# Prime Contract Industry: Professional Services

# 2. WE Master Funding

Group	Percentage	
<u>Unspecified</u>	11%	
or		
Black American	0%	
Hispanic American	0%	
Asian American	0%_	
Women	0%	
Total Participation Goals	11%	0

# Prime Contract Industry: Professional Services

# 3. WE Master Leadership

Group	Percentage
<u>Unspecified</u>	11%
or	
Black American	0%
Hispanic American	0%
Asian American	0%
Women	0%
Total Participation Goals	11%

# Prime Contract Industry: Professional Services

# 4. Impact Evaluation- No MWBE Goals Set

Percentage	
0%	
0%	
0%	
0%	
0%	
0%	O.
	0% 0% 0% 0%

Tax ID #:	_	APT E-PIN #:	: 80118P0003
SCHEDULE B - Part II: M/WBE P	articipation Plan		
Part II to be completed by the bidder/proportion of the proportion	actors who will NOT su the Waiver Application tractors. Once a FULL form with your bid or p	on pages 5 and 6 and timely sul WAIVER is granted, it must be in	bmitting it to the contracting agend
Tax ID #		FMS Vendor ID #	
Business Name		Contact Person	
Address			
Telephone #	Email		
Section II: M/WBE Utilization Goal Calcula	ation: Check the applica	able box and complete subsection	on.
PRIME CONTRACTOR ADOPTI			DALS
For Prime Contractors (including Qualified Joint Ventures and M/WBE	Total Bid/Proposal Value	Agency Total Participation Goals (Line 1, Page 1)	Calculated M/WBE Participation Amount
firms) adopting Agency M/WBE Participation Goals.			
Calculate the total dollar value of your total bid that you agree will be awarded to M/WBE subcontractors for services and/or credited to an M/WBE prime contractor or Qualified Joint Venture.			
Please review the Notice to Prospective Contractors for more information on how to obtain credit for M/WBE participation.	\$	X =	\$ Line 2
PRIME CONTRACTOR OBTAIN M/WBE PARTICIPATION GOAL	ED PARTIAL WA		-
For Prime Contractors (including Qualified Joint Ventures and M/WBE firms) adopting Modified M/WBE Participation Goals.	Total Bid/Proposal Value	Adjusted Participation Goal (From Partial Waiver)	Calculated M/WBE Participation Amount
Calculate the total dollar value of your total bid that you agree will be awarded to M/WBE subcontractors for services and/or			

\$

Line 3

credited to an M/WBE prime contractor or

Please review the Notice to Prospective Contractors for more information on how to obtain credit for M/WBE participation.

\$

Qualified Joint Venture.

Tax ID #:	APT E-PIN #: 80118P0003
	<del></del>
Notice to Prospective Contracto	an: How Proposer/Bidder Will Fulfill M/WBE Participation Goals. Please review the ors for more information on how to obtain credit for M/WBE participation. Check or Bidder will fulfill the M/WBE Participation Goals:
the value of which is at least the at to non-M/WBE firms will not be creed to non-M/W	tor that will self-perform and/or subcontract to other M/WBE firms a portion of the contract mount located on Lines 2 or 3 above, as applicable. The value of any work subcontracted edited towards fulfillment of M/WBE Participation Goals. Please check all that apply to eith an M/WBE partner, in which the value of the M/WBE partner's participation and/or the to other M/WBE firms is at least the amount located on Lines 2 or 3 above, as applicable. Ited to non M/WBE firms will not be credited towards fulfillment of M/WBE Participation actor that will enter into subcontracts with M/WBE firms the value of which is at least the love, as applicable.
Section IV: General Contract Infor	mation
What is the expected percentage regardless of M/WBE status? %	e of the total contract dollar value that you expect to award in subcontracts for services,
✓ Scopes of Subcontract Work	Enter brief description of the type(s) and dollar value of subcontracts for all/any services you plan on subcontracting if awarded this contract. For each item, indicate whether the work is designated for participation by MBEs and/or WBEs and the time frame in which such work is scheduled to begin and end. Use additional sheets if necessary.  1

Tax ID #:	APT E-PIN #:	80118P0003
Section V: Vendor Certification and Required Affirmations		
I hereby:		
<ol> <li>acknowledge my understanding of the M/WBE participation requirement provisions of Section 6-129 of the Administrative Code of the City of New promulgated thereunder;</li> <li>affirm that the information supplied in support of this M/WBE Utilization,</li> <li>agree, if awarded this Contract, to comply with the M/WBE participation pertinent provisions of Section 6-129, and the rules promulgated thereund</li> </ol>	York ("Section Plan is true a n requirements	n 6-129"), and the rules nd correct; s of this Contract, the
material terms of this Contract;		
<ol> <li>agree and affirm that it is a material term of this Contract that the Venc the M/WBE Participation Goals to certified MBEs and/or WBEs, unless a modified by the Agency; and</li> </ol>		
5) agree and affirm, if awarded this Contract, to make all reasonable, go Participation Goals, or If a partial waiver is obtained or such goals are n modified Participation Goals by soliciting and obtaining the participation o	nodified by the	Agency, to meet the

Date

Signature

Print Name\_Title

Tax ID #:	APT E-PIN #:	80118P0003
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# SCHEDULE B - PART III - REQUEST FOR WAIVER OF M/WBE PARTICIPATION REQUIREMENT

Contract Overvi	iew					
Tax ID #			FMS	Vendor	ID	#
	Business Name					
Contact Name_	Telephone #		Email	_ Type of Procurement	Competitive	e Sealed Bids
Other	Bid/Response Due	Date [				
APT E-PIN # (for t	this procurement):	80118P0003		Contracting	Agency: DSBS	
M/WBE Partic	ipation Goals as desc	cribed in bid/solic	itation docum	ents		
	0% ———— Agency M/W	BE Participation (	Goal			
Proposed M/WBE	E Participation Goal as a	anticipated by ver	ndor seeking	waiver		
				d faith by the bidder/propos Contractor or Qualified Joi		cted for
Basis for Waive	er Request: <i>Check app</i>	propriate box & ex	xplain in detai	l below (attach additional pa	ages if needed)	
	elf-perform and subco			onsultants.) ne M/WBE Participation G	oal above. Expla	in under
List 3 most recent				e information for each subc	ontract awarded in	
	ch contracts. Add more	-	-			
CONTRACT NO		AGEN		DATE CO	OMPLETED	
Total Contra Amou		Total Amou Subcontrac				
Item of Wo	<u> </u>	Item of W	<u> </u>		tem of Work	
Subcontracted ar		Subcontracted			ntracted and	
Value of subcontra		Value of subconti	ract ————	Value of	subcontract	
CONTRACT NO	<b>D</b> .	AGEN	CY	DATE CO	OMPLETED	
Total Contra	ct	Total Amor				
Amou	nt <b>\$</b>	Subcontrac	ted \$			
Item of Wo		Item of W			tem of Work	
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CONTRACT NO	<b>D</b> .	AGEN	CY	DATE CO	OMPLETED	
Total Contra	_	Total Amor				
Amou	<u> </u>	Subcontract Item of W	<u> </u>			
Item of Wo Subcontracted ar		Subcontracted			tem of Work ntracted and	
Value of subcontra		Value of subconti			subcontract	

List 3 most recent contracts perfo such contracts. Add more pages		on for each subcontract awarded in performance	e of
	ormed fewer than 3 New York City contracts.)		
TYPE OF Contract	AGENCY/ENTITY	DATE COMPLETED	
Manager at agency/entity that hire	ed vendor (Name/Phone No./Email)		
Total Contract Amount \$	Total Amount Subcontracted \$		
Type of Work Subcontracted			
TYPE OF Contract	AGENCY/ENTITY	DATE COMPLETED	
Manager at agency/entity that hire	ed vendor (Name/Phone No./Email)		
Total Contract Amount \$	Total Amount Subcontracted \$		
Item of Work	Item of Work	Item of Work	
Subcontracted and Value of	Subcontracted and Value of	Subcontracted and Value of	
subcontract	subcontract	subcontract	
TYPE OF Contract	AGENCY/ENTITY	DATE COMPLETED	
Manager at agency/entity that hire	ed vendor (Name/Phone No./Email)		
Total Contract Amount \$	Total Amount Subcontracted \$		
Item of Work	Item of Work	Item of Work	
Subcontracted and Value of	Subcontracted and Value of	Subcontracted and Value of	
subcontract	subcontract	subcontract	
<b>VENDOR CERTIFICATION:</b> I he and that this request is made in g		I in support of this waiver request is true and co	rrect,
Signature:		Date:	
Print Name:		Title:	
Shaded area below is for agency o			
AGENCY CHIEF CONTRACTING OFFICER APPROVAL Signature:		Date:	
CITY CHIEF PROCUREMENT OFFICER APPROVAL			
Signature:		Date:	_
Waiver Determination			
Full Waiver Approved:			
Waiver Denied:			
Partial Waiver Approved:			
Revised Participation Goa	l:%		

APT E-PIN #: 80118P0003

Tax ID #: \_\_\_\_\_



# ATTACHMENT M SAMPLE CURRICULUM

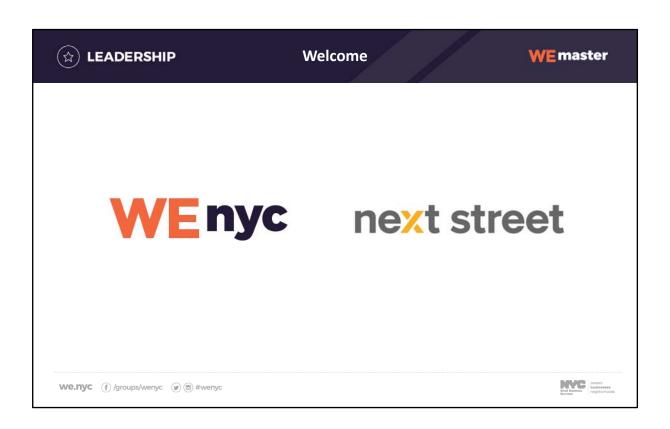
Women Entrepreneurs NYC (WE NYC) PIN: 80118P0003



- As participants are walking in the door, hand out the WE NYC Intake Form and ask them
  to complete them; make sure to collect this form from participants before they leave
  the session.
- When handing the intake Form to participants, let them know that it is important for them to complete the form for two reasons: (1) so that WE NYC can stay in touch with them following the session and make them aware of additional offerings, and (2) so WE NYC can track participant progress following the session have they started their businesses, sustained their businesses, or grown their businesses? Have they been able to implement knowledge and skills gained in the session? WE NYC wants to understand this information in order to understand the impact they are having on women-owned businesses in New York City.



- Expected duration: 2 minutes.
- Review the portfolio of WE NYC offerings for participants.





- Expected duration: 2 minutes.
- WE NYC connected with over 1,500 women entrepreneurs and surveyed hundreds of organizations throughout NYC during our research period.
- Results showed that women-owned businesses are key contributors to the US economy, and are launching new businesses at a much faster rate than men.
- Unfortunately, however, they also found despite the growing number of women-owned businesses in New York City, there remains a significant gender gap; comparatively, men still operate more businesses, employ more people, and generate more revenue.
- When asked about their biggest challenges, nearly 75% of the women interviewed stated struggling with a lack of confidence.
- Confidence is important because it drives business success just as much as competence.
- Acting with confidence can produce significantly different outcomes for us all.
- Confidence can both make us feel better and more assertive about the actions we take.
- Confidence is correlated with risk taking which also influences things like finding access to new sources of capital.
- This workshop series was therefore created in order to help build confidence and improve outcomes for women business owners in New York City by providing them with the leadership skills needed to start, grow, and sustain their businesses.



- Expected duration: < 1 minute.
- WE Master Leadership is a first-of-its-kind program (Next Street and WE NYC reviewed over 300 programs and found nothing like this!).
- This workshop series includes three, four hour interactive sessions designed to equip you with a core set of knowledge and skills that will help build your confidence and help you lead your businesses successfully.



- Expected duration: 2 minutes.
- Use this slide to provide an overview of the WE NYC workshop.

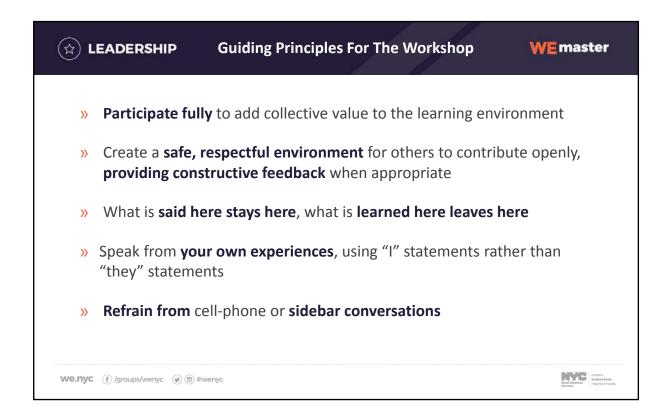
- As I mentioned, this workshop series includes three, four hour interactive sessions
  designed to equip you with the knowledge and skills needed to help you lead your
  businesses successfully.
- In today's session, we will talk about how to create alignment between your business and your individual values and strengths, helping you gain the confidence to make decisions that are right for you and your business.
  - Specifically, we will start by clarifying what is most important to you
    professionally, and identifying where there are areas of misalignment between
    your values and your business operations.
  - Then we will help you identifying specific leadership and functional strengths, again identifying where there are areas of misalignment between your strengths and the needs of your business.
  - At the end of the session, we will ask you to make 3 commitments to yourself based on the areas of misalignment you have identified between you and your business.
- In our next session, Communicating with Clarity, we will discuss best practices for formal business pitches and negotiations. After the second session, it is our hope that you feel more confident in your communication skills, and ready to utilize those

- communication skills to get what you need for your businesses (funding, better rates from your suppliers, new employees, etc.).
- Finally, in our third and final session, we will discuss the importance of collaborative leadership and understanding common business challenges and strategies to overcome them.
  - [If the WE Connect Mentor panel will be in-person:] As part of the discussion on common business challenges, we will have a panel of WE Connect Mentors share some of the challenges they have faced and the ways in which they have overcome these challenges.
- These sessions will help you build confidence in two additional ways: (1) giving you the confidence to manage 'predictable surprises' in your businesses, and (2) building your confidence as a leader, helping you to work effectively with others in a variety of situations.

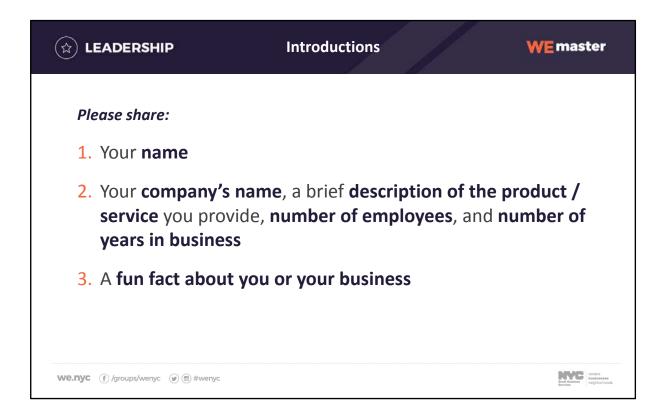


- Expected duration: 1 minute.
- Hand out the workbook to participants.
- Explain to participants that the workbook you are handing out does not contain all of
  the slides they will see on the screen. The workbook only includes key takeaway slides
  for their reference as they complete workbook reflections or revisit material following
  the session.
- Explain to participants that, as you reach activities throughout today's session, you will call out the workbook page numbers.

- Based on input from the participants in our focus groups, and our experience with past programs, we have implemented three core components to this workshop.
- This is our second pilot workshop.
- While we hope these components help to provide you with a great learning experience, we very much hope to hear your feedback throughout all three sessions.
- We will provide you with a very short survey at the end of each session; if you can, take a minute or two and please share your feedback with us so that we can continually make adjustments throughout the course of the three sessions, and for future sessions.



- Expected duration: 2 minutes.
- In order to ensure this workshop series provides a supportive learning experience for everyone, we have created the following guiding principles.
- As we work together over the course of the day today, and during the remaining sessions, it will be important for all of us to stick to these guiding principles.
- Constructive criticism example: For example, instead of making statements like "It took too long for me to understand the point of your story," consider providing feedback that will help the individual build upon their material: "As I was listening to your story, it took me a while to understand the key point. While it was really interesting to hear details on all of the different businesses you've tried in the past, I'd recommend you shorten that middle part by saying something like 'I've started many businesses in the past, all of which I'd be happy to share with you sometime' to make sure you can share about your current business sooner."
- Are there any additional guiding principles that anyone else would like to add?



- Expected duration: 15 minutes.
- BREAK INTO SMALL GROUPS
- Start introductions (facilitator should introduce herself first), asking participants to introduce themselves, their businesses, and a fun fact about themselves or their business.

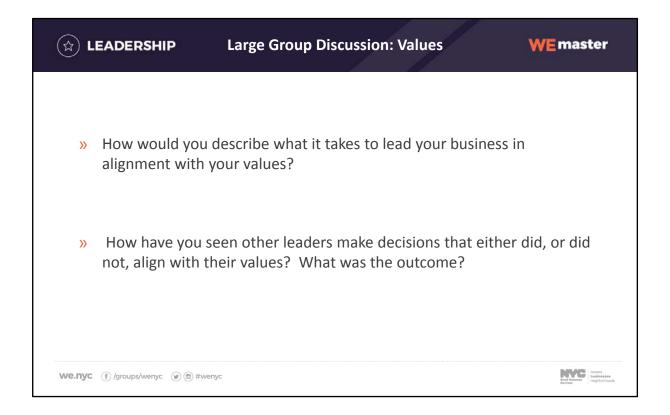


- Expected duration: <1 minute.
- Use this slide to preview timing of the current session.

- This is our agenda for today; as you can see we are already part way through the agenda.
- We will do our best to stick exactly to this timing, but we will adjust if we need to in order to give more time to a particular topic, to give an extra five minute break, etc.
- We have provided a fifteen minute break part-way through this morning in order to give you time to check your email, make a phone call, use the rest room, etc.

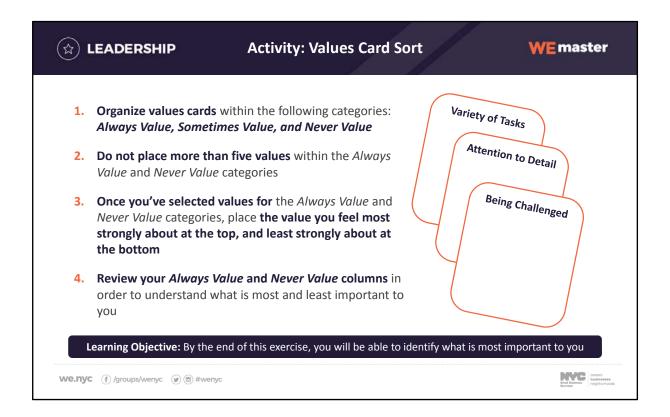


- Expected duration: 2 minutes.
- Today, we are going to talk about your values, your leadership strengths, and your functional strengths.
- These are important building blocks of you as the leader of your business.
- After we talk through each building block, we will ask you to self-reflect, looking for areas where your strengths and values are well-aligned and misaligned with your business, and considering strategies to reduce misalignment.



- Expected duration: 8 minutes.
- Ask participants to share an example of a scenario in which they or someone they know made a decision that either showed strong alignment with their values or misalignment with their values, and the outcome of that decision.
- Facilitator can be prepared to share the following scenario: Alicia worked in the corporate world for ten years, sitting in front of a computer for 10 hours a day. She valued being rewarded with a high position at her company and was passionate about getting her work done. However, as she grew into higher positions, she found she was not feeling much happier and began to realize that she really didn't enjoy the tasks much at all, but instead valued a different kind of work something that is more creative and design oriented. After realizing this, she decided to leave her company and start her own business as an independent print designer.
- Ask participants to share out loud responses to the questions on the slide to in order to generate discussion on the importance of values and get an understanding of how much participants think about their values and act based on their values on a regular basis.
- Participants do not need to respond to these questions exactly as written on the slide these are meant to be guiding questions for discussion.

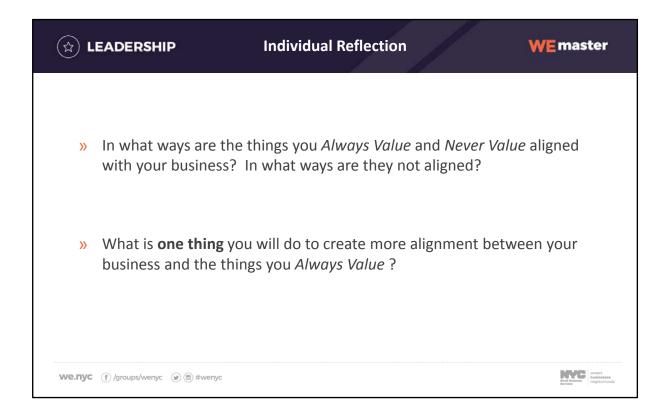
- Values help you determine what's important.
- They help ground the decisions you make, providing clarity in ambiguous situations.



- Expected duration: 30 minutes (2 minute instruction, 10 minute sorting exercise, 5 minute writing exercise, 13 minutes of group discussion).
- [English workshop:] Hand out value cards to participants.
- [Spanish workshop:] Hand out the list of values.
- Refer participants to pages 7 and 8 in their workbook.
- Please be aware of participants with literacy challenges who may need additional support. Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participants phone and/or a separate audio device.

- [English workshop:] As you sort your cards, you will probably want to lay them out on either the table or the floor.
- The goal of this exercise is to be able to identify what is most important to you. As you sort your values, focus on identifying those that you Always Value and Never Value. Do not worry about organizing all the values that fall in between in the Sometimes Value columns.
- Remember to place no more than five values within each of the outer categories (*Always Value* and *Never Value*). After you have done this, prioritize the values in each of these columns in order of decreasing importance. This will help you make real choices about what you value the most and what you value the least.
- In your workbook, on pages 7 and 8, you will find a blank worksheet with columns that correspond to these categories. When you are done sorting your values, write down

how you prioritized them in the categories on the worksheet.



- Expected duration: 5 minutes.
- Refer participants to page 9 in their workbooks.
- Please be aware of participants with literacy challenges who may need additional support. Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participants phone and/or a separate audio device.

- In your workbook, on page 9, you will find space for you to write your answers.
- You do not necessarily need to write your answer down, but do think of at least one commitment you would like to make to yourself.



- Expected duration: 5 minutes.
- Ask participants to share out loud responses to the questions on the slide to in order to generate discussion on the importance of values and get an understanding of how much participants have thought about their strengths as a leader.
- Participants do not need to respond to these questions exactly as written on the slide these are meant to be guiding questions for discussion.

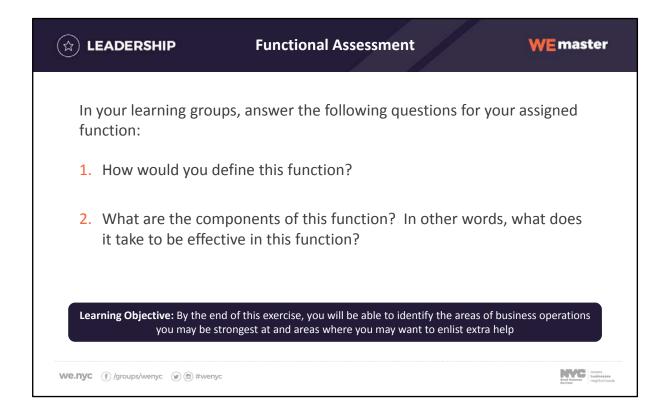


- Expected duration: 2 minutes.
- Ask participants to share out loud responses to the questions on the slide in order to generate discussion on the importance of values and get an understanding of how much participants have thought about the different functions of running a business, and which ones they are particularly good at / not as good at.
- Participants do not need to respond to these questions exactly as written on the slide these are meant to be guiding questions for discussion.



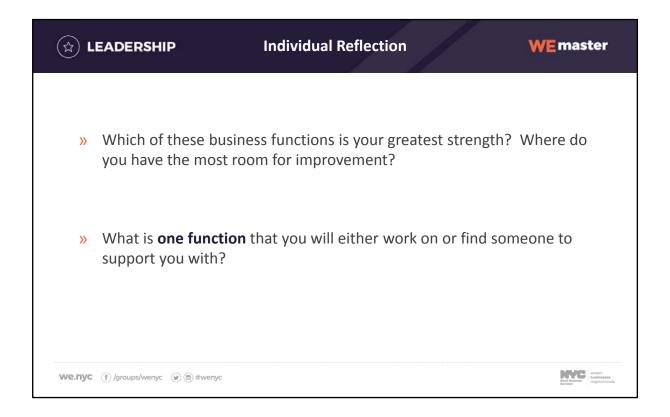
• Expected duration: 1 minute.

- We have organized the things you need to know and know how to do into five major functions: strategy, sales & marketing, finance, human resources, and operations.
- In large organizations, as you probably know, these functions are actually separated into different business units and teams.
- In your business, on the other hand, you may have to do it all! You may be the Chief Marketing Officer, Chief Strategy Officer, Chief Finance Officer, etc.
- While you may need to take on all of these functions, you probably aren't equally as strong in all of them no one is!



- Expected duration: 20 minutes.
- Assign one functional area to each learning group table (if more than five tables exist, some functional areas can be assigned to more than one table).
- Assign one member of each learning group to serve as a moderator of discussion.
   Moderators will need to ensure the group answers both questions fully, and will write down answers for the group if needed so the group can report out at the end of their discussion.
- Ask the moderator to report out to the large group on their answers to these two questions.
- Record the group's answers on flip chart paper so the entire room can see all responses.

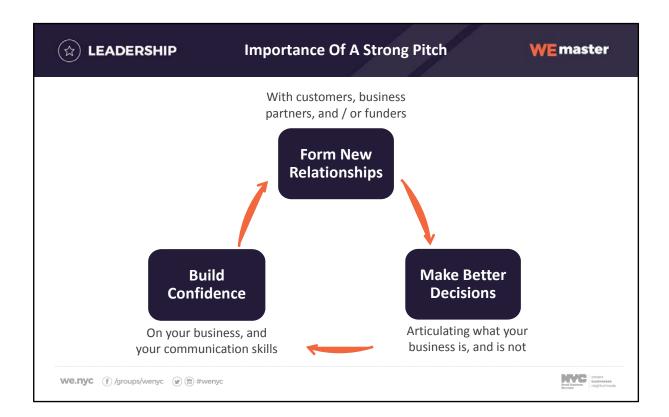
- In your learning groups, we are going to ask you to talk about one of these functions defining the function, and describing the activities needed to successfully perform that function.
- We will ask one member of each group to be a moderator of the discussion, record the group's answers, and then report out on behalf of the group at the end of the discussion. After each group has reported out, we will have a full collective understanding of what it takes to successfully perform these business functions.
- At the end of this activity, we will ask you to individually assess yourselves against what it takes to successfully perform each of these functions.



- Expected duration: 5 minutes.
- Refer participants to page 13 in their workbooks.
- Please be aware of participants with literacy challenges who may need additional support. Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participants phone and/or a separate audio device.

- In your workbook, on page 13, you will find space for you to write your answers.
- You do not necessarily need to write your answer down, but do think of at least one commitment you would like to make to yourself.

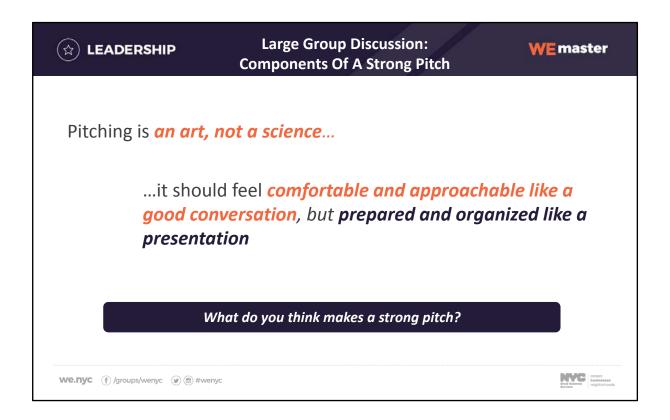




Expected duration: 2 minutes.

- Why do we talk about creating your pitch?
- Creating and delivering a pitch is extremely important for a few reasons; first and foremost, it will help you form critical relationships with stakeholders that will help you launch and grow your business. But it will also increase your confidence and help you make better decisions about your business.
- Each of these benefits are mutually reinforcing As you form new relationships, you build your confidence, and further clarify for yourself what your business is, and what your business is not; similarly, as you craft your business and clarify what your business is and what it is not, you will more effectively form new relationships, and build your confidence.
- We pitch all of the time. For example, we pitch:
  - In formal presentations: Depending on the audience, you may be asked to create a formal presentation with slides, handouts, or other audio / visual aids.
  - In informal conversations: Informal conversations are fantastic opportunities to make a deal; though you won't present a formal pitch, you will use the same language to share your value proposition.
  - As an unexpected elevator pitch: You may suddenly find yourself in a conversation with one of your target audiences take advantage of the opportunity to ask for a follow-up conversation!

<ul> <li>Opportunities to pitch your business to a potential customer, business partner, or investor arise in a variety of situations; you will need to be prepared to pitch at a moments notice.</li> </ul>			



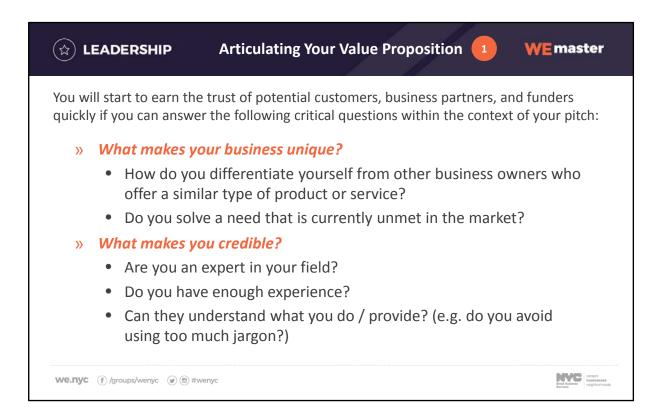
[LARGE GROUP DISCUSSION]

- Expected duration: 5 minutes.
- Ask participants to share out loud their ideas on what makes a strong pitch based on their own experience giving pitches or ways they have watched others give pitches.



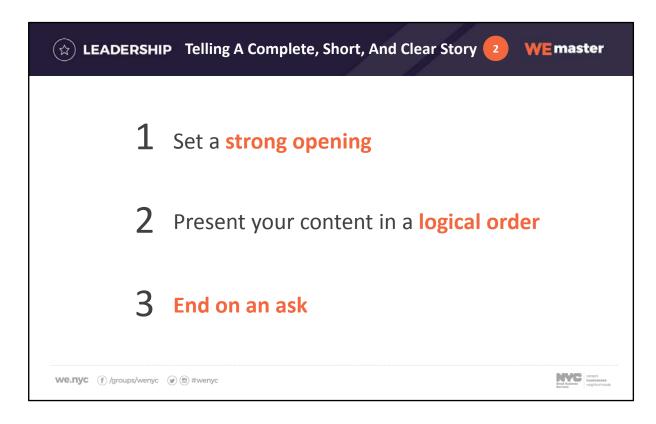
• Expected duration: 2 minutes.

- These are a few suggested tactics to use when creating and executing your pitch.
- We have seen many pitches over the years, and these five tactics have always made pitches the most successful.
- That said, your pitch is entirely your own; take these as suggestions, helpful things to think about as you build your pitch.



Expected duration: 2 minutes.

- First and foremost, your audience will be listening for you to articulate your business's value proposition.
- Your value proposition outlines two things:
  - (1) What makes your business unique: What does it offer that no other business does? If you don't offer a new type of product or service, in what ways is your business better than any of the other similar businesses out there? For example, if you run a tutoring business, why would someone choose your tutoring business over any of the other tutoring businesses? Is it because you offer lower rates? Because your service is higher quality? Be specific, so your audience understands exactly how your business is unique and worth spending money on as a client or worth investing in as a funder.
  - (2) What makes you credible: It will be important to articulate your expertise and / or your experience to show how credible you are in selling that particular product or service. Your expertise does not necessarily mean an educational degree; as you know, you can develop expertise in a variety of different ways and largely through experience. Depending on your audience, you may also want to avoid using jargon that is unique to your industry, as they may or may not understand what it means. You can actually hurt your credibility by not tailoring how you articulate your business to your audience.



Expected duration: 3 minutes.

- Set a strong opening
  - You only have a few seconds at the start of your pitch to really gain your audience's attention; act quickly!
  - Consider opening your pitch with one of the following:
    - A startling statement
      - A statistic or statement about the current state of affairs related to your business, industry, client, or environment that is surprising or so significant it raises eyebrows (cost, growth possibilities, underserved population, benefit in what your product/service has already created, niche in industry that is unique or thriving).
      - For example, "Today, approximately 50% of qualified workers in Springfield, Massachusetts are unemployed....the technology platform I have created is designed to match qualified workers with open positions with local employers".
    - A question bearing on a need
      - Actually pose a question to the audience that will captivate and engage them by either bringing something to light that they did not know, or providing them with a view to the future; like the startling statement, the question should tie to a surprising statistic, fact, or vision.
      - Two quick questioning openers are: "What if....?" "Did you know....?
    - A dramatic incident
      - A \*brief\* and surprising story that illustrates something that happened related to your business
      - For example: "Until three months before I opened my yoga studio, I had never practiced yoga in
        my life..."
- Present in a logical order
  - Consider organizing your content in of the following ways:
    - Chronological order Help your audience follow your history by describing events in the order they happened.
    - Problem 

      solution Help you audience understand why you created a good or service and/or why they need you by starting with the problem.
    - Progression of points Make sure one statement builds into the next and contributes to the overall story.
- End on an ask

- Make sure the content of your pitch arrives at a clearly defined end-point. Don't leave your audience wondering, "so what?"



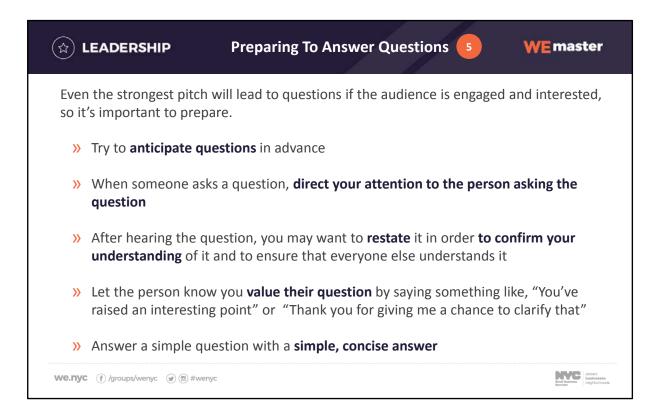
Expected duration: 2 minutes.

- Attendance does not equal attention to keep their attention and persuade them to act, your message must matter, AND be memorable and motivating.
- When we say matter, we mean that you must connect your pitch to the thing(s) your audience cares about.
- Different audiences will care about different things:
  - Potential customers...may need to know more about the products and services you offer.
  - Potential business partners...may need to know more about how you function, key asks, and / or synergies.
  - Potential funders...may need to know more about not only where you are, but where you are going and how they will receive a return.
- You will likely need to tailor your pitch based on the things your audience is going to care about. For example, a potential customer likely will not care about how you make money, so you do not need to include this in your pitch to the customer. Instead, you should pitch them on why they should buy your product or service why is it exactly what they need? An investor, on the other hand, will care very much about how you make money, because that is how they will make a return on their investment. So you should include how you make money in your pitch to them.



Expected duration: 2 minutes.

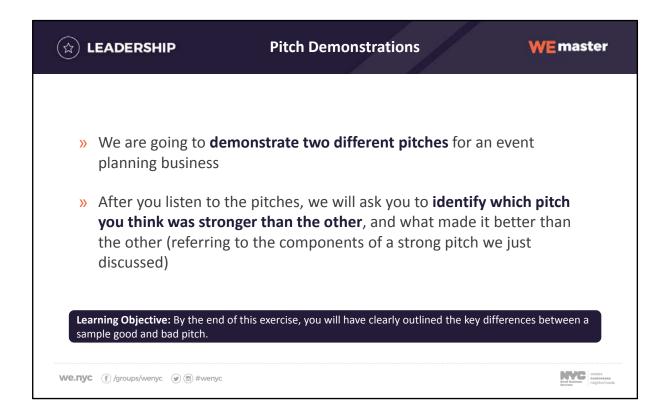
- People in an audience are both listeners and viewers; they respond not only to the verbal content of a message, but also to the manner in which the presenter communicates it.
- It isn't always what you say that has the greatest impact on people and the perceptions they form; it's more how you sound and how you look when you say it.
- By how you look, we mean both how you dress (yes, we have seen particularly bad examples of business owners making a pitch not looking their best. You don't need to wear a suit, but you should look professional) and how you stand when you are pitched (we often see business owners standing slumped over, speaking very softly, etc.).
- Importance of pacing:
  - Too slow a pace and you may be viewed as ...
    - Boring, dull, uncertain, hesitant, or slow to think on your feet.
  - Too fast a pace and you may be perceived as...
    - Nervous, rushed, hard to listen to, or difficult to follow.
  - As a general rule don't dwell on any one point for longer than two minutes.





Expected duration: 2 minutes.

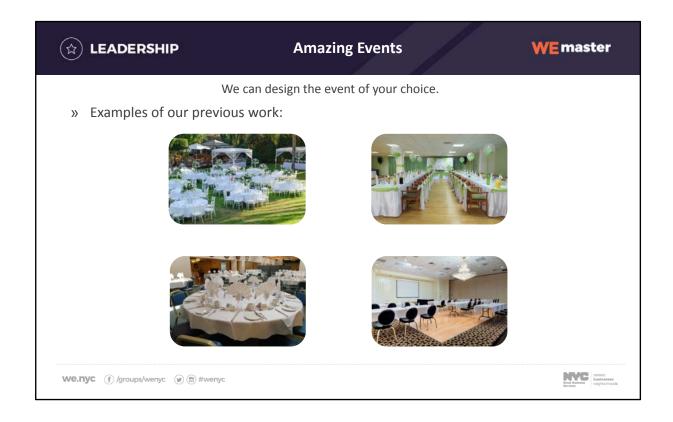
- Walking into a room as well prepared as you can be reduces nerves and also ensures a more polished, professional, and confident first impression.
- It is best not to wait until you are giving your pitch to figure out that your content is confusing or doesn't flow; you will be too close to the content to be a fair judge have others review your documents and supporting materials used in your pitch as you develop it.
- Typos and errors may be minor, but they are VERY noticeable to someone reviewing documents used for your pitch/proposal.
- The last place you want to try your pitch for the first time is in the moment; practicing ahead of time will allow you to smooth your flow and articulation and work through trouble areas.
- Practice your pitch in front of others:
  - Gather a group of individuals to role-play capital providers
  - Present your full pitch and have them ask questions
  - Get feedback afterwards
- Or video yourself:
  - The only way to know what you look like is to watch yourself (if you don't like video, use a mirror).
  - Technology nowadays means you don't need to own video equipment; you can use your phone, camera, or camcorder to record yourself.



[FACILITATOR DEMONSTRATION FOLLOWED BY LARGE GROUP DISCUSSION]

- Expected duration: 1 minute.
- Flip to slide 17 as you read the sample good pitch out loud, pause, and then flip to slide 18 as your read the sample bad pitch out loud.
- After reading the pitches, flip back to slide 9 with the components of a strong pitch and ask participants to provide constructive feedback on the two pitches against those characteristics.
- Constructive feedback on the pitch presentations should be shared in the large group.

- We will demonstrate two pitches for an interior design business (this is a real business, but many of the details have been modified in order to protect its identity).
- After the pitches, we will ask you to identify which pitch was stronger than the other, and identify the distinct characteristics of what made one pitch good and the other less good.

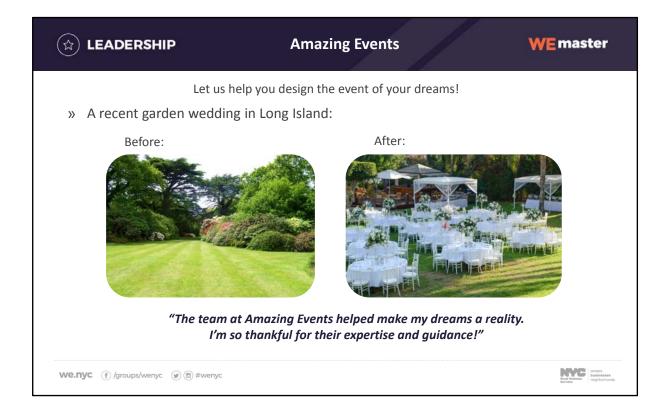


- Expected duration: 6 minutes (1 minute to read bad pitch and 5 minutes large discussion).
- Read the sample bad pitch out loud.
- After reading the bad pitch, flip back to slide 9 with the components of a strong pitch and ask participants to rate your two pitches against those characteristics.

# Facilitator Speaking Notes:

[FOR LARGE GROUP DISCUSSION AFTER BAD PITCH EXAMPLE IS READ OUT LOUD AND PARTICIPANTS RATE THE TWO PITCHES]

• Characteristics that made this a bad pitch include – no clearly defined value proposition, no strong opening, a few irrelevant points to someone looking to update their kitchen, and no ask at the end.

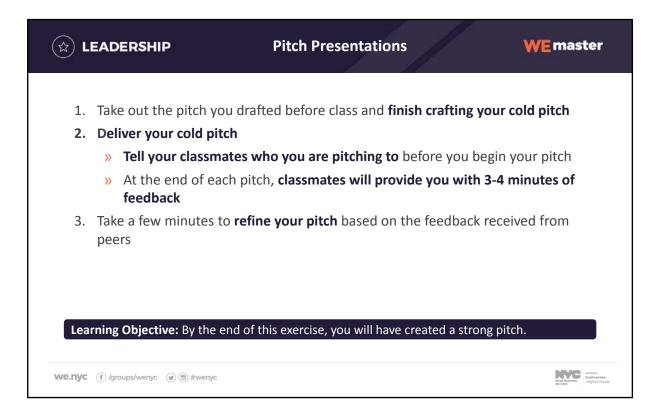


- Expected duration: 2 minutes.
- Read the sample good pitch out loud.
- Pause before flipping to slide 18 as you read the sample bad pitch out loud.

### Facilitator Speaking Notes:

[FOR LARGE GROUP DISCUSSION AFTER BAD PITCH EXAMPLE IS READ OUT LOUD AND PARTICIPANTS RATE THE TWO PITCHES]

• Characteristics that made this a good pitch include – a clearly articulated value proposition, strong opening, logical order of points with only the most relevant points for the audience, an ask at the end.



Facilitator Instructions:
Ask for 3 volunteers
[SMALL GROUP ACTIVITY]

• Expected duration 20





Expected duration: 2 minutes.

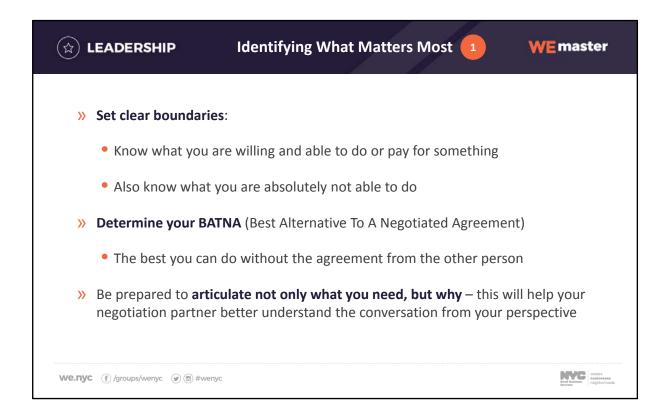
- As a reminder, this is the second part of our session today, focused on communicating with clarity.
- Sometimes when we think about negotiations we think about them being big legal battles, but for the most part negotiation is really a part of how we communicate in everyday conversations to get the things that we need.
- Negotiations are also not about situations where one person loses and the other one
  wins, they are really about creating mutually agreeable outcomes based on what we
  each need.
- Negotiations are a critical aspect of business communication, and something that you as a business owner will have to do regularly.
- We negotiate all of the time. For example, we negotiate:
  - With vendors on price, delivery logistics, etc.
  - With investors on investment opportunity, ownership stakes, use of funds, etc.
  - With team members... when scheduling shifts, setting work plans, etc.
  - With business partners... when determining business direction, focus, etc.



# [LARGE GROUP DISCUSSION]

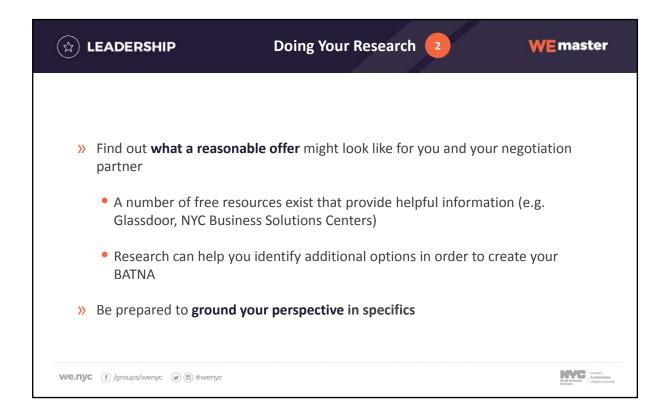
- Expected duration: 10 minutes.
- Ask participants to share out loud the challenges they have experienced in negotiation situations.





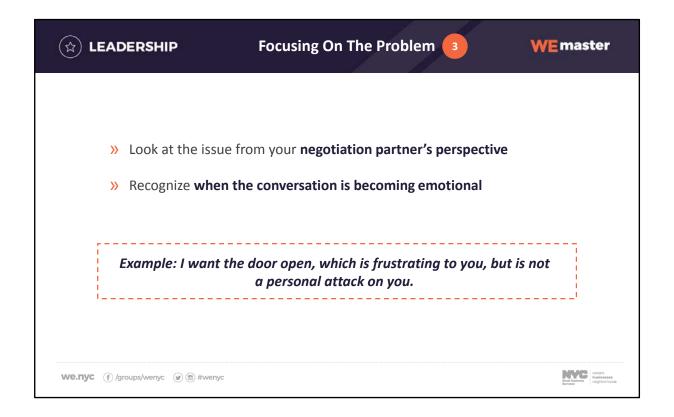
Expected duration: 2 minutes.

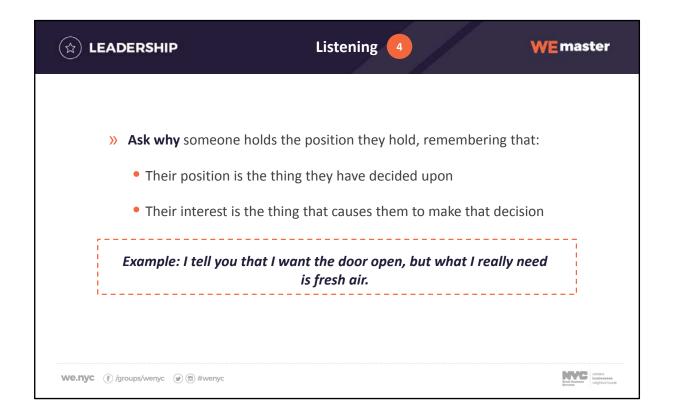
- As you enter a negotiation, it's important to know what you need and want.
- Setting clear boundaries on the outcomes you would and would not accept will help you
  make decisions.
- Your best alternative to a negotiated agreement, referred to as your BATNA, is not necessarily your ideal outcome it is the best option you have available to you without the cooperation of the other person. If the other person offers something worse than your BATNA, you will know that you need to walk away.
- Being able to articulate not only what you want, but why you want or need it will help your negotiation partner see things from your perspective.

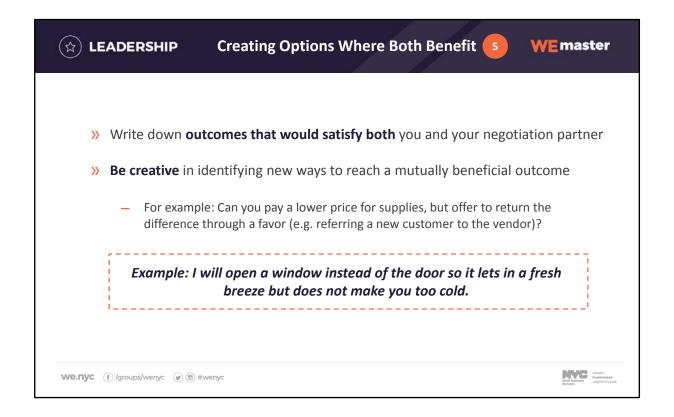


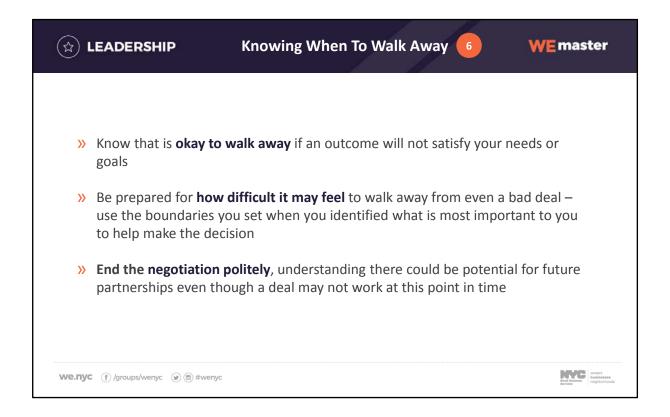
Expected duration: 2 minutes.

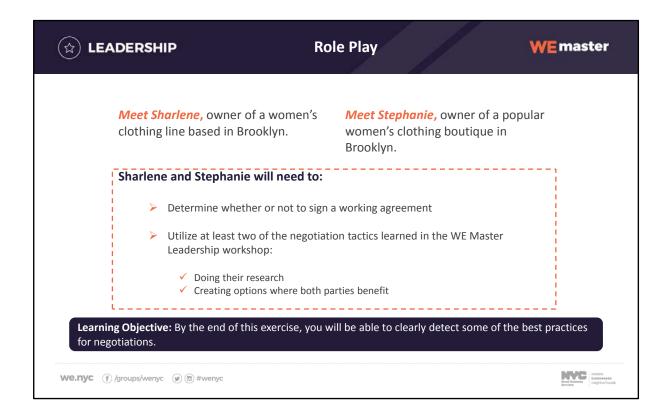
- Before entering a negotiation, it is important to get a benchmark understanding of what is reasonable for both you and your negotiation partner.
- For example, imagine you want to hire a new employee and are negotiating a contract with a freelance recruiter. Key research questions will include:
  - What is the typical rate that this freelance recruiter may be able to receive?
  - How would you be able to search for a new employee yourself and what would it require of you? (e.g., job search websites exist, but it will require you to develop a job posting all by yourself)
- The best way to find out what is reasonable is through research there are a number of free resources you can use to understand what is reasonable. Glassdoor is a great resource for salary information. The NYC Business Solution Centers throughout all five boroughs also connect you to free recruiting support.







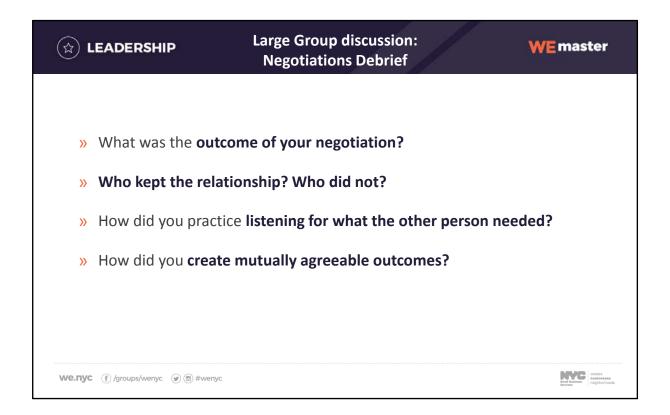




### [FACILITATOR DEMONSTRATION FOLLOWED BY LARGE GROUP DISCUSSION]

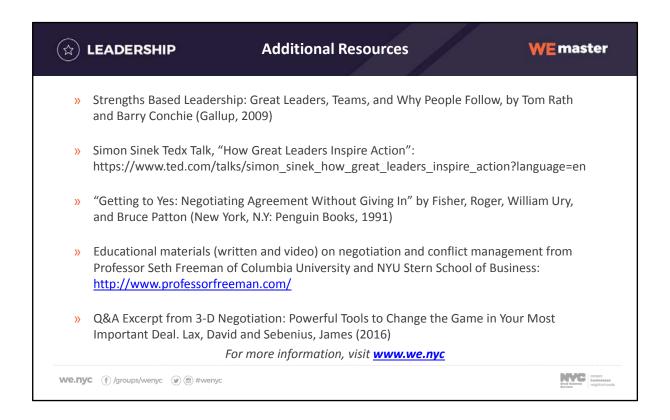
- Expected duration: 15 minutes.
- Read the scenario out loud to participants.
- After reading the scenario out loud, ask for one participant to volunteer to play the role of Stephanie.
- Give the volunteer 5 minutes to prepare. While the participant is preparing, encourage other participants to take a 5-minute break.
- Conduct the negotiation in front of the room.
- Constructive feedback on the negotiation should be shared in the large group.

- I am going to demonstrate two of the best practices for negotiations, specifically: (1) doing my research and (2) creating options where both parties benefit.
- After the negotiation, I will ask you to provide me with constructive feedback on how I managed the negotiation, using those two skills.



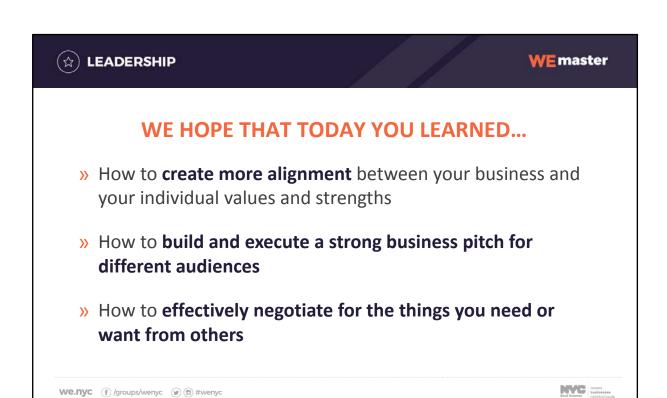
# [LARGE GROUP DISCUSSION]

- Expected duration: 10 minutes.
- Ask the full group to share what outcomes were reached and how it went, if they are comfortable sharing.



Expected duration: <1 minute.</li>

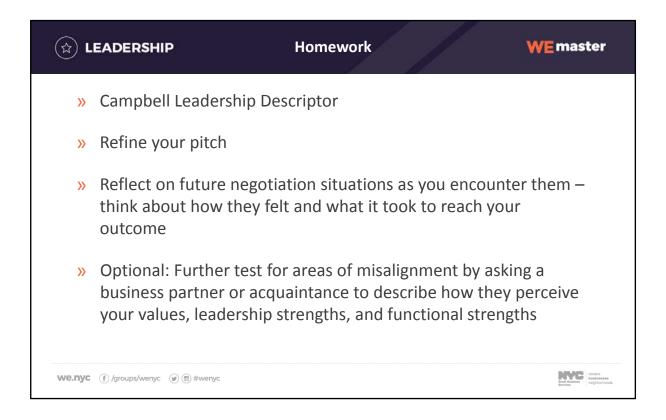
- We've listed some additional resources to help you strengthen your leadership skills.
- Access to these resources, as well as resources from other sessions, can be found on the WE NYC website at www.we.nyc.





Expected duration: 1 minute.

- As a reminder, in our next and final session, we will discuss the importance of collaborative leadership and understanding common business challenges and strategies to overcome them.
- [If the WE Connect Mentor panel will be in-person:] As part of the discussion on common business challenges, we will have a panel of WE Connect Mentors share some of the challenges they have faced and the ways in which they have overcome these challenges.



- Expected duration: 1 minute.
- Remind participants to hand in all paperwork before leaving the session.

- We encourage you to continue practicing your pitch over the next week.
- If you can, try and find an opportunity to practice you pitch in front of an actual audience.
- We will provide time at the beginning of next session to discuss how your pitches are continuing to progress.
- We also encourage you to actively reflect on future negotiation situations you encounter at home and work reflect on what they were about, how you felt it went, and what it took to reach your outcome. This reflection will hopefully help you fine tune your future approach.
- In addition to encouraging you to start taking action on your three commitments, we would like to ask you to spend a few minutes in advance of the next session thinking about your business pitch.
- A pitch is how you try to sell your business to potential clients, investors, etc.
- It is a great way to help you think about your value proposition, and how you communicate clearly, and concisely!
- Spend a few minutes thinking about, and jotting a few notes down, on how you would pitch your business, and come prepared to share it in your learning group next session.



• Hand out WE NYC Intake Form to any new participants; collect the form before participants leave the session.



- Expected duration: 2 minutes.
- Review the portfolio of WE NYC offerings for participants.



- Expected duration: 2 minutes.
- Use this slide to provide an overview of the WE NYC workshop.

- As I mentioned, this workshop series includes three, four hour interactive sessions designed to equip you with the knowledge and skills needed to help you lead your businesses successfully.
- In today's session, we will talk about how to create alignment between your business and your individual values and strengths, helping you gain the confidence to make decisions that are right for you and your business.
  - Specifically, we will start by clarifying what is most important to you professionally, and identifying where there are areas of misalignment between your values and your business operations.
  - Then we will help you identifying specific leadership and functional strengths, again identifying where there are areas of misalignment between your strengths and the needs of your business.
  - At the end of the session, we will ask you to make 3 commitments to yourself based on the areas of misalignment you have identified between you and your business.
- In our next session, Communicating with Clarity, we will discuss best practices for

- formal business pitches and negotiations. After the second session, it is our hope that you feel more confident in your communication skills, and ready to utilize those communication skills to get what you need for your businesses (funding, better rates from your suppliers, new employees, etc.).
- Finally, in our third and final session, we will discuss the importance of collaborative leadership and understanding common business challenges and strategies to overcome them.
  - [If the WE Connect Mentor panel will be in-person:] As part of the discussion on common business challenges, we will have a panel of WE Connect Mentors share some of the challenges they have faced and the ways in which they have overcome these challenges.
- These sessions will help you build confidence in two additional ways: (1) giving you the confidence to manage 'predictable surprises' in your businesses, and (2) building your confidence as a leader, helping you to work effectively with others in a variety of situations.



- Expected duration: <1 minute.
- Use this slide to preview timing of the current session.

- We will spend the first half of today's session on developing collaborative leadership skills, and the second half on discussing common business challenges and how to overcome them.
- We will aim to take a short break halfway through, though we will adjust our timing as we need to along the way.



- Expected duration: 2 minutes.
- Model an example of constructive feedback at bullet 2.

- For those of you who were able to attend Session 1 and 2 of this series, these principles are not new but let's review as we welcome new individuals to the group today.
- In order to ensure this workshop series provides a supportive learning experience for everyone, we have created the following guiding principles.
- As we work together over the course of the day today, and during the remaining sessions, it will be important for all of us to stick to these guiding principles.
- Constructive criticism example: For example, instead of making statements like "It took too long for me to understand the point of your story," consider providing feedback that will help the individual build upon their material: "As I was listening to your story, it took me a while to understand the key point. While it was really interesting to hear details on all of the different businesses you've tried in the past, I'd recommend you shorten that middle part by saying something like 'I've started many businesses in the past, all of which I'd be happy to share with you sometime' to make sure you can share about your current business sooner."

- Constructive feedback will focus both on things someone does well as well as concrete ways to improve
- Are there any additional guiding principles that anyone else would like to add?



- Expected duration: 1 minute.
- Hand out the workbook to participants.
- Explain to participants that the workbook you are handing out does not contain all of the slides they will see on the screen. The workbook only includes key takeaway slides for their reference as they complete workbook reflections or revisit material following the session.
- Explain to participants that, as you reach activities throughout today's session, you will call out the workbook page numbers.

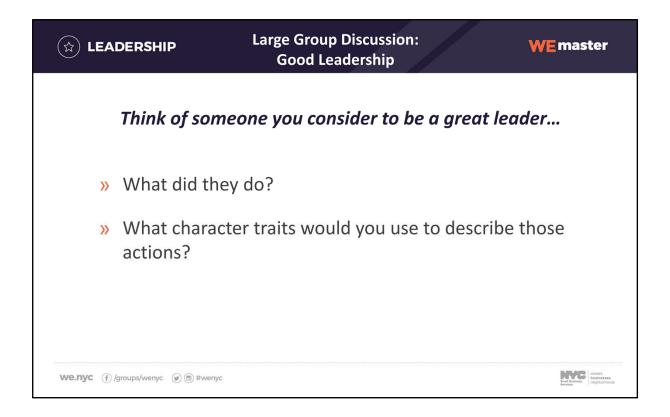
- Based on input from the participants in our focus groups, and our experience with past programs, we have implemented three core components to this workshop.
- This is our second pilot workshop.
- While we hope these components help to provide you with a great learning experience, we very much hope to hear your feedback throughout all three sessions.
- We will provide you with a very short survey at the end of each session; if you
  can, take a minute or two and please share your feedback with us so that we can
  continually make adjustments throughout the course of the three sessions, and

for future sessions.



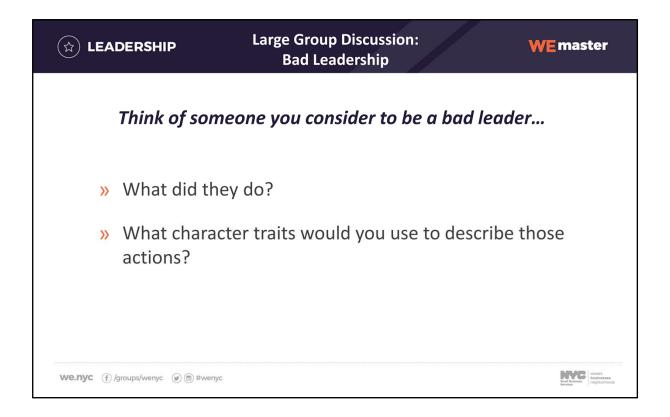
• Expected duration: 1 minute.

- Sometimes, people don't not feel like leaders if they do not have a team.
- We have opportunities to display leadership every day when we interact with others with our staff members, customers, vendors, or even investors.



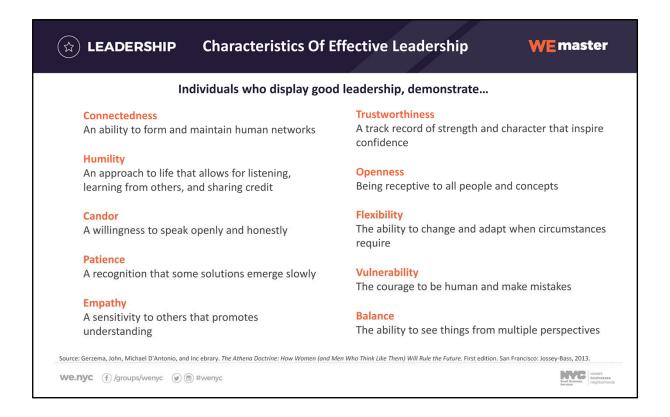
• Expected duration: 3 minutes.

- What did this person say or do that you really appreciated?
- Examples: They always gave very direct feedback. They had an open-door policy.



• Expected duration: 3 minutes.

- What did this person say or do that made you really frustrated or disappointed?
- Examples: They were dishonest. They didn't share any information about how they business was doing.



Expected duration: 5 minutes.

- You may have referenced some of these characteristics as you thought of a good leader.
- Effective leadership is grounded in both how we treat others connectedness, candor, patience, empathy, and humility but also how we ground ourselves with balance and a willingness to admit our faults to others.
- Quick clarification: For those of you who attended Session 1, you will recall that
  we reviewed leadership components using the Campbell Leadership Descriptor.
  The Campbell Leadership Descriptor helps describe what leaders need to do (e.g.
  create a vision, manage, provide feedback, etc.). In today's session we are talking
  about leadership characteristics, meaning how leaders do what they need to do
  (e.g. with humility, flexibility, etc.)



Expected duration: 5 minutes.



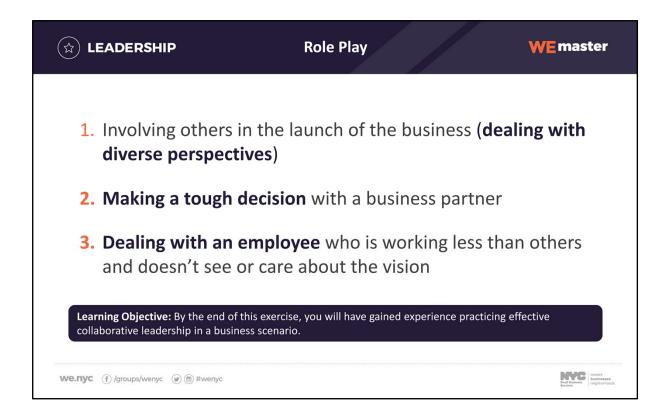
- Expected duration: 3 minutes.
- As you read through each activity, quickly redefine what each activity means (detail on slide 11) and ask participants if there are any other techniques they would add.
- Act out one of the Ask Questions example techniques.



- Expected duration: 3 minutes.
- As you read through each activity, quickly redefine what each activity means (detail on slide 11) and ask participants if there are any other techniques they would add.
- Act out one of the Watch Body Language example techniques.

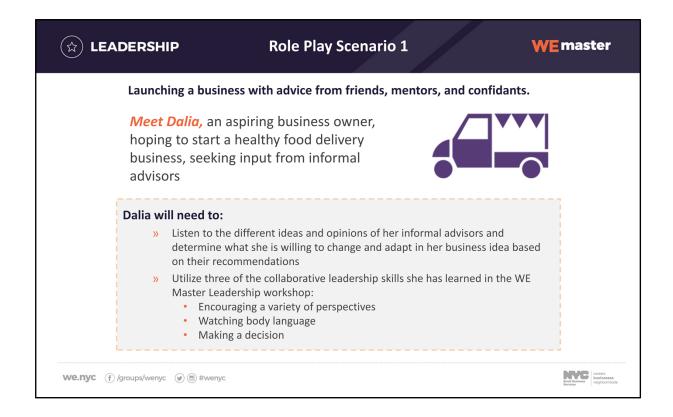


- Expected duration: 2 minutes.
- As you read through each activity, quickly redefine what each activity means (detail on slide 11) and ask participants if there are any other techniques they would add.
- Act out one of the Model your Values example techniques.



- Expected duration: 1 minute.
- Participants will have 15 minutes for each role play (see instructions on slide 17) and 20 minutes for large group discussion.
- Read through the following two slides, followed by the instructions on the second.
- Please be aware of participants with literacy challenges who may need additional support. Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participants phone and/or a separate audio device.

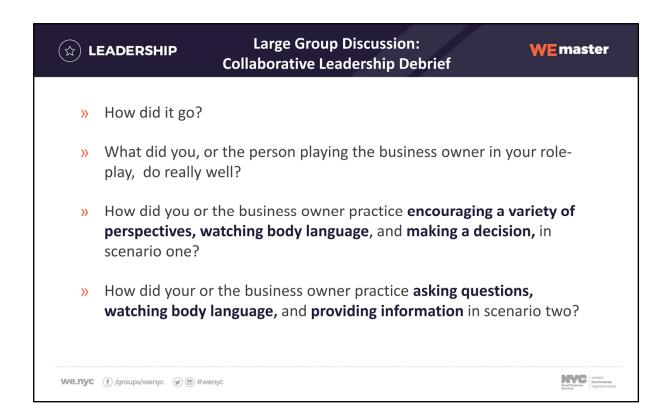
- We are going to ask you to practice your collaborative leadership skills in a reallife type of situation.
- We have created two scenarios designed to give you practice in one or more of the collaborative leadership skills.
- The scenarios represent businesses in various stages from pre-launch to a business owner with a team of employees.
- Each of you will have the opportunity to practice collaborative leadership skills as the business owner in at least one of these role-plays.



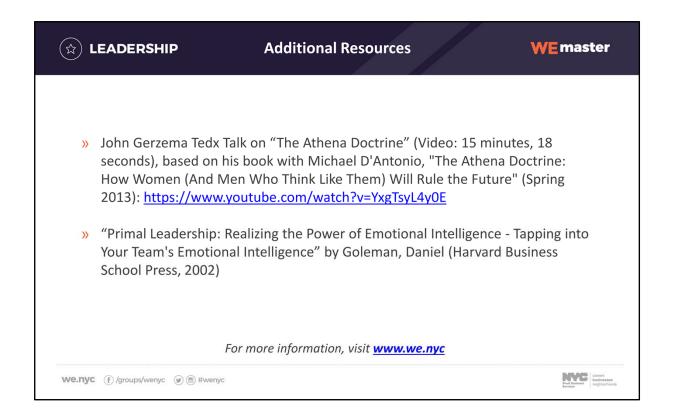
- Expected duration: 1 minute.
- Read aloud scenario 1.
- Tell participants that this role play will focus on the collaborative leadership skills of encouraging a variety of perspectives, watching body language, and making a decision.



- Expected duration: 1 minute.
- Read aloud scenario 2.
- Tell participants that this role play will focus on the collaborative leadership skills of asking questions, watching body language, and providing information.
- Place participants into groups of 3.
- Ask participants to decide in their groups who is going to be the business owner and the other roles in scenarios 1 and scenario 2.
- Flip back to the previous slide and hand out the role play scenarios to the designated roles for scenario 1.
- Give each individual a few minutes to read and prepare for the scenario.
- Start scenario 1 role play, and stop time after 10 minutes. Allow 5 minutes for feedback. Remind participants to use constructive feedback.
- Return to this slide and hand out the roles for scenario 2.
- Give everyone playing the roles a few minutes to read and prepare for the scenario. Ask the observer to be prepared to share feedback at the end of the scenario.
- Start scenario 2 role-play, and stop time after 10 minutes. Allow 5 minutes for the observer to share feedback. Remind participants to use constructive feedback.



- Expected duration: 20 minutes.
- Remind participants to give constructive feedback to their group members following each role play – focusing both on things they did well, as well as areas for improvement, and providing concrete ways to improve with the material discussed on slides 23 through 25 in mind.



Expected duration: 1 minute.

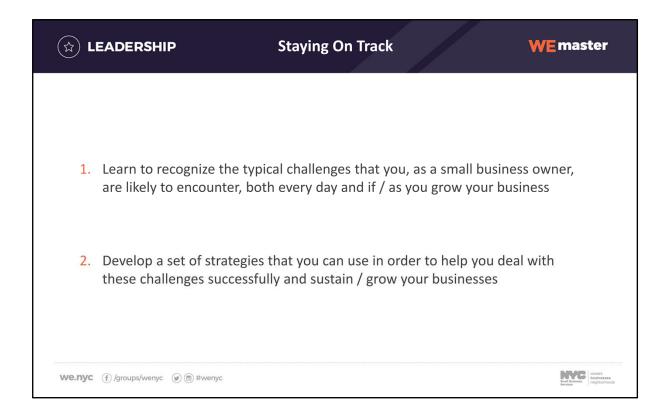
- We've listed some additional resources to help you strengthen your collaborative leadership skills.
- Access to these resources, as well as resources from other sessions, can be found on the WE NYC website at www.we.nyc.



Expected duration: 1 minute.

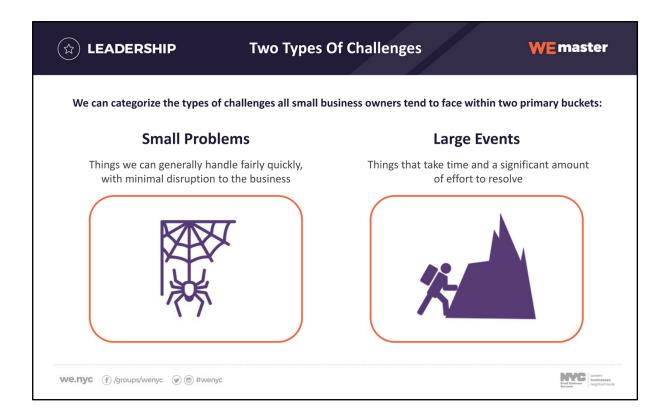
- In our focus groups, we heard some business owners telling us they would like information related to best practices in hiring.
- If you are planning to hire in the near future, have hired and would like more help, or would like to learn what it takes to hire effectively, we have provided a few helpful documents for you.
- These documents are on the side table as we head into our break, we would be more than happy to talk one-on-one with you about any of these documents.





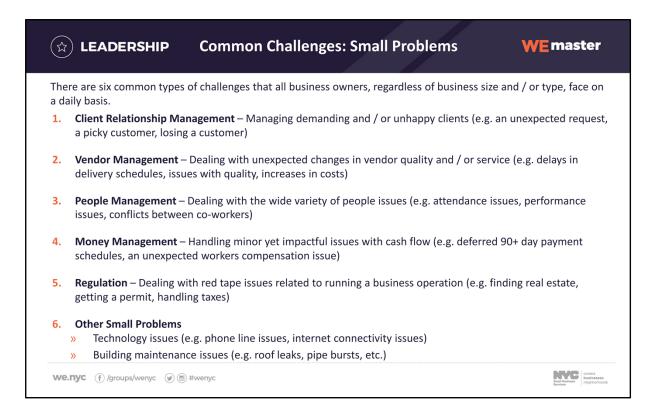
Expected duration: 1 minute.

- We can't give you a playbook for success (because remember, there isn't one!), but we can help to give you two things:
  - A better understanding of what may be to come
  - A set of strategies to help you deal with it



Expected duration: 1 minute.

- Small business owners tend to face two kind of challenges small problems and large events.
- It's important to not be fooled however! One of these challenges is not necessarily easier than the other. While the small problems are easy to resolve, they can happen pretty often and ultimately be very distracting for a business owner.
  - In particular, as you grow, you may find that small problems are really distracting you from a more important part of the business elsewhere.
  - While small problems often have easy solutions, patterns need to be addressed with long-term solutions.



Expected duration: 2 minutes.

## **Facilitator Speaking Notes:**

• For some of you, it could feel like the list keeps going on... and on... and on...



Expected duration: 2 minutes.

- In addition to the everyday small problems you may face a number of larger issues as you grow.
- As you grow or consider growth, look back at your values, leadership strengths, and functional strengths identified in our first session.
- Use your findings to help anticipate how navigating big events will feel and what solutions or support will benefit you most.
  - For example, you may envision a future need to apply for capital.
    - Thinking about your strengths:
      - You're really good at communicating with others and articulating your value proposition in a business pitch.
      - On the flipside, you aren't so comfortable with financial information and don't understand the type of capital you need.
    - Because of your strong communication skills, you can communicate a strong narrative about your business in your application. However, because of your weak understanding of your business' finances, you will need to ask someone for help in

determining how much capital you need and how you should use it.

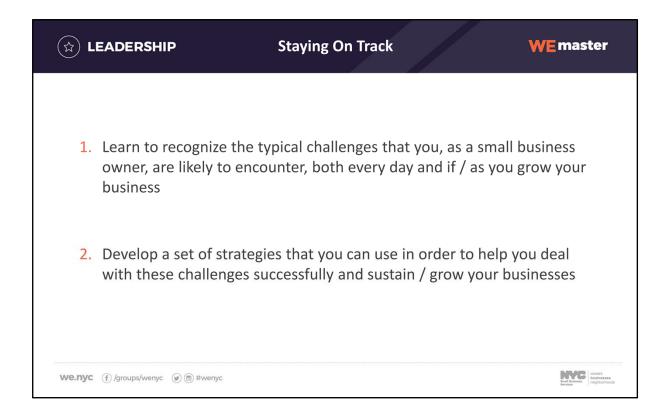


- Expected duration: 15 minutes.
- Ask all members of each learning group to share with one another 2-3 challenges (either small or large) that they have faced.
- Ask one group member to record everyone's responses.
- Once all group members have shared with one another, ask the group to identify which of the challenges were similar across group members.
- Ask each group to be prepared to share some of the challenges they discuss with the larger group.



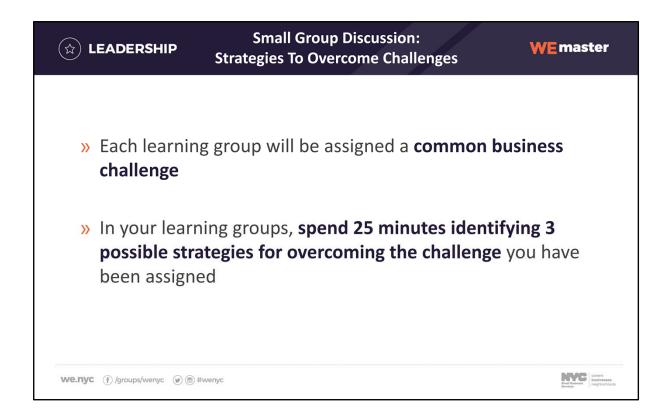
- Expected duration: 15 minutes.
- Ask a representative from each of the learning groups to report out on the types of small problems and large events they discussed.
- Record their responses on post-it notes and then post them on the flip chart paper at the front of the room.
- Review all post-it notes after the discussion ends and call out the top challenges.

- Every business challenge is surmountable.
- Some of them are harder to overcome than others; but you will be able to get through all of them.

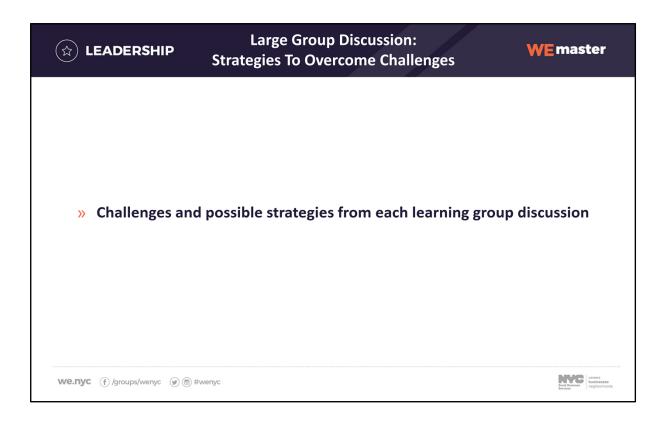


Expected duration: 1 minute.

- We just discussed the importance of recognizing common challenges that we have either faced already or will likely face in the future.
- Now, we are going to transition to talking about strategies that can be used to overcome these challenges.



- Expected duration: 30 minutes (5 minutes instruction, 25 minutes discussion).
- Assign one of the following common business challenges to each learning group:
  - Small problems:
    - Client relationship management
    - Vendor management
    - People management
    - Money management
    - Regulation
  - Large events:
    - Applying for capital
    - Transitioning from owner to leader
    - Opening a second location
    - Taking on a new / larger type of client
    - Adding a new product and/or service



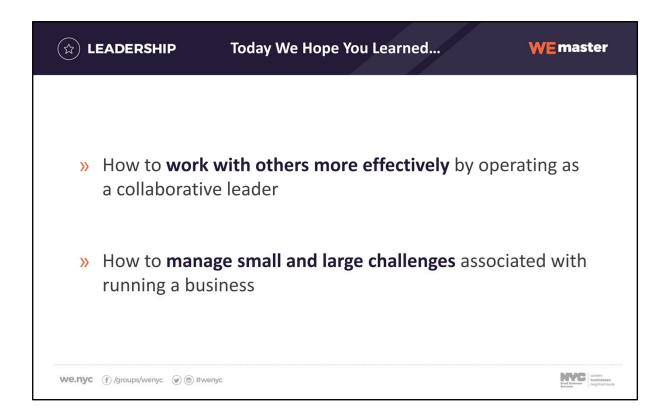
- Expected duration: 15 minutes.
- Ask each group to report out on how they would overcome the challenge they were assigned and facilitate discussion around the strategies identified (i.e. Ask the audience, 'What else could be done to overcome these challenges?').
- If some common challenges were not assigned to a group, facilitate discussion around possible strategies for overcoming them.



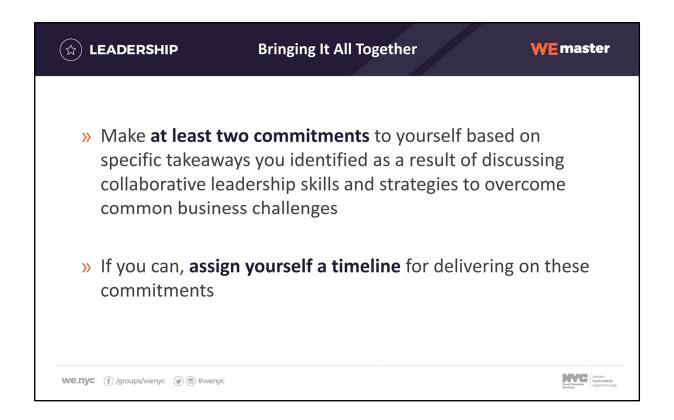
- Expected duration: 15 minutes.
- Refer participants to page 20 in their workbooks.
- Ask a few volunteers to share their takeaways from the common business challenges and strategies discussion.

## **Facilitator Speaking Notes:**

• In your workbook, on page 20, you will find space to write your reflections down.



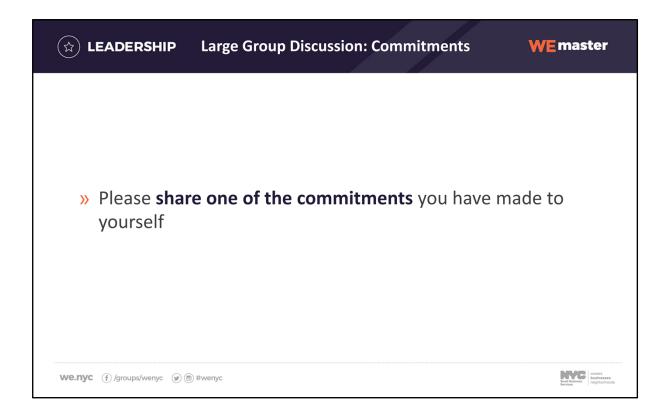
• Expected duration: <1 minute.



- Expected duration: 3 minutes.
- Refer participants to page 21 in their workbooks.
- Please be aware of participants with literacy challenges who may need additional support; Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participant's phone and / or a separate audio device.

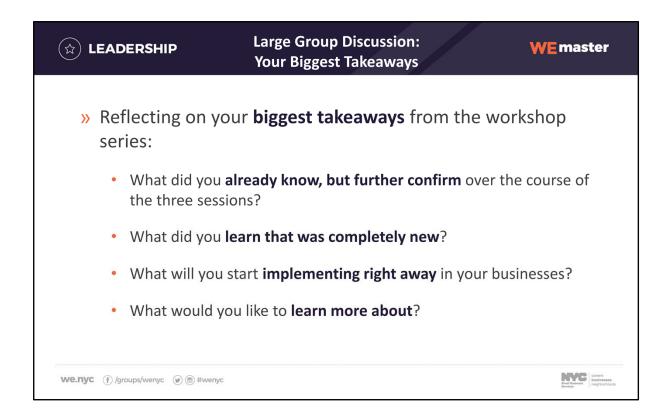
## **Facilitator Speaking Notes:**

• In your workbook, on page 21, you will find space to write your commitments down.



# Facilitator Instructions:

- Expected duration: 5 minutes.
- Ask the full group to share one of the commitments they made, if they are comfortable sharing.



#### Facilitator Instructions:

- Expected duration: 10 minutes.
- Ask for volunteers to share their biggest takeaways from the workshop series, if they
  feel comfortable.
- Refer participants to page 22 in their workbooks.

## **Facilitator Speaking Notes:**

• In your workbook, on page 22, you will find space to write your takeaways down.



#### Facilitator Instructions:

- Expected duration: 1 minute.
- Remind participants about the other WE NYC resources currently and soon to be available.
- Remind participants to hand in all paperwork before leaving the session.

# **WE Master Money: Credit**

**CLIENT'S BOOKLET** 







# **WE Master Money: Credit**

## **Module I. Financial Goals**

**Activity 1.** What is your financial dream? For what reason would you like to save money? Draw, write, or imagine what it is that your heart desires.



## Now think about:

Why is this important to you?

What is motivating you to reach this dream?

By when would you like to achieve this goal?

# **Action Plan**

Think and write down an action that you could take this week to get you closer to your dream.

This action will be taken:		
One time only	Once a week going forward	Once in a while
How will this action help	you to get closer to your goal?	
Now think of an action the	nat you could take this month to	help you achieve your
This action will be taken:		
One time only	Once a month going forward	Once in a while
How will this action get y	ou closer to your dream?	
Who in your life can help	keep you accountable in compl	eting these actions?

## **Module II. Good Credit**

## What is good credit and what purpose does it serve?

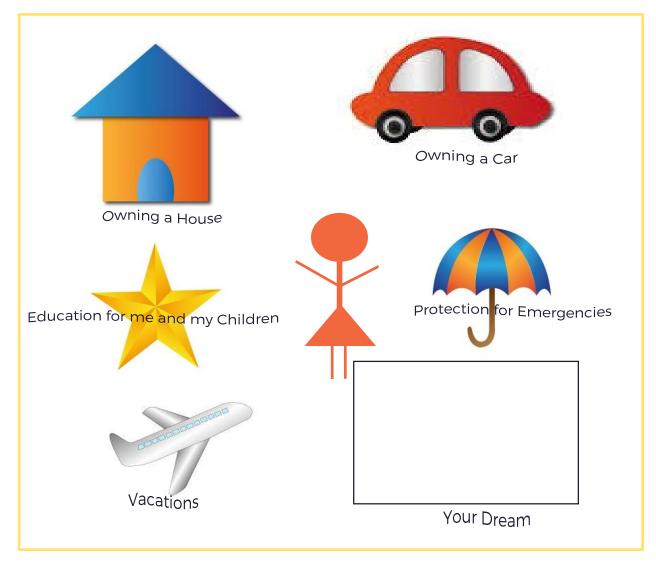
To have good credit means that you have a positive history of managing your debts. The creditors consider that if you have paid off money that you borrowed in the past, then you will continue to be a trustworthy borrower in the future.

- Good credit allows you to obtain services and products without having to pay for them beforehand.
  - Money that you are lent with the promise of paying back in the future is called a loan, and it usually comes with an additional fee while being paid back. This additional fee is called interest.
  - Interest is the amount that you are charged for borrowing money. It is calculated as a percentage of the money that you were lent.
- ❖ If you have good credit, then creditors will be more motivated to lend you money, because you are less of a risk than someone with bad credit history.
- Good credit allows one to borrow money and take out loans, with lower interest rates, meaning you will pay less to borrow money over time.

## How can good credit help your family?

t <b>ivity 2.</b> Draw 3 things that are important to you and which you could more easily quire with good credit.					

## Some of our financial dreams:



Credit influences many aspects of your life. You will need to have a good credit history to achieve your financial dreams for you and your family.

- Good credit is necessary to obtain a mortgage or to buy a house.
- ❖ With good credit, you can acquire financing to buy a car.
- ❖ Good credit will allow you to obtain student loans to invest in education for yourself and/or your children.
- ❖ Having good credit means having access to credit cards or bank loans that you can utilize in emergencies such as sickness, job loss, or accidents.
- Good credit is necessary to rent an apartment, obtain a cell phone, and/or internet plan.

# How can good credit help your business?



- ❖ All entrepreneurs/business owners need to have good credit, even small business owners, in the interest of interacting with lenders.
- Having good credit will provide you with more flexibility in running your business. For example, you will be able to choose from a greater variety of products from different vendors at more competitive prices.
- Good credit will give you the opportunity to access capital so that your business can grow.

# How can you prepare to start growing your business?



Because you are a small business owner, many of the opportunities that you will have to grow your business, especially at the beginning, will depend on your personal credit. Having good control of your personal finances will help you to take advantage of future opportunities to obtain capital and to expand your business.

## Things to consider when trying to obtain financing for your business

- ❖ Accessing capital for business depends greatly on other factors that are not required in order to obtain personal credit.
- ❖ Each bank has their own ways of measuring risk which can include, among other factors: your personal credit, the profitability of your business, the length of time that you have had the business, and whether or not you have a business plan. Traditional Banks and non-traditional Banks will also measure risk and weigh these factors in different ways.
- You also must consider factors that are outside of your control, such as the risk of each industry. For example, the restaurant industry is notoriously volatile and difficult to manage.
- ❖ We recommend that you focus on factors that are in your control, which include: building your personal credit, knowledge of your industry, and a strong plan that demonstrates that you know your business in and out.
- We also recommended that you grow your credit in a sustainable way. For example, when you begin don't acquire a very big loan that you won't be able to manage in the future.
- When you obtain access to loans for the business, ensure that you are utilizing that money for your business.

Today is the best day to start getting ready to grow your business.

# What happens when you have no credit or bad credit?

If you need to utilize credit and have not yet begun building credit or you have bad credit, then your options are more limited. Borrowing money becomes more expensive, and you may become vulnerable to high-risk vendors and credit products, such as:

- 1. Loan Sharks
- 2. Informal Loan Club (often referred to as susus or tandas)
- 3. Pre-paid credit cards
- 4. Predatory lenders who target small businesses specifically
- 1. Loan sharks Are people who generally lend money with extremely high levels of interest.

**WATCH OUT** - The actions carried out by loan sharks are usually illegal. They sometimes threaten their borrowers with violence to cover their loans.

Loan sharks tend to charge borrowers weekly, in the form of interest or a percentage of the principle.

## Example:

If you ask a loan shark for a loan of \$1,000, they will probably ask you to pay \$50 each week in interest.

The loan finishes when you pay the \$1,000 in full. However, the \$50 dollars a week will not be discounted from the principal, so the total extra amount of interest you will end up paying depends on how long it takes to finish paying the \$1,000.

If you take 10 months to put together the money, you will have to pay \$2,000, in interest in addition to the \$1,000 in principal.

2. Informal Loan Clubs - Also known as susus or tandas, are most likely organized between people who know one another. Each person contributes a specific amount of money at a specific time (weekly, bi-weekly, monthly) for a specific length of time (10 months, 6 months). At the end of each month, a person in the group receives the money accumulated by the group during the previous month.

## Example:

Ana is the leader of a susu of 10 people. Every two weeks, all of the participants have decided to put in \$100, at the end of the first month, Ana will receive \$2,000. The following month, another member of the susu will receive \$2,000. The susu will finish in 10 months when all of the members have received a \$2,000 monthly reimbursement. Ana received the \$2,000 as credit, and she has to pay \$100 every two weeks until she pays the \$2,000. Rosa was the last participant to receive \$2,000. For Rosa, the susu essentially served as a savings account that helped her save \$200 every month.

**WATCH OUT** - The primary risk associated with these clubs is that one of the first people who receives a reimbursement ends up disappearing or leaving the group. Other risks are that the leader of the group (who presumably holds the money) runs off with everybody's contribution.

**3. Pre-paid Credit Cards** – With these products, you must deposit money onto the card before you use it. Pre-paid cards can be used at most places that accept credit cards and debit cards.

Pre-paid cards end up being quite expensive, due to a variety of extra fees: an activation fee, recharge fee, checking balance fee, fees for removing cash from ATM, and charges for using the card to pay bills. Some pre-paid cards also charge monthly or annual maintenance fees.

**4. Predatory lenders who target small businesses** - Some companies give loans with the objective of preying on small businesses owners, who are often minorities or immigrants. They know small business owners have less access to capital.

What makes these institutions predatory?

- ✓ The interest rates are extremely high, and they are not clearly indicated in the paperwork.
- ✓ They have a lot of hidden costs that also may not be clearly communicated.
- ✓ The contracts are very difficult to understand, making them quite confusing when compared with other offers.
- ✓ A lot of these loans and institutions are found on the internet.
- ✓ Often the only payment method for these loans are automatic monthly withdrawals from your bank account.

There are not a lot of regulations that protect the small businesses from predatory loans. What can you do to protect yourself?

- ❖ If something sounds too good to be true, it probably is not a good loan product.
- Search for help from trustworthy institutions that can help you find financing. Ask the facilitator about the program, WE Master Money: Funding.
- Make sure you understand all the interest rates (APR) and all of the different charges. For example: application fees, distribution fees, late fees, etc.
- Utilize loans granted by institutions that are committed to the "Small Business Borrower's Bill of Rightsi."
  - 1. The Right to Transparent Pricing and Terms.
  - 2. The Right to Non-Abusive Products.
  - **3**. The Right to Responsible Underwriting.
  - 4. The Right to Fair Treatment from Brokers.
  - 5. The Right to Fair Collections Practices
  - 6. The Right to Inclusive Credit Access.

# Module III. How do creditors know if you have good credit?

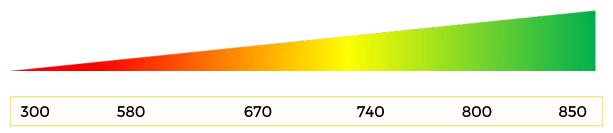
When you apply for credit, companies will review your score to decide whether or not they will offer you money. That score allows them to evaluate your credit risk. Many different products that rate credit scores exist, but the most utilized score is FICO.

#### FICO Scoreii

The most used FICO score range is 300 to 850. Higher scores represent less risk for giving credit to a borrower.

# Categories of FICO Scoreiii

Having a good credit score depends on the risk that each creditor is willing to take. However, there is a range of FICO scores that compares a snapshot of your credit with the FICO scores of the rest of the U.S. population.



Under 580	From 580 to 669	From 670 to 739	From 740 to 799	From 800 and upwards
Risky credit score, would be very difficult to be accepted for most types of credit.	Acceptable credit score. Will begin to be accepted for credit, but the interest rates will be high.	Good credit score.	Very good credit score.	Excellent credit score.  Will receive the best offers of credit.

- ❖ Having a good credit score will help you obtain credit and financing with lower interest rates and better overall terms.
- ❖ Your credit score influences the credit line that card companies will grant you or in the case of loans, how large the loan will be.
- ❖ Your credit score is also evaluated when you apply for a lease, or by a telephone, cable, or internet provider.

#### How is the credit score calculated?

Your credit score is determined from the information that is in your credit report.

# What is a credit report?

The credit report is a history of your credit information reported by creditors to the credit agencies.

# Who are the Credit Agencies? iv

You should be aware of the three different versions of your credit report, from the three most important credit bureaus in the market:

- Equifax
- Experian
- Transunion

# **Module IV. The Credit Report**

**Activity 3.** In groups of four, analyze the credit report in pages 11-14, and identify what type of information is being reported. You can utilize the boxes below to write information that you found. Select a person in your group to share what you found with the class.

Source: Experian on https://www.experian.com/credit report basics/pdf/samplecreditreport.pdf

Sample Credit Report | Free Annual Credit Report | Experian Credit Report | Experian Credit Score

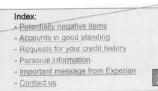


## Online Personal Credit Report from Experian for

Experian credit report prepared for JOHN Q CONSUMER

Your report number is

1562064065 Report date: 04/24/2012



Experian collects and organizes information about you and your credit history from public records, your creditors and other reliable sources. Experian makes your credit history available to your current and prospective creditors, employers and others as allowed by law, which can expedite your ability to obtain credit and can make offers of credit available to you. We do not grant or deny credit; each credit grantor makes that decision based on its own guidelines.

To return to your report in the near future, log on to www..experian.com/consumer and select "View your report again" or "Dispute" and then enter your report number.

If you disagree with information in this report, return to the Report Summary page and follow the instructions for disputing.

#### Potentially Negative Items



#### Public Records

Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit items listed later in this report.

#### MAIN COUNTY CLERK

Address: 123 MAINTOWN S BUFFALO , NY 10000 Identification Number:

Plaintiff:

ANY COMMISSIONER O.

Status:

Civil claim paid.

Status Details:

This item was verified and updated in Apr 2012.

Date Filed: Claim Amount: 10/15/2012 \$200 Date Resolved: Liability 03/04/2012 Amount:

Amou

Responsibility: INDIVIDUAL

# Status:

courts.

Repart number: You will need your report

Index:

items:

number to contact Experian

online, by phone or by mail.

Navigate through the sections of your credit report

Potentially negative

Items that creditors may

and address, your account number (shortened for

security), account status,

type and terms of the

account and any other information reported to

Experian by the creditor.

obtained directly from the

Also includes any

bankruptcy, lien and judgment information

view less favorably. It includes the creditor's name

using these links.

Indicates the current status of the account.

#### Credit Items

For your protection, the last few digits of your account numbers do not display.

#### ABCD BANKS

Address: 100 CENTER RD BUFFALO, NY 10000 (555) 555-5555

Status: Paid/Past due 60 days.

1000000....

Account Number:

Date Opened: Type: 10/2012 Installment Reported Since: Terms: 11/2012 12 Months Date of Status: Monthly 04/2012 Payment:

Payment: \$0 Responsibility: Individual Credit Limit/Original Amount: \$523

High Balance: NA Recent Balance: \$0 as of 04/2012 Recent Payment:

\$0

Account History: 60 days as of 12-2012 30 days as of 11-2012

Last Reported:

04/2012



If you believe information in your report is inaccurate, you can dispute that item quickly, effectively and cost free by using Experian's online dispute service located at:

#### www.experian.com/disputes

Disputing online is the fastest way to address any concern you may have about the information in your credit report.

MAIN COLL AGEN	CIES		
Address: PO BOX 123 ANYTOWN, PA 10	Account Number: 0123456789 000	Original Creditor: TELEVISE CABLE COMM.	
(555) 555-5555 Status: Collection	account, \$95 past due as of 4-2012.		_
Date Opened:	Туре:	Credit Limit/Original Amount:	
01/2005 Reported Since: 04/2012	Installment Terms: NA	\$95 High Balance: NA	
Date of Status: 04/2012	Monthly Payment: \$0	Recent Balance: \$95 as of 04/2012 Recent Payment:	
Last Reported: 04/2012	Responsibility: Individual	\$0	
Your statement:	ITEM DISPUTED BY CONSUMER		Accounts in good standing:
Account History Collection as of 4			Lists accounts that have a positive status and may be
Collection as of 4	-2012		viewed favorably by creditors. Some creditors do not report to us, so som
Accounts in Go	od Standing 5		of your accounts may not be
AUTOMOBILE AU			37.00-3004-30
Address: 100 MAIN ST E SMALLTOWN, MD	Account Number: 12345678998		Туре:
(555) 555-5555 Status: Open/Nev	er late.	- Control of the Cont	Account type indicates whether your account is a
Date Opened: 01/2006	Type:	Credit Limit/Original Amount: \$10,355	revolving or an installment account.
Reported Since: 01/2012	Terms: 65 Months	High Balance: NA Recent Balance:	
Date of Status: 04/2012	Monthly Payment: \$210	\$7,984 as of 04/2012 Recent Payment:	
Last Reported: 04/2012	Responsibility: Individual	\$0	
MAIN	A Option 1 - Str		_
Address: PO BOX 1234 FORT LAUDERDA		- ideas-broken	
Status: Closed/Ne	ever late.		
Date Opened: 03/1997 Reported Since:	Type: Revolving Terms:	Credit Limit/Original Amount: NA High Balance:	
03/2012	1 Months	\$3,228 Recent Balance:	
Date of Status: 08/2012	Monthly Payment: \$0	\$0 /paid as of 08/2012 Recent Payment:	
Last Reported: 08/2012	Responsibility: Individual	\$0	
Your statement:	t consumer's request		
, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	2 (FEC ) 1 2 (2009) (CO) (FEC ) 1 2 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7		

Client's booklet WE Master Money: Credit

## Requests for Your Credit History



#### Requests Viewed By Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you.

The section below lists all who have requested in the recent past to review your credit history as a result of actions involving you, such as the completion of a credit application or the transfer of an account to a collection agency, application for insurance, mortgage or loan application, etc. Creditors may view these requests when evaluating your creditworthiness.

#### HOMESALE REALTY CO

Address: 2000 S MAINROAD BLVD STE ANYTOWN CA 11111 (555) 555-5555

Date of Request: 07/16/2012

Real estate loan on behalf of 3903 MERCHANTS EXPRESS M. This inquiry is scheduled to continue on record until 8-2014.

#### M & T BANK

Address: PO BOX 100 BUFFALO NY 10000 (555) 555-5555

Date of Request:

02/23/2006

Comments:

Permissible purpose. This inquiry is scheduled to continue on record until 3-2008.

#### WESTERN FUNDING INC

Address: 191 W MAIN AVE STE 100 INTOWN CA 10000 (559) 555-5555

Date of Request:

01/25/2006

Comments:

Permissible purpose. This inquiry is scheduled to continue on record until 2-2008.

#### Requests Viewed Only By You

The section below lists all who have a permissible purpose by law and have requested in the recent past to review your information. You may not have initiated these requests, so you may not recognize each source. We offer information about you to those with a permissible purpose, for example, to:

- other creditors who want to offer you preapproved credit;
- an employer who wishes to extend an offer of employment;
- a potential investor in assessing the risk of a current obligation; Experian or other credit reporting agencies to process a report for you;
- your existing creditors to monitor your credit activity (date listed may reflect only the most recent request).

We report these requests only to you as a record of activities. We do not provide this information to other creditors who evaluate your

#### MAIN BANK USA

Address: 1 MAIN CTR AA 11 **BUFFALO NY 14203**  Date of Request: 08/10/2012

# MYTOWN BANK

Address: PO BOX 825 MYTOWN DE 10000 (555) 555-5555 Date of Request: 08/05/2006

#### INTOWN DATA CORPS

Address: 2000 S MAINTOWN BLVD STE INTOWN CO 11111 (555) 555-5555

Date of Request: 07/16/2006

Requests for your credit history:

Also called "inquiries." requests for your credit history are logged on your report whenever anyone reviews your credit information. There are two types of inquiries.

Inquiries resulting from a transaction initiated by you. These include inquiries from your applications for credit, insurance, housing or other loans. They also include transfer of an account to a collection agency. Creditors may view these items when evaluating your creditworthiness.

Inquiries resulting from transactions you may not have initiated but that are allowed under the FCRA. These include preapproved offers, as well as for employment, investment review, account monitoring by existing creditors, and requests by you for your own report. These items are shown only to you and have no impact on your creditworthiness or risk scores.

#### Personal Information

The following information is reported to us by you, your creditors and other sources. Each source may report your personal information differently, which may result in variations of your name, address, Social Security number, etc. As part of our fraud prevention efforts, a notice with additional information may appear. As a security precaution, the Social Security number that you used to obtain this report is not displayed. The Name identification number and Address identification number en low our system identifies variations of your name and address that may appear on your report. The Geographical Code shown with each address identifies the state, county, census tract, block group and Metropolitan Statistical Area associated with each address.

Names:

JOHN Q CONSUMER

Name identification number: 15621

JONATHON Q CONSUMER

Name identification number: 15622

J Q CONSUMER

Name identification number: 15623

Social Security number variations:

999999999

Year of birth:

1959

Spouse or co-applicant:

JANE

Employers:

ABCDE ENGINEERING CORP

Telephone numbers: (555) 555 5555 Residential Address: 123 MAIN STREET ANYTOWN, MD 90001-9999 Address identification number: 0277741504 Type of Residence: Multifamily

Geographical Code: 0-156510-31-8840

9

Address: 555 SIMPLE PLACE ANYTOWN, MD 90002-7777 Address identification number:

0170086050 Type of Residence: Single family Geographical Code: 0-176510-33-8840

Address: 999 HIGH DRIVE APT 15B ANYTOWN, MD 90003-5555 Address identification number: 0170129301

Type of Residence: Apartment complex Geographical Code: 0-156510-31-8840

## Personal information:

Personal information associated with your history that has been reported to Experian by you, your creditors and other sources.

May include name and Social Security number variations, employers, telephone numbers, etc. Experian lists all variations so you know what is being reported to us as belonging to you.

#### Address information:

Your current address and previous address(es)

#### Personal statement:

Any personal statement that you added to your report appears here.

Note - statements remain as part of the report for two years and display to anyone who has permission to review your report.

#### Your Personal Statement



No general personal statements appear on your report.

#### Important Message From Experian

By law, we cannot disclose certain medical information (relating to physical, mental, or behavioral health or condition). Although we do not generally collect such information, it could appear in the name of a data furnisher (i.e., "Cancer Center") that reports your payment history to us. If so, those names display in your report, but in reports to others they display only as MEDICAL PAYMENT DATA. Consumer statements leaded to other they are reports to the contain medical information are displayed to them. included on your report at your request that contain medical information are disclosed to others.

#### Contacting Us

Contact address and phone number for your area will display here.

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# What information do you find on the credit report?

❖ The creditors disclose the following information on your report:

- ✓ What type of credit you use (for example: cards, car loans, mortgage)
- ✓ Have you made your payments on time or not
- ✓ When was the account open/closed
- ✓ The credit limit(s) on your card(s) or the initial amount of your loan(s)
- ✓ What is the balance on each of your accounts
- ❖ Personal Information that you have reported to the creditors: your name (and if you have used other names), your address (present and past), social security number, date of birth and current and past employers.
- Credit Inquiries: Every time that you apply for credit it is reported to the credit bureaus. This occurs regardless of whether you were accepted or denied for credit.
- ❖ Collection Accounts: The credit report will show the original amount of the debt when it was sent to the collection agency, the current balance of the debt, and the date that the debt was acquired by that collection agency.
- ❖ Public Records: Judgements from creditors, garnishments, tax liens, foreclosures, and bankruptcy.

The creditors can choose to report to one, two, or three agencies. For that reason, the three credit reports can have different information on them. Your credit score will also vary across the three agencies.

**ATTENTION** – Your report and score do **not** have information about your income, checking or saving accounts, immigration status, criminal record, race, color, religion, country of birth, gender, marital status, or whether or not you receive public assistance.

# Module V. Obtain your credit report

## Some of the reasons why you should review your credit report include:

- ❖ To know your current situation with regards to credit and to be able to make financial decisions that are realistic.
- ❖ To know what information is being reported about you.
- ❖ To ensure that the information reported about you is correct. You have the right to correct erroneous information.
- ❖ To protect yourself from identity theft.

# How do you obtain a credit report?

In accordance with federal law, you have the right to obtain your credit report every 12 months from each one of the three major credit bureaus. You can obtain your report in three different ways:

- a. By mail
- You need to fill out the Annual Credit Report Request Form, which can be found at www.annualcreditreport.com
- > Enclose in the envelope the necessary documents.
- b. On the internet: www.annualcreditreport.com
- > To make the request online you must have a social security number.
- c. By calling 1-877-322-8228
- The phone service request is only available in English.
- You must go through a process of identity verification on the phone.

# How do you obtain the report without a social security number?

If you don't have a social security number, the best way to obtain your credit report is through the mail. The credit agencies use all the basic information that is available to identify you. This includes your complete name, current and past addresses and date of birth. If you have utilized a Tax ID number or ITIN number (Individual Taxpayer Identification Number) to open credit, you should also include it.

In the one-on-one financial counseling session your financial counselor can help you access your credit report and score. Make your appointment today.

All services are free!

**ATTENTION** – Obtaining your own credit report through the three agencies (Transunion, Experian or Equifax) does not hurt your credit. Viewing your credit with a Financial Counselor from Ariva doesn't hurt your credit either because Ariva is an organization authorized to obtain credit reports for educational purposes.

## Other ways to obtain your credit report:

- There are other internet sites that allow you to obtain free credit reports and scores (they usually require a social security number). If you decide to utilize these services, keep in mind that they will try to sell you additional services.
- Other sites promote credit reports and free credit scores, but they require you to register a credit card. This means that you will get the service for free, but only temporarily; eventually the company will begin charging your card.

# Module VI. Reading your credit report

Activity 4. Together let's read the credit report on pages 11-14.

# For how long will negative information remain in your credit report?

- ❖ Late payments remain on your credit report for 7 years.
- ❖ Collection accounts remain on the report for 7 years.
- Bankruptcy remains on your report for 7 to 10 years, depending on the type of bankruptcy.
- ❖ Judgements remain on your credit report for 7 years.
- Foreclosures remain for 7 years.
- Tax liens can remain on your credit indefinitely.
- Credit inquiries remain on your credit report for 2 years.

**ATTENTION** - As time goes on, the effect of the negative information on your credit score will diminish.

# What can you do if there is incorrect information on your credit report?

If you find incorrect information on your report, we recommend that you:

- Initiate a dispute with all three of the credit agencies: Equifax, Experian and Transunion.
- In writing, contact the company that reported the information incorrectly (whether it be the original creditor, or the collection agency that bought the debt).
- ❖ Save copies of all the documentation that you have sent and received regarding the dispute.
- ❖ The credit agencies and creditors must investigate your dispute and correct any errors.

**WATCH OUT** - Errors on your credit report could be a sign of identity theft. The first step in protecting your identity is checking your credit report. Your financial counselor can help you take the necessary steps in resolving identity theft during the one-on-one sessions.

In the one-on-one session, your financial counselor can help you dispute errors and take the necessary actions to protect yourself from identity theft. Make your appointment today. All the services are free!

# Module VII. How to establish a credit history and score?

# Requirements to have a FICO scorevi

FICO has some minimum requirements to produce the three-digit number (FICO score) using your credit history.

You must have a credit card or loan open and active for at least 6 months (there cannot be disputes on this account).

# **Options for establishing a credit history**

- ❖ Apply for a credit card, go over the different options that you have and choose the one that fits you best.
- ❖ If you don't have a credit history, then one option is to apply for a secured credit card or a secured loan.

**REMEMBER** - Pre-paid cards and debit cards do not help you build credit.

# Requirements for obtaining credit

- Financial institutions usually ask for two types of identification that are not expired.
- They also may ask for your income and a verification of your income.
- ❖ They will check your credit report and your credit score.

## **Building credit without a social security number**

There is no legal requirement stating that you must have a social security number to access credit. However, the financial institutions can ask you for a Tax ID, also known as an ITIN number (Individual Taxpayer Identification Number). Each financial institution has the right to decide what documents to accept.

# **Explanation of Credit Card Termsvii**

**Credit Limit:** Is the maximum amount of money that you can use on the card.

Annual Interest Rate (APR): The percentage of interest that the company will charge if you leave a balance on the card.

Grace Period: The time period between the end of a billing cycle and the due date. Paying your balance in full during the grace period will help you avoid to get charged interests in your purchases.

Maintenance Fees: Fees for maintaining your account. Those charges can be monthly or annually. Some credit cards do not have maintenance fees.

Penalty Fees: Charges or fees for paying late, going over your credit limit, or making payments on the cards without having funds. Special Offers: The credit card companies have special offers made to attract customers. Understand the benefits and changes once the offer expires.

In the one-on-one session, your financial counselor will help you analyze credit card offers that you receive. Make your appointment today. All services are free!

# Tips for comparing credit cards:

- Review and compare several offers.
- Review the contracts, especially the fine print.
- Don't feel pressured into signing any document.
- Compare the interest rates.
- Make sure you know the interest and annual charges.
- ❖ Make sure you are aware of the late payment penalties.

WATCH OUT - Be careful with the fine print on credit card offers. If you don't understand what the offer states, find someone you trust to help you read the technical language. Don't sign or apply for a card without understanding everything that you are signing.

**Activity 5.** In groups of four, compare the credit card offers on pages 21 and 22. Choose which one is most convenient.

Reasons why you chose this card:		

# **Card 1 - Terms**

Annual Interest Rate (APR)		0% Introductory APR for the first 15 statements following the opening of your account.
		After that, <b>12.99%</b> to <b>22.99%</b> , based on your credit risk.
Interest Rate (APR) for Balar	nce Transfers	<b>0%</b> Introductory for the first 15 statements following the opening of your account.
		After that, <b>12.99%</b> to <b>22.99%</b> , based on your credit risk.
Interest Rate for Cash Advan	ces (APR)	25%
Penalty APR and When It Ap	plies	Up to 29.99%, based on your creditworthiness.
		The penalty will be applied if you:
		<ul> <li>Make a late payment;</li> <li>Exceed your credit limit;</li> <li>Make payments without funds.</li> </ul>
How to Avoid Paying Interes	t on Purchases	Your due date is at least 21 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date of each month. We will begin to charge interest for balance transfers or for cash advances the day of the transaction.
Membership fees	\$0 for the first ye	ar and \$99 for each year afterwards.
Additional Fees:	фГ a и <b>7</b> 0/ a f tha a a	
Balance Transfer Fees Cash Advance Fees		mount, whichever is greater. amount, whichever is greater.
Penalty Fees		
Late payments	Up to <b>\$35</b> .	
Overdraft	Up to <b>\$35</b> .	
Returned Payments	Up to <b>\$35</b> .	
Returned Checks	Up to <b>\$35</b> .	

<sup>\*</sup>You will lose the introductory interest rate if you make a payment more than 60 days late and the late penalty will also be applied.

# Card 2 - Terms

# **Interest Rates**

Interest Rates (APR)	16.99%
Interest Rates for Balance Transfers	16.99%
Interest Rate for Cash Advances	24.9%
Interest Rates for Penalty Charges	29.4%
Paying Interest	Your due date is 25 days after the cycle closes. We will not charge any interest if you pay your balance in full by the due date.

# **Charges**

Annual Charge	\$39 Annual
Charges for Transactions	
Balance Transfers	None
Cash Advances	\$10 or 5% or whichever amount is greater.
Charges for Penalties	
Late Payments	Up to \$35
Overdraft charges	Up to \$29
Returned Payments	Up to \$35

### **Secured Credit Card and Secured Loan**

If you have no credit or bad credit, there are options available to help you to establish or improve your credit. These products offered by financial institutions are known as secured credit cards or secured loans.

### **Secured Credit Card**

- You must put a deposit as a collateral to be able to obtain the card.
- ❖ The deposit serves as your line of credit. On some cards, the deposit that you put down will be equal to 100% of the credit line. In other cases, that deposit can be lower, for example putting a deposit of \$300 and getting a \$500 credit limit.

## **Secured Loan**

- With a secured loan you make monthly payments to the bank or credit union, for a particular length of time, usually 6 or 12 months.
- ❖ Each monthly payment is deposited into a savings account that will be available for you at the end of the length of the loan.

## What do you need to know about secured products?

- What are the requirements for being eligible?
- Do you have the documentation required by the lender?
- For a secured credit card, how much do you need to put down for the security deposit?
- For a credit builder loan, how much is the monthly payment and for how long?
- What is the interest rate?
- What are the charges for the application and for maintenance?
- Are there additional fees?
- Does the security deposit gain interest?

**ATTENTION** - Ensure that the credit accounts you apply for are reported to the three major credit agencies.

# Before opening a secured credit product, review:

Your current and future financial situation	Your savings
Do you have a stable income and will you maintain your current income in the next 6 months?	Have you had extra money at the end of the last 6 months?
months?	Have you contributed to your savings in the past 6 months?
Have you been able to cover your basic expenses in the last 6 months?	After you put the security deposit, will you still have money in case of an emergency?

WATCH OUT - Secured credit products help you to build and improve credit, but if you don't manage them correctly you will hurt your credit. You can also lose the deposit that you have put down if you fall behind on payments.

# Module VIII. Factors that influence your credit scoreviii

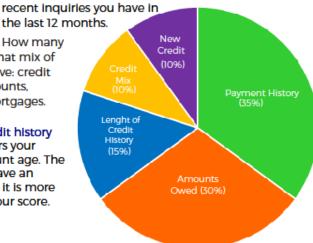
# Factors Included in your FICO Score

# New credit (10%)

How many new accounts you have and how many recent inquiries you have in

Credit mix (10%) How many accounts and what mix of accounts you have: credit cards, retail accounts, installments, mortgages.

Length of credit history (15%) Considers your average account age. The longest you have an account open it is more valuable for your score.



Payment history (35%)
This is the most
Important factor. How
you make your payments
to credit cards, loans and
store cards. Collections
and public records are
included here.

## Amounts owed (30%)

## A very important factor.

This includes how much you owe in all your accounts, how much is your balance in credit cards compared to the credit limit, how much is your current balance in an installment compared to the original loan amount, how many accounts have a balance.

Fuente: MyFICO.com

**Activity 6.** Select a partner, we will assign a case for each pair. One person will represent the bank and the other will represent a client that is looking for a loan.

Step 1: The client will present the information to the bank. The bank will decide to lend the money or not.

Step 2: For those who give out the loan, walk to the right side of the classroom. For those who decide to deny the loan, please walk to the left side of the classroom. Write on the assigned poster, the number one reason why you accepted or denied the clients' application for the loan.

Step 3: Fort the clients, share with the class how you felt to be accepted or denied the loan.

Let's talk and reflect.

Case 1: Julia has an income of \$12,000 per year. She works part time for a cleaning company and is assigned 3 houses per week. She is known in her neighborhood for the delicious tacos that she takes to parties and events in the community. Motivated by the positive feedback from her friends and loved ones regarding her cooking, she has decided that she wants to sell her tacos from a truck. She researched and discovered that she will need \$5,000 to invest in a truck. She only has \$1000 saved up.

When the banker obtained Julia's credit report she found that Julia did not have a credit score. The only things that appeared in her credit report were two credit inquires for cards that she was denied for. Would you give a loan of \$5,000 to Julia? What would be your recommendations to her?

Case 2: Margarita makes \$25,000 per year as a babysitter. Her favorite hobby is looking at fashion magazines and sewing her favorite pieces for her and her daughter, who is 7 years old. Margarita wants to utilize her hobby to make money and had the idea of sewing and selling clothes. Margarita wants to start as a saleswoman that travels, offering her products to neighbors and friends, so her business would not require a storefront. Margarita needs a loan of \$1,000 to buy materials and a better sewing machine than the one she has now.

When the banker obtains her credit report, she finds a credit card with Capital One, which she got 9 months earlier. The card has a limit of \$1,000 and a balance of \$200. Her credit score is 690. All of her payments have been made on time. There is not negative information on the report. Would you give a loan to Margarita? What are your recommendations?

Case 3: Antonia works full time as a waitress and helps out at a bar in Midtown Manhattan. She has an annual income of \$45,000. Antonia has worked at restaurants for more than 10 years. She wants to start her own restaurant and needs a loan of \$15,000. She has \$2,000 saved up.

Upon obtaining her credit report, the banker found that Antonia has three credit cards that are open and active. The combined limit of these cards is \$10,000 and in total she owes \$7,000 between her three accounts. Additionally, she has an account that is in collections. This is a medical debt from the hospital worth \$2,000 from an accident at work that occurred over a year ago. The report also showed a Capital One credit card that is closed and which has a debt of \$325 that she never finished paying off. This card is closed but has not yet been passed onto collections. In sum, Antonia's total debt is \$9,325. Her credit score is 600. Would you give a loan to Antonia? What are your recommendations?

Case 4: Sonia is a cook at a restaurant in Brooklyn. Her annual income is \$27,000 after taxes. One of the managers of the restaurant wants to make Sonia a partner in the business The manager would require an investment of \$5,000, and Sonia has \$2,000 saved up.

Upon obtaining Sonia's credit report, the banker saw that she had a credit card with a limit of \$900 and a balance of \$250. Sonia also just started a secured loan in order to improve her credit. The amount of the loan is \$500 and she already made her first payment of \$85, now she owes \$415. Her credit score is 720. Would give a loan to Sonia? What are your recommendations?

# Module IX. Strategies for having good credit

**Activity 7.** Please share with us some strategies for how to build credit.

## Steps to follow to have good credit:

**Pay your accounts on time** – Paying your accounts on time is the most important factor in your credit score.

- Your payments should arrive to the creditor before the due date, to avoid penalties.
- ❖ Late payments of more than 30 days are reported to the credit agencies and hurt your credit score.
- ❖ Payments can be made by mail (with check or money order) or by telephone and over internet.
- ❖ You can establish automatic payments from your bank account, but you will be responsible for checking that the payments are correct each month. This strategy helps to simplify the payment process.

**ATTENTION** - If you are having difficulty in making payments, do not ignore the debts. Search for help through this program. A financial counselor will be available to meet with you individually.

**Maintain low balances on your cards** – The most recommendable action you can take is to pay your balance in full at the closing of every billing cycle (before the end of your grace period). This way, you will avoid paying any interest. You should also try not to use over 30% of your available credit limit, going over 30% of credit utilization will affect your credit score negatively.

**ATTENTION** - If you are having difficulty in paying your balance, pay at least the minimum balance required so that you avoid being late, which affects your score the most.

**Avoid applying for lots of credit** - You need to apply for credit in order to begin building it, but applying for many credit accounts will make you seem like a greater risk to creditors. Opening new accounts reduces the average amount of time of your existing accounts affecting your credit score.

We recommend that you only apply for credit when it is necessary and when you believe that you will be approved by the company. If you have no credit history, or a negative credit history, then you are best off applying for secured credit products.

**ATTENTION** - The FICO score counts credit inquiries from the last 12 months.<sup>ix</sup>

**Do not close credit cards** – This reduces the average time of your credit history. It also reduces the overall limit of your credit accounts.

Example: Imagine that you have the following cards

	Credit Limit	Balance	Percentage of debt compared with credit limit
Card 1	\$ 4,000	0	0%
Card 2	\$ 3,000	\$ 600	20%
Card 3	\$ 5,000	\$ 2,000	40%
Total	\$ 12,000	\$ 2,600	22%

Since you have not been using Credit Card 1, you decide to close it. Your debt does not change, but the total percentage of your debt compared with your credit limit will increase from 22% to 33%. The chart below shows the changes in your utilization rate:

	Credit Limit	Balance	Percentage of debt compared with credit limit
Card 1	0	0	Closed
Card 2	\$ 3,000	\$ 600	20%
Card 3	\$ 5,000	\$ 2,000	40%
Total	\$ 8,000 (less)	\$ 2,600 (the same)	33% (more)

**Diversify** - If you are managing your credit with success, then it may be time for you to diversify your credit profile. You can do this by acquiring another type of credit account. For example, if you have a credit card, you may open a secured loan. If you have a loan, you can open a credit card.

**Protect your credit** - Be careful not to co-sign for credit (loans) or to authorize other people to use your credit unless you are 100% confident that they will be financially responsible. Being a co-singer makes you legally responsible for the debt that the principal borrower accrues.

**Review your credit report** - Identify and correct errors that you find.

\* Remember that information from collection accounts and public records generally will remain on your credit report for 7 years since the date that you stopped paying them. If you find incorrect information on your credit report you have the right to dispute the errors.

**Pay all your bills on time** (telephone, cable, internet, medical, rent, taxes, banks, etc.) - If you don't pay your accounts you run the risk of having the account sent to a collection agency. Having accounts in collections affects your credit score negatively.

Creditors can also bring a lawsuit against borrowers who owe them money. The reporting of judgments will seriously hurt your credit score.

- ❖ If you have an account in collections, try to negotiate a repayment plan.
- ❖ Be aware that paying a collection account will not improve your credit score. The report will show the account as paid, but the negative impact on your score will have already taken effect.
- ❖ Under state laws, debts expire after a certain period, and creditors lose the right to collect a debt.<sup>x</sup> In New York, the expiration of these debts is generally after 6 years but it depends on the type of debt.<sup>xi</sup>

# What to do if you have bad credit?

- ❖ Begin by correcting information that should no longer be on your credit report.
- ❖ Keep in mind, that negative information that is correct cannot be erased from your credit report.
- ❖ Be careful with scamming companies that promise to fix your credit quickly and ask that you pay them upfront. These companies tend to ask for a signature of blank documentation to be used in the future. They also suggest that you do not contact the creditors directly.
- ❖ A secured credit card or secured loan are good options for rebuilding your credit.
- Develop a plan to pay back your debts over time.
- ❖ Attend a financial counseling session through this program.

Participate in an individual financial counseling session, your counselor will help you create an action plan for improving your credit. Make your appointment today. All services are free!

The content of this program was made possible thanks to the support of Citi.





http://www.aspeninstitute.org/

Information about the FICO credit score obtained from Fair Isaac Corporation.

iii Information about the FICO credit score obtained from Fair Isaac Corporation.

iv https://www.consumer.ftc.gov www.annualcreditreport.com

<sup>&</sup>lt;sup>v</sup> https://www.consumer.ftc.gov/articles/0155-free-credit-reports

vi Fair Isaac Corporation

vii http://www.consumerfinance.gov/askcfpb/47/what-is-a-grace-period-how-does-it-work.html

viii Information about the FICO credit score obtained from Fair Isaac Corporation.

ix Information about the FICO credit score obtained from Fair Isaac Corporation.

<sup>\*</sup> https://www.consumidor.ftc.gov/articulos/s0117-deudas-prescriptas http://www.consumerfinance.gov/askcfpb/1447/what-best-way-negotiate-settlement-debt-collector.html

xi http://www.nycourts.gov

# **WE Master Money: Crédito**

Guía del Facilitador







WE Master Money: Crédito Guía del Facilitador

# **WE Master Money: Crédito**

## Módulo I. Metas Financieras

**Actividad 1.** ¿Cuál es su sueño financiero? ¿Para qué le gustaría ahorrar dinero? Dibuje, escriba o imagine todo lo que su corazón realmente desea.

Time: 7 minutes including action plan activity and sharing with the class.

This is the start of a long-term relationship with your client. You need to create rapport and empathy. You could complete this activity by sharing your own personal dream. Your dream should be relevant for the population you are working with. Your dream should help you connect with your clients.

Be sensitive that some of the participants might not be literate, emphasize that they can write, draw or just think about any of the activities during the class.



## Ahora piense en:

¿Por qué es importante para usted?

¿Qué le motiva a alcanzar este sueño?

¿En qué tiempo quiere completar su sueño?

Your clients might be excited to share their dream with the class. Ask for some volunteers. This exercise will help you and the participants identify their values and motivational factors.

Creating an action plan based in what is important for the client will motivate them to stay in track to succeed.

WE Master Money: Crédito Guía del Facilitador

## Plan de acción

As the facilitator, you can guide your clients to create an action plan by sharing your action plan to reach your financial dream.

Piense en una acción que puede hacer esta semana para estar más cerca de su sueño.

Some examples of actions include: opening a bank account. This action will be only once.

Esta acción es:

Una sola vez De esta semana en adelante Cada cierto tiempo

¿Cómo esta acción le ayuda a estar más cerca de su sueño?

This part of the activity can be skip if needed.

Help your clients go through the process of creating their action plan and the reasoning behind their decisions.

Ahora, piense en una acción que puede hacer este mes para ayudarle a alcanzar su sueño

An example can be to make a deposit of \$20 in a savings account. This action will be done each month.

Esta acción es:

Una sola vez De este mes en adelante Cada cierto tiempo

¿Cómo esta acción le ayuda a estar más cerca de su sueño?

¿A quién le puede rendir cuentas que tomó esas acciones?

Remember, your clients just thought about their dreams and they might be excited to share it with the group. Though not everyone might be comfortable speaking in public so ask for volunteers. Depending on your group you can get 2 or 4 participants to share their action plans.

# Módulo II. Buen Crédito

As the facilitator you want to have a positive attitude about credit and help clients see credit as a tool to build opportunities instead of accumulation of debt.

Tener buen crédito significa que usted tiene un historial positivo de cómo ha manejado sus deudas.

Introduce why good credit is useful:

Los acreedores consideran que, si usted ha pagado responsablemente en el pasado, también lo hará en préstamos futuros.

- Un buen crédito le permite obtener servicios y productos sin tener que pagar por adelantado.
  - Esta promesa de pagar en el futuro se le llama préstamo, usualmente le cargan intereses.

Ask participants if they know what interests are. Answering questions correctly will help validate their knowledge. This can also help clarify any misunderstanding.

Teaching aid: ask clients to share their knowledge.

- Intereses es la cantidad que le cobran por prestarle dinero. Se calcula como un porcentaje del dinero que usted solicitó prestado.
- Si tiene un buen crédito los acreedores se verán más motivados a prestarle dinero porque usted representa menor riesgo.
- ❖ Un buen crédito le ayuda a obtener préstamos con tasas de interés más bajo.

# ¿Cómo un buen crédito ayuda a su familia?

**Actividad 2.** Dibuje las 3 cosas más importantes para usted que puede conseguir con un buen crédito.

Time: 3 minutes including activity, sharing with the class.

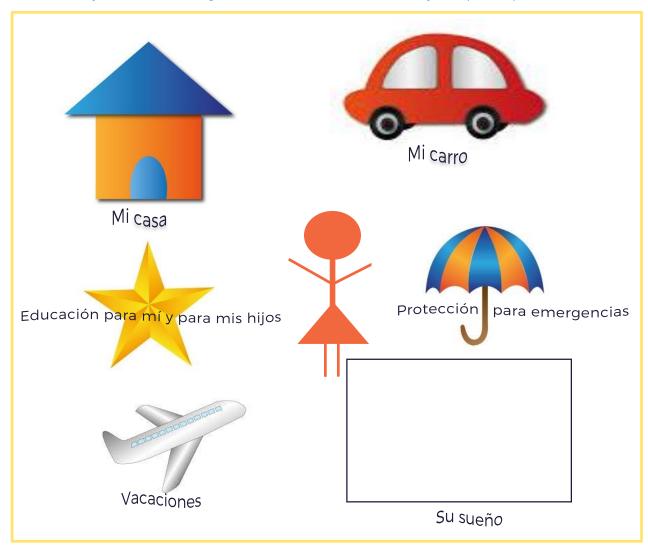
Give clients 1 minutes to think and draw.

Ask for volunteers that want to share and draw those ideas in the post-it pad.

Teaching aid: Use of post-it pad.

# Algunos de nuestros sueños financieros:

Check if any of the following items were not mentioned by the participants.



El crédito influye en muchos aspectos de su vida y la de su familia. Para alcanzar sus sueños financieros se requiere tener un buen crédito.

- Un buen crédito es necesario para obtener un préstamo hipotecario para comprar una casa.
- Con un buen crédito puede adquirir financiamiento para un carro.
- Un buen crédito ayuda a obtener préstamos estudiantiles para invertir en la educación de usted y la de sus hijos.
- ❖ Tener un buen crédito significa tener acceso a tarjetas de créditos o préstamos bancarios para emergencias como enfermedad, pérdida de trabajo o accidentes.
- Un buen crédito es necesario para arrendar un apartamento, obtener un plan de teléfono celular, internet y cable.

# ¿Cómo un buen crédito le ayuda en su negocio?

All the participants in your class are women entrepreneur, aside from building credit for personal reasons they want and need to build credit so their businesses can grow. Introduce and help they learn from each other how credit helps expand their businessess.

Time: 3 minutes including activity and sharing with the class.



- ❖ Todo emprendedor necesita un buen crédito, incluso los negocios pequeños, para interactuar con los proveedores.
- Un buen crédito le da más flexibilidad en el negocio, por ejemplo, al obtener mercancía de diferentes proveedores y a mejores precios.
- Un buen crédito le da la oportunidad de acceder a capital para que su negocio crezca.

Ask participants if they know other women entrepreneur that have opened a store or buy new equipment.

# ¿Cómo preparase para crecer en su negocio?



Time: 2 minutes

Make this module short, this is only an introduction to obtaining capital.

Porque usted es una pequeña empresaria las oportunidades para su negocio dependerán, al comienzo, de su crédito personal. El manejar sus finanzas personales estratégicamente le ayudará a preparase para aprovechar oportunidades futuras y obtener capital para expandir su negocio.

# Consideraciones para obtener financiamiento de capital para negocios:

Congratulate participants if they are in this stage and recommend to attend the WE Master Money: Funding workshops. You can provide more information in the one-on-one session. Have WE NYC website written in a post-it pad.

The following are basic considerations for those that are looking to access capital.

- ❖ El acceso de capital para negocios depende de muchos otros factores que no se necesitan para obtener crédito personal.
- ❖ Cada banco utiliza sus propias medidas de riesgo que pueden incluir, entre otros factores: su crédito personal, la rentabilidad de su negocio, el tiempo que usted ha tenido el negocio, si tiene un plan de negocios. La banca tradicional y la no tradicional medirán estas áreas de manera diferente.
- \* También consideran aspectos que están fuera de su control como el riesgo de cada industria. Por ejemplo, qué tan difícil es mantener un restaurante.
- Los expertos recomiendan que se enfoque en aquello que usted tiene control, como su crédito personal y conocimiento de su negocio para demostrar capacidad de manejo del negocio.
- \* También recomiendan que crezca de una manera sostenible, es decir, que cuando usted inicia no adquiera un préstamo muy grande que luego no pueda manejar.

Cuando usted ya obtenga acceso a préstamos para el negocio, asegúrese de utilizar ese dinero en el mismo.

Hoy es el mejor día para prepararse para expandir su negocio.

## Opciones sin crédito o mal crédito

Si necesita utilizar crédito y no ha construido crédito o tiene mal crédito, sus opciones son limitadas, más caras y de alto riesgo como:

- 1. Los prestamistas, chulqueros, usureros (loan sharks)
- 2. Las tandas o sociedades
- 3. Las tarjetas pre-pagadas
- 4. Los prestamos depredadores para negocios

Ask clients to share their knowledge about these services. They might have close experience with them.

Teaching aid: ask clients to share their knowledge.

Time: 5 minutes for options 1, 2, 3 and 4.

The first 3 options can be skip if your class is running behind. Though mention the predatory services for small businesses since participants can be a target.

1. Prestamistas, chulqueros, usureros (*loan sharks*) - Son personas que prestan dinero a tasas de interés muy elevadas si se compara con tasas anualizadas.

OJO - Los prestamistas son usualmente ilegales. Pueden llegar a utilizar amenazas y violencia para cobrar los préstamos.

Be aware that some loan sharks can be known people in the community.

Los cobros suelen ser semanales, estos cobros semanales pueden ser solo por intereses o pueden incluir parte del capital.

# Ejemplo numérico:

Si usted pide a un prestamista \$1,000, probablemente le requerirán que pague \$50 cada semana por intereses.

El préstamo se termina cuando usted pague los \$1,000 en su totalidad. Sin embargo, los \$50 pagados cada semana no se descuentan del capital. Por lo que, dependerá de usted cuanto tiempo le tome reunir los \$1,000.

Si le toma 10 meses reunir el dinero, pagaría en total \$2,000 en intereses más \$1,000 de capital.

2. Tandas o sociedades – Usualmente organizado entre personas que se conocen, donde cada una contribuye una cantidad específica de dinero, cada cierto tiempo (semanal, bisemanal, mensual), por un tiempo determinado (10 meses, 6 meses). Al final de cada mes, una persona del grupo recibe todo el dinero acumulado durante el mes.

Be aware that some of the participants might be part or leading group or tanda. Tandas are part of the way how many immigrants' communities have done business

## Ejemplo numérico:

Ana es la líder de una tanda de 10 personas. Cada dos semanas, todos los participantes se han comprometido a entregar a Ana \$100. Al final del primer mes, Ana recibirá \$2,000. El siguiente mes otro integrante de la tanda recibirá \$2,000. La tanda terminará en 10 meses cuando todos los integrantes hayan recibido los \$2,000. Ana recibió los \$2,000 como un crédito, ella debe pagar \$100 cada dos semanas hasta pagar los \$2,000. Rosa fue la última participante en recibir los \$2,000. Para Rosa, la tanda sirvió como una cuenta de ahorro que le ayudó a ahorrar \$200 cada mes.

OJO - Existe el riesgo de que la primera (o una de las primeras) persona que recibe el préstamo desaparezca y no contribuya para el resto de participantes. Otro riesgo es que el organizador de la tanda desaparezca con todo lo recolectado.

3. Tarjetas pre-pagadas – Usted necesita depositar el dinero antes de utilizarlas. Son tarjetas que se pueden utilizar en la mayoría de lugares donde se aceptan tarjetas de crédito como tiendas, en aerolíneas o para compras por internet.

Las tarjetas pre-pagadas pueden salir muy caras debido a los cargos por activar, recargar, chequear balance, sacar dinero de cajeros, utilizar la tarjeta para compras o pagar cuentas. Algunas tarjetas pre-pagadas también cobran mantenimiento mensual/anual.

If the participants of your class are coming from Grameen be aware that they are being reported to at least one Credit Reporting Agency (CRA) and soon to the 3 CRAs. This means that participants can be targeted by predatory lenders. The goal of this section of the workshop is to make participants aware of predatory lenders and how to recognize them.

### Topic should not be skipped.

4. Préstamos depredadores para negocios – Algunas compañías dan préstamos perjudiciales para negocios. Estas compañías tienen como objetivo llegar a emprendedores de negocios pequeños porque saben que tienen menos acceso a capital dado por instituciones financieras tradicionales.

¿Que los convierte en depredadores?

- ✓ Las tasas de interés son exageradamente altas y no son indicadas claramente.
- ✓ Tienen muchos costos escondidos que tampoco son indicados claramente.
- ✓ Los contratos son difíciles de entender, haciendo confuso comparar con otras ofertas.
- ✓ Muchos de ellos se encuentran en internet.
- ✓ Algunos hacen los cobros automáticamente de las cuentas de bancos del deudor.

No existen muchas regulaciones que protejan a los pequeños negocios de préstamos depredadores. ¿Qué puede hacer usted para protegerse?

- Si algo es muy bueno para ser verdad, entonces no es bueno.
- ❖ Busque ayuda de instituciones confiables que le pueden ayudar a encontrar financiamiento de capital. Pregunte por el programa de WE Master Money: Funding. Obtenga más información en la página de internet: www.nyc.gov/wenyc.

Entienda cuál es la tasa anual de interés (APR) y todos los cargos. Por ejemplo: cargos por aplicación, distribución, penalidades por re-pago adelantado, etc.

- ❖ Utilice préstamos otorgados por instituciones que se han comprometido en respetar la "Declaración de Derechos de los Prestatarios de Pequeños Negocios" ("Small Business Borrower's Bill of Rights").
  - 1. El Derecho a la Transparencia de Precios y Términos
  - 2. El Derecho a Productos no abusivos.
  - 3. El Derecho a un Financiamiento Responsable (Underwriting)
  - 4. El Derecho a un Tratamiento Justo por los Agentes Comerciales (Brokers)
  - 5. El Derecho a Acceder a Crédito Inclusivo (libre de discriminación)
  - 6. El Derecho a Practicas de Colección Justas

# Módulo III. ¿Cómo saben si tiene buen crédito?

Module should not be skip.

As the facilitator you want to hear what the participants already know so that you can adjust the detail of the information you provide. You could ask participants what they think companies use to determine if they have good credit.

Teaching aid: ask clients to share their knowledge.

Cuando usted aplica para obtener crédito, las compañías revisan su puntaje de crédito para decidir si le ofrecen dinero en un préstamo o no. Ese puntaje ayuda a evaluar su riesgo crediticio. Existen varios puntajes de crédito, pero el más utilizado es el puntaje llamado FICO Score.

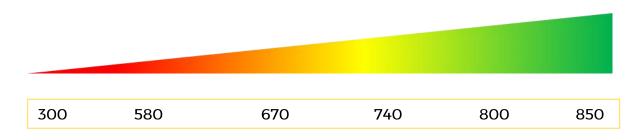
# **Puntaje FICO Score**ii

El puntaje FICO más utilizado va de 300 a 850 puntos. Los puntajes más altos son mejores va que existe menor riesgo para el acreedor.

# Categoría de Puntajes FICO Scoreiii

Explain workshop participants that there is not a magic number to be approved for credit. That will depend on the level of risk that the creditor decides to take.

Tener un puntaje FICO bueno depende de cuál es la calificación que cada acreedor solicita, sin embargo, existe un rango de puntajes FICO que permite comparar su calificación con la de la población de Estados Unidos que tiene puntajes FICO.



Debajo de 580	De 580 a 669	De 670 a 739	De 740 a 799	De 800 en adelante
Puntaje riesgoso, es muy difícil ser aceptada para crédito.	Puntaje aceptable. Empieza a ser aprobada para crédito, pero las tasas de intereses no son las mejores.	Buen puntaje	Muy buen puntaje	Excelente puntaje.  Recibe las mejores ofertas de crédito.

- ❖ Tener un puntaje de crédito bueno ayuda a que califique para obtener crédito en mejores términos.
- El puntaje de crédito influye en el límite de crédito que le darán en las tarjetas, o la cantidad del préstamo.
- Un puntaje alto ayuda a calificar por tasas de interés más bajas y por lo tanto pagos más bajos.
- ❖ El puntaje de crédito también es utilizado cuando usted aplica para alquilar un apartamento u obtener un plan telefónico, cable o internet.

# ¿Cómo se calcula el puntaje de crédito?

El puntaje de crédito se calcula de la información que se encuentra en su reporte de crédito.

# ¿Qué es un reporte de crédito?

Teaching aid: ask clients to share their knowledge.

El reporte de crédito es un historial de su información crediticia reportada por sus acreedores a las agencias de crédito.

# ¿Quiénes son las Agencias de Crédito? iv

Generalmente usted tiene tres reportes de crédito, uno por cada una de las Agencias de Crédito más importantes:

- Equifax
- Experian
- Transunion

# Módulo IV. El Reporte de Crédito

**Actividad 3.** En grupos de 4 personas, lea el reporte de crédito de las siguientes páginas e identifique que tipo de información es reportada. Puede utilizar los cuadros a continuación para escribir la información que encontraron o utilice la copia del reporte de crédito. Seleccionen a una persona para compartirlos con la clase.

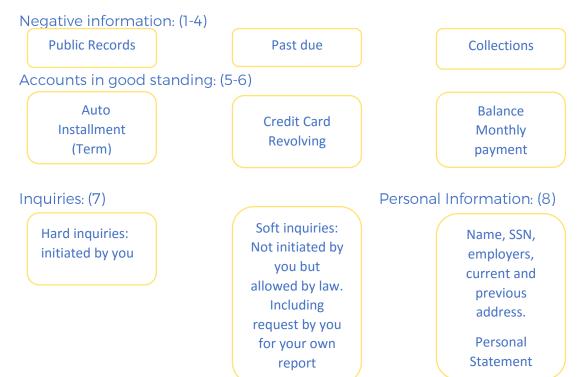
Time: 5 minutes including activity, sharing with the class.

The goal of this activity is:

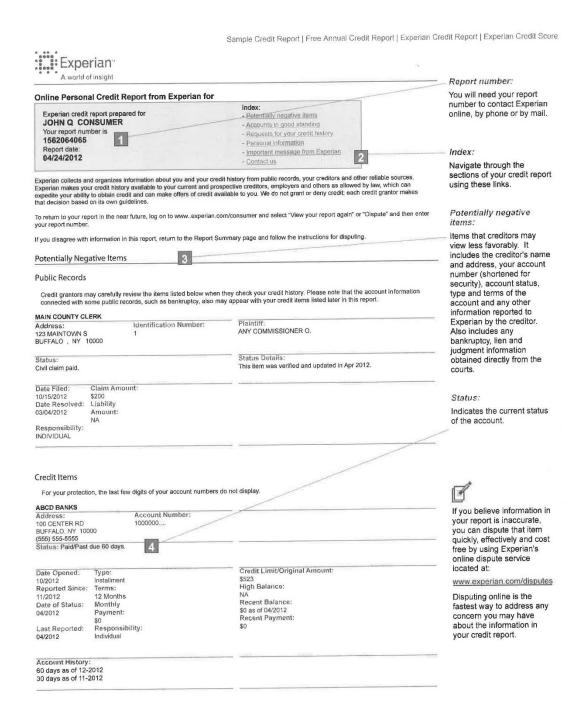
- 1. To introduce a credit report. This might be the first time that many of the participants will see a report.
- 2. To recognized information that is reported.

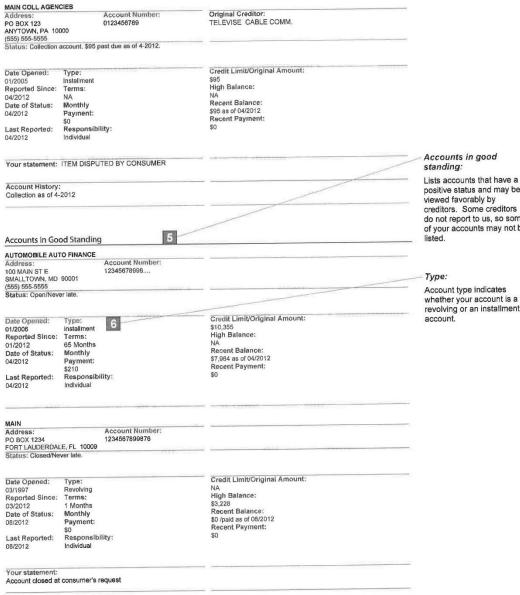
Advice participants to only follow the numbers in the report 1- 10 and recognize what information is reported. Write the information in post-it pad.

Teaching aid: Use of post-it pad.



Fuente: Experian en https://www.experian.com/credit\_report\_basics/pdf/samplecreditreport.pdf





positive status and may be viewed favorably by creditors. Some creditors do not report to us, so some of your accounts may not be

Account type indicates whether your account is a revolving or an installment

### Requests for Your Credit History



#### Requests Viewed By Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you.

The section below lists all who have requested in the recent past to review your credit history as a result of actions involving you, such as the completion of a credit application or the transfer of an account to a collection agency, application for insurance, mortgage or ioan application, etc. Creditors may view these requests when evaluating your creditworthiness.

### HOMESALE REALTY CO

Address: Aguress: 2000 S MAINROAD BLVD STE ANYTOWN CA 11111 (555) 555-5555 Comments:

Date of Request: 07/16/2012

Real estate loan on behalf of 3903 MERCHANTS EXPRESS M. This inquiry is scheduled to continue on record until 8-2014.

### M & T BANK

Address: PO BOX 100 BUFFALO NY 10000 (555) 555-5555 Comments:

Date of Request: 02/23/2006

Permissible purpose. This inquiry is scheduled to continue on record until 3-2008.

### WESTERN FUNDING INC

Address: 191 W MAIN AVE STE 100 INTOWN CA 10000 (559) 555-5555 Comments:

Date of Request:

01/25/2006

Permissible purpose. This inquiry is scheduled to continue on record until 2-2008.

### Requests Viewed Only By You

The section below lists all who have a permissible purpose by law and have requested in the recent past to review your information. You may not have initiated these requests, so you may not recognize each source. We offer information about you to those with a permissible purpose, for example, to:

- other creditors who want to offer you preapproved credit; an employer who wishes to extend an offer of employment; a potential investor in assessing the risk of a current obligation; Experian or other credit reporting agencies to process a report for you; your existing creditors to monitor your credit activity (date listed may reflect only the most recent request).

We report these requests only to you as a record of activities. We do not provide this information to other creditors who evaluate your creditworthiness.

### MAIN BANK USA

Address: 1 MAIN CTR AA 11 BUFFALO NY 14203

Date of Request: 08/10/2012

### MYTOWN BANK

Address: PO BOX 825 MYTOWN DE 10000 (555) 555-5555

Date of Request: 08/05/2006

### INTOWN DATA CORPS

Address 2000 S MAINTOWN BLVD STE INTOWN CO 11111 (555) 555-5555 Date of Request:

Requests for your credit history:

Also called "inquiries," requests for your credit history are logged on your report whenever anyone reviews your credit information. There are two types of inquiries.

Inquiries resulting from a transaction initiated by you. These include inquiries from your applications for credit, insurance, housing or other loans. They also include transfer of an account to a collection agency. Creditors may view these items when evaluating your creditworthiness.

Inquiries resulting from transactions you may not have initiated but that are allowed under the FCRA. These include preapproved offers, as well as for employment, investment review, account monitoring by existing creditors, and requests by you for your own report. These items are shown only to you and have no impact on your creditworthiness or risk scores.

Address: 123 MAIN STREET ANYTOWN, MD 90001-9999 Address identification number:

9

0277741504 Type of Residence: Multifamily

Address: 555 SIMPLE PLACE

0170086050

ANYTOWN, MD 90002-7777 Address identification number:

Type of Residence: Single family

Geographical Code: 0-176510-33-8840

Type of Residence: Apartment complex

Geographical Code: 0-156510-31-8840

Address: 999 HIGH DRIVE APT 15B ANYTOWN, MD 90003-5555 Address identification number: 0170129301

Geographical Code: 0-156510-31-8840

#### Personal Information



The following information is reported to us by you, your creditors and other sources. Each source may report your personal information differently, which may result in variations of your name, address, Social Security number, etc. As part of our fraud prevention efforts, a notice with additional information may appear. As a security precaution, the Social Security number that you used to obtain this report is not displayed. The Name identification number and Address identification number are how our system identifies variations of your name and address that may appear on your report. The Geographical Code shown with each address identifies the state, county, census tract, block group and Metropolitan Statistical Area associated with each address.

Names:

JOHN Q CONSUMER

Name identification number: 15621

JONATHON Q CONSUMER
Name identification number: 15622

J Q CONSUMER

Name identification number: 15623

Social Security number variations:

Year of birth:

1959

Spouse or co-applicant:

JANE

Employers:

ABCDE ENGINEERING CORP

Telephone numbers: (555) 555 5555 Residential

Your Personal Statement



No general personal statements appear on your report.

### Important Message From Experian

By law, we cannot disclose certain medical information (relating to physical, mental, or behavioral health or condition). Although we do not generally collect such information, it could appear in the name of a data furnisher (i.e., "Cancer Center") that reports your payment history to us. If so, those names display in your report, but in reports to others they display only as MEDICAL PAYMENT DATA. Consumer statements included on your report at your request that contain medical information are disclosed to others.

### Contacting Us

Contact address and phone number for your area will display here.

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### Personal information:

Personal information associated with your history that has been reported to Experian by you, your creditors and other sources.

May include name and Social Security number variations, employers, telephone numbers, etc. Experian lists all variations so you know what is being reported to us as belonging to you.

### Address information:

Your current address and previous address(es)

#### Personal statement:

Any personal statement that you added to your report appears here.

Note - statements remain as part of the report for two years and display to anyone who has permission to review your report.

# ¿Qué se encuentra en su reporte?

Now you want to explain in detail the information participants identified in the previous activity.

- Los acreedores detallan información de sus cuentas:
  - ✓ Qué tipo de crédito usted usa (por ejemplo: tarjetas, automotriz, hipoteca, préstamo)
  - ✓ Cómo hace sus pagos (a tiempo o atrasados)
  - ✓ Cuándo fue la cuenta abierta y/o cerrada
  - ✓ El límite de crédito para tarjetas o la cantidad inicial del préstamo
  - ✓ Cuánto es su saldo en cada cuenta
- Información personal que usted ha reportado a los acreedores: su nombre (y si ha usado otros nombres), dirección (presente y anteriores), número de seguro social, fecha de nacimiento y sus empleadores.
- Solicitudes de crédito: cada vez que usted solicita crédito esto es reportado, aunque sea negado aparecerá en su reporte.
- ❖ Cuentas en colecciones: la cantidad original de la deuda enviada a la agencia de colecciones, el balance actual de la deuda, y la fecha en la que se adquirió la cuenta.
- \* Registros públicos: juicios de acreedores, embargos de dineros, gravamen por impuestos, juicios hipotecarios y bancarrota.

Go over the credit report to ensure clients recognize all items. You can do this simultaneously while you explain items above.

Los acreedores pueden elegir reportar a una, dos o las tres agencias, por eso los reportes varían el uno del otro. Y su puntaje también varía en cada agencia de crédito.

To know what is not reported in the credit report is just as important. Participants should know that the following information does not affect their credit score.

OJO - Su reporte y puntaje de crédito no tiene información sobre su ingreso, cuenta de cheques o ahorros, estado migratorio, reportes criminales, raza, color, religión, país de nacimiento, género, estado marital o si usted recibe asistencia pública.

# Módulo V. Obtener el Reporte de Crédito

Module should not be skipped.

Now that participants are familiar with the information reported in a credit report, guide them through the options to obtain their own credit report.

## Es importante que usted revise su reporte de crédito:

Para conocer su situación actual y tomar decisiones financieras de acuerdo a su realidad.

For example, decide to apply for a traditional credit card or a secured credit card depending on their credit score.

- ❖ Para conocer la información que ha sido reportada sobre usted.
- Para asegurarse que la información reportada sobre usted es correcta. Usted tiene derecho a corregir información errónea.

Errors in credit reports are common, some of them hurt your credit score. For example, a collection account that has been sold to another agency can be reported twice, affecting the credit score for two accounts in collections instead of one.

Para protegerse del robo de identidad.

# ¿Cómo obtener el reporte de crédito?

De acuerdo a una ley federal, usted tiene el derecho a obtener su reporte de crédito gratis cada 12 meses, de cada una de las tres agencias de crédito. Usted los puede ordenar de tres maneras<sup>v</sup>:

- a. Por correo
  - > Debe llenar el formulario llamado Annual Credit Report Request Form. Se lo encuentra en la página de internet: www.annualcreditreport.com
  - Adjuntar la documentación necesaria
- b. En la página de internet: www.annualcreditreport.com
  - Necesita tener un número de seguro social
- c. Por teléfono llamando al 1-877-322-8228.
  - Solo disponible en inglés
  - Pasará por un proceso de verificación de identidad en el teléfono.

# ¿Cómo solicitar el reporte sin número de seguro social?

Si usted no tiene número de seguro social, la mejor manera de obtener su reporte de crédito es por correo. Las agencias de crédito usan toda información de identidad relacionada con usted para identificarla. Incluya la mayor cantidad de información posible: nombre completo, dirección completa actual y pasadas, fecha de nacimiento. Si usted ha utilizado el número ITIN para abrir crédito, también inclúyalo.

En la asesoría individual, su asesor financiero le ayudará a acceder a su reporte y puntaje de crédito. ¡Haga una cita hoy mismo, todos los servicios son gratis!

Remind participants that pulling their own credit report is a soft pull and it does not affect their credit score.

OJO - El que usted solicite su propio reporte de las Agencias de Crédito (Transunion, Experian y Equifax) no daña su crédito. Al solicitar su reporte de crédito con un asesor de Ariva tampoco afecta su crédito porque Ariva es una organización autorizada para obtener su crédito.

# Otras maneras de obtener reportes de crédito:

- Existen otros sitios de internet que permiten obtener reportes de créditos gratis (usualmente necesita un número de seguro social). Si decide utilizar estos servicios tenga presente que tratarán de venderle servicios adicionales por un costo (como monitoreo de crédito), evite inscribirse en ellos.
- Otros sitios promocionan reportes y puntajes de crédito gratis, pero requieren que usted registre una tarjeta de crédito. Esto significa que el acceso gratis es una promoción temporal y le cobrarán cargos en el futuro.

# Módulo VI. Leer el Reporte de Crédito

Actividad 4. Juntos vamos a leer un reporte de crédito.

Activity can be skipped. Come back if you have additional time at the end.

## ¿Por cuánto tiempo la información negativa impacta su puntaje?

## Do not skip this section

- Los pagos atrasados permanecen en su reporte por 7 años.
- ❖ Las cuentas en colecciones permanecen en el reporte por 7 años, depende también si la deuda ya ha expirado.
- ❖ La bancarrota permanece en el reporte de crédito por 7 o 10 años, dependiendo del tipo de bancarrota.
- Los juicios permanecen por 7 años.
- Los juicios hipotecarios por 7 años.
- ❖ Las obligaciones de impuestos pueden permanecer indefinidamente.
- Las consultas de crédito, permanecen en su reporte por 2 años.
  - OJO Mientras más tiempo ha pasado desde que se reportó la información negativa menor es el efecto en el puntaje de crédito.

# ¿Qué hacer si encuentra información incorrecta en su reporte de crédito?

Si usted encuentra errores en su reporte se recomienda que:

❖ Inicie una disputa de crédito con las Agencias de Crédito: Equifax, Experian and Transunion.

- Contacte por escrito a la compañía que reportó la información equivocada. Por ejemplo: tarjeta de crédito, agencia de colecciones, etc.
- Guarde copias de toda documentación enviada y recibida sobre la disputa.
- Las agencias de crédito y acreedores deben investigar su caso y corregir errores.

OJO - Los errores en su reporte de crédito pueden ser una señal de robo de identidad. El primer paso para proteger su identidad es revisar su reporte de crédito. Su asesor financiero le puede ayudar a tomar los pasos necesarios para resolver un caso de robo de identidad en las asesorías individuales.

Invite participants to one-on-one sessions to address these issues.

En la asesoría individual, su asesor financiero la ayudará a disputar errores y tomar acciones para protegerse si es víctima de robo de identidad ¡Haga una cita hoy mismo, todos los servicios son gratis!

# Módulo VII. ¿Cómo establecer una historia y puntaje de crédito?

Module should not be skipped.

The main objective of this class is that client understand this module. Ensure that you have enough time to explain the topics and allow clients to ask questions. You also want participants to share their experience to allow peer learning.

### Requerimientos para tener un puntaje FICOvi

FICO tiene requerimientos mínimos para producir el puntaje FICO utilizando su historial crediticio.

Usted necesita tener una tarjeta o un préstamo abierto y utilizado en los últimos 6 meses. (No puede haber disputas en esa cuenta.)

This is a good time to remind clients that they can participate in one-on-one counseling sessions to access their credit report and score. Have the sign-in sheet for counseling going around the class. You will need contact information to call the clients. Inform them that you will be calling in the next 48 hours to make an appointment or they can make the appointment right after the class.

En la asesoría individual, su asesor financiero le ayudará a acceder a su reporte y puntaje de crédito. ¡Haga una cita hoy mismo, todos los servicios son gratis!

# Opciones para establecer una historia crediticia

Aplique por una tarjeta de crédito, revise las opciones y elige la más conveniente.

Si usted no tiene un historial de crédito, una opción es aplicar por una tarjeta o un préstamo asegurado.

OJO - Las tarjetas pre-pagadas y las tarjetas de débito no construyen crédito.

## Requerimientos para obtener crédito

- Las instituciones financieras usualmente solicitan dos identificaciones que no estén caducadas.
- \* También preguntarán y verificarán su ingreso mensual o anual.
- \* Revisarán su reporte y puntaje de crédito.

# Construir crédito sin número de seguro social

Avoid asking direct questions in the group about immigration status, this is a sensitive topic even with close friends. However, make sure that you explain that people can build credit and open bank accounts without a social security number.

No hay ningún requerimiento legal que indique que se necesita tener un número de seguro social para acceder a crédito. Las instituciones financieras le pueden solicitar un número de impuestos, también conocido como ITIN, si usted no tiene número de seguro social. Las instituciones financieras tienen el derecho a decidir que documentación aceptan.

# Explicación de los términos de las tarjetas de crédito:

Ask participants what they know about the following terms.

Teaching aid: ask clients to share their knowledge.

**Límite de crédito**: Es la cantidad máxima de dinero que puede utilizar en su tarjeta.

Tasa de interés anual (APR): Es el porcentaje de interés que le cobrarán si deja algún saldo en su tarjeta. Periodo de gracia: Es el tiempo que le da la tarjeta para no cobrar intereses si usted paga todo el saldo antes del día de pago.

Cargos por mantenimiento: Son cargos por mantener su cuenta, estos cobros pueden ser mensuales o anuales. Cargos o tarifas de multas: Son cargos que la tarjeta le puede cobrar por pagar tarde, utilizar más de su límite de crédito o hacer pagos sin fondos. Ofertas especiales: Las compañías de tarjetas de crédito pueden ofrecer ofertas especiales para atraer clientes. Entienda bien los beneficios y cambios cuando la oferta termina.

En la asesoría individual, su asesor financiero le ayudará a analizar ofertas de crédito que reciba. ¡Haga una cita hoy mismo, todos los servicios son gratis!

# Recomendaciones para abrir una tarjeta de crédito para quienes reciben ofertas de crédito

- \* Revise y compare varias ofertas
- Revise los contratos, incluyendo las letras pequeñas
- No tenga prisa para firmar ningún documento, especialmente si no está en el idioma que usted se siente más cómoda
- Compare las tasas de interés
- Infórmese de los cargos mensuales y/o anuales
- Infórmese de las multas por pagos tardíos

OJO – Tenga cuidado con las letras pequeñas, si no entiende lo que la oferta de crédito dice ya sea por el idioma o por el uso de lenguaje técnico, busque ayuda de personas confiables. No firme ni aplique por la tarjeta hasta asegurarse que entiende lo que está solicitando.

**Actividad 5.** En grupos de 4 personas, comparen las ofertas de tarjetas de crédito de las páginas 21 y 22 y escojan la que consideran más conveniente.

If your class is running behind, you can skip this activity. If you get additional time at the end, come back to it.

Time: 7 minutes including activity and sharing with the class.

Walk around the class to allow each group to ask for questions.

Términos de la Tarjeta	Tarjeta de Crédito 1	Tarjeta de Crédito 2
Límite de crédito		
Tasa de interés anual para compras		
Tasa de interés anual para adelantos de dinero		
Periodo de gracia		
Cargos de mantenimiento		
Multa por pago tardío o pago devuelto		
Multa por utilizar más de su límite de crédito		
Ofertas especiales		
Marque la tarjeta favorita de su grupo		

Razones por la que escogieron la tarjeta:

Explain any other terms from the credit card offers. Make participants aware that offers come in English. Get two groups to share their selection and reasons for their choice. Get the other groups to share their opinion.

**Tarjeta 1 - Términos** 

Tasa de interés anual (APR)		<b>0%</b> Introducción por los primeros 15 meses desde que la cuenta es abierta.		
		Después de eso, <b>12.99%</b> a <b>22.99%</b> , basado en su riesgo crediticio.		
Tasa de interés de transferencia de saldo (APR)		<b>0%</b> Introducción por los primeros 15 meses desde que la cuenta es abierta.		
		Después de eso, <b>12.99%</b> a <b>22.99%</b> , basado en su riesgo crediticio.		
Tasa de interés de avai	nce de efectivo (APR)	25%		
Tasa de interés por per	nalidad cuando sea	29.99%.		
aplicable		La penalidad será aplicable si usted:		
		<ul> <li>Hace un pago tarde;</li> <li>Excede su límite de crédito;</li> <li>Hace pagos sin fondos</li> </ul>		
Como evitar pagar intereses		Su día de pago será al menos 21 días después del cierre del ciclo. No cargaremos intereses si usted cubre el balance completamente antes del día de pago de cada mes. Empezaremos a cobrar intereses en transferencia de saldos y avances de efectivo el día que hace la transacción.		
Cargo por membresía	\$0 el primer año y \$99 por año después. El cargo se descontar de su límite de crédito.			
Cargos adicionales:				
Transferencia de Saldos	\$5 o 3% de la cantidad, la que sea mayor.			
Avances de efectivo	\$10 o 3% de la cantidad, la que sea mayor.			
Cargos por penalidades				
Pagos atrasados	Hasta \$35			
Sobregiros	Hasta \$35.			
Pago devuelto	Hasta \$35.			
Cheque devuelto	Hasta \$35.			

<sup>\*</sup>Perderá la tasa de interés introductoria si hace un pago de más de 60 días y aplicara la tasa de penalidad

# Tarjeta 2 - Términos

# Tasas de interés

Tasa de interés para compras (APR)	16.99%	
Tasa de interés por transferencia de saldos	16.99%	
Tasa de interés por avances de dinero	24.9%.	
Tasa de interés por penalidad cuando sea aplicable	<b>29.4%</b> .	
Pagando intereses	Su día de pago es al menos 25 días después del cierre de ciclo. No le cargaremos intereses si cancela su saldo completamente al final del mes	

# Cargos

Cargo anual	\$39 anuales.
Cargo por transacciones	
Transferencia de Saldo	Ninguno
Avances de efectivo	\$10 o 5% de la cantidad, la que sea mayor.
Cargo por penalidades	
Pagos atrasados	Hasta \$35
Sobregiros	Hasta \$29
Pagos devueltos	Hasta \$35

# La tarjeta o préstamo asegurado

Do not skip this topic.

If participants have no credit or bad credit suggesting to apply for a traditional credit card can harm them more than help because they will more likely be denied. Instead teach clients about secured credit products.

Estos son productos ofrecidos por instituciones financieras que ayudan a construir crédito.

# La tarjeta asegurada:

- Usted debe poner un depósito de garantía que le permite acceder a la tarjeta.
- ❖ El depósito de garantía le sirve como línea de crédito. En algunas tarjetas, el depósito que pone es igual al 100% del crédito, y en otros casos, le solicitan una cantidad menor, por ejemplo, un depósito del 50% del crédito que obtendrá.

# El préstamo asegurado:

- Con el préstamo asegurado usted hace pagos mensuales al banco o unión de crédito, por el tiempo determinado en el préstamo (6 meses, 12 meses).
- ❖ Estos pagos son depositados en una cuenta de ahorro que estarán disponibles para usted al final del préstamo.

## ¿Qué necesitas saber de los productos asegurados?

Help clients understand that secured credit products are not free and some can be very costly. Help clients learn how to compare them. They will be investing in building credit so you want them to make sure that the product they choose report to the three Credit Reporting Agencies.

- ¿Cuáles son los requerimientos para ser elegible?
- ¿Tiene usted la documentación necesaria?
- Para la tarjeta, ¿cuánto necesita para el depósito de garantía?
- Para los préstamos, ¿cuánto es el pago mensual y por cuánto tiempo?
- ¿Cuál es la tasa de interés?
- ¿Cuáles son los cargos por aplicación y mantenimiento?
- ¿Tienen otros cargos adicionales?
- ¿Su depósito de garantía gana intereses?
   OJO Asegúrese que reporten a las tres Agencias de Crédito.

# Antes de abrir un producto asegurado, tome en cuenta:

Participants should check their financial situation before applying for secured credit products. Help them analyze their current and future situation. Invite them to meet in a one-on-one counseling session to go over their budget and get information about specific financial institutions that offer these products.

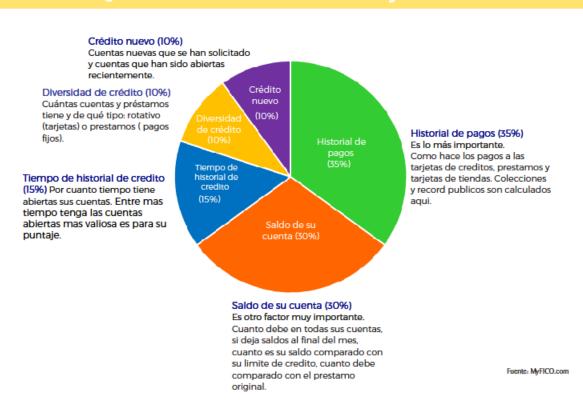
Su situación económica actual y futura	Sus ahorros
¿Tiene un ingreso estable y mantendrá esos ingresos en los siguientes 6 meses?	¿Ha tenido dinero adicional al final de cada mes por los últimos 6 meses?
¿Ha podido cubrir sus necesidades en los últimos 6 meses?	¿Ha estado contribuyendo a sus ahorros en los últimos 6 meses?
	¿Después de poner el depósito de garantía, le queda dinero en caso de una emergencia?

OJO - Los productos asegurados permiten construir crédito, pero si usted no los maneja correctamente dañarán su crédito y los costos pueden ser elevados. Podría perder el depósito de garantía por no hacer los pagos a tiempo.

# Módulo VIII. Factores que influyen el Puntaje de Créditovii

Do not skip this topic.

# ¿Cómo se calcula mi Puntaje de Crédito?



**Actividad 6.** Ejercicio en parejas, se asignará un caso a cada pareja. Una persona representará al banco y la otra persona es el cliente que está buscando un préstamo.

Paso 1: Tomen 3 minutos para hacer la actividad en pareja. El cliente presenta la información y el Banco tiene que tomar una decisión.

Paso 2: Para quienes dan el préstamo, caminar al lado derecho de la clase. Para quienes negaron el préstamo, caminar al lado izquierdo de la clase. Escriban en el poster, la razón más importante por la que aceptó o negó el préstamo.

Paso 3: Para los clientes, compartan con la clase cómo se sintieron al ser aceptados o negados por el préstamo.

Conversemos y reflexionemos.

If your class is running behind, you can skip this activity. If you get additional time at the end, come back to it.

Time: 10 minutes including activity and sharing with the class.

Teaching aid: Use of post-it pad.

Caso 1: Julia tiene un ingreso de \$12,000 al año. Ella trabaja medio tiempo en una agencia de limpieza que le asigna 3 casas por semana. Julia es conocida en su barrio por los deliciosos tacos que lleva a las fiestas de la comunidad. Motivada por los buenos comentarios de sus amistades, Julia quiere empezar su propio negocio vendiendo deliciosos tacos de camión. Ella averiguó que para empezar necesita \$5,000 dólares. Julia tiene \$1,000 dólares en ahorros.

Cuando la agente de banco obtiene el reporte de crédito de Julia encuentra que no tiene un puntaje de crédito. Las únicas cosas que aparecen en su reporte de crédito son dos consultas de crédito hechas por tarjetas de crédito que le fueron negadas el año pasado. ¿Le daría el préstamo de \$5,000 a Julia? ¿Cuáles serían sus recomendaciones?

Caso 2: Margarita gana \$25,000 dólares por año como niñera. Su pasatiempo favorito es ver revistas de moda y coser sus modelos favoritos para ella y su hija de 7 años. Margarita quiere empezar a utilizar su pasatiempo para hacer dinero y tiene la idea de coser y vender ropa. Margarita quiere empezar como vendedora ambulante ofreciendo a sus amistades y vecinos, así que su negocio no requiere un local. Margarita necesita un préstamo de \$1,000 para comprar materiales y una máquina de coser de mejor calidad.

Cuando la agente del banco obtiene su reporte de crédito, ella encuentra una tarjeta de crédito de Capital One que sacó hace 9 meses. La tarjeta tiene un límite de 1,000 y un balance de \$200. Su calificación de crédito es 690. Todos los pagos han sido hechos a tiempo. No hay ninguna información negativa en el reporte. ¿Le daría el préstamo a Margarita? ¿Cuáles son sus recomendaciones?

Caso 3: Antonia trabaja a tiempo completo como mesera y ayudante de barra en Midtown Manhattan. Tiene un ingreso anual de \$45,000. Antonia ha trabajado en restaurantes por

más de 10 años. Antonia quiere empezar su propio restaurante y necesita un préstamo de \$15,000. Tiene \$2,000 de ahorros.

Al obtener su reporte de crédito, la agente del banco encuentra que Antonia tiene tres tarjetas abiertas y activas. El límite combinado de estas tres tarjetas es \$10,000, y en total ella debe \$7,000 entre las tres cuentas. Adicionalmente, ella tiene una cuenta en colecciones. Esta es una deuda del hospital de \$2,000 por un accidente que le pasó en el trabajo hace más de un año. El reporte también muestra una tarjeta de Capital One cerrada con una deuda de \$325 que nunca terminó de pagar. Esta tarjeta está cerrada pero todavía no ha pasado a colecciones. Entonces, su deuda total es \$9,325. El puntaje de crédito es de 600. ¿Le daría un préstamo a Antonia? ¿Cuáles son sus recomendaciones?

Caso 4: Sonia es una cocinera en un restaurante en Brooklyn. Su ingreso anual es \$27,000, después de impuestos. Uno de los gerentes quiere hacerla socia en el negocio. Solamente requiere una inversión por parte Sonia de \$5,000. Sonia ya tiene \$2,000 ahorrados.

Al obtener el reporte de crédito, la agente del banco encuentra que Sonia tiene una tarjeta de crédito con un límite de \$900, y un balance de \$250. Sonia acaba de empezar un préstamo asegurado para mejorar su crédito. La cantidad de esto préstamo es \$500, y ella ya hizo el primer pago de \$85, así que ahora debe \$415. La calificación de crédito de 720. ¿Piensa que le daría un préstamo a Sonia? ¿Cuáles son sus recomendaciones?

# Módulo IX. Estrategias para construir crédito

**Actividad 7.** Queremos voluntarios para compartir con algunas estrategias para construir crédito.

Do not skip this topic.

Make this module interactive. Allow participants to share their ideas and reinforce information based in the following strategies. Allow time for questions. Go over each strategy in detail.

# Pasos a seguir para tener un buen crédito:

**Pague sus cuentas a tiempo** – Pagar sus cuentas a tiempo es el factor más importante en su puntaje de crédito.

- ❖ El pago debe llegar al acreedor antes del vencimiento de su pago para evitar penalidades.
- Pagos tardíos son reportados a las agencias de crédito y dañan su puntaje de crédito.
  - Late payments of more than 30 days are reported to credit agencies. Late payments of less than 30 days are not reported but clients will get a late fee.
- ❖ Los pagos se pueden hacer por correo con cheque o giro postal, por teléfono o por internet.

Explain that processing payments takes time so they need to plan for additional time to ensure payment is on time.

Usted puede establecer pagos automáticos desde su cuenta de banco, pero usted sigue siendo responsable de revisar que los pagos sean correctos cada mes. Este mecanismo ayuda a simplificar el proceso de pago.

OJO - Si tiene dificultad en hacer pagos, no ignore las deudas. Busque ayuda, a través de este programa, un asesor estará disponible para reunirse con usted individualmente.

You can mention payment plans, negotiating with creditors and payment strategies such as paying debts with higher interest first.

**Mantenga bajo el saldo de sus tarjetas** - Lo más recomendable es que pague el saldo de sus tarjetas completamente antes de día de pago para evitar pagar intereses. Dejar un saldo mayor al 30% de su límite de crédito perjudica su puntaje de crédito.

Explain that it is a myth that you need to leave a balance to build credit.

OJO - Si tiene dificultad en pagar todo su saldo, asegúrese de al menos hacer el pago mínimo para evitar penalidades y afectar su puntaje de crédito.

**Evite muchas solicitudes de crédito** – Usted necesita solicitar crédito para poder construirlo, pero muchas solicitudes de crédito la pueden hacer ver con mayor riesgo para los acreedores. Abrir nuevas cuentas reduce el promedio del tiempo que sus cuentas están abiertas y afecta su puntaje de crédito.

Se recomienda que solo aplique por razones necesarias y cuando usted crea que será aprobada. Si usted tiene mal crédito o no tiene crédito, es mejor que aplique por productos asegurados.

OJO - El puntaje FICO cuenta las solicitudes de los últimos 12 mesesviii.

**No cierre tarjetas** – Esto reduce el promedio del tiempo que tiene sus tarjetas y reduce su límite de crédito haciendo el porcentaje de su balance mayor.

Ejemplo numérico: Imagine que usted tiene las siguientes tarjetas:

Teaching aid: Use of post-it pad.

	Límite de Crédito	Balance	Porcentaje de la deuda comparado con límite de crédito
Tarjeta 1	\$ 4,000	0	0%
Tarjeta 2	\$ 3,000	\$ 600	20%
Tarjeta 3	\$ 5,000	\$ 2,000	40%
Total	\$ 12,000	\$ 2,600	22%

Imagínese que decide cerrar la Tarjeta 1. Su deuda no cambia, pero el porcentaje de su deuda comparado con el límite de crédito es mayor de 22% a 33%.

	Límite de Crédito	Balance	Porcentaje de la deuda comparado con límite de crédito
Tarjeta 1	0	0	Cerrada
Tarjeta 2	\$ 3,000	\$ 600	20%
Tarjeta 3	\$ 5,000	\$ 2,000	40%
Total	\$ 8,000 (menor)	\$ 2,600 (el mismo)	33% (mayor)

**Diversifique** – Si usted ha manejado una tarjeta de crédito exitosamente. Pueda ser tiempo de diversificar, esto es adquirir otro tipo de crédito. Un préstamo asegurado puede ser una opción.

Many of your clients have a loan from Grameen. They will need a credit card to diversify. It could be a secured credit card or a traditional credit card depending on their credit scores.

**Proteja su crédito** - Tenga precaución al firmar garantías y autorizar a otras personas en sus tarjetas de crédito. Firmar una garantía la hace legalmente responsable de la deuda si el deudor principal no puede pagar.

Revise su reporte de crédito - Identifique y corrija errores si los encuentra.

\* Recuerde que la información de cuentas de colecciones y registros públicos generalmente permanece en el reporte por 7 años desde que dejó de pagar. Si encuentra esa información por error en su reporte usted puede solicitar que la borren.

**Pague sus cuentas de todo tipo** (teléfono, cable, internet, salud, vivienda, impuestos, tiendas, bancos, etc.) - Si usted no paga sus cuentas corre el riego de que la cuenta sea enviada a una agencia de colecciones. Tener cuentas en colecciones afecta negativamente su puntaje de crédito.

Los acreedores también pueden poner un juicio en su contra por no pagar. Los reportes de juicios dañan su puntaje de crédito.

- Si tiene cuentas en colecciones trate de negociar un pago para que su reporte muestre la cuenta pagada.
- ❖ Tenga presente que el pagar una cuenta en colecciones no mejorará su puntaje de crédito. El reporte mostrará que ha pagado la cuenta, pero el daño a su crédito ya fue hecho.
- ❖ Las deudas caducan, esto significa que después de cierto tiempo los acreedores pierden el derecho a cobrar la deudaix. En Nueva York, la caducidad de las deudas es generalmente de 6 añosx.

# ¿Qué hacer si tiene mal crédito?

# Do not skip this topic.

1. Empiece por corregir información que incorrecta que ya no debería estar en su reporte de crédito.

Correct errors.

- 2. Información negativa que es correcta no puede ser legalmente borrada del reporte.
- Tenga cuidado con compañías estafadoras que prometen arreglar su crédito rápidamente y solicitan pagos por anticipados.
   Cautious with scams.
- 4. Estas compañías suelen pedir que firme documentación en blanco para ser usada en el futuro. Ellas también le sugieren que no contacte a las agencias de crédito y acreedores directamente.
  - Mention the negative effect in their credit reports and scores for stopping payments. They also have the risk of being sued by creditors or their accounts being send to collections.
- 5. Una tarjeta asegurada o un préstamo asegurado son una opción para empezar a construir su crédito.
  - If client does not have open accounts, obtaining a secured credit card or loan can be the best option to star building credit. If they have an account open, they should make payments on time and aim to lower the balances.
- 6. Elabore un plan de pago con sus acreedores.
  - If having difficulties paying, encourage clients to contact creditors and make payment plans directly with creditors. They can also ask for lower interest rates or payments. There is no guarantee that they will get it but it is worth trying.
- 7. Asista a una asesoría financiera a través de este programa.

  To create an individualized action plan to build and establish credit.

Participe en la asesoría financiera individual, su asesor le ayudará a crear un plan de acción para mejorar su crédito. ¡Haga una cita hoy mismo, todos los servicios son gratis!

El contenido de este programa ha sido posible gracias al apoyo de Citi.





# Referencias:

- http://www.aspeninstitute.org/
- "Información del Puntaje FICO Score obtenida de Fair Isaac Corporation.
- iii Información del Puntaje FICO Score obtenida de Fair Isaac Corporation.
- iv https://www.consumer.ftc.gov www.annualcreditreport.com
- v https://www.consumer.ftc.gov/articles/0155-free-credit-reports
- vi Fair Isaac Corporation
- vii Información sobre FICO score obtenida de Fair Isaac Corporation.
- viii Información sobre FICO score obtenida de Fair Isaac Corporation.
- ix https://www.consumidor.ftc.gov/articulos/s0117-deudas-prescriptas
- \* http://www.nycourts.gov







# **Capital Planning Workshop**

Instructor's Guidebook







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# Capital Planning Workshop Instructor's Guidebook

## **Outline**

# Overview

NYC SBS contracted Babson College to develop a curriculum for WE Master Money: Funding. Babson developed 7.5 hours of content and intended the course to be presented over two days. BOC Network has added additional resources and activities to customize the content for our target market. It has also developed two additional delivery formats: (1) a 4.5 hour consolidated one session workshop and (2) a 1.25 hour consolidated workshop to be delivered in partnership with larger WE NYC events.

WE Master Money: Funding's main goal is to connect women entrepreneurs with the right financial product at the right time. To accomplish this goal, the curriculum has been designed to have participants do the following:

- Learn the "5 Cs" of credit framework, which is widely used by most funders
- Understand each C and estimate where they rank in terms of creditworthiness
- Match the stages of an entrepreneurial venture (from opportunity to start-up to growth) & 5 Cs assessments with likely funders
- Identify their current funding need and the most likely funding source
- Develop and present a pitch designed to secure the funding needed to start/grow their venture

This workshop is designed to utilize action-based and experiential learning to maximize participant discussion, engage the participants in learning as well as helping each other, guide participants in the development of their funding needs and likely funding sources, enable them to network with perspective funders and give them the business fundamentals to improve their access to capital as they launch and grow their businesses.

# Logistics

- Room should contain tables enabling 6 participants to sit at each table. Tables should be spaced such that instructors can move in between them with little effort.
- Participants should be assigned seats with personalized tent cards at each seat as well as binders
  containing the Participant Workbook. <u>The 5 Cs Reading and Glossary</u>, <u>which are distributed as pre-work</u>,
  <u>should be 3-hole punched so it can be inserted into the Workbook</u>. Extra copies of the pre-work should
  be on hand for participants that don't have them.
- Groups should be diverse, representing different industries and different levels of business experience to enhance peer-to-peer learning.
- Each table should have colored markers to record on flip charts and 3x5 index cards for Session II pitches.
- The Workshop Slide Deck should be loaded on a computer with overhead projection capabilities.
- There should be flip charts on easels to accommodate reports out of group work.
- A room equipped with whiteboards would be preferable.
- For Session II, break-out space for each group during pitches would be desirable.







### General Notes to Instructor:

- When writing up participants answers to questions on the flip charts, use their own words.
- Always connect participant's comments with the concepts and terminology from the curriculum.
- Depending on the composition of the cohort decide whether or not scenarios and vignettes should be read aloud.

# **Detailed Time Plan**

As timing varies greatly depending on the format in which the course is being delivered, we have developed 4 unique run of shows (See Page XX). The general sequence of events is as follows:

### **BEFORE THE WORKSHOP**

Before the workshop each registrant should be emailed the WE Master Money: Funding pre-reading and asked to complete the self-evaluation survey (<u>Babson 5 Cs of Credit Dashboard Abridged</u>). As few complete this assignment prior to the session, workshop attendees who arrive early can be reminded to review the section after intakes are completed.

### Pre-work for Session I

- Read 5 Cs of Credit
- Complete Babson 5 Cs of Credit Dashboard Abridged

### INTRODUCTIONS AND OVERVIEW OF THE WORKSHOP

## Welcome

Introduce WE NYC - the goals of the larger initiative and specific program offerings. (Template on page 44.) Introduce WE Master Money Funding –

• <u>Some words from Babson:</u> Our goal is that through discussion at this workshop we can help everyone better understand the capital funding process, how to estimate what you need, figure out where you are and what funders are looking at.

### **Introductions**

Each participant should be given approximately 15 seconds to introduce herself, where she lives, her business (or business idea if she has yet to launch a business) and one thing she would like everyone to know about her (completely unrelated to her business). The instructor can model the introduction.

The goals of this exercise are to let the women know who else is in the room, to begin building trust among the participants, and to relax everyone. The instructor should keep time and write the business types on flip charts. Instructors should refer back to this poster to make target examples to relevant industries.

As new comers enter the room and conversation is wrapped up they should be asked to introduce themselves.

### **Class Culture**

The goal of this exercise is to have the participants establish class norms for participation, giving and receiving feedback, group work etc. Norms such as confidentiality, respect, listen well, do not talk over others, keep cell







phones off or on vibrate etc., usually form the class norms. This exercise lets the women know that participation is critical to the success of the class. By asking them to establish the class norms, we communicate that their opinions are both solicited and respected.

At this time it is also helpful to discuss communication standards. Something such as all communications should be "Effective, Efficient and Compelling" ("say what is useful and say it to the point"). Establishing these standards emphasizes no one participant should dominate the conversation and when you have something to say, say it effectively, efficiently and compellingly. That is, "Do not ramble." To help the participants keep to this standard, the instructor may tell them: "If I think you are rambling, I will begin to walk towards you which is your cue to wrap-up. If you cannot see your colleagues because I am so close as to block your view, you should finish immediately."

Don't miss: cellphones/ other electronics and constructive honesty/positive feedback.

### **Overview of the Workshop**

The instructor should ask participants what they most want to get out of this workshop. The instructor should record these goals on flip charts and post these on the classroom walls. The participants' goals will be revisited later to insure that they are being achieved.

Finally, the instructor should put up the slide with the overall workshop goal and the individual learning objectives. Use this opportunity to get a sense of the knowledge in the room. When discussing each bullet point ask who has previous knowledge on that topic (i.e. Have you heard of the 5c's of credit?

# **THE 5 CS OF CREDIT (40 MINUTES)**

### **Prior Experience with Fundraising**

The session begins by putting up the slide "Prior Experience with Fundraising"

How many of you have put money into launching and growing your business? Presumably, around half of the women will raise their hands. At this point, show the following questions and give them 1-2 minutes to think about and write down their responses.

- a. Where did you get the funds?
- b. What were the key elements of your funding "pitch"? (Alternative: What did you say to your possible funders?)
- c. What guestions did the funder ask?
- d. What single word would you use to describe the experience?

The instructor should encourage several women to share their answers, striving to get a cross section of types of funders. After each woman speaks, the instructor can ask, "How many of you raised money from this source?" The goal is <u>not</u> to have every person in the room respond, but rather to get a sense of participants' prior experiences with raising money.

The instructor should record each response on a white board or flip chart, noting the source of funds, the questions asked, and the elements of the pitch. The goal is to set the stage for in-depth discussion of the 5 Cs.

## **Potential Funding Sources**

Put up the slide on "Potential Funding Sources" and use it to organize the previous discussion. Don't be too repetitive but make sure to match the sources belong to which category. If the sources outlined on the slide







were not addressed during the "Prior Experience with Fundraising" discussion ask participants if they have ever heard of that source before explaining it.

For questions on equity Investments let participant know that content of course is focused mainly on debt based funding sources but that much of the lesson is transferable. Leverage first the knowledge from other business owners in the room then your own.

### **Introduce 5 Cs**

Put up the slide with 5 C's of Credit outlined. Mention: "the 5 C's of credit is a fairly standard way for funders to organize how they assess you. Lots of measures are qualitative, but we will get into that in greater detail soon. Let the participants know If they did the pre-reading, they already started to think about how these topics relate to your business. Put up the slide with the 5 Cs self-assessment. Ask participants who was able to do the reading and Self-assessment letting everyone know they should take a minute to review their answers or jot them down for the first time now.

Put up the slide with the 5 Cs (one at a time). For each C, ask the women (1) what is being evaluated and (2) the questions used to assess that specific C. The instructor can make connections to the prior discussion where appropriate. For example, matching the 5 C questions with what women were asked when seeking funding and noting the type of funder/loan. Finish up with a brief discussion of the overall usefulness of the 5 Cs framework. Is it fair? What's missing?

## **Activity 1: 5 Cs Matching Game**

If two trainers are delivering the course, this is a good time to switch who is leading the discussion.)

To help cement definitions of each C in the minds of participants, instructors can use **5Cs of Credit Matching Game** exercise (see page 46). Instructors should ask each table to get together, think about the definition of each C and how it is evaluated, match each set of images to one of the 5 Cs, and explain their choice. Instructors should highlight that there are no incorrect answers if you have a good explanation. After 5 minutes review as a group.

If the instructors are delivering a two-session workshop, the 5c's Matching Game should be done as a warm up exercise on the second day. With an advanced group instructors may consider skipping the exercise if they are very confident participants can differentiate between the Cs.

# **Connecting the 5 C's to Funding Sources**

Finally summarize the importance of the 5 Cs by connecting the Cs to the categories of funders. Below is a helpful table that is contained in the slide deck and in the Participant Workbook. Briefly walk through this table as it will be used during the 5 Cs Scenario exercise as well as during the Vignettes and Funding Pitches.

Example of Language: Let's get into some of the issues and classify funder categories. Within each category there may be gradation. For example you could presell events on crowd funding or give away equity. Merchant advanced is very different than crowd funding (which often cares **a lot about** the story of the entrepreneur and business).







# Matching the 5 Cs with Potential Funding Sources

Funding Sources	Character	Credit Score	Capital	Capacity	Collateral	Conditions
Conventional Banks	<b>√√√</b>	<b>V V V</b>	√√	<b>√</b> √	<b>√</b> √	√√
Community Lenders	<b>V V V</b>	<b>√</b> √	<b>√√</b>	<b>√</b> √	<b>√</b> √	<b>√√</b>
Alternative Institutional Lenders	<b>/</b> /	<b>/</b> /	<b>/ /</b>	<b>/ /</b>	<b>///</b>	<b>/ /</b>
Online Funders	✓	✓	<b>√√</b>	<b>√</b> √	✓	<b>√√</b>
Family & Friends	✓	✓	<b>√</b> √	<b>√</b> √	✓	<b>√√</b>
You & Partners	✓	✓	√√	√√	✓	√√

- ✓ This C is not important to this funder
- √ √ This C is important to this funder
- ✓✓✓ This C is very important to this funder

### 5 Cs Exercise

The participants should be sitting in groups around a table (5-6 participants per table). Tell the group they are going to have a chance to test their newly-acquired 5 Cs knowledge. For each scenario slide, give the tables 5 minutes to discuss the slide.

Depending on the composition of your group, you may want to request that someone in the group read the scenario out loud. The participants should record their answers in their workbook.



**WE** master

# 5 Cs of Credit Exercise: Scenarios

For each scenario, you will have 5 minutes to discuss the following:

How would you rank the potential borrower on the 5 Cs? Why?

For each scenario, rate each C using a three check system

- ✓ non-existent, no evidence or weak.
- ✓ ✓ exists, fine
- ✓ ✓ ✓ clear evidence, strong
- · What type of funder do you think would most likely provide money to this person?



Collect Feedback by table or by C. Repeat back what is heard and explore nuances. "why did you say yes when others said no." Always put the concensous of the class on the board.

### **15 MINUTE BREAK**







#### Vignettes

Let participants know this is a real business, with whom the two professors at Babson College who designed the curriculum interacted.

#### Vignette 1: Getting off the Ground

The participants are asked to reflect on the following questions (see Slide 27, "Vignette 2 – Reflection Questions"):

- a) Update your assessment of Victoria and the 5 Cs. What has changed in six months?
- b) What is (are) the most likely funding option(s) for Concierge Cleaners over the next six months?
- c) What are the three most important components of a funding pitch to the likely funders?

#### Vignette 2: The Next Level

The participants are asked to reflect on the following questions (see Slide 40, "Vignette 3 – Reflection Questions"):

- a) How would you rate Victoria and Concierge Cleaners on the 5 Cs at the end of Year 1?
- b) Based on your answer to c), what is the most likely Year 2 funding option for Victoria and Anita as they work to take Concierge Cleaners to the next level?
- c) What are the three most important components of a funding pitch to likely funders?

#### TWO IMPORTANT QUESTIONS

Before introducing the pre-work, give the women 5 minutes to answering the following two questions in their workbooks:

- 1) What is your product/service and who is your exact target audience?
- 2) What is your competitive advantage, i.e., the unique characteristic(s) of your product or service that will make customers buy from you and not your competitors?

Each participant needs to be able to answer both of these questions. Briefly (no more than two minutes) emphasize that these two questions should be part of any pitch as potential funders need to understand them to assess their business.

#### DAY 1 WRAP UP (ONLY FOR TWO SESSION WORKSHOPS)

Pre-Work for Session II:

Read 4 questions from pre-work aloud to the class. Ask participants to return with the hand out completed. Remind them they can use the local funders to help answer the questions as well as finance articles on the WE NYC website (hand out reading list).

Put up the slide with Babson College diagnostic tool. The instructor will introduce the full 5 Cs assessment/dashboard tool that converts the participants' input to a list of possible types of funders.

Hand out evaluations.







#### Funding Pitches I (80 minutes)

Ask how the pre-work went.

They should use the following outline for the pitch, although a certain amount of flexibility should be encouraged:

- What type of funder are you targeting and how much money are you seeking? (5 seconds)
- o Introduce yourself and your business. Provide a brief history. (20 seconds)
- Explain your business briefly, focusing on what pain/problem it solves for your customer and what makes your product or service unique (i.e. your competitive advantage). (30 seconds)
- o Describe how much funding you need and how it will be spent. (25 seconds)
- o How will the money generate cash flow that will repay the funder? (20 seconds)
- o Wrap-up. (10 seconds)

At this point, have one of the facilitators give the sample pitch. Then direct the women to the Funding Pitch Template in their workbook and have them work individually on their pitch. Also inform participants there are extra copies of the template and index cards available for those interested.

After 20 minutes have a short debrief by asking for thoughts on creating their pitches. What was hard? What was easy? Did they finish? Now tell them to choose a partner (from their table if possible; the instructor should make sure that every participant has a partner).

At this point, the instructor should pay particular attention to women who seem uncomfortable with making their pitch. All should be encouraged in a non-threatening way, but no one should be forced to present. Those who prefer not to deliver their pitches should simply observe and continue working on their outlines.

Each partner should give their funding pitch and then receive feedback. The instructor should keep time, allowing 16 minutes in total. (8 minutes each; 2-3 minutes each to pitch and 5-6 minutes for feedback/discussion).

Now allow 10 more minutes for individual revisions/practice. Then ask the women to find a different partner and repeat the partner exercise (10 minutes total; 2-3 minutes for pitch and 2-3 minutes for feedback).

Finally, give the women the remaining time (about 10 minutes) for refining their pitches, incorporating the most recent feedback.

#### **10 MINUTE BREAK**

#### Funding Pitches II (45 minutes)

At this point the women should feel more confident about their pitches. If there are outside funders present, they should be invited to sit one-to-a-table for this round of pitches. If there are outside funders/guests, it might be a good idea to introduce them to the women before the break – that way they can interact with the group during the break, making things more comfortable for everyone.

Again, at this point the instructor should ensure that all participants are comfortable moving to the next level. Those not ready to pitch to a group – especially one that includes outside guests – should be given the option to stay in the role of observer. Before beginning instructors should remind the group to share positive and constructive feedback.

Pitches will be presented to the group at the table and any outside funder that may have joined the group. Each woman will have 2-3 minutes to pitch and then 3 minutes for feedback. The funder should be given the first







opportunity to provide comments followed by anyone else at the table. Total time per presenter is 6 minutes, meaning 30-35 minutes in total depending on how many are seated at the table (these numbers can be adjusted as needed based on the actual number of women in each group).

Note: One person at each table should be responsible for keeping time and the time constraints should be closely followed. Feedback can also be provided more formally using the Pitch Feedback Form provided at the end of this Guidebook. If the form is going to be used, make sure sufficient copies are made before the workshop.

#### Wrap-up (10 minutes)

The instructor should offer one or two women the opportunity to present their funding pitch to the entire room, strictly on a volunteer basis. This can be a big confidence boost and will show the participants how far they've come in a short time.

If there were funders at the tables, they should now be asked for their general impressions of the pitches – specifically, overall strengths of pitches they observed as well opportunities for improvement.

Next, ask the women how they think it went. Do they feel better prepared to solicit funding? Do they feel more confident about their strategy? Did they get a sense of what they do well and where they can improve?

Finally, the instructor can return to the "What I hope to get out of the workshop list" and see if there are any remaining items to be discussed. For those, other resources might be suggested.

Finish by thanking the funders and the women for their participation.

#### Networking with Funders (30 minutes)

Those women who wish to can speak with individual funders they may have questions for or be interested in starting a dialogue with. Funders should be encouraged to bring business cards, information materials about their organization, and products to be distributed. The participants should also be encouraged to hand out business cards to the funders.

If the funders can only be present at the end of the workshop, the instructor should ask them to briefly introduce themselves before networking. They should be given 30 seconds each to introduce themselves and the organization they represent, and to talk about the types of loans they provide and the importance of each of the 5 Cs in their application processes. These introductions should take no more than three to five minutes in total, which will leave 25 minutes for networking.







## 5 Cs of Credit: Scenarios & Teaching Note

#### All entrepreneurs are in NYC

It is not intended that all five scenarios be covered in the allotted time. The instructor should choose the most appropriate scenario(s) based on the skill level and interests of each group. For more advanced groups, Scenarios 1, 2, and 4 are appropriate, while groups with fewer established businesses should consider Scenarios 1, 3, and 5.

#### Scenario 1

Since arriving in the U.S. two years ago, Rosa has worked full-time at a local coffee shop. At night, she made leather purses and then sold them at weekend street fairs. Customers were universally impressed with both the designs and the craftsmanship, and she had more demand than she could handle. Because of her full-time job, Rosa could only produce and sell about \$300 worth of purses per week, which netted her about \$200 of profit.

Rosa felt that with better cutting and sewing equipment – about a \$2,500 investment – she could easily double her output and sales. However, with no credit cards or savings, she would not be able to afford to purchase the equipment for another year.

#### **Teaching Note**

Steady employment for two years and no bad debts mean a strong <u>Character</u>. <u>Condition</u> would be solid because of the current strength of the NYC economy and evidence that customers will buy her product. <u>Capacity</u> looks promising because she has customers and we can assume she is profitable (weekly revenue > costs of making purses), but she probably needs some projections to solidify her capacity rating. The only evidence of <u>Capital</u> is that she has already invested some money for a sewing machine and leather inventory. There is very little information on <u>Collateral</u>, but it is doubtful Rosa has significant personal asset. The new equipment might have some minimal value as security for a loan. However, with no documented credit history and small revenues, friends and family are her best option. She could also be a candidate for a crowd-funding site like Kickstarter.

#### Scenario 2

Tara has worked part-time as a waitress in an upscale restaurant for three years, at the same time offering exercise classes for pregnant women in her small apartment. After two years and lots of word of mouth, she has a steady stream of new clients and 70% of her clients continue taking classes after giving birth.

Her revenues are \$18,000 per year and with basically no expenses, this is all profit. Tara is seeking funding to rent studio space and hire additional part-time instructors as needed. Tara's FICO score is around 575 and she has spent \$1,500 of her own money on renovating the room she uses for classes, on advertising materials, and on purchasing some basic exercise equipment and a sound system.

#### **Teaching Note**

Tara has had steady employment for the last three years (and, therefore, likely good references), loyal clients, a FICO score of 575, and revenues of \$18,000. Her <u>Character</u> ranking is strong. She has already invested \$1,500, is profitable, and should have the ability to invest more of her own money. All of this means a good <u>Capital</u> ranking. Her <u>Capacity</u> rating should also be strong, as her \$18,000 in revenues (essentially all profit) would be cash flow available to cover loan payments. Since her new hires will be part-time as needed, they will only be paid when they generate revenue – also good for <u>Capacity</u>. <u>Conditions</u> appear good because of the strength of







the general NYC economy and her strong client history. She most likely has little <u>Collateral</u>, although she could potentially pledge the lease on her new studio. Tara would be a good candidate for a micro-loan.

#### Scenario 3

Pamela developed her line of gluten-free bakery products months after her daughter was diagnosed with Celiac Disease. Using her sales skills, organizational ability, and financial background, she has steadily grown her business over the last three years to \$150,000 in annual revenue and has two employees. She achieved profitability after her first year and has easily repaid a \$15,000 micro-loan she got to start the venture.

Pamela's FICO score is 675 and her business has never missed a payment. Whole Foods Market had recently expressed interest in her product line and Pam estimated this could triple sales to \$450,000 within a year. She needed approximately \$125,000 for a new oven, additional kitchen equipment, and for hiring two new employees.

#### **Teaching Note**

Pamela ranks strong on all of the 5 Cs. Her FICO score, managerial skills and track record would rate her high on <u>Character</u>. She would also score high on <u>Conditions</u> due to the growing market for gluten-free products and the interest from Whole Foods. Two years of profitability, good accounting records, and a Whole Foods purchase order would mean a high <u>Capacity</u> score. Pamela has current baking equipment and she is going to use funds to buy new equipment, so there is some business <u>Collateral</u>. It also seems likely she might have some personal assets. Although not stated explicitly, we can infer from this brief scenario that Pamela has significant <u>Capital</u> invested in the business. Pamela might request a commitment letter from whole food to improve her chances.

Pamela's best option is to seek asset-based funding from a community or commercial bank. These typically have lower interest rates than most loans and are for longer periods of time (typically 5 to10 years), therefore matching the loan term to the asset life.

#### Scenario 4

Victoria had taken graphic design classes and received a certificate in graphic design from a local community college. After working for two years as the sole employee for another designer, and with \$4,000 saved, she decided to launch her own business. She would focus on boutique retail designs and developing advertising campaigns to enhance branding.

Her first client was a large real estate developer who wanted her to design the marketing and sales materials for a new residential project. He promised more projects if this job went well. Victoria needs to quickly hire another part-time graphic designer or independent contractor and upgrade her computer and graphic design software. The computer equipment, high-quality printer and software would cost her approximately \$12,000.

#### **Teaching Note**

Victoria has good experience and education in her chosen field but little track record operating her own business. She has quickly gained a client, but one job for one client does not make a business. Her <u>Character</u> would be okay, but not strong. We have no information on <u>Capacity</u> because she has just begun her business and there is no information about the expected revenue or profitability of her first job. She has \$4,000 of savings, which would help her <u>Capital</u> score. The computer might be <u>Collateral</u>, but as technology products rapidly become obsolete means only limited value as security for a loan. In NYC real estate development is booming and there is always demand for talent, so <u>Condition</u> would rate strong.

Victoria may be able to find a micro-lender (assuming she puts in her \$4,000 savings), but with no revenue or experience running a business, her best funding option might be her own savings, supplemented by family and friends.









By Richard T. Bliss and Michael L. Fetters, Babson College

## Vignette 1: Getting off the Ground

After six months, the sisters were both exhausted and excited. Victoria and Anita had continued their full-time jobs, managed their family obligations, and still found time to pursue their opportunity. After many meetings, hours of market research, lots of analysis, and countless late nights, Victoria felt she had a clear strategy for moving the company forward.

Victoria and Anita decided to focus on Brooklyn as their **target market**. It was an easy commute from Queens and had become the borough of choice for numerous desirable demographic groups, as evidenced by the growing population. In addition, costs and competition would both be lower than in Manhattan. The sisters spent the first month carefully studying the websites and marketing materials of residential cleaning companies in New York City that had a significant Brooklyn presence. They noted their strengths and weaknesses, paying particular attention to what types of customer they seemed to be targeting and how they marketed their services. Victoria also made several calls posing as a potential client in order to get pricing information and a feel for how new customer inquiries were handled. This research led to the following list of what they believed most customers wanted from their housecleaning service:

- Trust clients did not want to worry about having strangers in their homes
- Reliability homeowners wanted to know that their cleaners would be there when they said they would
- Consistency many clients complained about frequent employee turnover which meant retraining cleaners about the specific way the client liked things done

At the same time, Victoria and Anita also made a list of the strengths they brought to the new business:

- Years of experience in both the actual tasks of housecleaning and the management of housecleaners
- The ability to screen candidates and the people skills needed to train, motivate, and retain staff
- Connections in the industry and respect among their former coworkers and colleagues

Based on their **market research** and prior experience, the sisters agreed the following were important to their vision for the new business:

- Offering a "premium" service that would exceed their clients' expectations and for which customers would gladly pay extra
- Developing a staff for whom the new venture was more than just a paycheck; the sisters wanted to create a culture where every employee was valued and provided input to improve and grow the business

From this information, Victoria's experience in luxury hotels, and Anita's knowledge of the local competition, they decided to offer a 5-star service and named their company Concierge Cleaners. They would incorporate the services of a high-end hotel into every part of their business: the cleaning, their customer interactions, and the treatment of their employees would all be 5 star. That would be their competitive advantage.







The Concierge Cleaners website<sup>1</sup> was built and launched in their second month and within a week, customer inquiries began coming in. Their website hosting company provided data on **SEO** (search engine optimization), which the sisters used to improve the user experience. In the second month they also finalized their marketing strategy and materials and began their outreach efforts. They sure learned a lot in that month! They spent approximately \$5,000 on getting started, which was very close to their original estimate.

By Month 3, the sisters had their first customer and several promising prospects. At the end of Quarter 1<sup>2</sup>, they had burned through about \$5,500 of their initial \$7,000 of funding. The sisters had received \$3,000 from family/friends and invested \$4,000 of their own savings. In Quarter 2, they refined their **marketing strategy** – the original plan had not been very effective – and acquired two more clients. By the end of six months (Q2), they were close to **breakeven** on an **operating profit** level.

Start-up Investment	<u>Forecast</u>	<u>Actual</u>
Website, PC, Printer	\$3,000	\$2,900
Cleaning Equipment	\$1,500	\$1,350
Marketing Materials	\$400	\$700
Total	\$4,900	\$4,950

	Actual			
	<u>Q1</u>	<u>Q2</u>		
Revenue	\$900	\$2,400		
Wages				
Operating Expenses	(\$1,600)	(\$2,475)		
Operating Profit	(\$700)	(\$75)		
Start-up investment	(\$4,950)			
Cash Flow	(\$5,650)	(\$75)		
Funding	\$7,000			
Cash Balance	\$1,350	\$1,275		

However, this profit picture was deceptive, as neither sister was taking any pay from the venture. In addition, cash was tight, so the sisters were using their own vehicles, and both were covering some of the business expenses with their personal funds (e.g. telephone, gas, etc.). Finally, they were both exhausted and had started bickering over trivial things. If they were going to continue, Victoria knew they needed to make Concierge Cleaners more like a "real" business, including separating the business expenses from their personal finances. The good news was that their customer service model and cleaning had been very well received by their initial clients, and the sisters really felt like they had a viable business model.

Victoria felt that the next six months were critical for Concierge Cleaners and her entrepreneurial dreams. She had begun repairing her **credit score**, which she knew would be critical to future fundraising efforts. Victoria also decided to cut back hours in her existing job. She could go to 25 hours a week and still keep health insurance for herself and her children. She would have to take some salary from Concierge Cleaners, at least enough to offset her lost wages. The sisters agreed they would hire a part-time employee to work with Victoria. The demand was there and their current pricing would comfortably cover the cost. It was also less risky than having Victoria quit her current job.

They would buy a used vehicle and require some additional equipment (total investment of approximately \$9,000). In addition to wages for Victoria and the part-time hire, there would also be new operating expenses. They needed to file a Business Certificate as Concierge Cleaners in Queens County (\$100) and would also require an IRS Employer Identification Number (EIN). Thankfully, their local NYC Business Solutions Center provided advice and assistance with both. The EIN did not cost anything but was required to set up a Concierge Cleaners checking account and to hire part-time employees. Victoria and Anita sat down at their computer and developed the following forecast for their second six months:

Capital Planning Workshop – Instructor's Guidebook

<sup>&</sup>lt;sup>1</sup> During their research, the sisters discovered that websites were the primary tool used by potential competitors for marketing their cleaning services. They also learned that some competitors were also using their websites to facilitate scheduling, communication and the overall customer service experience.

<sup>&</sup>lt;sup>2</sup> Financial results of operations are measured in different time periods, months, quarters or year depending on when the owner needs data to make decisions and assess operations.







	Actual		Forecast		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	Year 1
Revenue	\$900	\$2,400	\$14,000	\$22,100	\$39,400
Wages			(\$5,300)	(\$9,200)	(\$14,500)
Operating Expenses	(\$1,600)	(\$2,475)	(\$9,100)	(\$11,250)	(\$24,425)
Operating Profit	(\$700)	(\$75)	(\$400)	\$1,650	\$475
Start-up investment	(\$4,950)		(\$9,000)		(\$13,950)
Cash Flow	(\$5,650)	(\$75)	(\$9,400)	\$1,650	(\$13,475)
Funding	\$7,000		\$9,000		\$16,000
Cash Balance	\$1,350	\$1,275	\$875	\$2,525	\$2,525









By Richard T. Bliss and Michael L. Fetters, Babson College

## Vignette 1: Teaching Note

#### Overview

The Concierge Cleaners vignettes follow the progress of a new venture from idea to growth. Each vignette highlights the funding need at a specific stage of the business and asks the reader to assess the following:

- The decisions and actions taken by Victoria and Anita, specifically the ones creating the need for funding
- Where Victoria and Concierge Cleaners would rank on the 5 Cs of Lending and why
- The most like source for their funding need
- Most important components of a funding pitch

In Vignette 1, Victoria and Anita are six months into their new business, Concierge Cleaners. They have done significant market research and used it to develop their CVP (customer value proposition). They also launched a website and developed their marketing strategy and the associated materials.

Starting with \$7,000 (\$4,000 from their own savings and the rest from family and friends), Victoria and Anita now had several satisfied customers, an effective marketing strategy, and a solid plan for moving Concierge Cleaners forward. However, they were still working their full-time jobs, and cash was tight, with both sisters paying some of the business expenses with their own money.

From their forecast for the next six months, it was clear they would require additional funding. However, with Victoria's improving but still low credit score and a short financial track record, it was unclear where Concierge Cleaners might turn for funding.

At various places in the discussion below, the instructor may choose – depending on time constraints and on the comfort of the participants with the material – to go into more detail on certain topics. These places are highlighted with text boxes.

#### **Reflection Questions**

Participants are asked to discuss and answer the following questions:

- 1) Update your assessment of Victoria and the 5 Cs. What has changed in six months?
- 2) What is (are) the most likely funding option(s) for Concierge Cleaners over the next six months?
- 3) What are the three most important components of a funding pitch to the likely funders?

#### **Timing and Teaching Plan**







#### Timing

- Read case (~ 8 minutes)
- Questions 1 (5 minutes)
- Question 2 (5 minutes)
- Questions 3 & Wrap-up (5 minutes)

#### **Teaching Plan**

Distribute Vignette 2 and give the participants five minutes to read it.<sup>3</sup> Project the first two Reflection Questions on the screen and ask for thoughts from the participants.

Question 1: Update your assessment of Victoria and the 5 Cs. What has changed in six months?

#### Character

With even a small number of loyal clients, the sisters can offer a lender evidence of their commitment to the business and to the customer experience. Furthermore, they now have not only basic income statements but forecasted statements as well.

#### Capital

By using \$4,000 of their savings and raising \$3,000 from family and friends, Victoria and Anita have clearly shown their financial commitment to the business. Victoria's plan to cut back hours in her existing job and move part-time to Concierge is additional evidence of her "skin in the game".

#### Capacity

Although the forecast does not include any loan repayments in Q3 and Q4, the business is projected to generate significant Revenue and positive Operating Profit by the end of the year. Both of these metrics would give a potential lender some confidence in their ability to repay a loan.

#### **Collateral**

The only change here might be the vehicle Concierge plans to acquire in Q3. Although used, it would still have some small value as collateral and the sisters' willingness to offer it as security for any funding would be a positive signal.

#### **Conditions**

By proving their business model – albeit on a small scale – Victoria can show a lender she understands how to assess the market and develop a strategy that targets a clearly-defined customer need.

#### Question 2: What is (are) the most likely funding option(s) for Concierge Cleaners over the next six months?

These changes in the 5 Cs and the fact that Concierge Cleaners has customers, revenue, and a business plan/forecast open up new funding options for the sisters. However, their short track record and Victoria's improving but still sub-600 credit score limit the possibilities.

There are numerous organizations that will provide micro-loans up to \$10,000. They will work with low credit scores but typically want to see some evidence of traction for the business idea and a business plan/forecast. Since the sisters have customers, revenue and a clear strategy moving forward, they should be good candidates for this type of loan. The fact that they have invested their own savings and received additional funding from

<sup>&</sup>lt;sup>3</sup> Depending on the education level and primary language of the group, more time can be allotted.







family and friends will also be a positive factor. Terms for these types of loans are typically up to 3 years for repayment, with a range of interest rates and up-front costs.

Question 3: What are the three most important components of a funding pitch to likely funders?

Funders such as micro-lenders will want to hear:

- Brief description of founder, business including operating results to date, founder investment and family/friends investment
- Forecasts for the immediate future showing funding needs and impact on business. What do you need
  the money for and how that will actually impact bottom line or grow the business. People frequently
  forget to include this vital information.
- Time table and support for loan payback (connect with capacity)

Once the Vignette is wrapped up, give the participants 5 minutes for reflection on Vignette 2 and their 5 Cs self-assessment. Could ask, "So what did you just learn?"

#### Other topics trainers could discuss

Do you think Victoria and Anita spent their \$7,000 wisely? What would you have done differently?

Overall Victoria and Anita spent their funds well. They used the money to identify what customers wanted and then developed a business model that used their specific skills and resources to satisfy that need. They then developed the Concierge Cleaners website and marketing strategy to support that business model and acquire their first customers. Finally, they purchased only the equipment they needed, did not take any salary for themselves, and were careful with their cash. The instructor can compare their planned and actual start-up expenditures, noting that in total they were close (\$4,900 vs. \$4,950) and that initial marketing costs were higher than planned.

Point out detailed financials. The actual Revenue, Expense, Cash Flow and Cash Balance numbers for Q1 and Q2 can also be reviewed. The instructor should make sure participants understand that revenue is the cash collected from customers during the quarter. The operating expenses are the normal, recurring expenses for transportation costs to and from jobs, website-related expenses, printing of advertising materials, cleaning supplies, etc. The instructor can note that there are no wages in the Q1 and Q2 numbers.

Below Operating Profit, the line items are Start-up Investment, which is subtracted from Operating Profit to get Cash Flow. The Funding line reflects the \$7,000 of funding from the sisters and family/friends. The Funding is added to Cash Flow to get Cash Balance at the end of each quarter.

#### What do you think of their plan for the next six months?

The Q3 and Q4 forecast follows the same format as Q1 and Q2 (say 'quarter' not 'Q2'). One difference is the addition of Wage expense, reflecting the small salary Victoria will pay herself and the wages of their part-time employee.

If time allows, the hiring of an employee can be discussed in more detail. Victoria's decision to commit more time to Concierge Cleaners and take a salary, along with the hiring of a part-time employee are big steps for any entrepreneur. In this case, these choices are being driven by two factors. First, Victoria and Anita want to create a business that will be large, successful and provide employment opportunities to their community. Second, the







demand for their service appears strong and the only way they can add new customers is to add capacity (the part-time employee, a vehicle and equipment).

The important point to note is that the sisters' decision to grow is driven by both their personal goals and favorable market conditions. At the same time, Victoria is reducing the risk by keeping enough hours at her current job to retain health benefits for her family and purchasing a used vehicle.

Having Victoria move to Concierge on a more formal basis and get paid is also a big step to making the business "real". It should relieve some of the pressure on the sisters and alleviate the recent bickering. It will also test their model of training and retention as they bring on their first employee, albeit only part-time. This is important as a motivated and skilled workforce is key to the long-term viability of Concierge Cleaners.

In addition, the sisters will have to develop the systems, processes, and resources needed to ensure they can increase their client base to achieve their revenue goals without sacrificing "5 star" service, which is their competitive advantage. This includes scheduling software, training manuals, and a system to collect and respond to customer feedback. Clear evidence that they have thought all of this through would be critical.

The following high-level points should be noted in the Q3 and Q4 forecast:

- Significant revenue growth and commensurate increases for Wages and Operating Expenses
- A small, positive Operating Profit in Q4 and for the full year
- The \$9,000 of new Start-up Investment and the funding it requires

A more detailed discussion of the financial forecast might include the following:

- The steps required to achieve the projected Revenue growth
- How the sisters establish their pricing and estimate demand
- More detailed Operating Expenses and which components are fixed vs. variable

One question might be whether the \$9,000 of funding – assuming they find a source for the money – is sufficient to meet the cash needs for the next six months. Participants might discuss contingency steps the sisters should consider if they have underestimated their funding needs.

Wrap up this discussion by highlighting the importance of having even rudimentary projections and supporting assumptions at this stage of the company and make sure the difference between assumptions and projections are explained. Potential funders will need this, but it is also important for Victoria and Anita to use as their roadmap for moving the business forward.









By Richard T. Bliss and Michael L. Fetters, Babson College

## Vignette 2: The Next Level

In one year, Concierge Cleaners had become a real business. With their savings and family contributions totaling \$7,000 and a \$9,000 micro-loan4, the company had generated Year 1 Revenue of over \$40,000 - beating the forecast. And although negative for the full year, the Q4 Operating Profit was positive – small, but still positive!

Concierge Cleaners - Year 1

		Actual				Forecast
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	Year 1	Year 1
Revenue	\$900	\$2,400	\$16,142	\$22,581	\$42,023	\$39,400
Wages			(\$7,268)	(\$9,745)	(\$17,013)	(\$14,500)
Operating Expenses	(\$1,600)	(\$2,475)	(\$9,658)	(\$12,574)	(\$26,307)	(\$24,425)
Operating Profit	(\$700)	(\$75)	(\$784)	\$262	(\$1,297)	\$475
Start-up investment	(\$4,950)		(\$9,000)		(\$13,950)	(\$13,950)
Cash Flow	(\$5,650)	(\$75)	(\$9,784)	\$262	(\$15,247)	(\$13,475)
Funding	\$7,000		\$9,000		\$16,000	\$16,000
Cash Balance	\$1,350	\$1,275	\$491	\$753	\$753	\$2,525

Most importantly, Concierge Cleaners had a loyal group of clients and customer retention and satisfaction ratings well above the industry average. The company was delivering on the original goal of offering 5-star service for which customers would happily pay a premium price. Combining this with their new and effective marketing tactics gave the sisters confidence they could substantially grow their business in Year 2. In fact, Victoria had begun turning away new clients because they did not have the time, staff, or equipment to take on additional business while maintaining a high level of service. If Concierge were going to be more than just a "lifestyle" venture, the sisters needed a plan to take it to the next level.

Victoria and Anita agreed that at a minimum, the "next level" meant Victoria quitting her job and becoming Concierge Cleaners' full-time CEO. They also agreed that they could no longer run the business out of their homes - proper commercial/office space was a must. Finally, they would need additional staff, vehicles, and equipment in order to expand capacity. All of this was exciting, but also scary as the sisters looked uneasily at their latest bank statement showing just \$753 in the Concierge Cleaners account.

Over the last 12 months, Victoria had worked hard to improve her credit score, which currently stood just below 600. This would help, but both sisters knew they had a lot of work to do before they would be an attractive investment for a new funder. They also had to make sure they stayed current on their micro-loan payments.

<sup>&</sup>lt;sup>4</sup> Micro-loans help individuals start and grow their businesses. Dollar amounts typically range from \$100 to \$50,000 and numerous organizations offer micro-loans (e.g., Accion, Grameen America, The Business Center for New Americans, KIVA, and the SBA). Each organization has its own application process and criteria, but most emphasize Character (of the 5 Cs) and will work with applicants to find innovative ways to meet funding needs.







With all of this in mind, Victoria and Anita developed the following **assumptions** for their second year of operations:

- Victoria would become full-time, cleaning for approximately 20 hours per week and working as Concierge's CEO the rest of the time. She estimated her personal expenses, including health insurance, and came up with a \$55,000 annual cost for salary and benefits. This was not a market wage and was less than her current salary, but it would support her family and provide a little peace of mind.
- Anita would continue to work 16-20 hours per week as her job and personal commitments had not changed. Instead of salary, she would track her hours and they would be converted to "sweat equity."<sup>5</sup>
- Concierge's existing part-time employee would move to full-time and the company would hire two
  more full-time workers immediately and purchase a new vehicle and equipment for them. With
  Victoria's new role and Anita's available hours, this would give Concierge the equivalent of two fulltime cleaning crews to start Year 2. If revenues grew as expected, another crew (two people, vehicle
  and equipment) would be brought on at the beginning of Q3.
- The company would rent 800 square feet of commercial/office space in Ridgewood, Queens. The
  location was convenient to the sisters' homes in Jackson Heights, close to the M line subway, and
  bordered Brooklyn where most of Concierge Cleaners' clients were located. It would provide parking
  for the vehicles, storage for equipment and supplies, and an office Victoria and Anita could share.

Based on this plan, Victoria and Anita created the following Year 2 financial forecast:

	Actual	Forecast Year 2				
	Year 1	Q1	Q2	Q3	Q4	Year 2
Revenue	\$42,023	\$36,225	\$53,550	\$67,725	\$81,900	\$239,400
Direct wages	(\$17,013)	(\$15,577)	(\$21,956)	(\$29,122)	(\$33,579)	(\$100,233)
Gross profit	\$25,010	\$20,648	\$31,595	\$38,603	\$48,321	\$139,167
Operating Expenses:						
Salary/benefits (Victoria)		(\$13,750)	(\$13,750)	(\$13,750)	(\$13,750)	(\$55,000)
Vehicle		(\$2,250)	(\$3,000)	(\$5,800)	(\$5,800)	(\$16,850)
Occupancy		(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$24,000)
Selling & marketing		(\$3,000)	(\$4,000)	(\$5,000)	(\$6,000)	(\$18,000)
Other		(\$3,000)	(\$3,500)	(\$4,000)	(\$4,500)	(\$15,000)
Total Operating Expenses	(\$26,307)	(\$28,000)	(\$30,250)	(\$34,550)	(\$36,050)	(\$128,850)
Operating Profit	(\$1,297)	(\$7,352)	\$1,345	\$4,053	\$12,271	\$10,317
Capital Investment	(\$13,950)	(\$12,000)	\$0	(\$12,000)	\$0	(\$24,000)
Funding	\$16,000	\$32,000	\$0	\$0	\$0	\$32,000
Debt repayment		(\$2,447)	(\$2,447)	(\$2,447)	(\$2,447)	(\$9,786)
Cash Balance	\$753	\$10,955	\$9,853	(\$541)	\$9,284	\$9,284

<sup>&</sup>lt;sup>5</sup> Sweat equity is a term to signify working without pay to build value in a company. In this case, Anita's contribution would be reflected in her ownership stake in Concierge Cleaners.









By Richard T. Bliss and Michael L. Fetters, Babson College

## Vignette 2: Teaching Note

#### Overview

The Concierge Cleaners vignettes follow the progress of a new venture from idea to growth. Each vignette highlights the funding need at a specific stage of the business and asks the reader to assess the following:

- The decisions and actions taken by Victoria and Anita, specifically the ones creating the need for funding
- Where Victoria and Concierge Cleaners would rank on the 5 Cs of Lending and why
- The most likely source(s) for their funding need
- What a pitch to a funder should include

Vignette 2 finds the sisters celebrating their first year in business and planning for even bigger things in Year 2. Concierge Cleaners had over \$40,000 of Revenue, a positive Operating Profit, and ended Year 1 with cash in the bank. Most importantly, Victoria and Anita were turning away customers, which was testimony to a successful business model and their strong execution. Their plan for Year 2 is to add significant capacity by adding vehicles, equipment and staff, and to move Concierge Cleaners into rented commercial space. While confident in their strategy, the sisters also knew that to achieve their goals, they would need significant additional funding.

At various places in the discussion below, the instructor may choose – depending on time constraints and on the comfort of the participants with the material – to go into more detail on certain topics. These places are highlighted with text boxes.

#### **Reflection Questions**

Participants are asked to discuss and answer the following questions:

- 1) How would you rate Victoria and Concierge Cleaners on the 5 Cs?
- 2) Based on your answer to #3, what is the most likely Year 2 funding option for Victoria and Anita as they work to take Concierge Cleaners to the next level?
- 3) What are the three most important components of a funding pitch to likely funders?

#### Additional

- 1) Assess the Year 1 financial performance of Concierge Cleaners. What metrics do you think Victoria and Anita should be using to evaluate their business?
- 2) What do you think of the sisters' plan for Year 2? What would you do differently?







#### Timing and Teaching Plan

#### **Timing**

- Read case (~ 5 minutes)
- Questions 1 (10 minutes)
- Question 2 (10 minutes)
- Question 3 & Wrap-Up (5 minutes)

#### **Teaching Plan**

Distribute Vignette 3 and give the participants five minutes to read it.<sup>6</sup> Project the first two Reflection Questions on the screen and ask for thoughts from the participants.

Question 1: How would you rate Victoria and Concierge Cleaners on the 5 Cs at the end of Year 1?

#### Character

The sisters have a loyal and growing customer base and a one-year track record of starting and growing their business. They have paid their bills on time, are current with their micro-loan, and Victoria's credit score has improved significantly. They have forecasts for Year 2 and are clearly thoughtful about their growth plans and how they have run their business to date.

#### Capital

Starting with \$7,000 of their savings and family funds, followed by the \$9,000 micro-loan, Victoria and Anita have clearly shown they are committed to Concierge Cleaners. Their Year 1 financial results show that they have invested their capital wisely, effectively creating and growing a profitable business. Finally, Victoria's decision to convert her part-time role to being the full-time CEO is further evidence of her "skin in the game".

#### Capacity

Concierge Cleaners is profitable by the end of Year 1, and the Year 2 forecast shows significant growth in Revenue and Operating Profit along with sufficient Cash Flow to repay both their existing micro-loan and the new funder. It also projects the business will have almost \$10,000 in cash at the end of Year 2 – almost enough to cover a full year of debt payments.

#### **Collateral**

With several new vehicles and additional equipment, Victoria will have assets to pledge as collateral for any new funding. In addition, the commercial lease may have value as collateral.

#### **Conditions**

A full year of operations and Revenue that exceeded forecast seem to indicate that Victoria understands the market and her customer segment. The fact that she is turning customers away would clearly indicate that there is additional demand in the market which bodes well for their expansion plans. Furthermore, NYC continues to be an economic viable region with real estate in demand and likely cleaning services industry continuing to do well.

<sup>&</sup>lt;sup>6</sup> Depending on the education level and primary language of the group, more time can be allotted.







Question 2: Based on your answer to #3, what is the most likely Year 2 funding option for Victoria and Anita as they work to take Concierge Cleaners to the next level?

Significant improvement in all of the 5 Cs and the rapid growth of Concierge Cleaners will make the business of interest to a wider range of possible funders. The longer track record and Victoria's improved credit score allow the sisters to approach more traditional lenders. This would include organizations like ACCION, or the Women's Venture Fund, and possibly even a CDFI. However, with the combination of Victoria's credit score (around 600) and the other 5 Cs ratings, Victoria may not be able to obtain the entire \$32,000 from one source. She may want to purchase the vehicle with a loan from the dealer, the equipment with asset-based funding from a CDFI, and then seek the remaining capital from lending platforms like KIVA or city or state governmental programs.

#### Question 3: What are the three most important components of a funding pitch to likely funders?

- Management team and recent track record
- Support for revenue forecasts and expense levels
- Explanation of how much money is needed, how it will be used, and how it will be paid back

Reflection time on Vignette 3 and the participants' 5 Cs self-assessment.

#### **ADDITIONAL IF TIME PERMITS**

Assess the Year 1 financial performance of Concierge Cleaners. What metrics do you think Victoria and Anita should be using to evaluate their business?

	Actual	Forecast Year 2				
	Year 1	Q1	Q2	Q3	Q4	Year 2
Revenue	\$42,023	\$36,225	\$53,550	\$67,725	\$81,900	\$239,400
Direct wages	(\$17,013)	(\$15,577)	(\$21,956)	(\$29,122)	(\$33,579)	(\$100,233)
Gross profit	\$25,010	\$20,648	\$31,595	\$38,603	\$48,321	\$139,167
Operating Expenses:						
Salary/benefits (Victoria)		(\$13,750)	(\$13,750)	(\$13,750)	(\$13,750)	(\$55,000)
Vehicle		(\$2,250)	(\$3,000)	(\$5,800)	(\$5,800)	(\$16,850)
Occupancy		(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$24,000)
Selling & marketing		(\$3,000)	(\$4,000)	(\$5,000)	(\$6,000)	(\$18,000)
Other		(\$3,000)	(\$3,500)	(\$4,000)	(\$4,500)	(\$15,000)
<b>Total Operating Expenses</b>	(\$26,307)	(\$28,000)	(\$30,250)	(\$34,550)	(\$36,050)	(\$128,850)
Operating Profit	(\$1,297)	(\$7,352)	\$1,345	\$4,053	\$12,271	\$10,317
Capital Investment	(\$13,950)	(\$12,000)	\$0	(\$12,000)	\$0	(\$24,000)
Funding	\$16,000	\$32,000	\$0	\$0	\$0	\$32,000
Debt repayment		(\$2,447)	(\$2,447)	(\$2,447)	(\$2,447)	(\$9,786)
Cash Balance	\$753	\$10,955	\$9,853	(\$541)	\$9,284	\$9,284

The following high-level points should be noted in the Year 2 forecast:

- Revenue continues to grow rapidly, as do Direct Wages and Operating Expenses
- Operating Profit turns positive in Q2 and continues to grow
- Significant Capital Investment of \$24,000 total which is offset by \$32,000 of new funding







Debt Repayment for both the micro-loan and new funding

The sisters exceeded their Revenue forecast, but were unprofitable for the year, which was unexpected. This was due to higher than expected Wages and Operating Expenses. However, they had a small Operating Profit in Quarter 4 and ended the year with a little cash in the bank.

Victoria should focus on her expenses and profit margins since her Year 1 Operating Profit was below the forecast. She has clearly been good at generating Revenue, now she needs to focus on making the business more profitable.

A more detailed discussion of the financial forecast might include the following:

- The steps required to achieve the projected Revenue growth
- Victoria's full-time salary and benefits (especially relevant for start-ups)
- Estimating and calculating Direct Wages and their link to Revenue
- Occupancy expenses reflect the cost of renting commercial space for Concierge Cleaners
- Operating Expenses growing slower than Revenue means improvements in Operating Margin
- Negative Cash Balance in Q3: What does it mean and how should it be addressed?

#### What do you think of the sisters' plan for Year 2? What would you do differently?

The Year 2 plan shows significant growth for Concierge Cleaners, as Revenue in Quarter 1 is almost equal to the full Year 1 Revenue. However, expenses have also increased significantly, primarily due to the decision to move the business to a rented commercial space. By Quarter 2, with continued Revenue growth, Concierge becomes profitable and their Operating Profit continues to grow for the rest of the year.

Their \$32,000 funding need is significantly larger than prior loans and is used mainly to cover the purchase of new vehicles and equipment needed to expand capacity. As long as Victoria is turning customers away, this investment should be an easy decision to make.

One thing Victoria and Anita might have done differently is waiting longer to move the business out of their homes. It would be an inconvenience, but Year 2 Occupancy Expense is \$24,000 or \$2,000 per month. Not committing to that fixed expense would give them a bigger cushion in case their forecast was off. At the same time, the move to commercial space is an important step in moving Concierge Cleaners to the next level.







### Pre Work - The 5 Cs of Credit

By Richard T. Bliss and Michael L. Fetters, Babson College

#### **Introduction**

Whether you seek funding from a bank, a local **economic development corporation**<sup>7</sup> or even a relative, the prospective lender's main question will be: Will I get a **return on my investment**? For a loan, this means the repayment of **principal** and **interest**. If funders provide **equity**, they will own a piece of your business and profit if the value of the company increases. The ability of you and your company to provide a fair return to funders is called your **creditworthiness**.

One widely used framework for assessing creditworthiness is based on the following "5 Cs":

- Character
- → Credit Score
- 2. Capital
- 3. Capacity
- 4. Collateral
- 5. Conditions

We discuss the Cs individually in more detail below. Each C tells your potential funder something different about the creditworthiness of you and your company. For a small business owner, your personal and business creditworthiness are essentially the same. For one funder, some of the Cs may be less applicable or even irrelevant, while another will have strict guidelines. For example, a loan from a family member is typically based more on a personal relationship than your **credit score**. On the other hand, an **asset-based lender** will put significant weight on the value of **assets** pledged to secure a loan (Collateral). Many funders have strict cutoffs on an applicant's **FICO score**. Almost all funders use some version of the 5 Cs, so it is important for any entrepreneur or small business owner to be familiar with the framework.

In summary, to successfully obtain funding for your businesses, it is important you know the 5 Cs, how each is assessed, where you rank on each C, and given your rankings, which types of organizations are most likely funders of your business.

#### The Cs

#### 1. Character

Not all of the Cs can be evaluated by looking at financial statements. Character describes the personal qualities and trustworthiness of an applicant to meet obligations such as the repayment of loans. Character is often assessed based on the following:

- Employment history
- Management abilities
- Working relationships with others
- · Personal and credit references
- Applicant's reputation
- Level of education
- Credit score

<sup>&</sup>lt;sup>7</sup> Terms in **bold** can be found in the Glossary.







Many of these are "soft" criteria and involve judgment on the part of the funders. They will call personal references, business partners and may even interview customers and/or employees as part of evaluating Character. One of the main quantitative metrics used to assess character is your credit score, most likely your FICO score.

Your FICO score is determined by your history of paying bills, establishing credit, and making timely payments. Some lenders have hard cutoffs for making loans, and most traditional lenders want to see a FICO score of 650 or higher. However, a low credit score does not mean you cannot get funding. There are numerous funders who are willing to work with applicants that have low FICO scores and also many resources available to help you improve your score.

In the end funders want to have comfort that your personal qualities and history, i.e. your Character, make it likely that you will work hard to repay their investment in you and your company.

#### 2. Capital

Capital is based on the amount of cash and other assets you have invested in your business and on your ability to invest more in the business if needed. Funders also use Capital to assess your willingness to take risk and to put "skin in the game."

An applicant with more Capital is good for the funder in two ways: It can reduce the amount of your funding request and therefore their risk. Even if an applicant has invested personal assets in the business, most funders will ask for a personal guarantee, which gives them access to those assets in the event of **default**.

It is important to understand that Capital is relative. Entrepreneurs with little personal wealth can still rate highly on Capital if they invest some funds — no matter how small — into the venture and can convince the funder they are 100% committed to its success.

#### 3. Capacity

Capacity assesses the applicant's ability to generate cash flow that can be used to service the interest and principal on a loan. Ideally, this cash flow is generated from the operations of the business, but funders may also look at the applicants other income in assessing Capacity. This is one reason entrepreneurs often keep a full-time or part-time job when launching their venture.

Funders will assess your business operations, both current and forecasted, as well as your current debt levels in assessing your ability to repay the loan. This is why it is important to have clean financial statements and a solid business plan for potential funders. Lenders will also want to know exactly how their funds will be used to generate cash flow.

#### 4. Collateral

Collateral is assets pledged to the lender as security for a loan. If a borrower defaults, the lender can take the collateral as partial payment. Personal collateral can include real estate, vehicles, boats, etc. For a business collateral may be a building, equipment, vehicles or **current assets** like **accounts receivable** and **inventory.** Collateral is closely linked to Capacity.

The funder's claim on collateral can be formal or informal. Examples of formal claims are a **mortgage** on a building or **UCC** filing tied to a specific piece of equipment. Informal collateral claims come in the form of a personal guarantee or a general guarantee by the business.

Finally, some funders may require a third party guarantee or **co-signor** as an additional form of collateral. This guarantee means that another person promises to repay the loan if you can't and is a serious commitment.

#### 5. Conditions







Conditions has two dimensions. The first is how the money will be used as this has a direct impact on the likelihood of timely repayment. A loan to develop a new, but untested product would be viewed differently than funds requested to finance inventory for an existing **purchase order**. Funders want to see a quick and direct link between the use of the funds and the cash flows needed to repay their investment.

The second aspect of Conditions are the current economic and business environment facing your company. Your industry knowledge and understanding of the local economy and your competitors are all important factors in the timely repayment of the loan.

#### Summary

The 5 Cs of Credit is a common framework used in most funding decisions. The Cs are used differently by different types of funders. Typically, all are used in some combination to develop a holistic view of you, your business, and the likelihood that you will repay a loan in a timely manner.

By understanding the Cs and where you rank on each, you can best target the most likely funders for your needs and current situation. This knowledge will also help you identify potential future funders and be well positioned as your business grows and requires larger amounts of capital.

The C	What it Measures	How Assessed
	Personal qualities	
Character	Credit trustworthiness	Work history and business/personal references
- Credit Score	<ul> <li>Probability of meeting obligations</li> </ul>	FICO credit score
Capital	<ul><li>Existing investment in business</li><li>Potential to invest more</li></ul>	<ul><li>The "skin" (\$) you have put into your business</li><li>Ability and willingness to invest further</li></ul>
		Profitability of the business/ability to generate cash flow
	<ul> <li>Cash flow available to service debt</li> </ul>	Other sources of cash flow, e.g., salary from a job
Capacity	<ul> <li>Funder's margin of safety</li> </ul>	Forecasted data showing ability to service debt
	<ul> <li>Assets available as security for a</li> </ul>	
	loan	Value and liquidity of assets owned by the business
Collateral	<ul> <li>Funder's margin of safety</li> </ul>	Value and liquidity of owner's personal assets
	• The current operating environment	
	<ul> <li>Competitive landscape</li> </ul>	Specific use of the funds; likelihood of success
Conditions	<ul> <li>Risk of the investment</li> </ul>	Industry/economic data

#### References

Investopedia.com

http://www.investopedia.com/ask/answers/041715/why-do-banks-used-five-cs-credit.asp

MBDA.gov

http://www.mbda.gov/print/blogger/financial-education/5-c-s-credit-analysis

Well Fargo

https://www.wellsfargo.com/financial-education/credit-management/five-c/

Hands on Banking

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## **Capital Planning Workshop**

#### **Glossary**

Assets Something owned, has future benefits to the company or individual. Examples include a

computer, business license, office equipment, automobile, etc.

Accounts Receivable Money owed from a customer for a product or service already delivered

**Asset-based Lender** Financial institution that lends money based on the value of specific assets owned by or

to be purchased by the borrower. They claim the assets as collateral for the loan.

**Business Model** The strategy executed by a business to generate revenue and make a profit

**Capital Investment** Money invested to launch or grow a business; often for the purchase of assets

**Co-signor** An individual or organization that agrees to be responsible to pay the debt if the

borrower cannot pay. In other words, the co-signor guarantees the debt repayment.

**Credit Score** A number assigned to a person indicating creditworthiness based on his/her history of

credit acquisition and repayment. Scores range from 300-800. The most widely used

credit score is published by **FICO** (Fair Isaac Corporation).

**Creditworthiness** The assessment by a lender of an applicant's likelihood of repaying a loan. This is also

phrased as the probability of default on a loan.

**Current Assets** Assets that will be turned into cash or used within twelve months. Examples are cash,

accounts receivable and inventory.

**Default** Failure by a borrower to promptly pay interest or principal when due. Upon default, the

lender can seize any collateral securing the loan and sue for any unpaid interest and

principal.

**Debt** Funds loaned to the company with a promise of future repayment. Bank loans and

credit cards are examples of debt.

**Demographics** Identifying characteristics of potential customers, e.g., age, income, education, race,

sex, etc. Demographics are used to identify likely customers for a product and their

geographic location.

**Direct Wages** Salaries/wages paid to those employees (including owner) directly giving service to

customer or making product to sell to customer. A form of expense (see below for

expense definition).

**Economic Development** 

**Corporation** A non-profit corporation whose mission is to foster economic development within a

specific geographical area

**Equity** Investment that represents ownership in a company. Can be made by founders as well

as other investors. Equity returns may come in the form of dividends or an increase in

the value of the company.







Expenses	Money promised of	or spent to generate	revenue and operate a l	business. Examples
----------	-------------------	----------------------	-------------------------	--------------------

include rent, insurance, wages, etc.

**Income** Revenue minus Expenses during a specified period of time. Also called "Profit"

**Interest** The charge lenders require for the use of their money. Interest payments do not reduce

the loan principal (see below), but only represent "rent" for the funds provided. Some

loans have reduced or no interest.

**Inventory** Products held by a company for sale to its customers

**KIVA** A not-for-profit global organization which provides a platform for entrepreneurs to seek

interest-free loans from individuals willing to loan money to entrepreneurs. Loan

repayment terms are set at the time of the loan.

**Liability** An obligation to pay cash or provide a service sometime in the future. Bank loans, credit

card debt and wages payable are all examples of liabilities. Also called "Debt"

Market Research The collection and analysis of information about a market, potential customers,

competitors and products

Marketing Strategy The process of identifying a target customer and developing tactics to reach that

customer and make a sale. Typically combines market research, social media, print

advertising, website design and possibly radio/TV ads.

Micro-loan A small, relatively short-term loan with a low interest rate, usually extended to a start-

up company or self-employed person. Loans typically range from \$100 to \$10,000.

**Mortgage** A long-term loan usually used to purchase real estate and secured by the property.

Mortgages are typically repaid with monthly payments which include interest and

principal.

**Operating Expense** Day-to-day expenses incurred in the normal operations of a business such as rent,

insurance, utilities, etc. These types of expenses are often fixed expenses as they do not

vary with sales and have to be paid whether or not a company has customers.

**Operating Profit** Revenue minus operating expenses; the profit resultant from the normal, day-to-day

business operations

**Principal** The amount of money loaned on which interest is paid

**Profit** Revenue minus Expenses during a specified period of time. Also called "Income"

**Purchase Order** A firm commitment to buy, specifying quantity, price and terms of delivery. Purchase

Orders can be used to obtain loans that fund the production or purchase of the product

being sold.

**Quarter** A three-month period frequently used as a forecast period for businesses. There are

four quarters in a year.

**Return on Investment** 

(ROI) ROI measures the return on an investment relative to the investment's cost. It is

calculated by dividing the benefit (return) on the investment by the cost. The result is

usually expressed as a percentage.







Revenues Money a company is promised or receives from customers for delivering a product or

service. Also called "Sales"

**Search Engine** 

**Optimization (SEO)** The process of improving the visibility of and maximizing traffic to a website

**Small Business Development** 

**Center (SBDC)** SBDCs are a partnership between the U.S. Small Business Administration (SBA) and

typically a local college or university designed to help foster small businesses. SBDCs provide free marketing, financing and business-related activities to local entrepreneurs.

**Target Customer** Demographic description of a company's ideal customer

Target Market A group of Target Customers that will be the focus of a company's marketing strategy

UCC Filing A UCC (Uniform Commercial Code) filing is a legal form publicly filed by a lender to give

notice of a claim on specified asset(s) of the borrower as collateral.

#### **Babson 5 Cs of Credit**

#### Please answer the following questions related to your 5 Cs

YOUR 5Cs ASSESSMENT	YES	NO
Credit Score		
Do you know your credit score?		
If you have a credit score, is it above 550?		
Character		
Have you worked full-time for more than one year in your current position?		
Do you have significant industry experience?		
Capital		
Have you invested your own funds into your business?		
Do you have personal assets that can provide capital?		
Capacity		
Does your business currently generate positive cash flow?		
Are all your debts paid on time?		
Collateral		
Does your business own assets that could be used as security for a loan?		
(e.g., real estate, vehicles, equipment)		
Do you have personal assets in the form that could be used as security for a loan?		
(e.g., real estate, vehicles, equipment)		
Conditions		
Is the regional economy in which your business operates strong?		
Is the industry in which your business operates growing?		







## Sample Funding Pitch

My name is Gina Stavio and I am the co-owner and CEO of HQ Seafood HQ is a wholesaler of the freshest seafood in the New York City market. We are seeking \$50,000 of funding in the form of a line of credit or working capital loan to pursue an exciting new growth opportunity.

HQ supplies over 750 customers including fish markets, grocery stores, and restaurants. Our revenue last year was almost \$1 million. My father and mother started the business 20 years ago and we still operate out of our original northern New Jersey location. HQ sells to the entire tri-state region and we ship to several customers nationally.

Our customers need the freshest seafood delivered on time and at a fair market price. With our emphasis on customer service, our relationships with fishermen, and an efficient delivery infrastructure, we meet this need in a way our competitors cannot.

The opportunity we are seeking funding for is that a major competitor who is going out of business. This competitor is about half our size and supplies up-scale restaurants, hotels, and country clubs. We have a long and friendly relationship with the owner and he's expressed a willingness to recommend HQ Seafood to his customers. Given our track record, we are confident we can secure at least 50% of their client base, increasing HQ's revenue about 25% over the next twelve months.

This opportunity will improve our profitability in two ways. First, purchasing seafood in larger quantities will mean bigger discounts from suppliers. Second, we will spread our fixed-costs over a larger revenue base, improving operating margins.

The \$50,000 requested will go mainly to support working capital increases, i.e. increases in accounts receivable, inventory, and the cash needed to meet a slightly larger payroll. The new business will be profitable immediately and our forecasts show sufficient incremental cash flow to service either a 5-year term loan or a line of credit secured by the incremental working capital

HQ Seafood is known for reliably delivering the freshest seafood at competitive prices. We have a stable base of loyal customers and the competitive advantages to keep them. This opportunity will significantly grow our business with relatively low risk, but we need to act quickly. We welcome your questions and look forward to working with you to secure the \$50,000 needed to move HQ to the next level. Thank you.







# Funding Pitch Template

explain when it is and what stage your company is at.
What type of funder are you targeting and how much are you seeking? (10 seconds)
Introduce yourself and your business. Provide a brief history. (20 seconds)
Briefly explain your business. Focus on what pain/problem it solves for your customer and makes your product unique (i.e. your competitive advantage). (30 seconds)
Describe how much funding you need and how it will be spent. (25 seconds)
How will the money generate the cash flow to repay the funder? (20 seconds)
Wrap-up (10 seconds)







## Pitch Feedback Form

Name of Business Owner/Business:		
Content and Pitch Effectiveness	Included?	Additional comments
Description of targeted funder/amount needed	□	
Introduction/description/history of the business	□	
Clear statement of product/service and target customer	□	
Identification of competitive advantage	□	
Explanation of financing need	□	
Source of profit/cash flow to repay funder	<b>-</b>	
Overall Structure of Presentation (easy to follow and well-orga	anized inform	ation)
Presentation/Communication Skills (appropriate energy level practiced/strong delivery, engaged eye contact/connection to au		
Additional comments:		







## 5 C's Matching Game

Choose a 'C' for each image (or set of images) and explain your choice:













- (1) What is invested in already
- (1) Ability to invest more
- (2) Sweat Equity non-monetary investment

#### Alt: Capacity:

- Cashflow from the Business
- Second job

#### Character:

- (1) Credit Score
- (2) Personal Qualities: Employment history, Reputation, Management abilities, Etc.

#### Collateral:

- Assets available as security for a loan
- Funder's margin of safety

#### **Conditions:**

- (2) The current operating environment
- (2) Competitive landscape
- (2) Risk of the investment
- (½)Industry/ economic data
- (1) Customer demand.
- (1) Specific use of Funds, likelihood of success

#### Capacity:

- Funders Margin of Safety (if the boy is too short to ride, it would be dangerous to let him participate)
- Cash flow available to service a debt (height required to get on the ride)

Capital: "Skin in the Game"



## **ATTACHMENT C**

## ACKNOWLEDGEMENT OF ADDENDA

## Women Entrepreneurs NYC (WE NYC) PIN: 80118P0003

**Directions:** Complete Part I or Part II, whichever is applicable, and sign your name in Part III.

### **Part I Questions and Answers**

Turri Questions und rinswers	
Listed below are the dates of issue for each Addendum received in conr	nection with this RFP:
Addendum # 1, DatedOctober 2, 2018	_, 2018
Addendum # 2, Dated	_, 2018
Addendum # 3, Dated	_, 2018
Part II Acknowledgement of No Receipt	
No Addendum was received in connection with this RFP	
Part III	
Proposer's Name:	
Proposer's Authorized Representative:	
Name:	
Title:	
Signature:	
Date:	



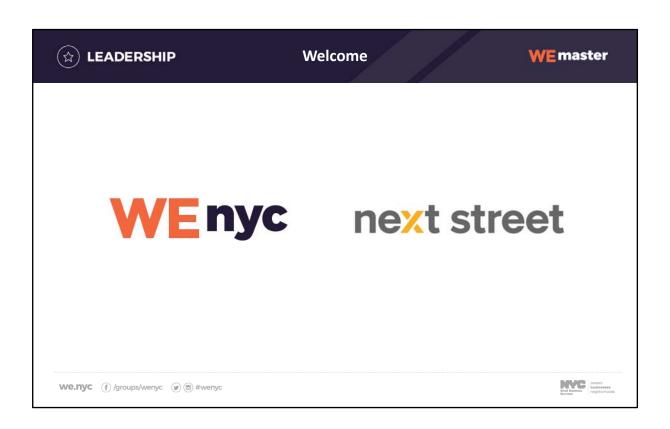
#### Facilitator Instructions:

- As participants are walking in the door, hand out the WE NYC Intake Form and ask them
  to complete them; make sure to collect this form from participants before they leave
  the session.
- When handing the intake Form to participants, let them know that it is important for them to complete the form for two reasons: (1) so that WE NYC can stay in touch with them following the session and make them aware of additional offerings, and (2) so WE NYC can track participant progress following the session have they started their businesses, sustained their businesses, or grown their businesses? Have they been able to implement knowledge and skills gained in the session? WE NYC wants to understand this information in order to understand the impact they are having on women-owned businesses in New York City.



#### Facilitator Instructions:

- Expected duration: 2 minutes.
- Review the portfolio of WE NYC offerings for participants.





#### **Facilitator Speaking Notes:**

- Expected duration: 2 minutes.
- WE NYC connected with over 1,500 women entrepreneurs and surveyed hundreds of organizations throughout NYC during our research period.
- Results showed that women-owned businesses are key contributors to the US economy, and are launching new businesses at a much faster rate than men.
- Unfortunately, however, they also found despite the growing number of women-owned businesses in New York City, there remains a significant gender gap; comparatively, men still operate more businesses, employ more people, and generate more revenue.
- When asked about their biggest challenges, nearly 75% of the women interviewed stated struggling with a lack of confidence.
- Confidence is important because it drives business success just as much as competence.
- Acting with confidence can produce significantly different outcomes for us all.
- Confidence can both make us feel better and more assertive about the actions we take.
- Confidence is correlated with risk taking which also influences things like finding access to new sources of capital.
- This workshop series was therefore created in order to help build confidence and improve outcomes for women business owners in New York City by providing them with the leadership skills needed to start, grow, and sustain their businesses.



#### Facilitator Speaking Notes:

- Expected duration: < 1 minute.
- WE Master Leadership is a first-of-its-kind program (Next Street and WE NYC reviewed over 300 programs and found nothing like this!).
- This workshop series includes three, four hour interactive sessions designed to equip you with a core set of knowledge and skills that will help build your confidence and help you lead your businesses successfully.



#### **Facilitators Instructions:**

- Expected duration: 2 minutes.
- Use this slide to provide an overview of the WE NYC workshop.

#### Facilitator Speaking Notes:

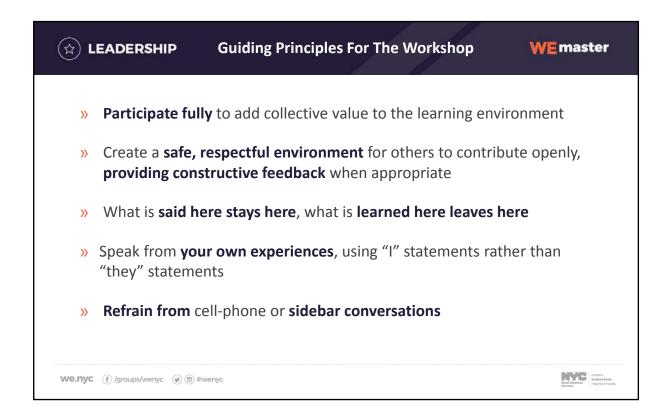
- As I mentioned, this workshop series includes three, four hour interactive sessions
  designed to equip you with the knowledge and skills needed to help you lead your
  businesses successfully.
- In today's session, we will talk about how to create alignment between your business and your individual values and strengths, helping you gain the confidence to make decisions that are right for you and your business.
  - Specifically, we will start by clarifying what is most important to you
    professionally, and identifying where there are areas of misalignment between
    your values and your business operations.
  - Then we will help you identifying specific leadership and functional strengths, again identifying where there are areas of misalignment between your strengths and the needs of your business.
  - At the end of the session, we will ask you to make 3 commitments to yourself based on the areas of misalignment you have identified between you and your business.
- In our next session, Communicating with Clarity, we will discuss best practices for formal business pitches and negotiations. After the second session, it is our hope that you feel more confident in your communication skills, and ready to utilize those

- communication skills to get what you need for your businesses (funding, better rates from your suppliers, new employees, etc.).
- Finally, in our third and final session, we will discuss the importance of collaborative leadership and understanding common business challenges and strategies to overcome them.
  - [If the WE Connect Mentor panel will be in-person:] As part of the discussion on common business challenges, we will have a panel of WE Connect Mentors share some of the challenges they have faced and the ways in which they have overcome these challenges.
- These sessions will help you build confidence in two additional ways: (1) giving you the confidence to manage 'predictable surprises' in your businesses, and (2) building your confidence as a leader, helping you to work effectively with others in a variety of situations.

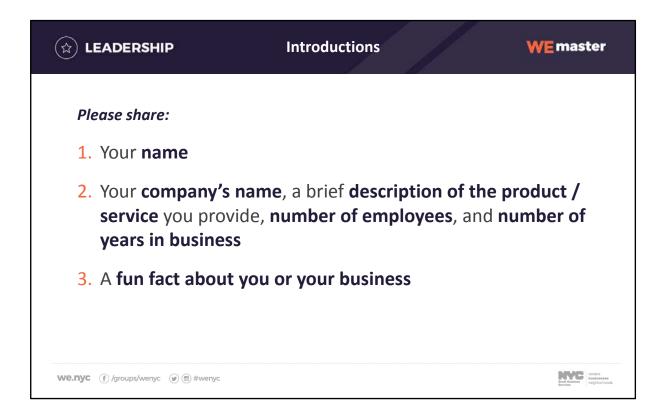


- Expected duration: 1 minute.
- Hand out the workbook to participants.
- Explain to participants that the workbook you are handing out does not contain all of
  the slides they will see on the screen. The workbook only includes key takeaway slides
  for their reference as they complete workbook reflections or revisit material following
  the session.
- Explain to participants that, as you reach activities throughout today's session, you will call out the workbook page numbers.

- Based on input from the participants in our focus groups, and our experience with past programs, we have implemented three core components to this workshop.
- This is our second pilot workshop.
- While we hope these components help to provide you with a great learning experience, we very much hope to hear your feedback throughout all three sessions.
- We will provide you with a very short survey at the end of each session; if you can, take a minute or two and please share your feedback with us so that we can continually make adjustments throughout the course of the three sessions, and for future sessions.



- Expected duration: 2 minutes.
- In order to ensure this workshop series provides a supportive learning experience for everyone, we have created the following guiding principles.
- As we work together over the course of the day today, and during the remaining sessions, it will be important for all of us to stick to these guiding principles.
- Constructive criticism example: For example, instead of making statements like "It took too long for me to understand the point of your story," consider providing feedback that will help the individual build upon their material: "As I was listening to your story, it took me a while to understand the key point. While it was really interesting to hear details on all of the different businesses you've tried in the past, I'd recommend you shorten that middle part by saying something like 'I've started many businesses in the past, all of which I'd be happy to share with you sometime' to make sure you can share about your current business sooner."
- Are there any additional guiding principles that anyone else would like to add?



- Expected duration: 15 minutes.
- BREAK INTO SMALL GROUPS
- Start introductions (facilitator should introduce herself first), asking participants to introduce themselves, their businesses, and a fun fact about themselves or their business.

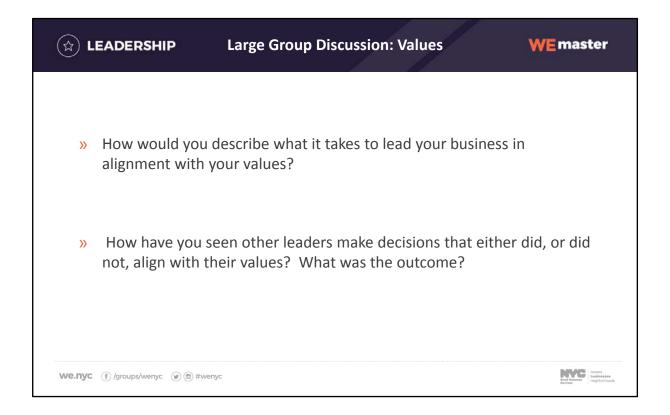


- Expected duration: <1 minute.
- Use this slide to preview timing of the current session.

- This is our agenda for today; as you can see we are already part way through the agenda.
- We will do our best to stick exactly to this timing, but we will adjust if we need to in order to give more time to a particular topic, to give an extra five minute break, etc.
- We have provided a fifteen minute break part-way through this morning in order to give you time to check your email, make a phone call, use the rest room, etc.

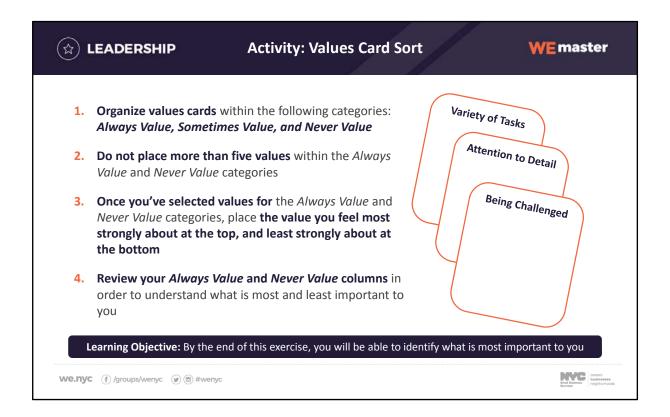


- Expected duration: 2 minutes.
- Today, we are going to talk about your values, your leadership strengths, and your functional strengths.
- These are important building blocks of you as the leader of your business.
- After we talk through each building block, we will ask you to self-reflect, looking for areas where your strengths and values are well-aligned and misaligned with your business, and considering strategies to reduce misalignment.



- Expected duration: 8 minutes.
- Ask participants to share an example of a scenario in which they or someone they know made a decision that either showed strong alignment with their values or misalignment with their values, and the outcome of that decision.
- Facilitator can be prepared to share the following scenario: Alicia worked in the corporate world for ten years, sitting in front of a computer for 10 hours a day. She valued being rewarded with a high position at her company and was passionate about getting her work done. However, as she grew into higher positions, she found she was not feeling much happier and began to realize that she really didn't enjoy the tasks much at all, but instead valued a different kind of work something that is more creative and design oriented. After realizing this, she decided to leave her company and start her own business as an independent print designer.
- Ask participants to share out loud responses to the questions on the slide to in order to generate discussion on the importance of values and get an understanding of how much participants think about their values and act based on their values on a regular basis.
- Participants do not need to respond to these questions exactly as written on the slide these are meant to be guiding questions for discussion.

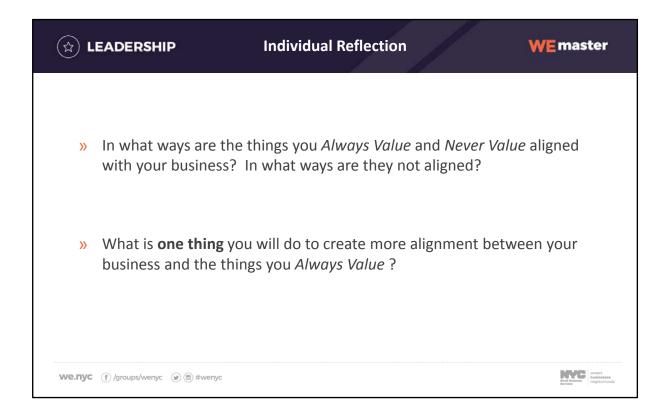
- Values help you determine what's important.
- They help ground the decisions you make, providing clarity in ambiguous situations.



- Expected duration: 30 minutes (2 minute instruction, 10 minute sorting exercise, 5 minute writing exercise, 13 minutes of group discussion).
- [English workshop:] Hand out value cards to participants.
- [Spanish workshop:] Hand out the list of values.
- Refer participants to pages 7 and 8 in their workbook.
- Please be aware of participants with literacy challenges who may need additional support. Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participants phone and/or a separate audio device.

- [English workshop:] As you sort your cards, you will probably want to lay them out on either the table or the floor.
- The goal of this exercise is to be able to identify what is most important to you. As you sort your values, focus on identifying those that you Always Value and Never Value. Do not worry about organizing all the values that fall in between in the Sometimes Value columns.
- Remember to place no more than five values within each of the outer categories (*Always Value* and *Never Value*). After you have done this, prioritize the values in each of these columns in order of decreasing importance. This will help you make real choices about what you value the most and what you value the least.
- In your workbook, on pages 7 and 8, you will find a blank worksheet with columns that correspond to these categories. When you are done sorting your values, write down

how you prioritized them in the categories on the worksheet.



- Expected duration: 5 minutes.
- Refer participants to page 9 in their workbooks.
- Please be aware of participants with literacy challenges who may need additional support. Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participants phone and/or a separate audio device.

- In your workbook, on page 9, you will find space for you to write your answers.
- You do not necessarily need to write your answer down, but do think of at least one commitment you would like to make to yourself.



- Expected duration: 5 minutes.
- Ask participants to share out loud responses to the questions on the slide to in order to generate discussion on the importance of values and get an understanding of how much participants have thought about their strengths as a leader.
- Participants do not need to respond to these questions exactly as written on the slide these are meant to be guiding questions for discussion.

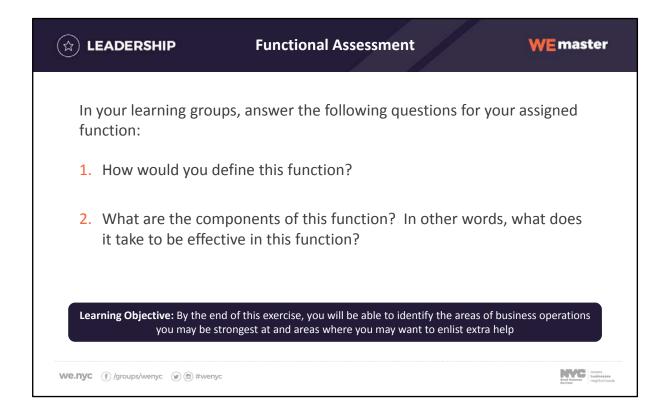


- Expected duration: 2 minutes.
- Ask participants to share out loud responses to the questions on the slide in order to generate discussion on the importance of values and get an understanding of how much participants have thought about the different functions of running a business, and which ones they are particularly good at / not as good at.
- Participants do not need to respond to these questions exactly as written on the slide these are meant to be guiding questions for discussion.



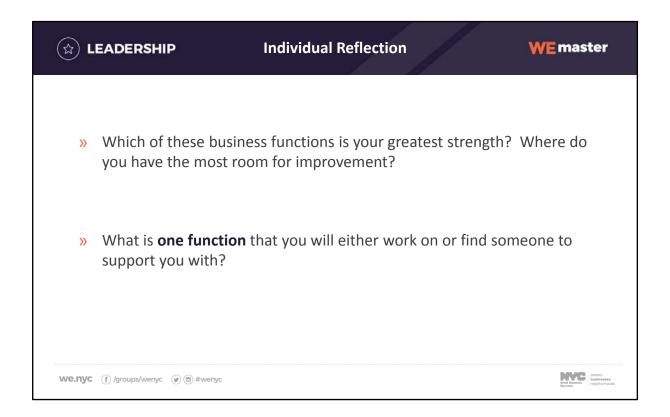
• Expected duration: 1 minute.

- We have organized the things you need to know and know how to do into five major functions: strategy, sales & marketing, finance, human resources, and operations.
- In large organizations, as you probably know, these functions are actually separated into different business units and teams.
- In your business, on the other hand, you may have to do it all! You may be the Chief Marketing Officer, Chief Strategy Officer, Chief Finance Officer, etc.
- While you may need to take on all of these functions, you probably aren't equally as strong in all of them no one is!



- Expected duration: 20 minutes.
- Assign one functional area to each learning group table (if more than five tables exist, some functional areas can be assigned to more than one table).
- Assign one member of each learning group to serve as a moderator of discussion.
   Moderators will need to ensure the group answers both questions fully, and will write down answers for the group if needed so the group can report out at the end of their discussion.
- Ask the moderator to report out to the large group on their answers to these two questions.
- Record the group's answers on flip chart paper so the entire room can see all responses.

- In your learning groups, we are going to ask you to talk about one of these functions defining the function, and describing the activities needed to successfully perform that function.
- We will ask one member of each group to be a moderator of the discussion, record the group's answers, and then report out on behalf of the group at the end of the discussion. After each group has reported out, we will have a full collective understanding of what it takes to successfully perform these business functions.
- At the end of this activity, we will ask you to individually assess yourselves against what it takes to successfully perform each of these functions.



- Expected duration: 5 minutes.
- Refer participants to page 13 in their workbooks.
- Please be aware of participants with literacy challenges who may need additional support. Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participants phone and/or a separate audio device.

- In your workbook, on page 13, you will find space for you to write your answers.
- You do not necessarily need to write your answer down, but do think of at least one commitment you would like to make to yourself.

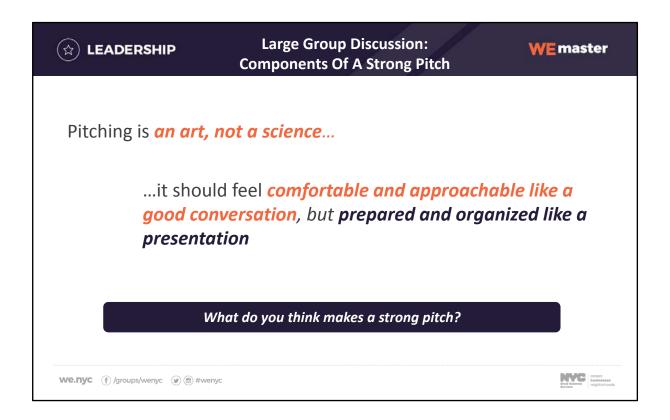




Expected duration: 2 minutes.

- Why do we talk about creating your pitch?
- Creating and delivering a pitch is extremely important for a few reasons; first and foremost, it will help you form critical relationships with stakeholders that will help you launch and grow your business. But it will also increase your confidence and help you make better decisions about your business.
- Each of these benefits are mutually reinforcing As you form new relationships, you build your confidence, and further clarify for yourself what your business is, and what your business is not; similarly, as you craft your business and clarify what your business is and what it is not, you will more effectively form new relationships, and build your confidence.
- We pitch all of the time. For example, we pitch:
  - In formal presentations: Depending on the audience, you may be asked to create a formal presentation with slides, handouts, or other audio / visual aids.
  - In informal conversations: Informal conversations are fantastic opportunities to make a deal; though you won't present a formal pitch, you will use the same language to share your value proposition.
  - As an unexpected elevator pitch: You may suddenly find yourself in a conversation with one of your target audiences take advantage of the opportunity to ask for a follow-up conversation!

<ul> <li>Opportunities to pitch your business to a potential customer, business partner, or investor arise in a variety of situations; you will need to be prepared to pitch at a moments notice.</li> </ul>			



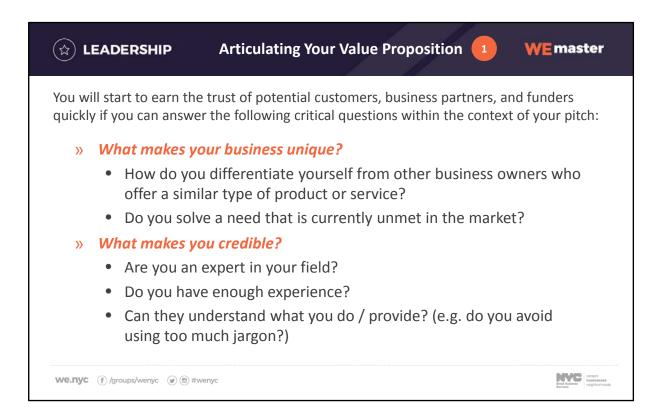
[LARGE GROUP DISCUSSION]

- Expected duration: 5 minutes.
- Ask participants to share out loud their ideas on what makes a strong pitch based on their own experience giving pitches or ways they have watched others give pitches.



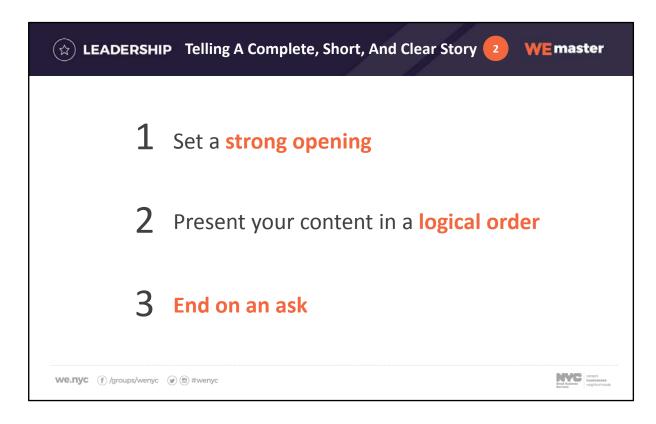
• Expected duration: 2 minutes.

- These are a few suggested tactics to use when creating and executing your pitch.
- We have seen many pitches over the years, and these five tactics have always made pitches the most successful.
- That said, your pitch is entirely your own; take these as suggestions, helpful things to think about as you build your pitch.



Expected duration: 2 minutes.

- First and foremost, your audience will be listening for you to articulate your business's value proposition.
- Your value proposition outlines two things:
  - (1) What makes your business unique: What does it offer that no other business does? If you don't offer a new type of product or service, in what ways is your business better than any of the other similar businesses out there? For example, if you run a tutoring business, why would someone choose your tutoring business over any of the other tutoring businesses? Is it because you offer lower rates? Because your service is higher quality? Be specific, so your audience understands exactly how your business is unique and worth spending money on as a client or worth investing in as a funder.
  - (2) What makes you credible: It will be important to articulate your expertise and / or your experience to show how credible you are in selling that particular product or service. Your expertise does not necessarily mean an educational degree; as you know, you can develop expertise in a variety of different ways and largely through experience. Depending on your audience, you may also want to avoid using jargon that is unique to your industry, as they may or may not understand what it means. You can actually hurt your credibility by not tailoring how you articulate your business to your audience.



Expected duration: 3 minutes.

- Set a strong opening
  - You only have a few seconds at the start of your pitch to really gain your audience's attention; act quickly!
  - Consider opening your pitch with one of the following:
    - A startling statement
      - A statistic or statement about the current state of affairs related to your business, industry, client, or environment that is surprising or so significant it raises eyebrows (cost, growth possibilities, underserved population, benefit in what your product/service has already created, niche in industry that is unique or thriving).
      - For example, "Today, approximately 50% of qualified workers in Springfield, Massachusetts are unemployed....the technology platform I have created is designed to match qualified workers with open positions with local employers".
    - A question bearing on a need
      - Actually pose a question to the audience that will captivate and engage them by either bringing something to light that they did not know, or providing them with a view to the future; like the startling statement, the question should tie to a surprising statistic, fact, or vision.
      - Two quick questioning openers are: "What if....?" "Did you know....?
    - A dramatic incident
      - A \*brief\* and surprising story that illustrates something that happened related to your business
      - For example: "Until three months before I opened my yoga studio, I had never practiced yoga in
        my life..."
- Present in a logical order
  - Consider organizing your content in of the following ways:
    - Chronological order Help your audience follow your history by describing events in the order they happened.
    - Problem 

      solution Help you audience understand why you created a good or service and/or why they need you by starting with the problem.
    - Progression of points Make sure one statement builds into the next and contributes to the overall story.
- End on an ask

- Make sure the content of your pitch arrives at a clearly defined end-point. Don't leave your audience wondering, "so what?"



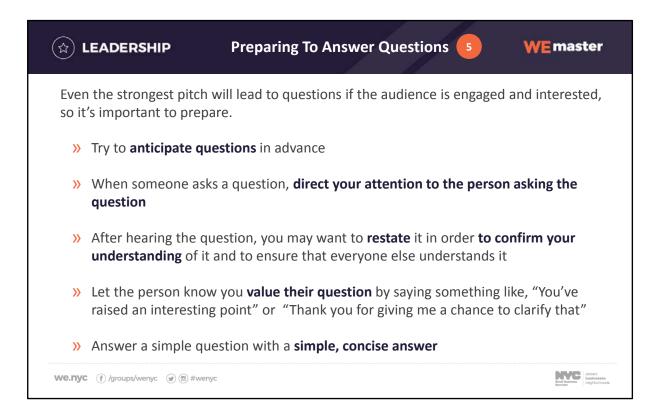
Expected duration: 2 minutes.

- Attendance does not equal attention to keep their attention and persuade them to act, your message must matter, AND be memorable and motivating.
- When we say matter, we mean that you must connect your pitch to the thing(s) your audience cares about.
- Different audiences will care about different things:
  - Potential customers...may need to know more about the products and services you offer.
  - Potential business partners...may need to know more about how you function, key asks, and / or synergies.
  - Potential funders...may need to know more about not only where you are, but where you are going and how they will receive a return.
- You will likely need to tailor your pitch based on the things your audience is going to care about. For example, a potential customer likely will not care about how you make money, so you do not need to include this in your pitch to the customer. Instead, you should pitch them on why they should buy your product or service why is it exactly what they need? An investor, on the other hand, will care very much about how you make money, because that is how they will make a return on their investment. So you should include how you make money in your pitch to them.



Expected duration: 2 minutes.

- People in an audience are both listeners and viewers; they respond not only to the verbal content of a message, but also to the manner in which the presenter communicates it.
- It isn't always what you say that has the greatest impact on people and the perceptions they form; it's more how you sound and how you look when you say it.
- By how you look, we mean both how you dress (yes, we have seen particularly bad examples of business owners making a pitch not looking their best. You don't need to wear a suit, but you should look professional) and how you stand when you are pitched (we often see business owners standing slumped over, speaking very softly, etc.).
- Importance of pacing:
  - Too slow a pace and you may be viewed as ...
    - Boring, dull, uncertain, hesitant, or slow to think on your feet.
  - Too fast a pace and you may be perceived as...
    - Nervous, rushed, hard to listen to, or difficult to follow.
  - As a general rule don't dwell on any one point for longer than two minutes.

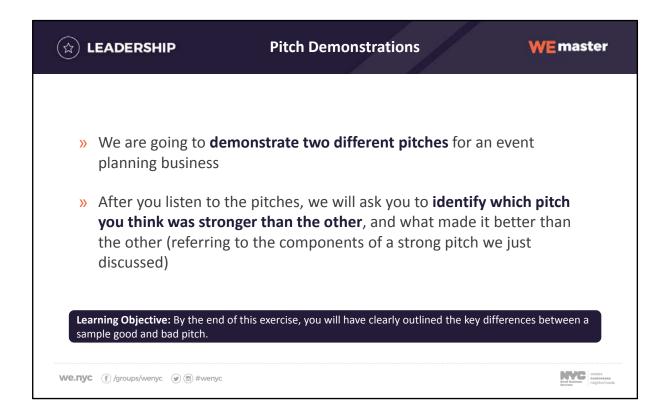


• Expected duration: 2 minutes.



Expected duration: 2 minutes.

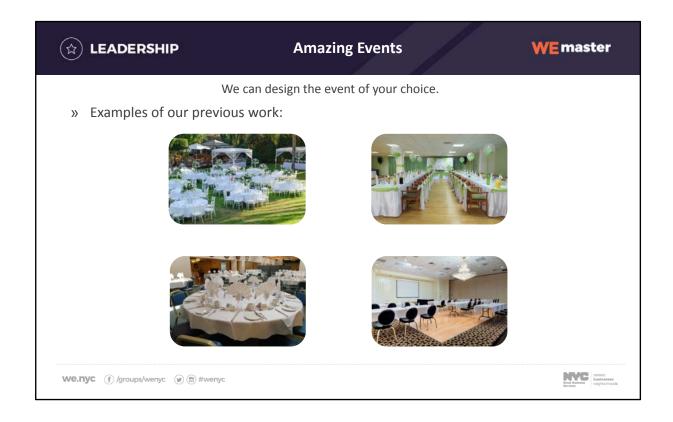
- Walking into a room as well prepared as you can be reduces nerves and also ensures a more polished, professional, and confident first impression.
- It is best not to wait until you are giving your pitch to figure out that your content is confusing or doesn't flow; you will be too close to the content to be a fair judge have others review your documents and supporting materials used in your pitch as you develop it.
- Typos and errors may be minor, but they are VERY noticeable to someone reviewing documents used for your pitch/proposal.
- The last place you want to try your pitch for the first time is in the moment; practicing ahead of time will allow you to smooth your flow and articulation and work through trouble areas.
- Practice your pitch in front of others:
  - Gather a group of individuals to role-play capital providers
  - Present your full pitch and have them ask questions
  - Get feedback afterwards
- Or video yourself:
  - The only way to know what you look like is to watch yourself (if you don't like video, use a mirror).
  - Technology nowadays means you don't need to own video equipment; you can use your phone, camera, or camcorder to record yourself.



[FACILITATOR DEMONSTRATION FOLLOWED BY LARGE GROUP DISCUSSION]

- Expected duration: 1 minute.
- Flip to slide 17 as you read the sample good pitch out loud, pause, and then flip to slide 18 as your read the sample bad pitch out loud.
- After reading the pitches, flip back to slide 9 with the components of a strong pitch and ask participants to provide constructive feedback on the two pitches against those characteristics.
- Constructive feedback on the pitch presentations should be shared in the large group.

- We will demonstrate two pitches for an interior design business (this is a real business, but many of the details have been modified in order to protect its identity).
- After the pitches, we will ask you to identify which pitch was stronger than the other, and identify the distinct characteristics of what made one pitch good and the other less good.

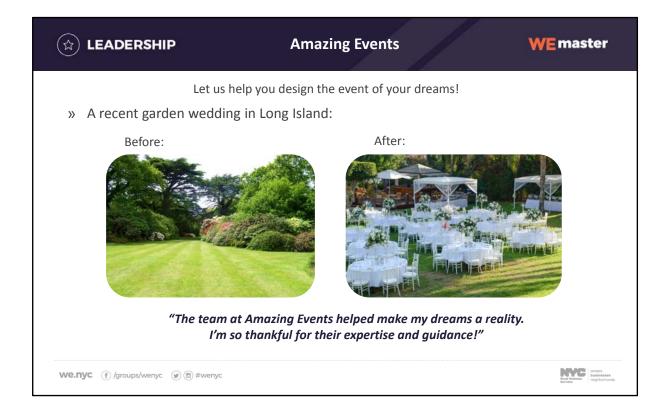


- Expected duration: 6 minutes (1 minute to read bad pitch and 5 minutes large discussion).
- Read the sample bad pitch out loud.
- After reading the bad pitch, flip back to slide 9 with the components of a strong pitch and ask participants to rate your two pitches against those characteristics.

# Facilitator Speaking Notes:

[FOR LARGE GROUP DISCUSSION AFTER BAD PITCH EXAMPLE IS READ OUT LOUD AND PARTICIPANTS RATE THE TWO PITCHES]

• Characteristics that made this a bad pitch include – no clearly defined value proposition, no strong opening, a few irrelevant points to someone looking to update their kitchen, and no ask at the end.

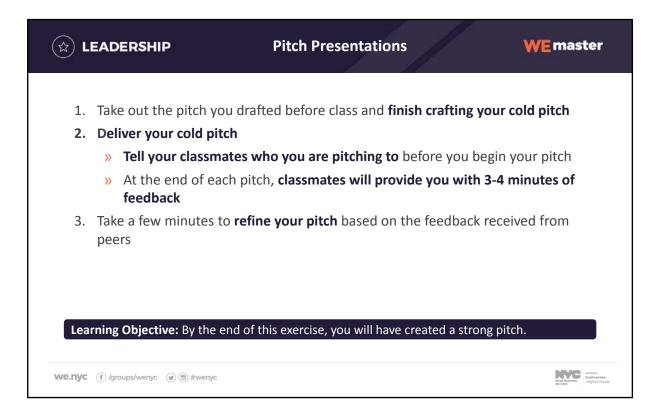


- Expected duration: 2 minutes.
- Read the sample good pitch out loud.
- Pause before flipping to slide 18 as you read the sample bad pitch out loud.

## Facilitator Speaking Notes:

[FOR LARGE GROUP DISCUSSION AFTER BAD PITCH EXAMPLE IS READ OUT LOUD AND PARTICIPANTS RATE THE TWO PITCHES]

• Characteristics that made this a good pitch include – a clearly articulated value proposition, strong opening, logical order of points with only the most relevant points for the audience, an ask at the end.



Facilitator Instructions:
Ask for 3 volunteers
[SMALL GROUP ACTIVITY]

• Expected duration 20





Expected duration: 2 minutes.

- As a reminder, this is the second part of our session today, focused on communicating with clarity.
- Sometimes when we think about negotiations we think about them being big legal battles, but for the most part negotiation is really a part of how we communicate in everyday conversations to get the things that we need.
- Negotiations are also not about situations where one person loses and the other one
  wins, they are really about creating mutually agreeable outcomes based on what we
  each need.
- Negotiations are a critical aspect of business communication, and something that you as a business owner will have to do regularly.
- We negotiate all of the time. For example, we negotiate:
  - With vendors on price, delivery logistics, etc.
  - With investors on investment opportunity, ownership stakes, use of funds, etc.
  - With team members... when scheduling shifts, setting work plans, etc.
  - With business partners... when determining business direction, focus, etc.

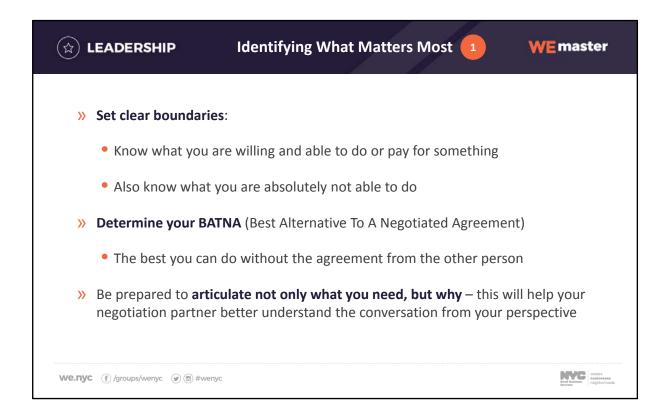


# [LARGE GROUP DISCUSSION]

- Expected duration: 10 minutes.
- Ask participants to share out loud the challenges they have experienced in negotiation situations.

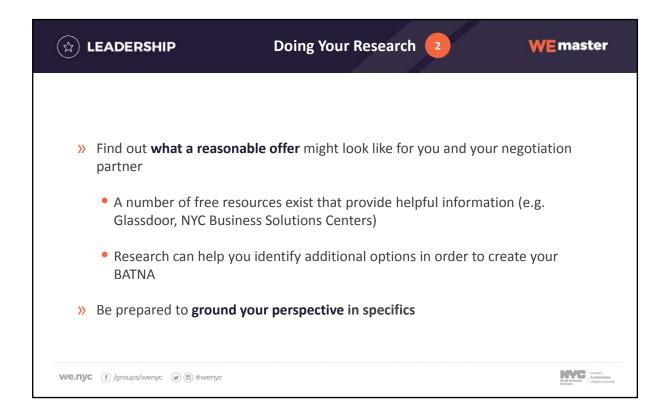


• Expected duration: 5 minutes.



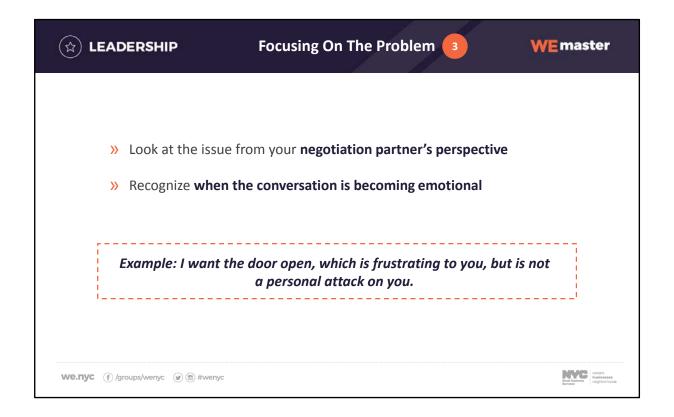
Expected duration: 2 minutes.

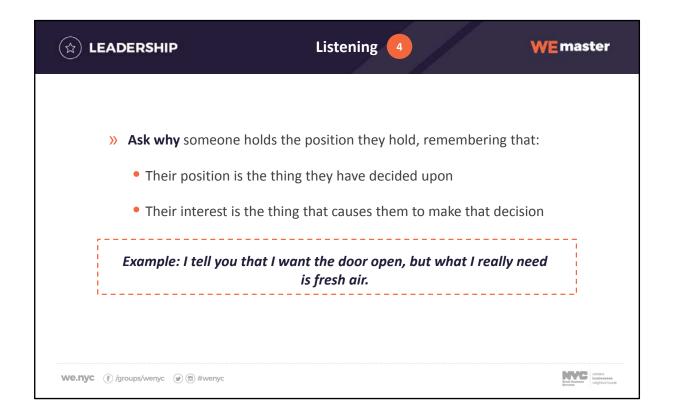
- As you enter a negotiation, it's important to know what you need and want.
- Setting clear boundaries on the outcomes you would and would not accept will help you
  make decisions.
- Your best alternative to a negotiated agreement, referred to as your BATNA, is not necessarily your ideal outcome it is the best option you have available to you without the cooperation of the other person. If the other person offers something worse than your BATNA, you will know that you need to walk away.
- Being able to articulate not only what you want, but why you want or need it will help your negotiation partner see things from your perspective.

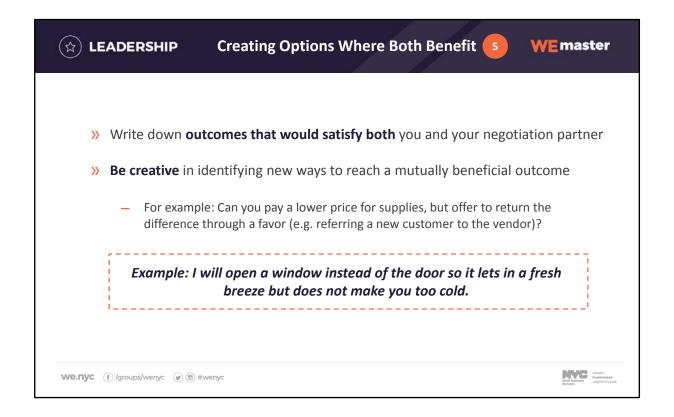


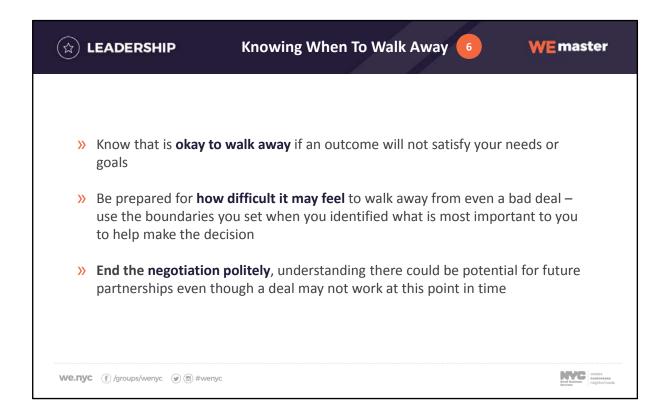
Expected duration: 2 minutes.

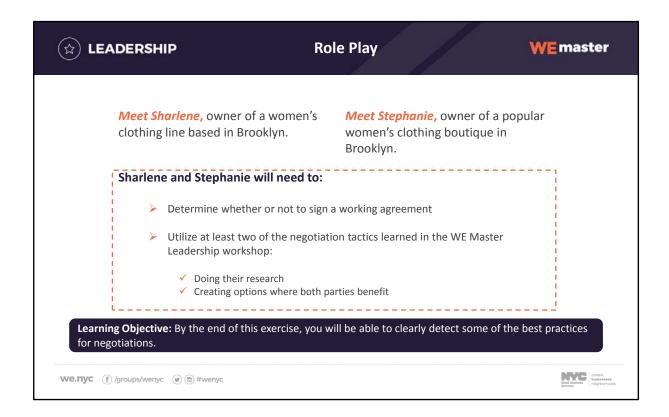
- Before entering a negotiation, it is important to get a benchmark understanding of what is reasonable for both you and your negotiation partner.
- For example, imagine you want to hire a new employee and are negotiating a contract with a freelance recruiter. Key research questions will include:
  - What is the typical rate that this freelance recruiter may be able to receive?
  - How would you be able to search for a new employee yourself and what would it require of you? (e.g., job search websites exist, but it will require you to develop a job posting all by yourself)
- The best way to find out what is reasonable is through research there are a number of free resources you can use to understand what is reasonable. Glassdoor is a great resource for salary information. The NYC Business Solution Centers throughout all five boroughs also connect you to free recruiting support.







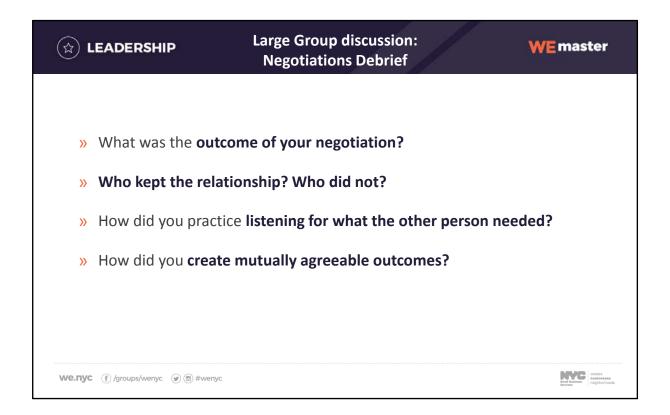




## [FACILITATOR DEMONSTRATION FOLLOWED BY LARGE GROUP DISCUSSION]

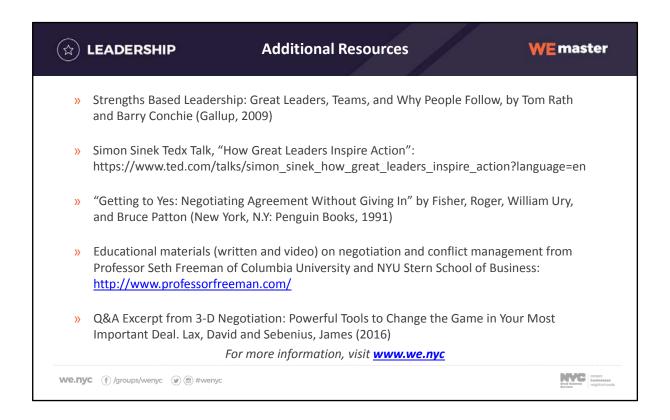
- Expected duration: 15 minutes.
- Read the scenario out loud to participants.
- After reading the scenario out loud, ask for one participant to volunteer to play the role of Stephanie.
- Give the volunteer 5 minutes to prepare. While the participant is preparing, encourage other participants to take a 5-minute break.
- Conduct the negotiation in front of the room.
- Constructive feedback on the negotiation should be shared in the large group.

- I am going to demonstrate two of the best practices for negotiations, specifically: (1) doing my research and (2) creating options where both parties benefit.
- After the negotiation, I will ask you to provide me with constructive feedback on how I managed the negotiation, using those two skills.



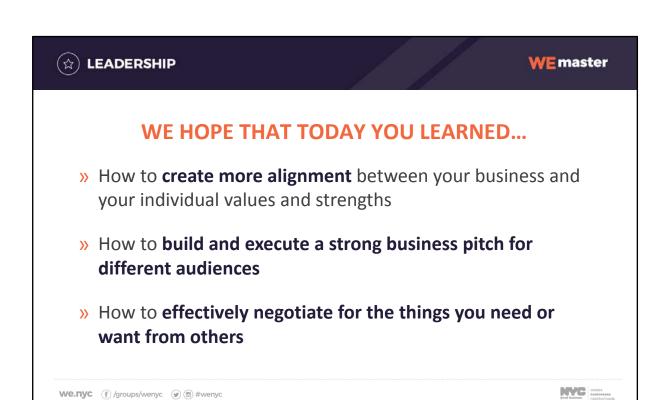
## [LARGE GROUP DISCUSSION]

- Expected duration: 10 minutes.
- Ask the full group to share what outcomes were reached and how it went, if they are comfortable sharing.



Expected duration: <1 minute.</li>

- We've listed some additional resources to help you strengthen your leadership skills.
- Access to these resources, as well as resources from other sessions, can be found on the WE NYC website at www.we.nyc.



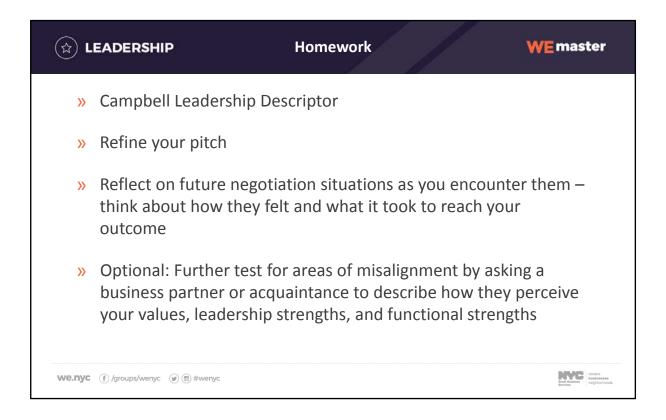
• Expected duration: <1 minute.

**we.nyc** f /groups/wenyc #wenyc



Expected duration: 1 minute.

- As a reminder, in our next and final session, we will discuss the importance of collaborative leadership and understanding common business challenges and strategies to overcome them.
- [If the WE Connect Mentor panel will be in-person:] As part of the discussion on common business challenges, we will have a panel of WE Connect Mentors share some of the challenges they have faced and the ways in which they have overcome these challenges.



- Expected duration: 1 minute.
- Remind participants to hand in all paperwork before leaving the session.

- We encourage you to continue practicing your pitch over the next week.
- If you can, try and find an opportunity to practice you pitch in front of an actual audience.
- We will provide time at the beginning of next session to discuss how your pitches are continuing to progress.
- We also encourage you to actively reflect on future negotiation situations you encounter at home and work reflect on what they were about, how you felt it went, and what it took to reach your outcome. This reflection will hopefully help you fine tune your future approach.
- In addition to encouraging you to start taking action on your three commitments, we would like to ask you to spend a few minutes in advance of the next session thinking about your business pitch.
- A pitch is how you try to sell your business to potential clients, investors, etc.
- It is a great way to help you think about your value proposition, and how you communicate clearly, and concisely!
- Spend a few minutes thinking about, and jotting a few notes down, on how you would pitch your business, and come prepared to share it in your learning group next session.



• Hand out WE NYC Intake Form to any new participants; collect the form before participants leave the session.



- Expected duration: 2 minutes.
- Review the portfolio of WE NYC offerings for participants.



- Expected duration: 2 minutes.
- Use this slide to provide an overview of the WE NYC workshop.

- As I mentioned, this workshop series includes three, four hour interactive sessions designed to equip you with the knowledge and skills needed to help you lead your businesses successfully.
- In today's session, we will talk about how to create alignment between your business and your individual values and strengths, helping you gain the confidence to make decisions that are right for you and your business.
  - Specifically, we will start by clarifying what is most important to you professionally, and identifying where there are areas of misalignment between your values and your business operations.
  - Then we will help you identifying specific leadership and functional strengths, again identifying where there are areas of misalignment between your strengths and the needs of your business.
  - At the end of the session, we will ask you to make 3 commitments to yourself based on the areas of misalignment you have identified between you and your business.
- In our next session, Communicating with Clarity, we will discuss best practices for

- formal business pitches and negotiations. After the second session, it is our hope that you feel more confident in your communication skills, and ready to utilize those communication skills to get what you need for your businesses (funding, better rates from your suppliers, new employees, etc.).
- Finally, in our third and final session, we will discuss the importance of collaborative leadership and understanding common business challenges and strategies to overcome them.
  - [If the WE Connect Mentor panel will be in-person:] As part of the discussion on common business challenges, we will have a panel of WE Connect Mentors share some of the challenges they have faced and the ways in which they have overcome these challenges.
- These sessions will help you build confidence in two additional ways: (1) giving you the confidence to manage 'predictable surprises' in your businesses, and (2) building your confidence as a leader, helping you to work effectively with others in a variety of situations.



- Expected duration: <1 minute.
- Use this slide to preview timing of the current session.

- We will spend the first half of today's session on developing collaborative leadership skills, and the second half on discussing common business challenges and how to overcome them.
- We will aim to take a short break halfway through, though we will adjust our timing as we need to along the way.



- Expected duration: 2 minutes.
- Model an example of constructive feedback at bullet 2.

- For those of you who were able to attend Session 1 and 2 of this series, these principles are not new but let's review as we welcome new individuals to the group today.
- In order to ensure this workshop series provides a supportive learning experience for everyone, we have created the following guiding principles.
- As we work together over the course of the day today, and during the remaining sessions, it will be important for all of us to stick to these guiding principles.
- Constructive criticism example: For example, instead of making statements like "It took too long for me to understand the point of your story," consider providing feedback that will help the individual build upon their material: "As I was listening to your story, it took me a while to understand the key point. While it was really interesting to hear details on all of the different businesses you've tried in the past, I'd recommend you shorten that middle part by saying something like 'I've started many businesses in the past, all of which I'd be happy to share with you sometime' to make sure you can share about your current business sooner."

- Constructive feedback will focus both on things someone does well as well as concrete ways to improve
- Are there any additional guiding principles that anyone else would like to add?



- Expected duration: 1 minute.
- Hand out the workbook to participants.
- Explain to participants that the workbook you are handing out does not contain all of the slides they will see on the screen. The workbook only includes key takeaway slides for their reference as they complete workbook reflections or revisit material following the session.
- Explain to participants that, as you reach activities throughout today's session, you will call out the workbook page numbers.

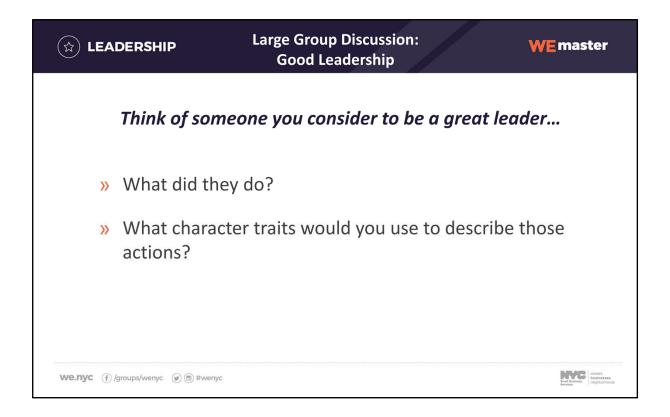
- Based on input from the participants in our focus groups, and our experience with past programs, we have implemented three core components to this workshop.
- This is our second pilot workshop.
- While we hope these components help to provide you with a great learning experience, we very much hope to hear your feedback throughout all three sessions.
- We will provide you with a very short survey at the end of each session; if you
  can, take a minute or two and please share your feedback with us so that we can
  continually make adjustments throughout the course of the three sessions, and

for future sessions.



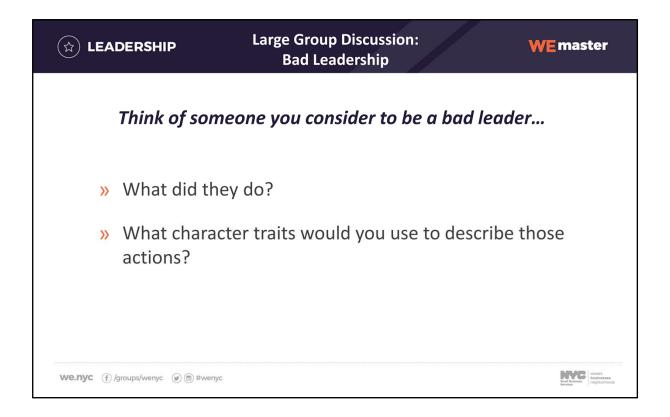
• Expected duration: 1 minute.

- Sometimes, people don't not feel like leaders if they do not have a team.
- We have opportunities to display leadership every day when we interact with others with our staff members, customers, vendors, or even investors.



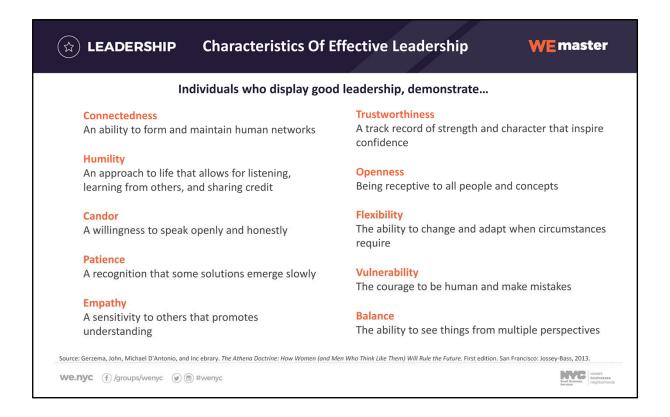
• Expected duration: 3 minutes.

- What did this person say or do that you really appreciated?
- Examples: They always gave very direct feedback. They had an open-door policy.



• Expected duration: 3 minutes.

- What did this person say or do that made you really frustrated or disappointed?
- Examples: They were dishonest. They didn't share any information about how they business was doing.



Expected duration: 5 minutes.

- You may have referenced some of these characteristics as you thought of a good leader.
- Effective leadership is grounded in both how we treat others connectedness, candor, patience, empathy, and humility but also how we ground ourselves with balance and a willingness to admit our faults to others.
- Quick clarification: For those of you who attended Session 1, you will recall that
  we reviewed leadership components using the Campbell Leadership Descriptor.
  The Campbell Leadership Descriptor helps describe what leaders need to do (e.g.
  create a vision, manage, provide feedback, etc.). In today's session we are talking
  about leadership characteristics, meaning how leaders do what they need to do
  (e.g. with humility, flexibility, etc.)





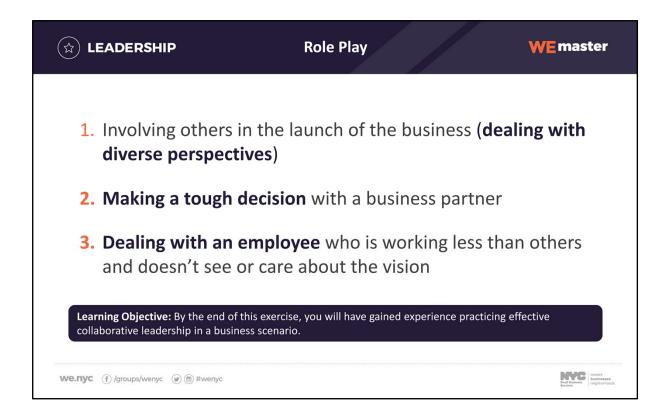
- Expected duration: 3 minutes.
- As you read through each activity, quickly redefine what each activity means (detail on slide 11) and ask participants if there are any other techniques they would add.
- Act out one of the Ask Questions example techniques.



- Expected duration: 3 minutes.
- As you read through each activity, quickly redefine what each activity means (detail on slide 11) and ask participants if there are any other techniques they would add.
- Act out one of the Watch Body Language example techniques.

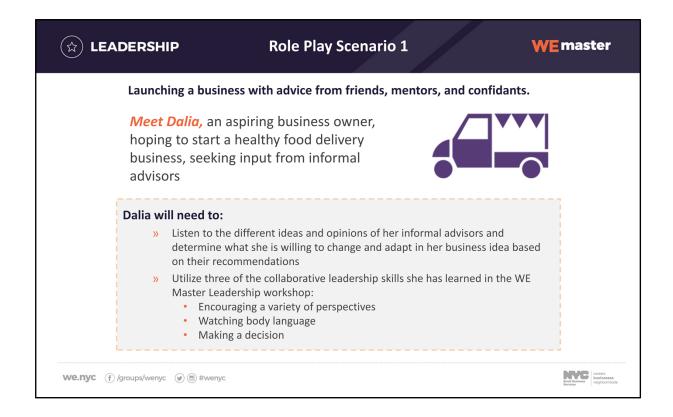


- Expected duration: 2 minutes.
- As you read through each activity, quickly redefine what each activity means (detail on slide 11) and ask participants if there are any other techniques they would add.
- Act out one of the Model your Values example techniques.



- Expected duration: 1 minute.
- Participants will have 15 minutes for each role play (see instructions on slide 17) and 20 minutes for large group discussion.
- Read through the following two slides, followed by the instructions on the second.
- Please be aware of participants with literacy challenges who may need additional support. Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participants phone and/or a separate audio device.

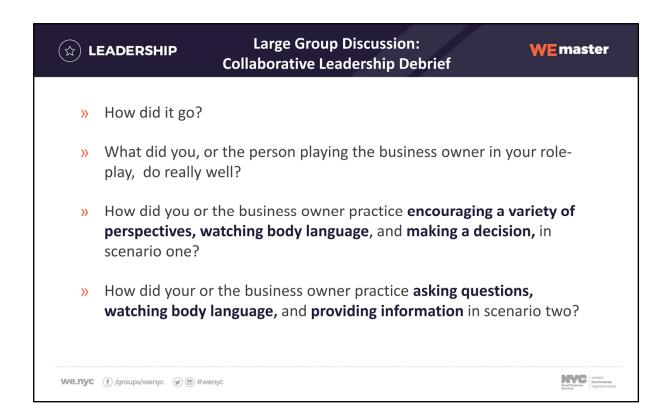
- We are going to ask you to practice your collaborative leadership skills in a reallife type of situation.
- We have created two scenarios designed to give you practice in one or more of the collaborative leadership skills.
- The scenarios represent businesses in various stages from pre-launch to a business owner with a team of employees.
- Each of you will have the opportunity to practice collaborative leadership skills as the business owner in at least one of these role-plays.



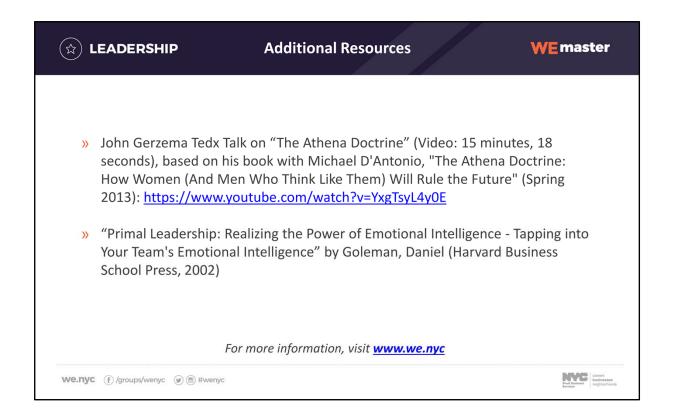
- Expected duration: 1 minute.
- Read aloud scenario 1.
- Tell participants that this role play will focus on the collaborative leadership skills of encouraging a variety of perspectives, watching body language, and making a decision.



- Expected duration: 1 minute.
- Read aloud scenario 2.
- Tell participants that this role play will focus on the collaborative leadership skills of asking questions, watching body language, and providing information.
- Place participants into groups of 3.
- Ask participants to decide in their groups who is going to be the business owner and the other roles in scenarios 1 and scenario 2.
- Flip back to the previous slide and hand out the role play scenarios to the designated roles for scenario 1.
- Give each individual a few minutes to read and prepare for the scenario.
- Start scenario 1 role play, and stop time after 10 minutes. Allow 5 minutes for feedback. Remind participants to use constructive feedback.
- Return to this slide and hand out the roles for scenario 2.
- Give everyone playing the roles a few minutes to read and prepare for the scenario. Ask the observer to be prepared to share feedback at the end of the scenario.
- Start scenario 2 role-play, and stop time after 10 minutes. Allow 5 minutes for the observer to share feedback. Remind participants to use constructive feedback.



- Expected duration: 20 minutes.
- Remind participants to give constructive feedback to their group members following each role play – focusing both on things they did well, as well as areas for improvement, and providing concrete ways to improve with the material discussed on slides 23 through 25 in mind.



Expected duration: 1 minute.

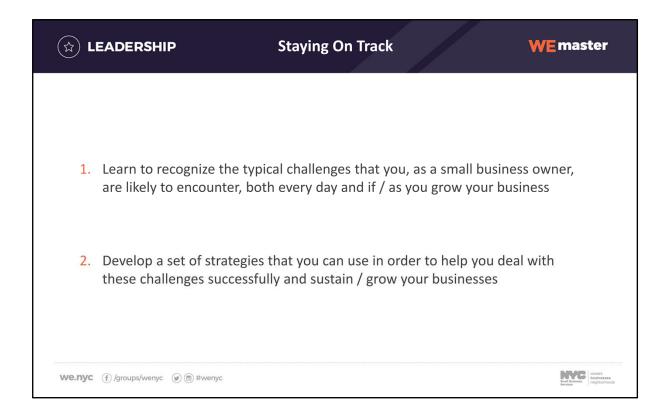
- We've listed some additional resources to help you strengthen your collaborative leadership skills.
- Access to these resources, as well as resources from other sessions, can be found on the WE NYC website at www.we.nyc.



Expected duration: 1 minute.

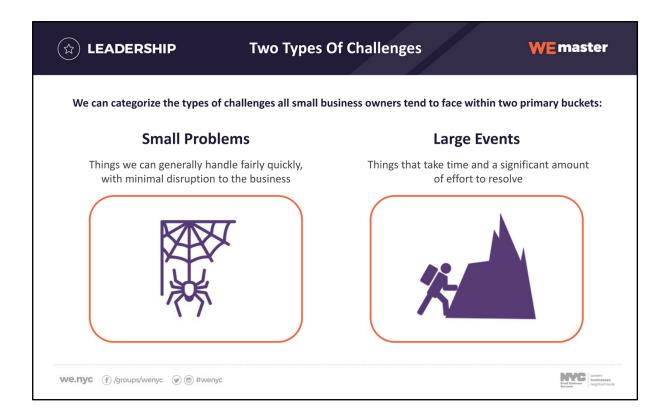
- In our focus groups, we heard some business owners telling us they would like information related to best practices in hiring.
- If you are planning to hire in the near future, have hired and would like more help, or would like to learn what it takes to hire effectively, we have provided a few helpful documents for you.
- These documents are on the side table as we head into our break, we would be more than happy to talk one-on-one with you about any of these documents.





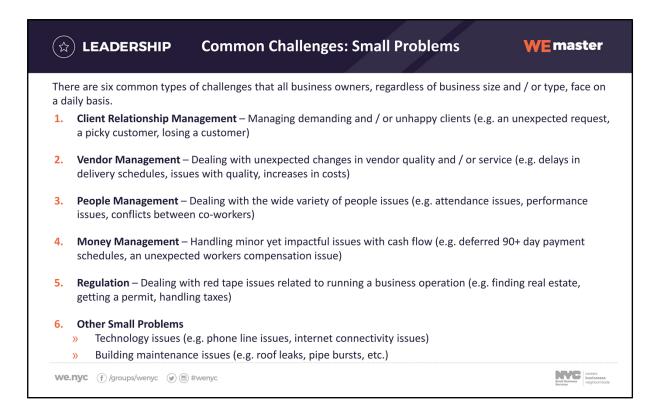
Expected duration: 1 minute.

- We can't give you a playbook for success (because remember, there isn't one!), but we can help to give you two things:
  - A better understanding of what may be to come
  - A set of strategies to help you deal with it



Expected duration: 1 minute.

- Small business owners tend to face two kind of challenges small problems and large events.
- It's important to not be fooled however! One of these challenges is not necessarily easier than the other. While the small problems are easy to resolve, they can happen pretty often and ultimately be very distracting for a business owner.
  - In particular, as you grow, you may find that small problems are really distracting you from a more important part of the business elsewhere.
  - While small problems often have easy solutions, patterns need to be addressed with long-term solutions.



Expected duration: 2 minutes.

# **Facilitator Speaking Notes:**

• For some of you, it could feel like the list keeps going on... and on... and on...



Expected duration: 2 minutes.

### **Facilitator Speaking Notes:**

- In addition to the everyday small problems you may face a number of larger issues as you grow.
- As you grow or consider growth, look back at your values, leadership strengths, and functional strengths identified in our first session.
- Use your findings to help anticipate how navigating big events will feel and what solutions or support will benefit you most.
  - For example, you may envision a future need to apply for capital.
    - Thinking about your strengths:
      - You're really good at communicating with others and articulating your value proposition in a business pitch.
      - On the flipside, you aren't so comfortable with financial information and don't understand the type of capital you need.
    - Because of your strong communication skills, you can communicate a strong narrative about your business in your application. However, because of your weak understanding of your business' finances, you will need to ask someone for help in

determining how much capital you need and how you should use it.



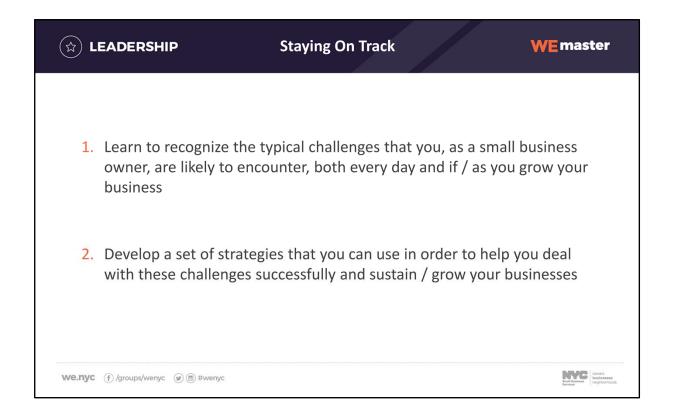
- Expected duration: 15 minutes.
- Ask all members of each learning group to share with one another 2-3 challenges (either small or large) that they have faced.
- Ask one group member to record everyone's responses.
- Once all group members have shared with one another, ask the group to identify which of the challenges were similar across group members.
- Ask each group to be prepared to share some of the challenges they discuss with the larger group.



- Expected duration: 15 minutes.
- Ask a representative from each of the learning groups to report out on the types of small problems and large events they discussed.
- Record their responses on post-it notes and then post them on the flip chart paper at the front of the room.
- Review all post-it notes after the discussion ends and call out the top challenges.

# **Facilitator Speaking Notes:**

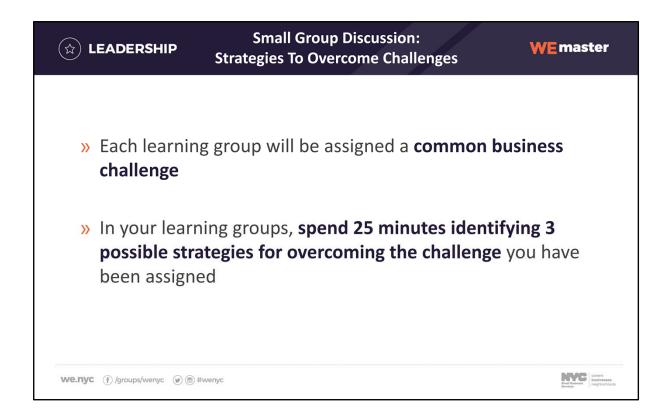
- Every business challenge is surmountable.
- Some of them are harder to overcome than others; but you will be able to get through all of them.



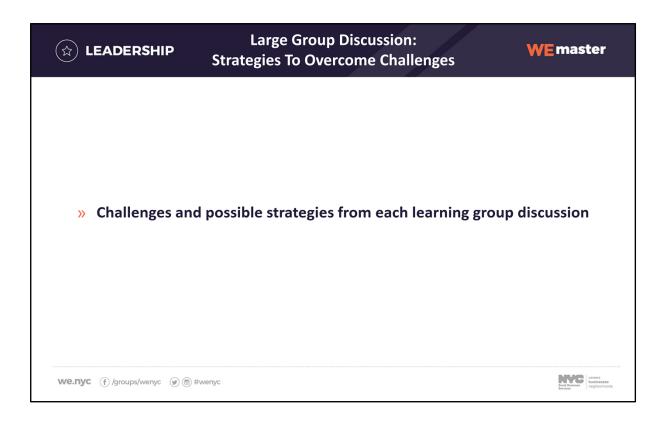
Expected duration: 1 minute.

# **Facilitator Speaking Notes:**

- We just discussed the importance of recognizing common challenges that we have either faced already or will likely face in the future.
- Now, we are going to transition to talking about strategies that can be used to overcome these challenges.



- Expected duration: 30 minutes (5 minutes instruction, 25 minutes discussion).
- Assign one of the following common business challenges to each learning group:
  - Small problems:
    - Client relationship management
    - Vendor management
    - People management
    - Money management
    - Regulation
  - Large events:
    - Applying for capital
    - Transitioning from owner to leader
    - Opening a second location
    - Taking on a new / larger type of client
    - Adding a new product and/or service



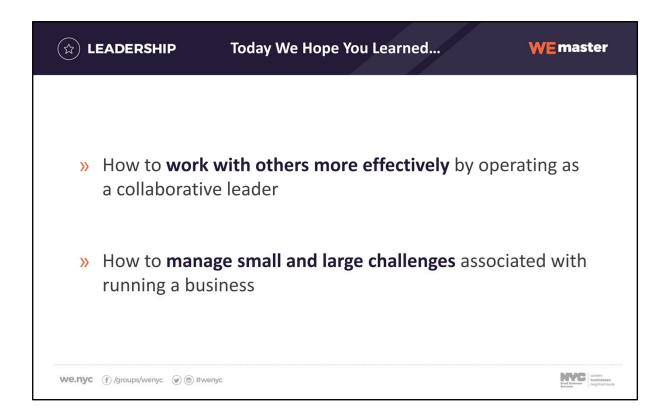
- Expected duration: 15 minutes.
- Ask each group to report out on how they would overcome the challenge they were assigned and facilitate discussion around the strategies identified (i.e. Ask the audience, 'What else could be done to overcome these challenges?').
- If some common challenges were not assigned to a group, facilitate discussion around possible strategies for overcoming them.



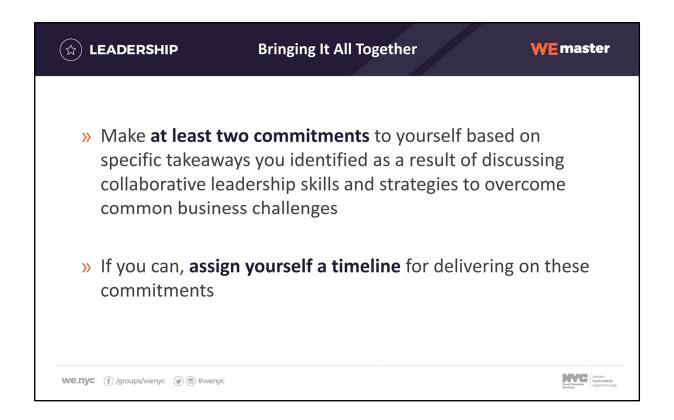
- Expected duration: 15 minutes.
- Refer participants to page 20 in their workbooks.
- Ask a few volunteers to share their takeaways from the common business challenges and strategies discussion.

### **Facilitator Speaking Notes:**

• In your workbook, on page 20, you will find space to write your reflections down.



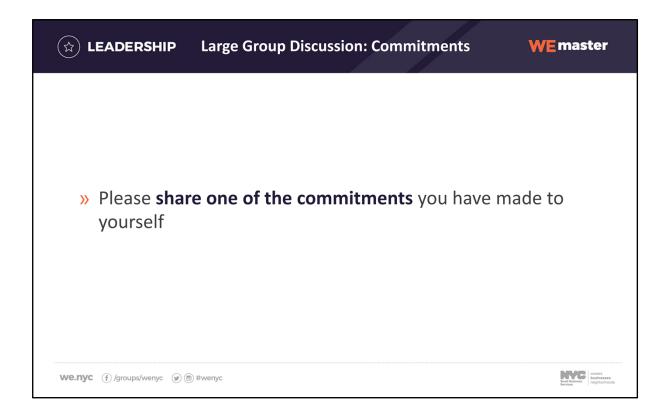
• Expected duration: <1 minute.



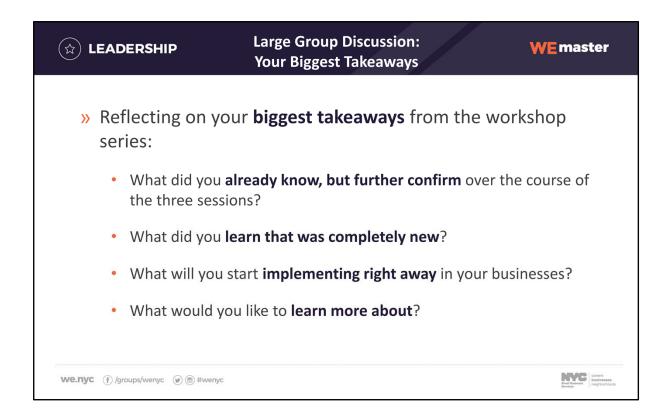
- Expected duration: 3 minutes.
- Refer participants to page 21 in their workbooks.
- Please be aware of participants with literacy challenges who may need additional support; Please be prepared to offer alternatives to written activity notes, such as recording spoken responses on the participant's phone and / or a separate audio device.

# **Facilitator Speaking Notes:**

• In your workbook, on page 21, you will find space to write your commitments down.



- Expected duration: 5 minutes.
- Ask the full group to share one of the commitments they made, if they are comfortable sharing.



- Expected duration: 10 minutes.
- Ask for volunteers to share their biggest takeaways from the workshop series, if they
  feel comfortable.
- Refer participants to page 22 in their workbooks.

# **Facilitator Speaking Notes:**

• In your workbook, on page 22, you will find space to write your takeaways down.



- Expected duration: 1 minute.
- Remind participants about the other WE NYC resources currently and soon to be available.
- Remind participants to hand in all paperwork before leaving the session.

# **WE Master Money: Credit**

**CLIENT'S BOOKLET** 







# **WE Master Money: Credit**

# **Module I. Financial Goals**

**Activity 1.** What is your financial dream? For what reason would you like to save money? Draw, write, or imagine what it is that your heart desires.



# Now think about:

Why is this important to you?

What is motivating you to reach this dream?

By when would you like to achieve this goal?

# **Action Plan**

Think and write down an action that you could take this week to get you closer to your dream.

This action will be taken:		
One time only	Once a week going forward	Once in a while
How will this action help	you to get closer to your goal?	
Now think of an action th	nat you could take this month to	help you achieve your
This action will be taken:		
One time only	Once a month going forward	Once in a while
How will this action get y	ou closer to your dream?	
Who in your life can help	keep you accountable in compl	eting these actions?

### **Module II. Good Credit**

### What is good credit and what purpose does it serve?

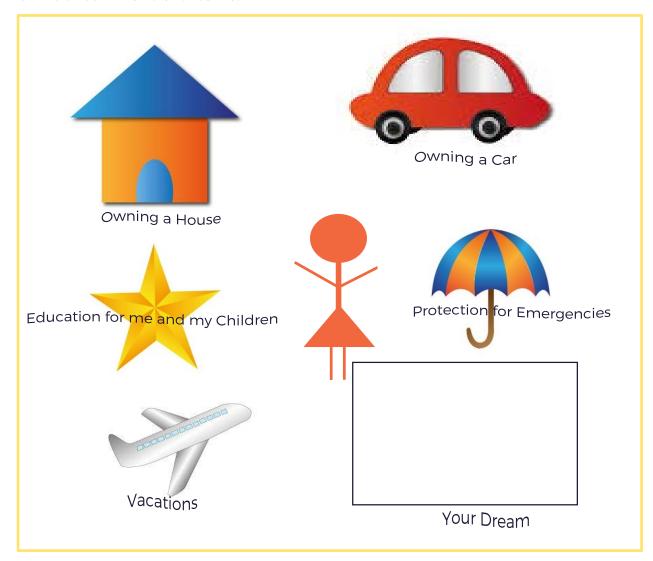
To have good credit means that you have a positive history of managing your debts. The creditors consider that if you have paid off money that you borrowed in the past, then you will continue to be a trustworthy borrower in the future.

- Good credit allows you to obtain services and products without having to pay for them beforehand.
  - Money that you are lent with the promise of paying back in the future is called a loan, and it usually comes with an additional fee while being paid back. This additional fee is called interest.
  - Interest is the amount that you are charged for borrowing money. It is calculated as a percentage of the money that you were lent.
- ❖ If you have good credit, then creditors will be more motivated to lend you money, because you are less of a risk than someone with bad credit history.
- ❖ Good credit allows one to borrow money and take out loans, with lower interest rates, meaning you will pay less to borrow money over time.

### How can good credit help your family?

ctivity 2. Draw 3 things that are important to you and which you could more easily cquire with good credit.						

### Some of our financial dreams:



Credit influences many aspects of your life. You will need to have a good credit history to achieve your financial dreams for you and your family.

- Good credit is necessary to obtain a mortgage or to buy a house.
- ❖ With good credit, you can acquire financing to buy a car.
- ❖ Good credit will allow you to obtain student loans to invest in education for yourself and/or your children.
- ❖ Having good credit means having access to credit cards or bank loans that you can utilize in emergencies such as sickness, job loss, or accidents.
- Good credit is necessary to rent an apartment, obtain a cell phone, and/or internet plan.

# How can good credit help your business?



- ❖ All entrepreneurs/business owners need to have good credit, even small business owners, in the interest of interacting with lenders.
- Having good credit will provide you with more flexibility in running your business. For example, you will be able to choose from a greater variety of products from different vendors at more competitive prices.
- Good credit will give you the opportunity to access capital so that your business can grow.

# How can you prepare to start growing your business?



Because you are a small business owner, many of the opportunities that you will have to grow your business, especially at the beginning, will depend on your personal credit. Having good control of your personal finances will help you to take advantage of future opportunities to obtain capital and to expand your business.

# Things to consider when trying to obtain financing for your business

- ❖ Accessing capital for business depends greatly on other factors that are not required in order to obtain personal credit.
- ❖ Each bank has their own ways of measuring risk which can include, among other factors: your personal credit, the profitability of your business, the length of time that you have had the business, and whether or not you have a business plan. Traditional Banks and non-traditional Banks will also measure risk and weigh these factors in different ways.
- You also must consider factors that are outside of your control, such as the risk of each industry. For example, the restaurant industry is notoriously volatile and difficult to manage.
- ❖ We recommend that you focus on factors that are in your control, which include: building your personal credit, knowledge of your industry, and a strong plan that demonstrates that you know your business in and out.
- We also recommended that you grow your credit in a sustainable way. For example, when you begin don't acquire a very big loan that you won't be able to manage in the future.
- When you obtain access to loans for the business, ensure that you are utilizing that money for your business.

Today is the best day to start getting ready to grow your business.

# What happens when you have no credit or bad credit?

If you need to utilize credit and have not yet begun building credit or you have bad credit, then your options are more limited. Borrowing money becomes more expensive, and you may become vulnerable to high-risk vendors and credit products, such as:

- 1. Loan Sharks
- 2. Informal Loan Club (often referred to as susus or tandas)
- 3. Pre-paid credit cards
- 4. Predatory lenders who target small businesses specifically
- 1. Loan sharks Are people who generally lend money with extremely high levels of interest.

**WATCH OUT** - The actions carried out by loan sharks are usually illegal. They sometimes threaten their borrowers with violence to cover their loans.

Loan sharks tend to charge borrowers weekly, in the form of interest or a percentage of the principle.

### Example:

If you ask a loan shark for a loan of \$1,000, they will probably ask you to pay \$50 each week in interest.

The loan finishes when you pay the \$1,000 in full. However, the \$50 dollars a week will not be discounted from the principal, so the total extra amount of interest you will end up paying depends on how long it takes to finish paying the \$1,000.

If you take 10 months to put together the money, you will have to pay \$2,000, in interest in addition to the \$1,000 in principal.

2. Informal Loan Clubs - Also known as susus or tandas, are most likely organized between people who know one another. Each person contributes a specific amount of money at a specific time (weekly, bi-weekly, monthly) for a specific length of time (10 months, 6 months). At the end of each month, a person in the group receives the money accumulated by the group during the previous month.

### Example:

Ana is the leader of a susu of 10 people. Every two weeks, all of the participants have decided to put in \$100, at the end of the first month, Ana will receive \$2,000. The following month, another member of the susu will receive \$2,000. The susu will finish in 10 months when all of the members have received a \$2,000 monthly reimbursement. Ana received the \$2,000 as credit, and she has to pay \$100 every two weeks until she pays the \$2,000. Rosa was the last participant to receive \$2,000. For Rosa, the susu essentially served as a savings account that helped her save \$200 every month.

**WATCH OUT** - The primary risk associated with these clubs is that one of the first people who receives a reimbursement ends up disappearing or leaving the group. Other risks are that the leader of the group (who presumably holds the money) runs off with everybody's contribution.

**3. Pre-paid Credit Cards** – With these products, you must deposit money onto the card before you use it. Pre-paid cards can be used at most places that accept credit cards and debit cards.

Pre-paid cards end up being quite expensive, due to a variety of extra fees: an activation fee, recharge fee, checking balance fee, fees for removing cash from ATM, and charges for using the card to pay bills. Some pre-paid cards also charge monthly or annual maintenance fees.

**4. Predatory lenders who target small businesses** - Some companies give loans with the objective of preying on small businesses owners, who are often minorities or immigrants. They know small business owners have less access to capital.

What makes these institutions predatory?

- ✓ The interest rates are extremely high, and they are not clearly indicated in the paperwork.
- ✓ They have a lot of hidden costs that also may not be clearly communicated.
- ✓ The contracts are very difficult to understand, making them quite confusing when compared with other offers.
- ✓ A lot of these loans and institutions are found on the internet.
- ✓ Often the only payment method for these loans are automatic monthly withdrawals from your bank account.

There are not a lot of regulations that protect the small businesses from predatory loans. What can you do to protect yourself?

- ❖ If something sounds too good to be true, it probably is not a good loan product.
- Search for help from trustworthy institutions that can help you find financing. Ask the facilitator about the program, WE Master Money: Funding.
- Make sure you understand all the interest rates (APR) and all of the different charges. For example: application fees, distribution fees, late fees, etc.
- Utilize loans granted by institutions that are committed to the "Small Business Borrower's Bill of Rightsi."
  - 1. The Right to Transparent Pricing and Terms.
  - 2. The Right to Non-Abusive Products.
  - **3**. The Right to Responsible Underwriting.
  - 4. The Right to Fair Treatment from Brokers.
  - 5. The Right to Fair Collections Practices
  - 6. The Right to Inclusive Credit Access.

# Module III. How do creditors know if you have good credit?

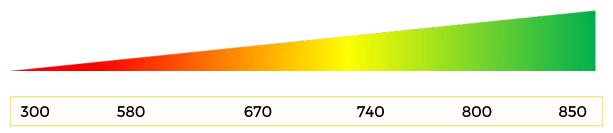
When you apply for credit, companies will review your score to decide whether or not they will offer you money. That score allows them to evaluate your credit risk. Many different products that rate credit scores exist, but the most utilized score is FICO.

### FICO Scoreii

The most used FICO score range is 300 to 850. Higher scores represent less risk for giving credit to a borrower.

# Categories of FICO Scoreiii

Having a good credit score depends on the risk that each creditor is willing to take. However, there is a range of FICO scores that compares a snapshot of your credit with the FICO scores of the rest of the U.S. population.



Under 580	From 580 to 669	From 670 to 739	From 740 to 799	From 800 and upwards
Risky credit score, would be very difficult to be accepted for most types of credit.	Acceptable credit score. Will begin to be accepted for credit, but the interest rates will be high.	Good credit score.	Very good credit score.	Excellent credit score.  Will receive the best offers of credit.

- ❖ Having a good credit score will help you obtain credit and financing with lower interest rates and better overall terms.
- ❖ Your credit score influences the credit line that card companies will grant you or in the case of loans, how large the loan will be.
- ❖ Your credit score is also evaluated when you apply for a lease, or by a telephone, cable, or internet provider.

### How is the credit score calculated?

Your credit score is determined from the information that is in your credit report.

# What is a credit report?

The credit report is a history of your credit information reported by creditors to the credit agencies.

# Who are the Credit Agencies? iv

You should be aware of the three different versions of your credit report, from the three most important credit bureaus in the market:

- Equifax
- Experian
- Transunion

# **Module IV. The Credit Report**

**Activity 3.** In groups of four, analyze the credit report in pages 11-14, and identify what type of information is being reported. You can utilize the boxes below to write information that you found. Select a person in your group to share what you found with the class.

Source: Experian on https://www.experian.com/credit report basics/pdf/samplecreditreport.pdf

Sample Credit Report | Free Annual Credit Report | Experian Credit Report | Experian Credit Score

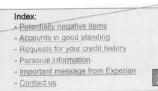


### Online Personal Credit Report from Experian for

Experian credit report prepared for JOHN Q CONSUMER

Your report number is

1562064065 Report date: 04/24/2012



Experian collects and organizes information about you and your credit history from public records, your creditors and other reliable sources. Experian makes your credit history available to your current and prospective creditors, employers and others as allowed by law, which can expedite your ability to obtain credit and can make offers of credit available to you. We do not grant or deny credit; each credit grantor makes that decision based on its own guidelines.

To return to your report in the near future, log on to www..experian.com/consumer and select "View your report again" or "Dispute" and then enter your report number.

If you disagree with information in this report, return to the Report Summary page and follow the instructions for disputing.

### Potentially Negative Items



#### Public Records

Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit items listed later in this report.

#### MAIN COUNTY CLERK

Address: 123 MAINTOWN S BUFFALO , NY 10000 Identification Number:

Plaintiff:

ANY COMMISSIONER O.

Status:

Civil claim paid.

Status Details:

This item was verified and updated in Apr 2012.

Date Filed: Claim Amount: 10/15/2012 \$200 Date Resolved: Liability 03/04/2012 Amount:

Amou

Responsibility: INDIVIDUAL

# Status:

courts.

Repart number: You will need your report

Index:

items:

number to contact Experian

online, by phone or by mail.

Navigate through the sections of your credit report

Potentially negative

Items that creditors may

and address, your account number (shortened for

security), account status,

type and terms of the

account and any other information reported to

Experian by the creditor.

obtained directly from the

Also includes any

bankruptcy, lien and judgment information

view less favorably. It includes the creditor's name

using these links.

Indicates the current status of the account.

#### Credit Items

For your protection, the last few digits of your account numbers do not display.

#### ABCD BANKS

Address: 100 CENTER RD BUFFALO, NY 10000 (555) 555-5555

Status: Paid/Past due 60 days.

1000000....

Account Number:

Date Opened: Type: 10/2012 Installment Reported Since: Terms: 11/2012 12 Months Date of Status: Monthly 04/2012 Payment:

Payment: \$0 Responsibility: Individual Credit Limit/Original Amount: \$523

High Balance: NA Recent Balance: \$0 as of 04/2012 Recent Payment:

\$0

Account History: 60 days as of 12-2012 30 days as of 11-2012

Last Reported:

04/2012



If you believe information in your report is inaccurate, you can dispute that item quickly, effectively and cost free by using Experian's online dispute service located at:

### www.experian.com/disputes

Disputing online is the fastest way to address any concern you may have about the information in your credit report.

MAIN COLL AGEN	CIES		
Address: Account Number: PO BOX 123 0123456789 ANYTOWN, PA 10000		Original Creditor: TELEVISE CABLE COMM.	
(555) 555-5555 Status: Collection	account, \$95 past due as of 4-2012.		
Date Opened:	Туре:	Credit Limit/Original Amount:	
01/2005 Reported Since: 04/2012	Installment Terms: NA	\$95 High Balance: NA	
Date of Status: 04/2012	Monthly Payment: \$0	Recent Balance: \$95 as of 04/2012 Recent Payment:	
Last Reported: 04/2012	Responsibility: Individual	\$0	
Your statement:	ITEM DISPUTED BY CONSUMER		Accounts in good standing:
Account History Collection as of 4			Lists accounts that have a positive status and may be
			viewed favorably by creditors. Some creditors do not report to us, so som
Accounts in Go	od Standing 5		of your accounts may not be listed.
AUTOMOBILE AU			
Address: 100 MAIN ST E SMALLTOWN, MD	Account Number: 12345678998 90001		Туре:
(555) 555-5555 Status: Open/Nev	er late.		Account type indicates whether your account is a revolving or an installment
Date Opened: 01/2006 Reported Since:	Type: 6	Credit Limit/Original Amount: \$10,355 High Balance:	account.
01/2012 Date of Status: 04/2012	65 Months Monthly Payment:	NA Recent Balance: \$7,984 as of 04/2012	
Last Reported: 04/2012	\$210 Responsibility: Individual	Recent Payment: \$0	
	- ( <del>1</del> /4000 - 300		
MAIN Address:	Account Number:		
PO BOX 1234 FORT LAUDERDA Status: Closed/Ne			
Status. Gloseum	wer leas.		
Date Opened: 03/1997	Type: Revolving	Credit Limit/Oríginal Amount: NA High Balance:	
Reported Since: 03/2012	1 Months	\$3,228	
Date of Status: 08/2012	Monthly Payment:	Recent Balance: \$0 /paid as of 08/2012	
Last Reported: 08/2012	\$0 Responsibility: Individual	Recent Payment: \$0	
00/2012	To Call and Associate		
Your statement: Account closed a	t consumer's request		

Client's booklet WE Master Money: Credit

### Requests for Your Credit History



#### Requests Viewed By Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you.

The section below lists all who have requested in the recent past to review your credit history as a result of actions involving you, such as the completion of a credit application or the transfer of an account to a collection agency, application for insurance, mortgage or loan application, etc. Creditors may view these requests when evaluating your creditworthiness.

### HOMESALE REALTY CO

Address: 2000 S MAINROAD BLVD STE ANYTOWN CA 11111 (555) 555-5555

Date of Request: 07/16/2012

Real estate loan on behalf of 3903 MERCHANTS EXPRESS M. This inquiry is scheduled to continue on record until 8-2014.

#### M & T BANK

Address: PO BOX 100 BUFFALO NY 10000 (555) 555-5555

Date of Request:

02/23/2006

Comments:

Permissible purpose. This inquiry is scheduled to continue on record until 3-2008.

#### WESTERN FUNDING INC

Address: 191 W MAIN AVE STE 100 INTOWN CA 10000 (559) 555-5555

Date of Request:

01/25/2006

Comments:

Permissible purpose. This inquiry is scheduled to continue on record until 2-2008.

### Requests Viewed Only By You

The section below lists all who have a permissible purpose by law and have requested in the recent past to review your information. You may not have initiated these requests, so you may not recognize each source. We offer information about you to those with a permissible purpose, for example, to:

- other creditors who want to offer you preapproved credit;
- an employer who wishes to extend an offer of employment;
- a potential investor in assessing the risk of a current obligation; Experian or other credit reporting agencies to process a report for you;
- your existing creditors to monitor your credit activity (date listed may reflect only the most recent request).

We report these requests only to you as a record of activities. We do not provide this information to other creditors who evaluate your

### MAIN BANK USA

Address: 1 MAIN CTR AA 11 **BUFFALO NY 14203**  Date of Request: 08/10/2012

# MYTOWN BANK

Address: PO BOX 825 MYTOWN DE 10000 (555) 555-5555 Date of Request: 08/05/2006

### INTOWN DATA CORPS

Address: 2000 S MAINTOWN BLVD STE INTOWN CO 11111 (555) 555-5555

Date of Request: 07/16/2006

Requests for your credit history:

Also called "inquiries." requests for your credit history are logged on your report whenever anyone reviews your credit information. There are two types of inquiries.

Inquiries resulting from a transaction initiated by you. These include inquiries from your applications for credit, insurance, housing or other loans. They also include transfer of an account to a collection agency. Creditors may view these items when evaluating your creditworthiness.

Inquiries resulting from transactions you may not have initiated but that are allowed under the FCRA. These include preapproved offers, as well as for employment, investment review, account monitoring by existing creditors, and requests by you for your own report. These items are shown only to you and have no impact on your creditworthiness or risk scores.

#### Personal Information

The following information is reported to us by you, your creditors and other sources. Each source may report your personal information differently, which may result in variations of your name, address, Social Security number, etc. As part of our fraud prevention efforts, a notice with additional information may appear. As a security precaution, the Social Security number that you used to obtain this report is not displayed. The Name identification number and Address identification number en low our system identifies variations of your name and address that may appear on your report. The Geographical Code shown with each address identifies the state, county, census tract, block group and Metropolitan Statistical Area associated with each address.

Names:

JOHN Q CONSUMER

Name identification number: 15621

JONATHON Q CONSUMER

Name identification number: 15622

J Q CONSUMER

Name identification number: 15623

Social Security number variations:

999999999

Year of birth:

1959

Spouse or co-applicant:

JANE

Employers:

ABCDE ENGINEERING CORP

Telephone numbers: (555) 555 5555 Residential Address: 123 MAIN STREET ANYTOWN, MD 90001-9999 Address identification number: 0277741504 Type of Residence: Multifamily

Geographical Code: 0-156510-31-8840

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Address: 555 SIMPLE PLACE ANYTOWN, MD 90002-7777 Address identification number:

0170086050 Type of Residence: Single family Geographical Code: 0-176510-33-8840

Address: 999 HIGH DRIVE APT 15B ANYTOWN, MD 90003-5555 Address identification number: 0170129301

Type of Residence: Apartment complex Geographical Code: 0-156510-31-8840

### Personal information:

Personal information associated with your history that has been reported to Experian by you, your creditors and other sources.

May include name and Social Security number variations, employers, telephone numbers, etc. Experian lists all variations so you know what is being reported to us as belonging to you.

#### Address information:

Your current address and previous address(es)

#### Personal statement:

Any personal statement that you added to your report appears here.

Note - statements remain as part of the report for two years and display to anyone who has permission to review your report.

### Your Personal Statement



No general personal statements appear on your report.

#### Important Message From Experian

By law, we cannot disclose certain medical information (relating to physical, mental, or behavioral health or condition). Although we do not generally collect such information, it could appear in the name of a data furnisher (i.e., "Cancer Center") that reports your payment history to us. If so, those names display in your report, but in reports to others they display only as MEDICAL PAYMENT DATA. Consumer statements leaded to other they are reports to the contain medical information are displayed to them. included on your report at your request that contain medical information are disclosed to others.

### Contacting Us

Contact address and phone number for your area will display here.

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# What information do you find on the credit report?

❖ The creditors disclose the following information on your report:

- ✓ What type of credit you use (for example: cards, car loans, mortgage)
- ✓ Have you made your payments on time or not
- ✓ When was the account open/closed
- ✓ The credit limit(s) on your card(s) or the initial amount of your loan(s)
- ✓ What is the balance on each of your accounts
- ❖ Personal Information that you have reported to the creditors: your name (and if you have used other names), your address (present and past), social security number, date of birth and current and past employers.
- Credit Inquiries: Every time that you apply for credit it is reported to the credit bureaus. This occurs regardless of whether you were accepted or denied for credit.
- ❖ Collection Accounts: The credit report will show the original amount of the debt when it was sent to the collection agency, the current balance of the debt, and the date that the debt was acquired by that collection agency.
- ❖ Public Records: Judgements from creditors, garnishments, tax liens, foreclosures, and bankruptcy.

The creditors can choose to report to one, two, or three agencies. For that reason, the three credit reports can have different information on them. Your credit score will also vary across the three agencies.

**ATTENTION** – Your report and score do **not** have information about your income, checking or saving accounts, immigration status, criminal record, race, color, religion, country of birth, gender, marital status, or whether or not you receive public assistance.

# Module V. Obtain your credit report

# Some of the reasons why you should review your credit report include:

- ❖ To know your current situation with regards to credit and to be able to make financial decisions that are realistic.
- ❖ To know what information is being reported about you.
- ❖ To ensure that the information reported about you is correct. You have the right to correct erroneous information.
- ❖ To protect yourself from identity theft.

# How do you obtain a credit report?

In accordance with federal law, you have the right to obtain your credit report every 12 months from each one of the three major credit bureaus. You can obtain your report in three different ways:

- a. By mail
- You need to fill out the Annual Credit Report Request Form, which can be found at www.annualcreditreport.com
- > Enclose in the envelope the necessary documents.
- b. On the internet: www.annualcreditreport.com
- > To make the request online you must have a social security number.
- c. By calling 1-877-322-8228
- The phone service request is only available in English.
- You must go through a process of identity verification on the phone.

# How do you obtain the report without a social security number?

If you don't have a social security number, the best way to obtain your credit report is through the mail. The credit agencies use all the basic information that is available to identify you. This includes your complete name, current and past addresses and date of birth. If you have utilized a Tax ID number or ITIN number (Individual Taxpayer Identification Number) to open credit, you should also include it.

In the one-on-one financial counseling session your financial counselor can help you access your credit report and score. Make your appointment today.

All services are free!

**ATTENTION** – Obtaining your own credit report through the three agencies (Transunion, Experian or Equifax) does not hurt your credit. Viewing your credit with a Financial Counselor from Ariva doesn't hurt your credit either because Ariva is an organization authorized to obtain credit reports for educational purposes.

### Other ways to obtain your credit report:

- There are other internet sites that allow you to obtain free credit reports and scores (they usually require a social security number). If you decide to utilize these services, keep in mind that they will try to sell you additional services.
- Other sites promote credit reports and free credit scores, but they require you to register a credit card. This means that you will get the service for free, but only temporarily; eventually the company will begin charging your card.

# Module VI. Reading your credit report

Activity 4. Together let's read the credit report on pages 11-14.

# For how long will negative information remain in your credit report?

- ❖ Late payments remain on your credit report for 7 years.
- ❖ Collection accounts remain on the report for 7 years.
- Bankruptcy remains on your report for 7 to 10 years, depending on the type of bankruptcy.
- ❖ Judgements remain on your credit report for 7 years.
- Foreclosures remain for 7 years.
- Tax liens can remain on your credit indefinitely.
- Credit inquiries remain on your credit report for 2 years.

**ATTENTION** - As time goes on, the effect of the negative information on your credit score will diminish.

# What can you do if there is incorrect information on your credit report?

If you find incorrect information on your report, we recommend that you:

- Initiate a dispute with all three of the credit agencies: Equifax, Experian and Transunion.
- In writing, contact the company that reported the information incorrectly (whether it be the original creditor, or the collection agency that bought the debt).
- ❖ Save copies of all the documentation that you have sent and received regarding the dispute.
- ❖ The credit agencies and creditors must investigate your dispute and correct any errors.

**WATCH OUT** - Errors on your credit report could be a sign of identity theft. The first step in protecting your identity is checking your credit report. Your financial counselor can help you take the necessary steps in resolving identity theft during the one-on-one sessions.

In the one-on-one session, your financial counselor can help you dispute errors and take the necessary actions to protect yourself from identity theft. Make your appointment today. All the services are free!

# Module VII. How to establish a credit history and score?

# Requirements to have a FICO scorevi

FICO has some minimum requirements to produce the three-digit number (FICO score) using your credit history.

You must have a credit card or loan open and active for at least 6 months (there cannot be disputes on this account).

# **Options for establishing a credit history**

- ❖ Apply for a credit card, go over the different options that you have and choose the one that fits you best.
- ❖ If you don't have a credit history, then one option is to apply for a secured credit card or a secured loan.

**REMEMBER** - Pre-paid cards and debit cards do not help you build credit.

# Requirements for obtaining credit

- Financial institutions usually ask for two types of identification that are not expired.
- They also may ask for your income and a verification of your income.
- ❖ They will check your credit report and your credit score.

# **Building credit without a social security number**

There is no legal requirement stating that you must have a social security number to access credit. However, the financial institutions can ask you for a Tax ID, also known as an ITIN number (Individual Taxpayer Identification Number). Each financial institution has the right to decide what documents to accept.

# **Explanation of Credit Card Termsvii**

**Credit Limit:** Is the maximum amount of money that you can use on the card.

Annual Interest Rate (APR): The percentage of interest that the company will charge if you leave a balance on the card.

Grace Period: The time period between the end of a billing cycle and the due date. Paying your balance in full during the grace period will help you avoid to get charged interests in your purchases.

Maintenance Fees: Fees for maintaining your account. Those charges can be monthly or annually. Some credit cards do not have maintenance fees.

Penalty Fees: Charges or fees for paying late, going over your credit limit, or making payments on the cards without having funds. Special Offers: The credit card companies have special offers made to attract customers. Understand the benefits and changes once the offer expires.

In the one-on-one session, your financial counselor will help you analyze credit card offers that you receive. Make your appointment today. All services are free!

# Tips for comparing credit cards:

- Review and compare several offers.
- Review the contracts, especially the fine print.
- Don't feel pressured into signing any document.
- Compare the interest rates.
- Make sure you know the interest and annual charges.
- ❖ Make sure you are aware of the late payment penalties.

WATCH OUT - Be careful with the fine print on credit card offers. If you don't understand what the offer states, find someone you trust to help you read the technical language. Don't sign or apply for a card without understanding everything that you are signing.

**Activity 5.** In groups of four, compare the credit card offers on pages 21 and 22. Choose which one is most convenient.

l l

Reasons why you chose this card:		

# **Card 1 - Terms**

Annual Interest Rate (APR)		0% Introductory APR for the first 15 statements following the opening of your account.	
		After that, <b>12.99%</b> to <b>22.99%</b> , based on your credit risk.	
Interest Rate (APR) for Balar	nce Transfers	<b>0%</b> Introductory for the first 15 statements following the opening of your account.	
		After that, <b>12.99%</b> to <b>22.99%</b> , based on your credit risk.	
Interest Rate for Cash Advances (APR)		25%	
Penalty APR and When It Ap	plies	Up to 29.99%, based on your creditworthiness.	
		The penalty will be applied if you:	
		<ul> <li>Make a late payment;</li> <li>Exceed your credit limit;</li> <li>Make payments without funds.</li> </ul>	
How to Avoid Paying Interest on Purchases		Your due date is at least 21 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date of each month. We will begin to charge interest for balance transfers or for cash advances the day of the transaction.	
Membership fees	\$0 for the first ye	ar and \$99 for each year afterwards.	
Additional Fees:			
Balance Transfer Fees Cash Advance Fees		mount, whichever is greater. amount, whichever is greater.	
Penalty Fees			
Late payments	Up to <b>\$35</b> .		
Overdraft Up to \$35.			
Returned Payments Up to \$35.			
Returned Checks	Up to <b>\$35</b> .		

<sup>\*</sup>You will lose the introductory interest rate if you make a payment more than 60 days late and the late penalty will also be applied.

# Card 2 - Terms

# **Interest Rates**

Interest Rates (APR)	16.99%
Interest Rates for Balance Transfers	16.99%
Interest Rate for Cash Advances	24.9%
Interest Rates for Penalty Charges	29.4%
Paying Interest	Your due date is 25 days after the cycle closes. We will not charge any interest if you pay your balance in full by the due date.

# **Charges**

Annual Charge	\$39 Annual
Charges for Transactions	
Balance Transfers	None
Cash Advances	\$10 or 5% or whichever amount is greater.
Charges for Penalties	
Late Payments	Up to \$35
Overdraft charges	Up to \$29
Returned Payments	Up to \$35

#### **Secured Credit Card and Secured Loan**

If you have no credit or bad credit, there are options available to help you to establish or improve your credit. These products offered by financial institutions are known as secured credit cards or secured loans.

#### **Secured Credit Card**

- You must put a deposit as a collateral to be able to obtain the card.
- ❖ The deposit serves as your line of credit. On some cards, the deposit that you put down will be equal to 100% of the credit line. In other cases, that deposit can be lower, for example putting a deposit of \$300 and getting a \$500 credit limit.

#### **Secured Loan**

- With a secured loan you make monthly payments to the bank or credit union, for a particular length of time, usually 6 or 12 months.
- ❖ Each monthly payment is deposited into a savings account that will be available for you at the end of the length of the loan.

### What do you need to know about secured products?

- What are the requirements for being eligible?
- Do you have the documentation required by the lender?
- For a secured credit card, how much do you need to put down for the security deposit?
- For a credit builder loan, how much is the monthly payment and for how long?
- What is the interest rate?
- What are the charges for the application and for maintenance?
- Are there additional fees?
- Does the security deposit gain interest?

**ATTENTION** - Ensure that the credit accounts you apply for are reported to the three major credit agencies.

# Before opening a secured credit product, review:

Your current and future financial situation	Your savings
Do you have a stable income and will you maintain your current income in the next 6 months?	Have you had extra money at the end of the last 6 months?
months?	Have you contributed to your savings in the past 6 months?
Have you been able to cover your basic expenses in the last 6 months?	After you put the security deposit, will you still have money in case of an emergency?

WATCH OUT - Secured credit products help you to build and improve credit, but if you don't manage them correctly you will hurt your credit. You can also lose the deposit that you have put down if you fall behind on payments.

# Module VIII. Factors that influence your credit scoreviii

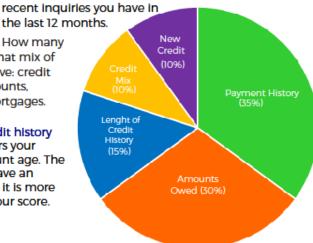
# Factors Included in your FICO Score

# New credit (10%)

How many new accounts you have and how many recent inquiries you have in

Credit mix (10%) How many accounts and what mix of accounts you have: credit cards, retail accounts, installments, mortgages.

Length of credit history (15%) Considers your average account age. The longest you have an account open it is more valuable for your score.



Payment history (35%)
This is the most
Important factor. How
you make your payments
to credit cards, loans and
store cards. Collections
and public records are
included here.

#### Amounts owed (30%)

# A very important factor.

This includes how much you owe in all your accounts, how much is your balance in credit cards compared to the credit limit, how much is your current balance in an installment compared to the original loan amount, how many accounts have a balance.

Fuente: MyFICO.com

**Activity 6.** Select a partner, we will assign a case for each pair. One person will represent the bank and the other will represent a client that is looking for a loan.

Step 1: The client will present the information to the bank. The bank will decide to lend the money or not.

Step 2: For those who give out the loan, walk to the right side of the classroom. For those who decide to deny the loan, please walk to the left side of the classroom. Write on the assigned poster, the number one reason why you accepted or denied the clients' application for the loan.

Step 3: Fort the clients, share with the class how you felt to be accepted or denied the loan.

Let's talk and reflect.

Case 1: Julia has an income of \$12,000 per year. She works part time for a cleaning company and is assigned 3 houses per week. She is known in her neighborhood for the delicious tacos that she takes to parties and events in the community. Motivated by the positive feedback from her friends and loved ones regarding her cooking, she has decided that she wants to sell her tacos from a truck. She researched and discovered that she will need \$5,000 to invest in a truck. She only has \$1000 saved up.

When the banker obtained Julia's credit report she found that Julia did not have a credit score. The only things that appeared in her credit report were two credit inquires for cards that she was denied for. Would you give a loan of \$5,000 to Julia? What would be your recommendations to her?

Case 2: Margarita makes \$25,000 per year as a babysitter. Her favorite hobby is looking at fashion magazines and sewing her favorite pieces for her and her daughter, who is 7 years old. Margarita wants to utilize her hobby to make money and had the idea of sewing and selling clothes. Margarita wants to start as a saleswoman that travels, offering her products to neighbors and friends, so her business would not require a storefront. Margarita needs a loan of \$1,000 to buy materials and a better sewing machine than the one she has now.

When the banker obtains her credit report, she finds a credit card with Capital One, which she got 9 months earlier. The card has a limit of \$1,000 and a balance of \$200. Her credit score is 690. All of her payments have been made on time. There is not negative information on the report. Would you give a loan to Margarita? What are your recommendations?

Case 3: Antonia works full time as a waitress and helps out at a bar in Midtown Manhattan. She has an annual income of \$45,000. Antonia has worked at restaurants for more than 10 years. She wants to start her own restaurant and needs a loan of \$15,000. She has \$2,000 saved up.

Upon obtaining her credit report, the banker found that Antonia has three credit cards that are open and active. The combined limit of these cards is \$10,000 and in total she owes \$7,000 between her three accounts. Additionally, she has an account that is in collections. This is a medical debt from the hospital worth \$2,000 from an accident at work that occurred over a year ago. The report also showed a Capital One credit card that is closed and which has a debt of \$325 that she never finished paying off. This card is closed but has not yet been passed onto collections. In sum, Antonia's total debt is \$9,325. Her credit score is 600. Would you give a loan to Antonia? What are your recommendations?

Case 4: Sonia is a cook at a restaurant in Brooklyn. Her annual income is \$27,000 after taxes. One of the managers of the restaurant wants to make Sonia a partner in the business The manager would require an investment of \$5,000, and Sonia has \$2,000 saved up.

Upon obtaining Sonia's credit report, the banker saw that she had a credit card with a limit of \$900 and a balance of \$250. Sonia also just started a secured loan in order to improve her credit. The amount of the loan is \$500 and she already made her first payment of \$85, now she owes \$415. Her credit score is 720. Would give a loan to Sonia? What are your recommendations?

# Module IX. Strategies for having good credit

**Activity 7.** Please share with us some strategies for how to build credit.

### Steps to follow to have good credit:

**Pay your accounts on time** – Paying your accounts on time is the most important factor in your credit score.

- Your payments should arrive to the creditor before the due date, to avoid penalties.
- ❖ Late payments of more than 30 days are reported to the credit agencies and hurt your credit score.
- ❖ Payments can be made by mail (with check or money order) or by telephone and over internet.
- ❖ You can establish automatic payments from your bank account, but you will be responsible for checking that the payments are correct each month. This strategy helps to simplify the payment process.

**ATTENTION** - If you are having difficulty in making payments, do not ignore the debts. Search for help through this program. A financial counselor will be available to meet with you individually.

**Maintain low balances on your cards** – The most recommendable action you can take is to pay your balance in full at the closing of every billing cycle (before the end of your grace period). This way, you will avoid paying any interest. You should also try not to use over 30% of your available credit limit, going over 30% of credit utilization will affect your credit score negatively.

**ATTENTION** - If you are having difficulty in paying your balance, pay at least the minimum balance required so that you avoid being late, which affects your score the most.

**Avoid applying for lots of credit** - You need to apply for credit in order to begin building it, but applying for many credit accounts will make you seem like a greater risk to creditors. Opening new accounts reduces the average amount of time of your existing accounts affecting your credit score.

We recommend that you only apply for credit when it is necessary and when you believe that you will be approved by the company. If you have no credit history, or a negative credit history, then you are best off applying for secured credit products.

**ATTENTION** - The FICO score counts credit inquiries from the last 12 months.<sup>ix</sup>

**Do not close credit cards** – This reduces the average time of your credit history. It also reduces the overall limit of your credit accounts.

Example: Imagine that you have the following cards

	Credit Limit	Balance	Percentage of debt compared with credit limit
Card 1	\$ 4,000	0	0%
Card 2	\$ 3,000	\$ 600	20%
Card 3	\$ 5,000	\$ 2,000	40%
Total	\$ 12,000	\$ 2,600	22%

Since you have not been using Credit Card 1, you decide to close it. Your debt does not change, but the total percentage of your debt compared with your credit limit will increase from 22% to 33%. The chart below shows the changes in your utilization rate:

	Credit Limit	Balance	Percentage of debt compared with credit limit
Card 1	0	0	Closed
Card 2	\$ 3,000	\$ 600	20%
Card 3	\$ 5,000	\$ 2,000	40%
Total	\$ 8,000 (less)	\$ 2,600 (the same)	33% (more)

**Diversify** - If you are managing your credit with success, then it may be time for you to diversify your credit profile. You can do this by acquiring another type of credit account. For example, if you have a credit card, you may open a secured loan. If you have a loan, you can open a credit card.

**Protect your credit** - Be careful not to co-sign for credit (loans) or to authorize other people to use your credit unless you are 100% confident that they will be financially responsible. Being a co-singer makes you legally responsible for the debt that the principal borrower accrues.

**Review your credit report** - Identify and correct errors that you find.

\* Remember that information from collection accounts and public records generally will remain on your credit report for 7 years since the date that you stopped paying them. If you find incorrect information on your credit report you have the right to dispute the errors.

**Pay all your bills on time** (telephone, cable, internet, medical, rent, taxes, banks, etc.) - If you don't pay your accounts you run the risk of having the account sent to a collection agency. Having accounts in collections affects your credit score negatively.

Creditors can also bring a lawsuit against borrowers who owe them money. The reporting of judgments will seriously hurt your credit score.

- ❖ If you have an account in collections, try to negotiate a repayment plan.
- ❖ Be aware that paying a collection account will not improve your credit score. The report will show the account as paid, but the negative impact on your score will have already taken effect.
- ❖ Under state laws, debts expire after a certain period, and creditors lose the right to collect a debt.<sup>x</sup> In New York, the expiration of these debts is generally after 6 years but it depends on the type of debt.<sup>xi</sup>

# What to do if you have bad credit?

- ❖ Begin by correcting information that should no longer be on your credit report.
- ❖ Keep in mind, that negative information that is correct cannot be erased from your credit report.
- ❖ Be careful with scamming companies that promise to fix your credit quickly and ask that you pay them upfront. These companies tend to ask for a signature of blank documentation to be used in the future. They also suggest that you do not contact the creditors directly.
- ❖ A secured credit card or secured loan are good options for rebuilding your credit.
- Develop a plan to pay back your debts over time.
- ❖ Attend a financial counseling session through this program.

Participate in an individual financial counseling session, your counselor will help you create an action plan for improving your credit. Make your appointment today. All services are free!

The content of this program was made possible thanks to the support of Citi.





http://www.aspeninstitute.org/

Information about the FICO credit score obtained from Fair Isaac Corporation.

iii Information about the FICO credit score obtained from Fair Isaac Corporation.

iv https://www.consumer.ftc.gov www.annualcreditreport.com

<sup>&</sup>lt;sup>v</sup> https://www.consumer.ftc.gov/articles/0155-free-credit-reports

vi Fair Isaac Corporation

vii http://www.consumerfinance.gov/askcfpb/47/what-is-a-grace-period-how-does-it-work.html

viii Information about the FICO credit score obtained from Fair Isaac Corporation.

ix Information about the FICO credit score obtained from Fair Isaac Corporation.

<sup>\*</sup> https://www.consumidor.ftc.gov/articulos/s0117-deudas-prescriptas http://www.consumerfinance.gov/askcfpb/1447/what-best-way-negotiate-settlement-debt-collector.html

xi http://www.nycourts.gov

# **WE Master Money: Crédito**

Guía del Facilitador







# **WE Master Money: Crédito**

# Módulo I. Metas Financieras

**Actividad 1.** ¿Cuál es su sueño financiero? ¿Para qué le gustaría ahorrar dinero? Dibuje, escriba o imagine todo lo que su corazón realmente desea.

Time: 7 minutes including action plan activity and sharing with the class.

This is the start of a long-term relationship with your client. You need to create rapport and empathy. You could complete this activity by sharing your own personal dream. Your dream should be relevant for the population you are working with. Your dream should help you connect with your clients.

Be sensitive that some of the participants might not be literate, emphasize that they can write, draw or just think about any of the activities during the class.



#### Ahora piense en:

¿Por qué es importante para usted?

¿Qué le motiva a alcanzar este sueño?

¿En qué tiempo quiere completar su sueño?

Your clients might be excited to share their dream with the class. Ask for some volunteers. This exercise will help you and the participants identify their values and motivational factors.

Creating an action plan based in what is important for the client will motivate them to stay in track to succeed.

#### Plan de acción

As the facilitator, you can guide your clients to create an action plan by sharing your action plan to reach your financial dream.

Piense en una acción que puede hacer esta semana para estar más cerca de su sueño.

Some examples of actions include: opening a bank account. This action will be only once.

Esta acción es:

Una sola vez De esta semana en adelante Cada cierto tiempo

¿Cómo esta acción le ayuda a estar más cerca de su sueño?

This part of the activity can be skip if needed.

Help your clients go through the process of creating their action plan and the reasoning behind their decisions.

Ahora, piense en una acción que puede hacer este mes para ayudarle a alcanzar su sueño

An example can be to make a deposit of \$20 in a savings account. This action will be done each month.

Esta acción es:

Una sola vez De este mes en adelante Cada cierto tiempo

¿Cómo esta acción le ayuda a estar más cerca de su sueño?

¿A quién le puede rendir cuentas que tomó esas acciones?

Remember, your clients just thought about their dreams and they might be excited to share it with the group. Though not everyone might be comfortable speaking in public so ask for volunteers. Depending on your group you can get 2 or 4 participants to share their action plans.

#### Módulo II. Buen Crédito

As the facilitator you want to have a positive attitude about credit and help clients see credit as a tool to build opportunities instead of accumulation of debt.

Tener buen crédito significa que usted tiene un historial positivo de cómo ha manejado sus deudas.

Introduce why good credit is useful:

Los acreedores consideran que, si usted ha pagado responsablemente en el pasado, también lo hará en préstamos futuros.

- Un buen crédito le permite obtener servicios y productos sin tener que pagar por adelantado.
  - Esta promesa de pagar en el futuro se le llama préstamo, usualmente le cargan intereses.

Ask participants if they know what interests are. Answering questions correctly will help validate their knowledge. This can also help clarify any misunderstanding.

Teaching aid: ask clients to share their knowledge.

- Intereses es la cantidad que le cobran por prestarle dinero. Se calcula como un porcentaje del dinero que usted solicitó prestado.
- Si tiene un buen crédito los acreedores se verán más motivados a prestarle dinero porque usted representa menor riesgo.
- ❖ Un buen crédito le ayuda a obtener préstamos con tasas de interés más bajo.

# ¿Cómo un buen crédito ayuda a su familia?

**Actividad 2.** Dibuje las 3 cosas más importantes para usted que puede conseguir con un buen crédito.

Time: 3 minutes including activity, sharing with the class.

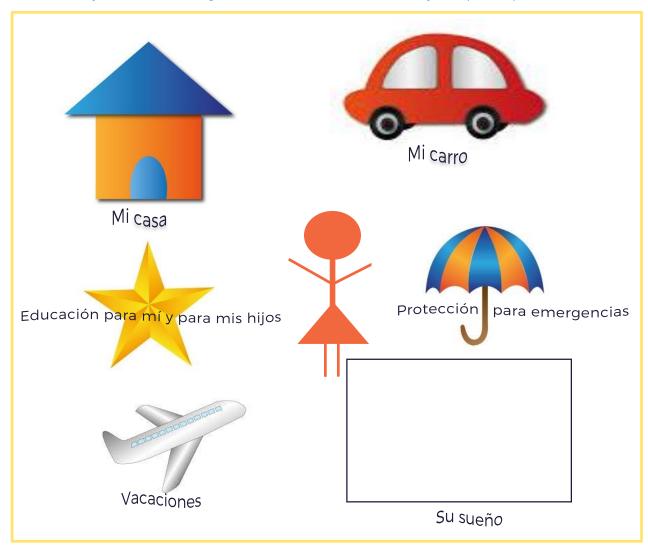
Give clients 1 minutes to think and draw.

Ask for volunteers that want to share and draw those ideas in the post-it pad.

Teaching aid: Use of post-it pad.

# Algunos de nuestros sueños financieros:

Check if any of the following items were not mentioned by the participants.



El crédito influye en muchos aspectos de su vida y la de su familia. Para alcanzar sus sueños financieros se requiere tener un buen crédito.

- Un buen crédito es necesario para obtener un préstamo hipotecario para comprar una casa.
- Con un buen crédito puede adquirir financiamiento para un carro.
- Un buen crédito ayuda a obtener préstamos estudiantiles para invertir en la educación de usted y la de sus hijos.
- ❖ Tener un buen crédito significa tener acceso a tarjetas de créditos o préstamos bancarios para emergencias como enfermedad, pérdida de trabajo o accidentes.
- Un buen crédito es necesario para arrendar un apartamento, obtener un plan de teléfono celular, internet y cable.

# ¿Cómo un buen crédito le ayuda en su negocio?

All the participants in your class are women entrepreneur, aside from building credit for personal reasons they want and need to build credit so their businesses can grow. Introduce and help they learn from each other how credit helps expand their businessess.

Time: 3 minutes including activity and sharing with the class.



- ❖ Todo emprendedor necesita un buen crédito, incluso los negocios pequeños, para interactuar con los proveedores.
- Un buen crédito le da más flexibilidad en el negocio, por ejemplo, al obtener mercancía de diferentes proveedores y a mejores precios.
- Un buen crédito le da la oportunidad de acceder a capital para que su negocio crezca.

Ask participants if they know other women entrepreneur that have opened a store or buy new equipment.

#### ¿Cómo preparase para crecer en su negocio?



Time: 2 minutes

Make this module short, this is only an introduction to obtaining capital.

Porque usted es una pequeña empresaria las oportunidades para su negocio dependerán, al comienzo, de su crédito personal. El manejar sus finanzas personales estratégicamente le ayudará a preparase para aprovechar oportunidades futuras y obtener capital para expandir su negocio.

# Consideraciones para obtener financiamiento de capital para negocios:

Congratulate participants if they are in this stage and recommend to attend the WE Master Money: Funding workshops. You can provide more information in the one-on-one session. Have WE NYC website written in a post-it pad.

The following are basic considerations for those that are looking to access capital.

- ❖ El acceso de capital para negocios depende de muchos otros factores que no se necesitan para obtener crédito personal.
- ❖ Cada banco utiliza sus propias medidas de riesgo que pueden incluir, entre otros factores: su crédito personal, la rentabilidad de su negocio, el tiempo que usted ha tenido el negocio, si tiene un plan de negocios. La banca tradicional y la no tradicional medirán estas áreas de manera diferente.
- \* También consideran aspectos que están fuera de su control como el riesgo de cada industria. Por ejemplo, qué tan difícil es mantener un restaurante.
- Los expertos recomiendan que se enfoque en aquello que usted tiene control, como su crédito personal y conocimiento de su negocio para demostrar capacidad de manejo del negocio.
- \* También recomiendan que crezca de una manera sostenible, es decir, que cuando usted inicia no adquiera un préstamo muy grande que luego no pueda manejar.

Cuando usted ya obtenga acceso a préstamos para el negocio, asegúrese de utilizar ese dinero en el mismo.

Hoy es el mejor día para prepararse para expandir su negocio.

#### Opciones sin crédito o mal crédito

Si necesita utilizar crédito y no ha construido crédito o tiene mal crédito, sus opciones son limitadas, más caras y de alto riesgo como:

- 1. Los prestamistas, chulqueros, usureros (loan sharks)
- 2. Las tandas o sociedades
- 3. Las tarjetas pre-pagadas
- 4. Los prestamos depredadores para negocios

Ask clients to share their knowledge about these services. They might have close experience with them.

Teaching aid: ask clients to share their knowledge.

Time: 5 minutes for options 1, 2, 3 and 4.

The first 3 options can be skip if your class is running behind. Though mention the predatory services for small businesses since participants can be a target.

1. Prestamistas, chulqueros, usureros (*loan sharks*) - Son personas que prestan dinero a tasas de interés muy elevadas si se compara con tasas anualizadas.

OJO - Los prestamistas son usualmente ilegales. Pueden llegar a utilizar amenazas y violencia para cobrar los préstamos.

Be aware that some loan sharks can be known people in the community.

Los cobros suelen ser semanales, estos cobros semanales pueden ser solo por intereses o pueden incluir parte del capital.

# Ejemplo numérico:

Si usted pide a un prestamista \$1,000, probablemente le requerirán que pague \$50 cada semana por intereses.

El préstamo se termina cuando usted pague los \$1,000 en su totalidad. Sin embargo, los \$50 pagados cada semana no se descuentan del capital. Por lo que, dependerá de usted cuanto tiempo le tome reunir los \$1,000.

Si le toma 10 meses reunir el dinero, pagaría en total \$2,000 en intereses más \$1,000 de capital.

2. Tandas o sociedades – Usualmente organizado entre personas que se conocen, donde cada una contribuye una cantidad específica de dinero, cada cierto tiempo (semanal, bisemanal, mensual), por un tiempo determinado (10 meses, 6 meses). Al final de cada mes, una persona del grupo recibe todo el dinero acumulado durante el mes.

Be aware that some of the participants might be part or leading group or tanda. Tandas are part of the way how many immigrants' communities have done business

#### Ejemplo numérico:

Ana es la líder de una tanda de 10 personas. Cada dos semanas, todos los participantes se han comprometido a entregar a Ana \$100. Al final del primer mes, Ana recibirá \$2,000. El siguiente mes otro integrante de la tanda recibirá \$2,000. La tanda terminará en 10 meses cuando todos los integrantes hayan recibido los \$2,000. Ana recibió los \$2,000 como un crédito, ella debe pagar \$100 cada dos semanas hasta pagar los \$2,000. Rosa fue la última participante en recibir los \$2,000. Para Rosa, la tanda sirvió como una cuenta de ahorro que le ayudó a ahorrar \$200 cada mes.

OJO - Existe el riesgo de que la primera (o una de las primeras) persona que recibe el préstamo desaparezca y no contribuya para el resto de participantes. Otro riesgo es que el organizador de la tanda desaparezca con todo lo recolectado.

3. Tarjetas pre-pagadas – Usted necesita depositar el dinero antes de utilizarlas. Son tarjetas que se pueden utilizar en la mayoría de lugares donde se aceptan tarjetas de crédito como tiendas, en aerolíneas o para compras por internet.

Las tarjetas pre-pagadas pueden salir muy caras debido a los cargos por activar, recargar, chequear balance, sacar dinero de cajeros, utilizar la tarjeta para compras o pagar cuentas. Algunas tarjetas pre-pagadas también cobran mantenimiento mensual/anual.

If the participants of your class are coming from Grameen be aware that they are being reported to at least one Credit Reporting Agency (CRA) and soon to the 3 CRAs. This means that participants can be targeted by predatory lenders. The goal of this section of the workshop is to make participants aware of predatory lenders and how to recognize them.

#### Topic should not be skipped.

4. Préstamos depredadores para negocios – Algunas compañías dan préstamos perjudiciales para negocios. Estas compañías tienen como objetivo llegar a emprendedores de negocios pequeños porque saben que tienen menos acceso a capital dado por instituciones financieras tradicionales.

¿Que los convierte en depredadores?

- ✓ Las tasas de interés son exageradamente altas y no son indicadas claramente.
- ✓ Tienen muchos costos escondidos que tampoco son indicados claramente.
- ✓ Los contratos son difíciles de entender, haciendo confuso comparar con otras ofertas.
- ✓ Muchos de ellos se encuentran en internet.
- ✓ Algunos hacen los cobros automáticamente de las cuentas de bancos del deudor.

No existen muchas regulaciones que protejan a los pequeños negocios de préstamos depredadores. ¿Qué puede hacer usted para protegerse?

- Si algo es muy bueno para ser verdad, entonces no es bueno.
- ❖ Busque ayuda de instituciones confiables que le pueden ayudar a encontrar financiamiento de capital. Pregunte por el programa de WE Master Money: Funding. Obtenga más información en la página de internet: www.nyc.gov/wenyc.

Entienda cuál es la tasa anual de interés (APR) y todos los cargos. Por ejemplo: cargos por aplicación, distribución, penalidades por re-pago adelantado, etc.

- ❖ Utilice préstamos otorgados por instituciones que se han comprometido en respetar la "Declaración de Derechos de los Prestatarios de Pequeños Negocios" ("Small Business Borrower's Bill of Rights").
  - 1. El Derecho a la Transparencia de Precios y Términos
  - 2. El Derecho a Productos no abusivos.
  - 3. El Derecho a un Financiamiento Responsable (Underwriting)
  - 4. El Derecho a un Tratamiento Justo por los Agentes Comerciales (Brokers)
  - 5. El Derecho a Acceder a Crédito Inclusivo (libre de discriminación)
  - 6. El Derecho a Practicas de Colección Justas

# Módulo III. ¿Cómo saben si tiene buen crédito?

Module should not be skip.

As the facilitator you want to hear what the participants already know so that you can adjust the detail of the information you provide. You could ask participants what they think companies use to determine if they have good credit.

Teaching aid: ask clients to share their knowledge.

Cuando usted aplica para obtener crédito, las compañías revisan su puntaje de crédito para decidir si le ofrecen dinero en un préstamo o no. Ese puntaje ayuda a evaluar su riesgo crediticio. Existen varios puntajes de crédito, pero el más utilizado es el puntaje llamado FICO Score.

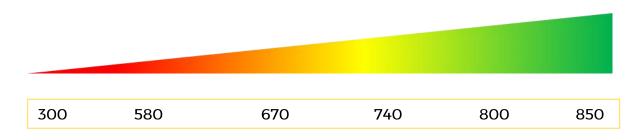
### **Puntaje FICO Score**ii

El puntaje FICO más utilizado va de 300 a 850 puntos. Los puntajes más altos son mejores va que existe menor riesgo para el acreedor.

# Categoría de Puntajes FICO Scoreiii

Explain workshop participants that there is not a magic number to be approved for credit. That will depend on the level of risk that the creditor decides to take.

Tener un puntaje FICO bueno depende de cuál es la calificación que cada acreedor solicita, sin embargo, existe un rango de puntajes FICO que permite comparar su calificación con la de la población de Estados Unidos que tiene puntajes FICO.



Debajo de 580	De 580 a 669	De 670 a 739	De 740 a 799	De 800 en adelante
Puntaje riesgoso, es muy difícil ser aceptada para crédito.	Puntaje aceptable. Empieza a ser aprobada para crédito, pero las tasas de intereses no son las mejores.	Buen puntaje	Muy buen puntaje	Excelente puntaje.  Recibe las mejores ofertas de crédito.

- ❖ Tener un puntaje de crédito bueno ayuda a que califique para obtener crédito en mejores términos.
- El puntaje de crédito influye en el límite de crédito que le darán en las tarjetas, o la cantidad del préstamo.
- Un puntaje alto ayuda a calificar por tasas de interés más bajas y por lo tanto pagos más bajos.
- ❖ El puntaje de crédito también es utilizado cuando usted aplica para alquilar un apartamento u obtener un plan telefónico, cable o internet.

# ¿Cómo se calcula el puntaje de crédito?

El puntaje de crédito se calcula de la información que se encuentra en su reporte de crédito.

# ¿Qué es un reporte de crédito?

Teaching aid: ask clients to share their knowledge.

El reporte de crédito es un historial de su información crediticia reportada por sus acreedores a las agencias de crédito.

# ¿Quiénes son las Agencias de Crédito? iv

Generalmente usted tiene tres reportes de crédito, uno por cada una de las Agencias de Crédito más importantes:

- Equifax
- Experian
- Transunion

# Módulo IV. El Reporte de Crédito

**Actividad 3.** En grupos de 4 personas, lea el reporte de crédito de las siguientes páginas e identifique que tipo de información es reportada. Puede utilizar los cuadros a continuación para escribir la información que encontraron o utilice la copia del reporte de crédito. Seleccionen a una persona para compartirlos con la clase.

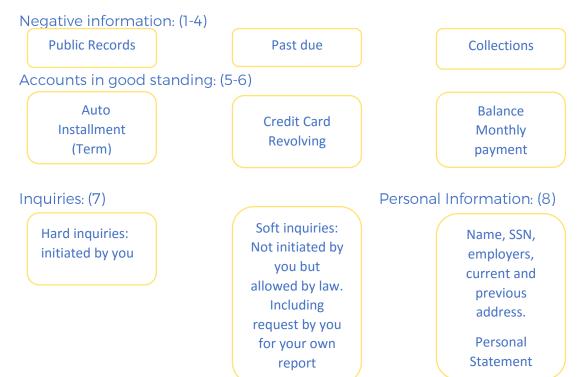
Time: 5 minutes including activity, sharing with the class.

The goal of this activity is:

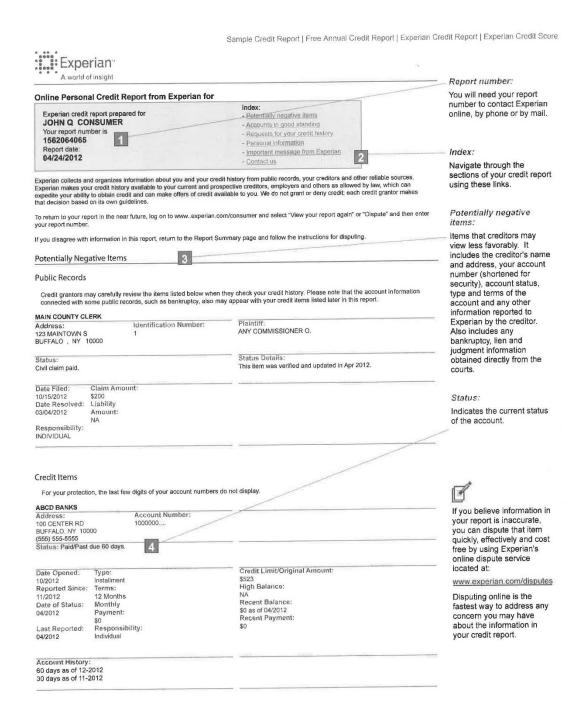
- 1. To introduce a credit report. This might be the first time that many of the participants will see a report.
- 2. To recognized information that is reported.

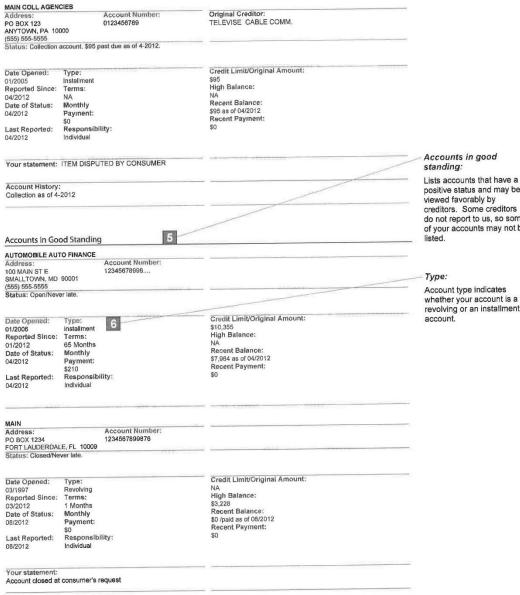
Advice participants to only follow the numbers in the report 1- 10 and recognize what information is reported. Write the information in post-it pad.

Teaching aid: Use of post-it pad.



Fuente: Experian en https://www.experian.com/credit\_report\_basics/pdf/samplecreditreport.pdf





positive status and may be viewed favorably by creditors. Some creditors do not report to us, so some of your accounts may not be

Account type indicates whether your account is a revolving or an installment

#### Requests for Your Credit History



#### Requests Viewed By Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you.

The section below lists all who have requested in the recent past to review your credit history as a result of actions involving you, such as the completion of a credit application or the transfer of an account to a collection agency, application for insurance, mortgage or ioan application, etc. Creditors may view these requests when evaluating your creditworthiness.

#### HOMESALE REALTY CO

Address: Aguress: 2000 S MAINROAD BLVD STE ANYTOWN CA 11111 (555) 555-5555 Comments:

Date of Request: 07/16/2012

Real estate loan on behalf of 3903 MERCHANTS EXPRESS M. This inquiry is scheduled to continue on record until 8-2014.

#### M & T BANK

Address: PO BOX 100 BUFFALO NY 10000 (555) 555-5555 Comments:

Date of Request: 02/23/2006

Permissible purpose. This inquiry is scheduled to continue on record until 3-2008.

#### WESTERN FUNDING INC

Address: 191 W MAIN AVE STE 100 INTOWN CA 10000 (559) 555-5555 Comments:

Date of Request:

01/25/2006

Permissible purpose. This inquiry is scheduled to continue on record until 2-2008.

#### Requests Viewed Only By You

The section below lists all who have a permissible purpose by law and have requested in the recent past to review your information. You may not have initiated these requests, so you may not recognize each source. We offer information about you to those with a permissible purpose, for example, to:

- other creditors who want to offer you preapproved credit; an employer who wishes to extend an offer of employment; a potential investor in assessing the risk of a current obligation; Experian or other credit reporting agencies to process a report for you; your existing creditors to monitor your credit activity (date listed may reflect only the most recent request).

We report these requests only to you as a record of activities. We do not provide this information to other creditors who evaluate your creditworthiness.

#### MAIN BANK USA

Address: 1 MAIN CTR AA 11 BUFFALO NY 14203

Date of Request: 08/10/2012

#### MYTOWN BANK

Address: PO BOX 825 MYTOWN DE 10000 (555) 555-5555

Date of Request: 08/05/2006

#### INTOWN DATA CORPS

Address 2000 S MAINTOWN BLVD STE INTOWN CO 11111 (555) 555-5555 Date of Request:

Requests for your credit history:

Also called "inquiries," requests for your credit history are logged on your report whenever anyone reviews your credit information. There are two types of inquiries.

Inquiries resulting from a transaction initiated by you. These include inquiries from your applications for credit, insurance, housing or other loans. They also include transfer of an account to a collection agency. Creditors may view these items when evaluating your creditworthiness.

Inquiries resulting from transactions you may not have initiated but that are allowed under the FCRA. These include preapproved offers, as well as for employment, investment review, account monitoring by existing creditors, and requests by you for your own report. These items are shown only to you and have no impact on your creditworthiness or risk scores.

Address: 123 MAIN STREET ANYTOWN, MD 90001-9999 Address identification number:

9

0277741504 Type of Residence: Multifamily

Address: 555 SIMPLE PLACE

0170086050

ANYTOWN, MD 90002-7777 Address identification number:

Type of Residence: Single family

Geographical Code: 0-176510-33-8840

Type of Residence: Apartment complex

Geographical Code: 0-156510-31-8840

Address: 999 HIGH DRIVE APT 15B ANYTOWN, MD 90003-5555 Address identification number: 0170129301

Geographical Code: 0-156510-31-8840

#### Personal Information



The following information is reported to us by you, your creditors and other sources. Each source may report your personal information differently, which may result in variations of your name, address, Social Security number, etc. As part of our fraud prevention efforts, a notice with additional information may appear. As a security precaution, the Social Security number that you used to obtain this report is not displayed. The Name identification number and Address identification number are two vour system identifies variations of your name and address that may appear on your report. The Geographical Code shown with each address identifies the state, county, census tract, block group and Metropolitan Statistical Area associated with each address.

Names:

JOHN Q CONSUMER

Name identification number: 15621

JONATHON Q CONSUMER
Name identification number: 15622

J Q CONSUMER

Name identification number: 15623

Social Security number variations:

Year of birth:

1959

Spouse or co-applicant:

JANE

Employers:

ABCDE ENGINEERING CORP

Telephone numbers: (555) 555 5555 Residential

Your Personal Statement



No general personal statements appear on your report.

#### Important Message From Experian

By law, we cannot disclose certain medical information (relating to physical, mental, or behavioral health or condition). Although we do not generally collect such information, it could appear in the name of a data furnisher (i.e., "Cancer Center") that reports your payment history to us. If so, those names display in your report, but in reports to others they display only as MEDICAL PAYMENT DATA. Consumer statements included on your report at your request that contain medical information are disclosed to others.

#### Contacting Us

Contact address and phone number for your area will display here.

\*DExperian 2012. All rights reserved Experian and the Experian marks herein are service marks or registered trademarks of Experian.

#### Personal information:

Personal information associated with your history that has been reported to Experian by you, your creditors and other sources.

May include name and Social Security number variations, employers, telephone numbers, etc. Experian lists all variations so you know what is being reported to us as belonging to you.

#### Address information:

Your current address and previous address(es)

#### Personal statement:

Any personal statement that you added to your report appears here.

Note - statements remain as part of the report for two years and display to anyone who has permission to review your report.

# ¿Qué se encuentra en su reporte?

Now you want to explain in detail the information participants identified in the previous activity.

- Los acreedores detallan información de sus cuentas:
  - ✓ Qué tipo de crédito usted usa (por ejemplo: tarjetas, automotriz, hipoteca, préstamo)
  - ✓ Cómo hace sus pagos (a tiempo o atrasados)
  - ✓ Cuándo fue la cuenta abierta y/o cerrada
  - ✓ El límite de crédito para tarjetas o la cantidad inicial del préstamo
  - ✓ Cuánto es su saldo en cada cuenta
- Información personal que usted ha reportado a los acreedores: su nombre (y si ha usado otros nombres), dirección (presente y anteriores), número de seguro social, fecha de nacimiento y sus empleadores.
- Solicitudes de crédito: cada vez que usted solicita crédito esto es reportado, aunque sea negado aparecerá en su reporte.
- ❖ Cuentas en colecciones: la cantidad original de la deuda enviada a la agencia de colecciones, el balance actual de la deuda, y la fecha en la que se adquirió la cuenta.
- \* Registros públicos: juicios de acreedores, embargos de dineros, gravamen por impuestos, juicios hipotecarios y bancarrota.

Go over the credit report to ensure clients recognize all items. You can do this simultaneously while you explain items above.

Los acreedores pueden elegir reportar a una, dos o las tres agencias, por eso los reportes varían el uno del otro. Y su puntaje también varía en cada agencia de crédito.

To know what is not reported in the credit report is just as important. Participants should know that the following information does not affect their credit score.

OJO - Su reporte y puntaje de crédito no tiene información sobre su ingreso, cuenta de cheques o ahorros, estado migratorio, reportes criminales, raza, color, religión, país de nacimiento, género, estado marital o si usted recibe asistencia pública.

# Módulo V. Obtener el Reporte de Crédito

Module should not be skipped.

Now that participants are familiar with the information reported in a credit report, guide them through the options to obtain their own credit report.

#### Es importante que usted revise su reporte de crédito:

Para conocer su situación actual y tomar decisiones financieras de acuerdo a su realidad.

For example, decide to apply for a traditional credit card or a secured credit card depending on their credit score.

- ❖ Para conocer la información que ha sido reportada sobre usted.
- Para asegurarse que la información reportada sobre usted es correcta. Usted tiene derecho a corregir información errónea.

Errors in credit reports are common, some of them hurt your credit score. For example, a collection account that has been sold to another agency can be reported twice, affecting the credit score for two accounts in collections instead of one.

Para protegerse del robo de identidad.

#### ¿Cómo obtener el reporte de crédito?

De acuerdo a una ley federal, usted tiene el derecho a obtener su reporte de crédito gratis cada 12 meses, de cada una de las tres agencias de crédito. Usted los puede ordenar de tres maneras<sup>v</sup>:

- a. Por correo
  - > Debe llenar el formulario llamado Annual Credit Report Request Form. Se lo encuentra en la página de internet: www.annualcreditreport.com
  - Adjuntar la documentación necesaria
- b. En la página de internet: www.annualcreditreport.com
  - Necesita tener un número de seguro social
- c. Por teléfono llamando al 1-877-322-8228.
  - > Solo disponible en inglés
  - Pasará por un proceso de verificación de identidad en el teléfono.

#### ¿Cómo solicitar el reporte sin número de seguro social?

Si usted no tiene número de seguro social, la mejor manera de obtener su reporte de crédito es por correo. Las agencias de crédito usan toda información de identidad relacionada con usted para identificarla. Incluya la mayor cantidad de información posible: nombre completo, dirección completa actual y pasadas, fecha de nacimiento. Si usted ha utilizado el número ITIN para abrir crédito, también inclúyalo.

En la asesoría individual, su asesor financiero le ayudará a acceder a su reporte y puntaje de crédito. ¡Haga una cita hoy mismo, todos los servicios son gratis!

Remind participants that pulling their own credit report is a soft pull and it does not affect their credit score.

OJO - El que usted solicite su propio reporte de las Agencias de Crédito (Transunion, Experian y Equifax) no daña su crédito. Al solicitar su reporte de crédito con un asesor de Ariva tampoco afecta su crédito porque Ariva es una organización autorizada para obtener su crédito.

#### Otras maneras de obtener reportes de crédito:

- Existen otros sitios de internet que permiten obtener reportes de créditos gratis (usualmente necesita un número de seguro social). Si decide utilizar estos servicios tenga presente que tratarán de venderle servicios adicionales por un costo (como monitoreo de crédito), evite inscribirse en ellos.
- Otros sitios promocionan reportes y puntajes de crédito gratis, pero requieren que usted registre una tarjeta de crédito. Esto significa que el acceso gratis es una promoción temporal y le cobrarán cargos en el futuro.

# Módulo VI. Leer el Reporte de Crédito

Actividad 4. Juntos vamos a leer un reporte de crédito.

Activity can be skipped. Come back if you have additional time at the end.

#### ¿Por cuánto tiempo la información negativa impacta su puntaje?

#### Do not skip this section

- Los pagos atrasados permanecen en su reporte por 7 años.
- ❖ Las cuentas en colecciones permanecen en el reporte por 7 años, depende también si la deuda ya ha expirado.
- ❖ La bancarrota permanece en el reporte de crédito por 7 o 10 años, dependiendo del tipo de bancarrota.
- Los juicios permanecen por 7 años.
- Los juicios hipotecarios por 7 años.
- ❖ Las obligaciones de impuestos pueden permanecer indefinidamente.
- Las consultas de crédito, permanecen en su reporte por 2 años.
  - OJO Mientras más tiempo ha pasado desde que se reportó la información negativa menor es el efecto en el puntaje de crédito.

#### ¿Qué hacer si encuentra información incorrecta en su reporte de crédito?

Si usted encuentra errores en su reporte se recomienda que:

❖ Inicie una disputa de crédito con las Agencias de Crédito: Equifax, Experian and Transunion.

- Contacte por escrito a la compañía que reportó la información equivocada. Por ejemplo: tarjeta de crédito, agencia de colecciones, etc.
- Guarde copias de toda documentación enviada y recibida sobre la disputa.
- Las agencias de crédito y acreedores deben investigar su caso y corregir errores.

OJO - Los errores en su reporte de crédito pueden ser una señal de robo de identidad. El primer paso para proteger su identidad es revisar su reporte de crédito. Su asesor financiero le puede ayudar a tomar los pasos necesarios para resolver un caso de robo de identidad en las asesorías individuales.

Invite participants to one-on-one sessions to address these issues.

En la asesoría individual, su asesor financiero la ayudará a disputar errores y tomar acciones para protegerse si es víctima de robo de identidad ¡Haga una cita hoy mismo, todos los servicios son gratis!

# Módulo VII. ¿Cómo establecer una historia y puntaje de crédito?

Module should not be skipped.

The main objective of this class is that client understand this module. Ensure that you have enough time to explain the topics and allow clients to ask questions. You also want participants to share their experience to allow peer learning.

#### Requerimientos para tener un puntaje FICOvi

FICO tiene requerimientos mínimos para producir el puntaje FICO utilizando su historial crediticio.

Usted necesita tener una tarjeta o un préstamo abierto y utilizado en los últimos 6 meses. (No puede haber disputas en esa cuenta.)

This is a good time to remind clients that they can participate in one-on-one counseling sessions to access their credit report and score. Have the sign-in sheet for counseling going around the class. You will need contact information to call the clients. Inform them that you will be calling in the next 48 hours to make an appointment or they can make the appointment right after the class.

En la asesoría individual, su asesor financiero le ayudará a acceder a su reporte y puntaje de crédito. ¡Haga una cita hoy mismo, todos los servicios son gratis!

#### Opciones para establecer una historia crediticia

Aplique por una tarjeta de crédito, revise las opciones y elige la más conveniente.

Si usted no tiene un historial de crédito, una opción es aplicar por una tarjeta o un préstamo asegurado.

OJO - Las tarjetas pre-pagadas y las tarjetas de débito no construyen crédito.

#### Requerimientos para obtener crédito

- Las instituciones financieras usualmente solicitan dos identificaciones que no estén caducadas.
- \* También preguntarán y verificarán su ingreso mensual o anual.
- \* Revisarán su reporte y puntaje de crédito.

# Construir crédito sin número de seguro social

Avoid asking direct questions in the group about immigration status, this is a sensitive topic even with close friends. However, make sure that you explain that people can build credit and open bank accounts without a social security number.

No hay ningún requerimiento legal que indique que se necesita tener un número de seguro social para acceder a crédito. Las instituciones financieras le pueden solicitar un número de impuestos, también conocido como ITIN, si usted no tiene número de seguro social. Las instituciones financieras tienen el derecho a decidir que documentación aceptan.

### Explicación de los términos de las tarjetas de crédito:

Ask participants what they know about the following terms.

Teaching aid: ask clients to share their knowledge.

**Límite de crédito**: Es la cantidad máxima de dinero que puede utilizar en su tarjeta.

Tasa de interés anual (APR): Es el porcentaje de interés que le cobrarán si deja algún saldo en su tarjeta. Periodo de gracia: Es el tiempo que le da la tarjeta para no cobrar intereses si usted paga todo el saldo antes del día de pago.

Cargos por mantenimiento: Son cargos por mantener su cuenta, estos cobros pueden ser mensuales o anuales. Cargos o tarifas de multas: Son cargos que la tarjeta le puede cobrar por pagar tarde, utilizar más de su límite de crédito o hacer pagos sin fondos. Ofertas especiales: Las compañías de tarjetas de crédito pueden ofrecer ofertas especiales para atraer clientes. Entienda bien los beneficios y cambios cuando la oferta termina.

En la asesoría individual, su asesor financiero le ayudará a analizar ofertas de crédito que reciba. ¡Haga una cita hoy mismo, todos los servicios son gratis!

# Recomendaciones para abrir una tarjeta de crédito para quienes reciben ofertas de crédito

- \* Revise y compare varias ofertas
- Revise los contratos, incluyendo las letras pequeñas
- No tenga prisa para firmar ningún documento, especialmente si no está en el idioma que usted se siente más cómoda
- Compare las tasas de interés
- Infórmese de los cargos mensuales y/o anuales
- Infórmese de las multas por pagos tardíos

OJO – Tenga cuidado con las letras pequeñas, si no entiende lo que la oferta de crédito dice ya sea por el idioma o por el uso de lenguaje técnico, busque ayuda de personas confiables. No firme ni aplique por la tarjeta hasta asegurarse que entiende lo que está solicitando.

**Actividad 5.** En grupos de 4 personas, comparen las ofertas de tarjetas de crédito de las páginas 21 y 22 y escojan la que consideran más conveniente.

If your class is running behind, you can skip this activity. If you get additional time at the end, come back to it.

Time: 7 minutes including activity and sharing with the class.

Walk around the class to allow each group to ask for questions.

Términos de la Tarjeta	Tarjeta de Crédito 1	Tarjeta de Crédito 2
Límite de crédito		
Tasa de interés anual para compras		
Tasa de interés anual para adelantos de dinero		
Periodo de gracia		
Cargos de mantenimiento		
Multa por pago tardío o pago devuelto		
Multa por utilizar más de su límite de crédito		
Ofertas especiales		
Marque la tarjeta favorita de su grupo		

Razones por la que escogieron la tarjeta:

Explain any other terms from the credit card offers. Make participants aware that offers come in English. Get two groups to share their selection and reasons for their choice. Get the other groups to share their opinion.

Tarjeta 1 - Términos

Tasa de interés anual (APR)		<b>0%</b> Introducción por los primeros 15 meses desde que la cuenta es abierta.
		Después de eso, <b>12.99%</b> a <b>22.99%</b> , basado en su riesgo crediticio.
Tasa de interés de transferencia de saldo (APR)		<b>0%</b> Introducción por los primeros 15 meses desde que la cuenta es abierta.
		Después de eso, <b>12.99%</b> a <b>22.99%</b> , basado en su riesgo crediticio.
Tasa de interés de avai	nce de efectivo (APR)	25%
Tasa de interés por per	nalidad cuando sea	29.99%.
aplicable		La penalidad será aplicable si usted:
		<ul> <li>Hace un pago tarde;</li> <li>Excede su límite de crédito;</li> <li>Hace pagos sin fondos</li> </ul>
Como evitar pagar intereses		Su día de pago será al menos 21 días después del cierre del ciclo. No cargaremos intereses si usted cubre el balance completamente antes del día de pago de cada mes. Empezaremos a cobrar intereses en transferencia de saldos y avances de efectivo el día que hace la transacción.
Cargo por membresía	\$0 el primer año y \$99 por año después. El cargo se descontará de su límite de crédito.	
Cargos adicionales:		
Transferencia de Saldos	\$5 o 3% de la cantidad, la que sea mayor.	
Avances de efectivo	\$10 o 3% de la cantidad, la que sea mayor.	
Cargos por penalidades		
Pagos atrasados	Hasta \$35	
Sobregiros	Hasta \$35.	
Pago devuelto	Hasta \$35.	
Cheque devuelto	Hasta \$35.	

<sup>\*</sup>Perderá la tasa de interés introductoria si hace un pago de más de 60 días y aplicara la tasa de penalidad

# Tarjeta 2 - Términos

# Tasas de interés

Tasa de interés para compras (APR)	16.99%
Tasa de interés por transferencia de saldos	16.99%
Tasa de interés por avances de dinero	24.9%.
Tasa de interés por penalidad cuando sea aplicable	<b>29.4%</b> .
Pagando intereses	Su día de pago es al menos 25 días después del cierre de ciclo. No le cargaremos intereses si cancela su saldo completamente al final del mes

# Cargos

Cargo anual	\$39 anuales.
Cargo por transacciones	
Transferencia de Saldo	Ninguno
Avances de efectivo	\$10 o 5% de la cantidad, la que sea mayor.
Cargo por penalidades	
Pagos atrasados	Hasta \$35
Sobregiros	Hasta \$29
Pagos devueltos	Hasta \$35

# La tarjeta o préstamo asegurado

Do not skip this topic.

If participants have no credit or bad credit suggesting to apply for a traditional credit card can harm them more than help because they will more likely be denied. Instead teach clients about secured credit products.

Estos son productos ofrecidos por instituciones financieras que ayudan a construir crédito.

### La tarjeta asegurada:

- Usted debe poner un depósito de garantía que le permite acceder a la tarjeta.
- ❖ El depósito de garantía le sirve como línea de crédito. En algunas tarjetas, el depósito que pone es igual al 100% del crédito, y en otros casos, le solicitan una cantidad menor, por ejemplo, un depósito del 50% del crédito que obtendrá.

### El préstamo asegurado:

- Con el préstamo asegurado usted hace pagos mensuales al banco o unión de crédito, por el tiempo determinado en el préstamo (6 meses, 12 meses).
- ❖ Estos pagos son depositados en una cuenta de ahorro que estarán disponibles para usted al final del préstamo.

#### ¿Qué necesitas saber de los productos asegurados?

Help clients understand that secured credit products are not free and some can be very costly. Help clients learn how to compare them. They will be investing in building credit so you want them to make sure that the product they choose report to the three Credit Reporting Agencies.

- ¿Cuáles son los requerimientos para ser elegible?
- ¿Tiene usted la documentación necesaria?
- Para la tarjeta, ¿cuánto necesita para el depósito de garantía?
- Para los préstamos, ¿cuánto es el pago mensual y por cuánto tiempo?
- ¿Cuál es la tasa de interés?
- ¿Cuáles son los cargos por aplicación y mantenimiento?
- ¿Tienen otros cargos adicionales?
- ¿Su depósito de garantía gana intereses?
   OJO Asegúrese que reporten a las tres Agencias de Crédito.

# Antes de abrir un producto asegurado, tome en cuenta:

Participants should check their financial situation before applying for secured credit products. Help them analyze their current and future situation. Invite them to meet in a one-on-one counseling session to go over their budget and get information about specific financial institutions that offer these products.

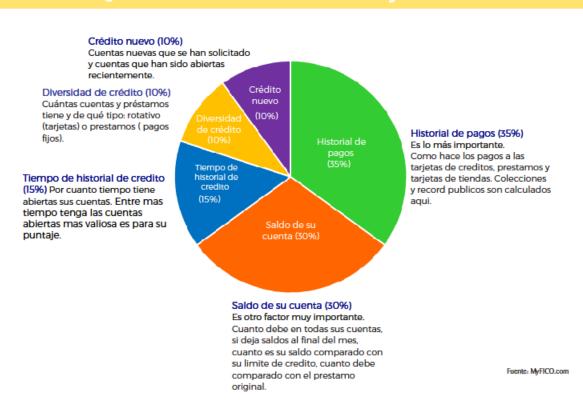
Su situación económica actual y futura	Sus ahorros
¿Tiene un ingreso estable y mantendrá esos ingresos en los siguientes 6 meses?	¿Ha tenido dinero adicional al final de cada mes por los últimos 6 meses?
¿Ha podido cubrir sus necesidades en los últimos 6 meses?	¿Ha estado contribuyendo a sus ahorros en los últimos 6 meses?
	¿Después de poner el depósito de garantía, le queda dinero en caso de una emergencia?

OJO - Los productos asegurados permiten construir crédito, pero si usted no los maneja correctamente dañarán su crédito y los costos pueden ser elevados. Podría perder el depósito de garantía por no hacer los pagos a tiempo.

# Módulo VIII. Factores que influyen el Puntaje de Créditovii

Do not skip this topic.

# ¿Cómo se calcula mi Puntaje de Crédito?



**Actividad 6.** Ejercicio en parejas, se asignará un caso a cada pareja. Una persona representará al banco y la otra persona es el cliente que está buscando un préstamo.

Paso 1: Tomen 3 minutos para hacer la actividad en pareja. El cliente presenta la información y el Banco tiene que tomar una decisión.

Paso 2: Para quienes dan el préstamo, caminar al lado derecho de la clase. Para quienes negaron el préstamo, caminar al lado izquierdo de la clase. Escriban en el poster, la razón más importante por la que aceptó o negó el préstamo.

Paso 3: Para los clientes, compartan con la clase cómo se sintieron al ser aceptados o negados por el préstamo.

Conversemos y reflexionemos.

If your class is running behind, you can skip this activity. If you get additional time at the end, come back to it.

Time: 10 minutes including activity and sharing with the class.

Teaching aid: Use of post-it pad.

Caso 1: Julia tiene un ingreso de \$12,000 al año. Ella trabaja medio tiempo en una agencia de limpieza que le asigna 3 casas por semana. Julia es conocida en su barrio por los deliciosos tacos que lleva a las fiestas de la comunidad. Motivada por los buenos comentarios de sus amistades, Julia quiere empezar su propio negocio vendiendo deliciosos tacos de camión. Ella averiguó que para empezar necesita \$5,000 dólares. Julia tiene \$1,000 dólares en ahorros.

Cuando la agente de banco obtiene el reporte de crédito de Julia encuentra que no tiene un puntaje de crédito. Las únicas cosas que aparecen en su reporte de crédito son dos consultas de crédito hechas por tarjetas de crédito que le fueron negadas el año pasado. ¿Le daría el préstamo de \$5,000 a Julia? ¿Cuáles serían sus recomendaciones?

Caso 2: Margarita gana \$25,000 dólares por año como niñera. Su pasatiempo favorito es ver revistas de moda y coser sus modelos favoritos para ella y su hija de 7 años. Margarita quiere empezar a utilizar su pasatiempo para hacer dinero y tiene la idea de coser y vender ropa. Margarita quiere empezar como vendedora ambulante ofreciendo a sus amistades y vecinos, así que su negocio no requiere un local. Margarita necesita un préstamo de \$1,000 para comprar materiales y una máquina de coser de mejor calidad.

Cuando la agente del banco obtiene su reporte de crédito, ella encuentra una tarjeta de crédito de Capital One que sacó hace 9 meses. La tarjeta tiene un límite de 1,000 y un balance de \$200. Su calificación de crédito es 690. Todos los pagos han sido hechos a tiempo. No hay ninguna información negativa en el reporte. ¿Le daría el préstamo a Margarita? ¿Cuáles son sus recomendaciones?

Caso 3: Antonia trabaja a tiempo completo como mesera y ayudante de barra en Midtown Manhattan. Tiene un ingreso anual de \$45,000. Antonia ha trabajado en restaurantes por

más de 10 años. Antonia quiere empezar su propio restaurante y necesita un préstamo de \$15,000. Tiene \$2,000 de ahorros.

Al obtener su reporte de crédito, la agente del banco encuentra que Antonia tiene tres tarjetas abiertas y activas. El límite combinado de estas tres tarjetas es \$10,000, y en total ella debe \$7,000 entre las tres cuentas. Adicionalmente, ella tiene una cuenta en colecciones. Esta es una deuda del hospital de \$2,000 por un accidente que le pasó en el trabajo hace más de un año. El reporte también muestra una tarjeta de Capital One cerrada con una deuda de \$325 que nunca terminó de pagar. Esta tarjeta está cerrada pero todavía no ha pasado a colecciones. Entonces, su deuda total es \$9,325. El puntaje de crédito es de 600. ¿Le daría un préstamo a Antonia? ¿Cuáles son sus recomendaciones?

Caso 4: Sonia es una cocinera en un restaurante en Brooklyn. Su ingreso anual es \$27,000, después de impuestos. Uno de los gerentes quiere hacerla socia en el negocio. Solamente requiere una inversión por parte Sonia de \$5,000. Sonia ya tiene \$2,000 ahorrados.

Al obtener el reporte de crédito, la agente del banco encuentra que Sonia tiene una tarjeta de crédito con un límite de \$900, y un balance de \$250. Sonia acaba de empezar un préstamo asegurado para mejorar su crédito. La cantidad de esto préstamo es \$500, y ella ya hizo el primer pago de \$85, así que ahora debe \$415. La calificación de crédito de 720. ¿Piensa que le daría un préstamo a Sonia? ¿Cuáles son sus recomendaciones?

# Módulo IX. Estrategias para construir crédito

**Actividad 7.** Queremos voluntarios para compartir con algunas estrategias para construir crédito.

Do not skip this topic.

Make this module interactive. Allow participants to share their ideas and reinforce information based in the following strategies. Allow time for questions. Go over each strategy in detail.

# Pasos a seguir para tener un buen crédito:

**Pague sus cuentas a tiempo** – Pagar sus cuentas a tiempo es el factor más importante en su puntaje de crédito.

- El pago debe llegar al acreedor antes del vencimiento de su pago para evitar penalidades.
- Pagos tardíos son reportados a las agencias de crédito y dañan su puntaje de crédito.
  - Late payments of more than 30 days are reported to credit agencies. Late payments of less than 30 days are not reported but clients will get a late fee.
- ❖ Los pagos se pueden hacer por correo con cheque o giro postal, por teléfono o por internet.

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Explain that processing payments takes time so they need to plan for additional time to ensure payment is on time.

Usted puede establecer pagos automáticos desde su cuenta de banco, pero usted sigue siendo responsable de revisar que los pagos sean correctos cada mes. Este mecanismo ayuda a simplificar el proceso de pago.

OJO - Si tiene dificultad en hacer pagos, no ignore las deudas. Busque ayuda, a través de este programa, un asesor estará disponible para reunirse con usted individualmente.

You can mention payment plans, negotiating with creditors and payment strategies such as paying debts with higher interest first.

**Mantenga bajo el saldo de sus tarjetas** - Lo más recomendable es que pague el saldo de sus tarjetas completamente antes de día de pago para evitar pagar intereses. Dejar un saldo mayor al 30% de su límite de crédito perjudica su puntaje de crédito.

Explain that it is a myth that you need to leave a balance to build credit.

OJO - Si tiene dificultad en pagar todo su saldo, asegúrese de al menos hacer el pago mínimo para evitar penalidades y afectar su puntaje de crédito.

**Evite muchas solicitudes de crédito** – Usted necesita solicitar crédito para poder construirlo, pero muchas solicitudes de crédito la pueden hacer ver con mayor riesgo para los acreedores. Abrir nuevas cuentas reduce el promedio del tiempo que sus cuentas están abiertas y afecta su puntaje de crédito.

Se recomienda que solo aplique por razones necesarias y cuando usted crea que será aprobada. Si usted tiene mal crédito o no tiene crédito, es mejor que aplique por productos asegurados.

OJO - El puntaje FICO cuenta las solicitudes de los últimos 12 mesesviii.

**No cierre tarjetas** – Esto reduce el promedio del tiempo que tiene sus tarjetas y reduce su límite de crédito haciendo el porcentaje de su balance mayor.

Ejemplo numérico: Imagine que usted tiene las siguientes tarjetas:

Teaching aid: Use of post-it pad.

	Límite de Crédito	Balance	Porcentaje de la deuda comparado con límite de crédito
Tarjeta 1	\$ 4,000	0	0%
Tarjeta 2	\$ 3,000	\$ 600	20%
Tarjeta 3	\$ 5,000	\$ 2,000	40%
Total	\$ 12,000	\$ 2,600	22%

Imagínese que decide cerrar la Tarjeta 1. Su deuda no cambia, pero el porcentaje de su deuda comparado con el límite de crédito es mayor de 22% a 33%.

	Límite de Crédito	Balance	Porcentaje de la deuda comparado con límite de crédito
Tarjeta 1	0	0	Cerrada
Tarjeta 2	\$ 3,000	\$ 600	20%
Tarjeta 3	\$ 5,000	\$ 2,000	40%
Total	\$ 8,000 (menor)	\$ 2,600 (el mismo)	33% (mayor)

**Diversifique** – Si usted ha manejado una tarjeta de crédito exitosamente. Pueda ser tiempo de diversificar, esto es adquirir otro tipo de crédito. Un préstamo asegurado puede ser una opción.

Many of your clients have a loan from Grameen. They will need a credit card to diversify. It could be a secured credit card or a traditional credit card depending on their credit scores.

**Proteja su crédito** - Tenga precaución al firmar garantías y autorizar a otras personas en sus tarjetas de crédito. Firmar una garantía la hace legalmente responsable de la deuda si el deudor principal no puede pagar.

Revise su reporte de crédito - Identifique y corrija errores si los encuentra.

\* Recuerde que la información de cuentas de colecciones y registros públicos generalmente permanece en el reporte por 7 años desde que dejó de pagar. Si encuentra esa información por error en su reporte usted puede solicitar que la borren.

**Pague sus cuentas de todo tipo** (teléfono, cable, internet, salud, vivienda, impuestos, tiendas, bancos, etc.) - Si usted no paga sus cuentas corre el riego de que la cuenta sea enviada a una agencia de colecciones. Tener cuentas en colecciones afecta negativamente su puntaje de crédito.

Los acreedores también pueden poner un juicio en su contra por no pagar. Los reportes de juicios dañan su puntaje de crédito.

- Si tiene cuentas en colecciones trate de negociar un pago para que su reporte muestre la cuenta pagada.
- ❖ Tenga presente que el pagar una cuenta en colecciones no mejorará su puntaje de crédito. El reporte mostrará que ha pagado la cuenta, pero el daño a su crédito ya fue hecho.
- ❖ Las deudas caducan, esto significa que después de cierto tiempo los acreedores pierden el derecho a cobrar la deudaix. En Nueva York, la caducidad de las deudas es generalmente de 6 añosx.

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### ¿Qué hacer si tiene mal crédito?

#### Do not skip this topic.

1. Empiece por corregir información que incorrecta que ya no debería estar en su reporte de crédito.

Correct errors.

- 2. Información negativa que es correcta no puede ser legalmente borrada del reporte.
- Tenga cuidado con compañías estafadoras que prometen arreglar su crédito rápidamente y solicitan pagos por anticipados.
   Cautious with scams.
- 4. Estas compañías suelen pedir que firme documentación en blanco para ser usada en el futuro. Ellas también le sugieren que no contacte a las agencias de crédito y acreedores directamente.
  - Mention the negative effect in their credit reports and scores for stopping payments. They also have the risk of being sued by creditors or their accounts being send to collections.
- 5. Una tarjeta asegurada o un préstamo asegurado son una opción para empezar a construir su crédito.
  - If client does not have open accounts, obtaining a secured credit card or loan can be the best option to star building credit. If they have an account open, they should make payments on time and aim to lower the balances.
- 6. Elabore un plan de pago con sus acreedores.
  - If having difficulties paying, encourage clients to contact creditors and make payment plans directly with creditors. They can also ask for lower interest rates or payments. There is no guarantee that they will get it but it is worth trying.
- 7. Asista a una asesoría financiera a través de este programa.

  To create an individualized action plan to build and establish credit.

Participe en la asesoría financiera individual, su asesor le ayudará a crear un plan de acción para mejorar su crédito. ¡Haga una cita hoy mismo, todos los servicios son gratis!

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El contenido de este programa ha sido posible gracias al apoyo de Citi.





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- vi Fair Isaac Corporation
- vii Información sobre FICO score obtenida de Fair Isaac Corporation.
- viii Información sobre FICO score obtenida de Fair Isaac Corporation.
- ix https://www.consumidor.ftc.gov/articulos/s0117-deudas-prescriptas
- \* http://www.nycourts.gov







# **Capital Planning Workshop**

Instructor's Guidebook







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### Capital Planning Workshop Instructor's Guidebook

#### **Outline**

### Overview

NYC SBS contracted Babson College to develop a curriculum for WE Master Money: Funding. Babson developed 7.5 hours of content and intended the course to be presented over two days. BOC Network has added additional resources and activities to customize the content for our target market. It has also developed two additional delivery formats: (1) a 4.5 hour consolidated one session workshop and (2) a 1.25 hour consolidated workshop to be delivered in partnership with larger WE NYC events.

WE Master Money: Funding's main goal is to connect women entrepreneurs with the right financial product at the right time. To accomplish this goal, the curriculum has been designed to have participants do the following:

- Learn the "5 Cs" of credit framework, which is widely used by most funders
- Understand each C and estimate where they rank in terms of creditworthiness
- Match the stages of an entrepreneurial venture (from opportunity to start-up to growth) & 5 Cs assessments with likely funders
- Identify their current funding need and the most likely funding source
- Develop and present a pitch designed to secure the funding needed to start/grow their venture

This workshop is designed to utilize action-based and experiential learning to maximize participant discussion, engage the participants in learning as well as helping each other, guide participants in the development of their funding needs and likely funding sources, enable them to network with perspective funders and give them the business fundamentals to improve their access to capital as they launch and grow their businesses.

### Logistics

- Room should contain tables enabling 6 participants to sit at each table. Tables should be spaced such that instructors can move in between them with little effort.
- Participants should be assigned seats with personalized tent cards at each seat as well as binders
  containing the Participant Workbook. <u>The 5 Cs Reading and Glossary, which are distributed as pre-work,
  should be 3-hole punched so it can be inserted into the Workbook.</u> Extra copies of the pre-work should
  be on hand for participants that don't have them.
- Groups should be diverse, representing different industries and different levels of business experience to enhance peer-to-peer learning.
- Each table should have colored markers to record on flip charts and 3x5 index cards for Session II pitches.
- The Workshop Slide Deck should be loaded on a computer with overhead projection capabilities.
- There should be flip charts on easels to accommodate reports out of group work.
- A room equipped with whiteboards would be preferable.
- For Session II, break-out space for each group during pitches would be desirable.







#### General Notes to Instructor:

- When writing up participants answers to questions on the flip charts, use their own words.
- Always connect participant's comments with the concepts and terminology from the curriculum.
- Depending on the composition of the cohort decide whether or not scenarios and vignettes should be read aloud.

#### **Detailed Time Plan**

As timing varies greatly depending on the format in which the course is being delivered, we have developed 4 unique run of shows (See Page XX). The general sequence of events is as follows:

#### **BEFORE THE WORKSHOP**

Before the workshop each registrant should be emailed the WE Master Money: Funding pre-reading and asked to complete the self-evaluation survey (<u>Babson 5 Cs of Credit Dashboard Abridged</u>). As few complete this assignment prior to the session, workshop attendees who arrive early can be reminded to review the section after intakes are completed.

#### Pre-work for Session I

- Read 5 Cs of Credit
- Complete Babson 5 Cs of Credit Dashboard Abridged

#### INTRODUCTIONS AND OVERVIEW OF THE WORKSHOP

#### Welcome

Introduce WE NYC - the goals of the larger initiative and specific program offerings. (Template on page 44.) Introduce WE Master Money Funding –

• <u>Some words from Babson:</u> Our goal is that through discussion at this workshop we can help everyone better understand the capital funding process, how to estimate what you need, figure out where you are and what funders are looking at.

#### **Introductions**

Each participant should be given approximately 15 seconds to introduce herself, where she lives, her business (or business idea if she has yet to launch a business) and one thing she would like everyone to know about her (completely unrelated to her business). The instructor can model the introduction.

The goals of this exercise are to let the women know who else is in the room, to begin building trust among the participants, and to relax everyone. The instructor should keep time and write the business types on flip charts. Instructors should refer back to this poster to make target examples to relevant industries.

As new comers enter the room and conversation is wrapped up they should be asked to introduce themselves.

#### **Class Culture**

The goal of this exercise is to have the participants establish class norms for participation, giving and receiving feedback, group work etc. Norms such as confidentiality, respect, listen well, do not talk over others, keep cell







phones off or on vibrate etc., usually form the class norms. This exercise lets the women know that participation is critical to the success of the class. By asking them to establish the class norms, we communicate that their opinions are both solicited and respected.

At this time it is also helpful to discuss communication standards. Something such as all communications should be "Effective, Efficient and Compelling" ("say what is useful and say it to the point"). Establishing these standards emphasizes no one participant should dominate the conversation and when you have something to say, say it effectively, efficiently and compellingly. That is, "Do not ramble." To help the participants keep to this standard, the instructor may tell them: "If I think you are rambling, I will begin to walk towards you which is your cue to wrap-up. If you cannot see your colleagues because I am so close as to block your view, you should finish immediately."

Don't miss: cellphones/ other electronics and constructive honesty/positive feedback.

#### **Overview of the Workshop**

The instructor should ask participants what they most want to get out of this workshop. The instructor should record these goals on flip charts and post these on the classroom walls. The participants' goals will be revisited later to insure that they are being achieved.

Finally, the instructor should put up the slide with the overall workshop goal and the individual learning objectives. Use this opportunity to get a sense of the knowledge in the room. When discussing each bullet point ask who has previous knowledge on that topic (i.e. Have you heard of the 5c's of credit?

#### **THE 5 CS OF CREDIT (40 MINUTES)**

#### **Prior Experience with Fundraising**

The session begins by putting up the slide "Prior Experience with Fundraising"

How many of you have put money into launching and growing your business? Presumably, around half of the women will raise their hands. At this point, show the following questions and give them 1-2 minutes to think about and write down their responses.

- a. Where did you get the funds?
- b. What were the key elements of your funding "pitch"? (Alternative: What did you say to your possible funders?)
- c. What guestions did the funder ask?
- d. What single word would you use to describe the experience?

The instructor should encourage several women to share their answers, striving to get a cross section of types of funders. After each woman speaks, the instructor can ask, "How many of you raised money from this source?" The goal is <u>not</u> to have every person in the room respond, but rather to get a sense of participants' prior experiences with raising money.

The instructor should record each response on a white board or flip chart, noting the source of funds, the questions asked, and the elements of the pitch. The goal is to set the stage for in-depth discussion of the 5 Cs.

#### **Potential Funding Sources**

Put up the slide on "Potential Funding Sources" and use it to organize the previous discussion. Don't be too repetitive but make sure to match the sources belong to which category. If the sources outlined on the slide







were not addressed during the "Prior Experience with Fundraising" discussion ask participants if they have ever heard of that source before explaining it.

For questions on equity Investments let participant know that content of course is focused mainly on debt based funding sources but that much of the lesson is transferable. Leverage first the knowledge from other business owners in the room then your own.

#### **Introduce 5 Cs**

Put up the slide with 5 C's of Credit outlined. Mention: "the 5 C's of credit is a fairly standard way for funders to organize how they assess you. Lots of measures are qualitative, but we will get into that in greater detail soon. Let the participants know If they did the pre-reading, they already started to think about how these topics relate to your business. Put up the slide with the 5 Cs self-assessment. Ask participants who was able to do the reading and Self-assessment letting everyone know they should take a minute to review their answers or jot them down for the first time now.

Put up the slide with the 5 Cs (one at a time). For each C, ask the women (1) what is being evaluated and (2) the questions used to assess that specific C. The instructor can make connections to the prior discussion where appropriate. For example, matching the 5 C questions with what women were asked when seeking funding and noting the type of funder/loan. Finish up with a brief discussion of the overall usefulness of the 5 Cs framework. Is it fair? What's missing?

#### **Activity 1: 5 Cs Matching Game**

If two trainers are delivering the course, this is a good time to switch who is leading the discussion.)

To help cement definitions of each C in the minds of participants, instructors can use **5Cs of Credit Matching Game** exercise (see page 46). Instructors should ask each table to get together, think about the definition of each C and how it is evaluated, match each set of images to one of the 5 Cs, and explain their choice. Instructors should highlight that there are no incorrect answers if you have a good explanation. After 5 minutes review as a group.

If the instructors are delivering a two-session workshop, the 5c's Matching Game should be done as a warm up exercise on the second day. With an advanced group instructors may consider skipping the exercise if they are very confident participants can differentiate between the Cs.

#### **Connecting the 5 C's to Funding Sources**

Finally summarize the importance of the 5 Cs by connecting the Cs to the categories of funders. Below is a helpful table that is contained in the slide deck and in the Participant Workbook. Briefly walk through this table as it will be used during the 5 Cs Scenario exercise as well as during the Vignettes and Funding Pitches.

Example of Language: Let's get into some of the issues and classify funder categories. Within each category there may be gradation. For example you could presell events on crowd funding or give away equity. Merchant advanced is very different than crowd funding (which often cares **a lot about** the story of the entrepreneur and business).







#### Matching the 5 Cs with Potential Funding Sources

Funding Sources	Character	Credit Score	Capital	Capacity	Collateral	Conditions
Conventional Banks	<b>√√√</b>	<b>V V V</b>	√√	<b>√</b> √	<b>√</b> √	√√
Community Lenders	<b>V V V</b>	<b>√</b> √	<b>√</b> √	<b>√</b> √	<b>√</b> √	<b>√</b> √
Alternative Institutional Lenders	<b>√√</b>	<b>√√</b>	<b>√</b> ✓	<b>√</b> √	<b>///</b>	<b>/ /</b>
Online Funders	✓	✓	<b>√√</b>	<b>√</b> √	✓	<b>√√</b>
Family & Friends	✓	✓	<b>√</b> √	<b>√</b> √	✓	<b>√</b> √
You & Partners	✓	✓	<b>√</b> √	<b>√</b> √	✓	<b>√</b> √

- ✓ This C is not important to this funder
- √ √ This C is important to this funder
- ✓✓✓ This C is very important to this funder

#### 5 Cs Exercise

The participants should be sitting in groups around a table (5-6 participants per table). Tell the group they are going to have a chance to test their newly-acquired 5 Cs knowledge. For each scenario slide, give the tables 5 minutes to discuss the slide.

Depending on the composition of your group, you may want to request that someone in the group read the scenario out loud. The participants should record their answers in their workbook.



**WE** master

#### 5 Cs of Credit Exercise: Scenarios

For each scenario, you will have 5 minutes to discuss the following:

How would you rank the potential borrower on the 5 Cs? Why?

For each scenario, rate each C using a three check system

- ✓ non-existent, no evidence or weak.
- ✓ ✓ exists, fine
- ✓ ✓ ✓ clear evidence, strong
- · What type of funder do you think would most likely provide money to this person?



Collect Feedback by table or by C. Repeat back what is heard and explore nuances. "why did you say yes when others said no." Always put the concensous of the class on the board.

#### **15 MINUTE BREAK**







#### Vignettes

Let participants know this is a real business, with whom the two professors at Babson College who designed the curriculum interacted.

#### Vignette 1: Getting off the Ground

The participants are asked to reflect on the following questions (see Slide 27, "Vignette 2 – Reflection Questions"):

- a) Update your assessment of Victoria and the 5 Cs. What has changed in six months?
- b) What is (are) the most likely funding option(s) for Concierge Cleaners over the next six months?
- c) What are the three most important components of a funding pitch to the likely funders?

#### Vignette 2: The Next Level

The participants are asked to reflect on the following questions (see Slide 40, "Vignette 3 – Reflection Questions"):

- a) How would you rate Victoria and Concierge Cleaners on the 5 Cs at the end of Year 1?
- b) Based on your answer to c), what is the most likely Year 2 funding option for Victoria and Anita as they work to take Concierge Cleaners to the next level?
- c) What are the three most important components of a funding pitch to likely funders?

#### TWO IMPORTANT QUESTIONS

Before introducing the pre-work, give the women 5 minutes to answering the following two questions in their workbooks:

- 1) What is your product/service and who is your exact target audience?
- 2) What is your competitive advantage, i.e., the unique characteristic(s) of your product or service that will make customers buy from you and not your competitors?

Each participant needs to be able to answer both of these questions. Briefly (no more than two minutes) emphasize that these two questions should be part of any pitch as potential funders need to understand them to assess their business.

#### DAY 1 WRAP UP (ONLY FOR TWO SESSION WORKSHOPS)

Pre-Work for Session II:

Read 4 questions from pre-work aloud to the class. Ask participants to return with the hand out completed. Remind them they can use the local funders to help answer the questions as well as finance articles on the WE NYC website (hand out reading list).

Put up the slide with Babson College diagnostic tool. The instructor will introduce the full 5 Cs assessment/dashboard tool that converts the participants' input to a list of possible types of funders.

Hand out evaluations.







#### Funding Pitches I (80 minutes)

Ask how the pre-work went.

They should use the following outline for the pitch, although a certain amount of flexibility should be encouraged:

- What type of funder are you targeting and how much money are you seeking? (5 seconds)
- o Introduce yourself and your business. Provide a brief history. (20 seconds)
- Explain your business briefly, focusing on what pain/problem it solves for your customer and what makes your product or service unique (i.e. your competitive advantage). (30 seconds)
- o Describe how much funding you need and how it will be spent. (25 seconds)
- o How will the money generate cash flow that will repay the funder? (20 seconds)
- o Wrap-up. (10 seconds)

At this point, have one of the facilitators give the sample pitch. Then direct the women to the Funding Pitch Template in their workbook and have them work individually on their pitch. Also inform participants there are extra copies of the template and index cards available for those interested.

After 20 minutes have a short debrief by asking for thoughts on creating their pitches. What was hard? What was easy? Did they finish? Now tell them to choose a partner (from their table if possible; the instructor should make sure that every participant has a partner).

At this point, the instructor should pay particular attention to women who seem uncomfortable with making their pitch. All should be encouraged in a non-threatening way, but no one should be forced to present. Those who prefer not to deliver their pitches should simply observe and continue working on their outlines.

Each partner should give their funding pitch and then receive feedback. The instructor should keep time, allowing 16 minutes in total. (8 minutes each; 2-3 minutes each to pitch and 5-6 minutes for feedback/discussion).

Now allow 10 more minutes for individual revisions/practice. Then ask the women to find a different partner and repeat the partner exercise (10 minutes total; 2-3 minutes for pitch and 2-3 minutes for feedback).

Finally, give the women the remaining time (about 10 minutes) for refining their pitches, incorporating the most recent feedback.

#### **10 MINUTE BREAK**

#### Funding Pitches II (45 minutes)

At this point the women should feel more confident about their pitches. If there are outside funders present, they should be invited to sit one-to-a-table for this round of pitches. If there are outside funders/guests, it might be a good idea to introduce them to the women before the break – that way they can interact with the group during the break, making things more comfortable for everyone.

Again, at this point the instructor should ensure that all participants are comfortable moving to the next level. Those not ready to pitch to a group – especially one that includes outside guests – should be given the option to stay in the role of observer. Before beginning instructors should remind the group to share positive and constructive feedback.

Pitches will be presented to the group at the table and any outside funder that may have joined the group. Each woman will have 2-3 minutes to pitch and then 3 minutes for feedback. The funder should be given the first







opportunity to provide comments followed by anyone else at the table. Total time per presenter is 6 minutes, meaning 30-35 minutes in total depending on how many are seated at the table (these numbers can be adjusted as needed based on the actual number of women in each group).

Note: One person at each table should be responsible for keeping time and the time constraints should be closely followed. Feedback can also be provided more formally using the Pitch Feedback Form provided at the end of this Guidebook. If the form is going to be used, make sure sufficient copies are made before the workshop.

#### Wrap-up (10 minutes)

The instructor should offer one or two women the opportunity to present their funding pitch to the entire room, strictly on a volunteer basis. This can be a big confidence boost and will show the participants how far they've come in a short time.

If there were funders at the tables, they should now be asked for their general impressions of the pitches – specifically, overall strengths of pitches they observed as well opportunities for improvement.

Next, ask the women how they think it went. Do they feel better prepared to solicit funding? Do they feel more confident about their strategy? Did they get a sense of what they do well and where they can improve?

Finally, the instructor can return to the "What I hope to get out of the workshop list" and see if there are any remaining items to be discussed. For those, other resources might be suggested.

Finish by thanking the funders and the women for their participation.

#### Networking with Funders (30 minutes)

Those women who wish to can speak with individual funders they may have questions for or be interested in starting a dialogue with. Funders should be encouraged to bring business cards, information materials about their organization, and products to be distributed. The participants should also be encouraged to hand out business cards to the funders.

If the funders can only be present at the end of the workshop, the instructor should ask them to briefly introduce themselves before networking. They should be given 30 seconds each to introduce themselves and the organization they represent, and to talk about the types of loans they provide and the importance of each of the 5 Cs in their application processes. These introductions should take no more than three to five minutes in total, which will leave 25 minutes for networking.







### 5 Cs of Credit: Scenarios & Teaching Note

#### All entrepreneurs are in NYC

It is not intended that all five scenarios be covered in the allotted time. The instructor should choose the most appropriate scenario(s) based on the skill level and interests of each group. For more advanced groups, Scenarios 1, 2, and 4 are appropriate, while groups with fewer established businesses should consider Scenarios 1, 3, and 5.

#### Scenario 1

Since arriving in the U.S. two years ago, Rosa has worked full-time at a local coffee shop. At night, she made leather purses and then sold them at weekend street fairs. Customers were universally impressed with both the designs and the craftsmanship, and she had more demand than she could handle. Because of her full-time job, Rosa could only produce and sell about \$300 worth of purses per week, which netted her about \$200 of profit.

Rosa felt that with better cutting and sewing equipment – about a \$2,500 investment – she could easily double her output and sales. However, with no credit cards or savings, she would not be able to afford to purchase the equipment for another year.

#### **Teaching Note**

Steady employment for two years and no bad debts mean a strong <u>Character</u>. <u>Condition</u> would be solid because of the current strength of the NYC economy and evidence that customers will buy her product. <u>Capacity</u> looks promising because she has customers and we can assume she is profitable (weekly revenue > costs of making purses), but she probably needs some projections to solidify her capacity rating. The only evidence of <u>Capital</u> is that she has already invested some money for a sewing machine and leather inventory. There is very little information on <u>Collateral</u>, but it is doubtful Rosa has significant personal asset. The new equipment might have some minimal value as security for a loan. However, with no documented credit history and small revenues, friends and family are her best option. She could also be a candidate for a crowd-funding site like Kickstarter.

#### Scenario 2

Tara has worked part-time as a waitress in an upscale restaurant for three years, at the same time offering exercise classes for pregnant women in her small apartment. After two years and lots of word of mouth, she has a steady stream of new clients and 70% of her clients continue taking classes after giving birth.

Her revenues are \$18,000 per year and with basically no expenses, this is all profit. Tara is seeking funding to rent studio space and hire additional part-time instructors as needed. Tara's FICO score is around 575 and she has spent \$1,500 of her own money on renovating the room she uses for classes, on advertising materials, and on purchasing some basic exercise equipment and a sound system.

#### **Teaching Note**

Tara has had steady employment for the last three years (and, therefore, likely good references), loyal clients, a FICO score of 575, and revenues of \$18,000. Her <u>Character</u> ranking is strong. She has already invested \$1,500, is profitable, and should have the ability to invest more of her own money. All of this means a good <u>Capital</u> ranking. Her <u>Capacity</u> rating should also be strong, as her \$18,000 in revenues (essentially all profit) would be cash flow available to cover loan payments. Since her new hires will be part-time as needed, they will only be paid when they generate revenue – also good for <u>Capacity</u>. <u>Conditions</u> appear good because of the strength of







the general NYC economy and her strong client history. She most likely has little <u>Collateral</u>, although she could potentially pledge the lease on her new studio. Tara would be a good candidate for a micro-loan.

#### Scenario 3

Pamela developed her line of gluten-free bakery products months after her daughter was diagnosed with Celiac Disease. Using her sales skills, organizational ability, and financial background, she has steadily grown her business over the last three years to \$150,000 in annual revenue and has two employees. She achieved profitability after her first year and has easily repaid a \$15,000 micro-loan she got to start the venture.

Pamela's FICO score is 675 and her business has never missed a payment. Whole Foods Market had recently expressed interest in her product line and Pam estimated this could triple sales to \$450,000 within a year. She needed approximately \$125,000 for a new oven, additional kitchen equipment, and for hiring two new employees.

#### **Teaching Note**

Pamela ranks strong on all of the 5 Cs. Her FICO score, managerial skills and track record would rate her high on <u>Character</u>. She would also score high on <u>Conditions</u> due to the growing market for gluten-free products and the interest from Whole Foods. Two years of profitability, good accounting records, and a Whole Foods purchase order would mean a high <u>Capacity</u> score. Pamela has current baking equipment and she is going to use funds to buy new equipment, so there is some business <u>Collateral</u>. It also seems likely she might have some personal assets. Although not stated explicitly, we can infer from this brief scenario that Pamela has significant <u>Capital</u> invested in the business. Pamela might request a commitment letter from whole food to improve her chances.

Pamela's best option is to seek asset-based funding from a community or commercial bank. These typically have lower interest rates than most loans and are for longer periods of time (typically 5 to10 years), therefore matching the loan term to the asset life.

#### Scenario 4

Victoria had taken graphic design classes and received a certificate in graphic design from a local community college. After working for two years as the sole employee for another designer, and with \$4,000 saved, she decided to launch her own business. She would focus on boutique retail designs and developing advertising campaigns to enhance branding.

Her first client was a large real estate developer who wanted her to design the marketing and sales materials for a new residential project. He promised more projects if this job went well. Victoria needs to quickly hire another part-time graphic designer or independent contractor and upgrade her computer and graphic design software. The computer equipment, high-quality printer and software would cost her approximately \$12,000.

#### **Teaching Note**

Victoria has good experience and education in her chosen field but little track record operating her own business. She has quickly gained a client, but one job for one client does not make a business. Her <u>Character</u> would be okay, but not strong. We have no information on <u>Capacity</u> because she has just begun her business and there is no information about the expected revenue or profitability of her first job. She has \$4,000 of savings, which would help her <u>Capital</u> score. The computer might be <u>Collateral</u>, but as technology products rapidly become obsolete means only limited value as security for a loan. In NYC real estate development is booming and there is always demand for talent, so <u>Condition</u> would rate strong.

Victoria may be able to find a micro-lender (assuming she puts in her \$4,000 savings), but with no revenue or experience running a business, her best funding option might be her own savings, supplemented by family and friends.









By Richard T. Bliss and Michael L. Fetters, Babson College

### Vignette 1: Getting off the Ground

After six months, the sisters were both exhausted and excited. Victoria and Anita had continued their full-time jobs, managed their family obligations, and still found time to pursue their opportunity. After many meetings, hours of market research, lots of analysis, and countless late nights, Victoria felt she had a clear strategy for moving the company forward.

Victoria and Anita decided to focus on Brooklyn as their **target market**. It was an easy commute from Queens and had become the borough of choice for numerous desirable demographic groups, as evidenced by the growing population. In addition, costs and competition would both be lower than in Manhattan. The sisters spent the first month carefully studying the websites and marketing materials of residential cleaning companies in New York City that had a significant Brooklyn presence. They noted their strengths and weaknesses, paying particular attention to what types of customer they seemed to be targeting and how they marketed their services. Victoria also made several calls posing as a potential client in order to get pricing information and a feel for how new customer inquiries were handled. This research led to the following list of what they believed most customers wanted from their housecleaning service:

- Trust clients did not want to worry about having strangers in their homes
- Reliability homeowners wanted to know that their cleaners would be there when they said they would
- Consistency many clients complained about frequent employee turnover which meant retraining cleaners about the specific way the client liked things done

At the same time, Victoria and Anita also made a list of the strengths they brought to the new business:

- Years of experience in both the actual tasks of housecleaning and the management of housecleaners
- The ability to screen candidates and the people skills needed to train, motivate, and retain staff
- Connections in the industry and respect among their former coworkers and colleagues

Based on their **market research** and prior experience, the sisters agreed the following were important to their vision for the new business:

- Offering a "premium" service that would exceed their clients' expectations and for which customers would gladly pay extra
- Developing a staff for whom the new venture was more than just a paycheck; the sisters wanted to create a culture where every employee was valued and provided input to improve and grow the business

From this information, Victoria's experience in luxury hotels, and Anita's knowledge of the local competition, they decided to offer a 5-star service and named their company Concierge Cleaners. They would incorporate the services of a high-end hotel into every part of their business: the cleaning, their customer interactions, and the treatment of their employees would all be 5 star. That would be their competitive advantage.







The Concierge Cleaners website<sup>1</sup> was built and launched in their second month and within a week, customer inquiries began coming in. Their website hosting company provided data on **SEO** (search engine optimization), which the sisters used to improve the user experience. In the second month they also finalized their marketing strategy and materials and began their outreach efforts. They sure learned a lot in that month! They spent approximately \$5,000 on getting started, which was very close to their original estimate.

By Month 3, the sisters had their first customer and several promising prospects. At the end of Quarter 1<sup>2</sup>, they had burned through about \$5,500 of their initial \$7,000 of funding. The sisters had received \$3,000 from family/friends and invested \$4,000 of their own savings. In Quarter 2, they refined their **marketing strategy** – the original plan had not been very effective – and acquired two more clients. By the end of six months (Q2), they were close to **breakeven** on an **operating profit** level.

Start-up Investment	Forecast	<u>Actual</u>
Website, PC, Printer	\$3,000	\$2,900
Cleaning Equipment	\$1,500	\$1,350
Marketing Materials	\$400	\$700
Total	\$4,900	\$4,950

	Actual				
	<u>Q1</u>	<u>Q2</u>			
Revenue	\$900	\$2,400			
Wages					
Operating Expenses	(\$1,600)	(\$2,475)			
Operating Profit	(\$700)	(\$75)			
Start-up investment	(\$4,950)				
Cash Flow	(\$5,650)	(\$75)			
Funding	\$7,000				
Cash Balance	\$1,350	\$1,275			

However, this profit picture was deceptive, as neither sister was taking any pay from the venture. In addition, cash was tight, so the sisters were using their own vehicles, and both were covering some of the business expenses with their personal funds (e.g. telephone, gas, etc.). Finally, they were both exhausted and had started bickering over trivial things. If they were going to continue, Victoria knew they needed to make Concierge Cleaners more like a "real" business, including separating the business expenses from their personal finances. The good news was that their customer service model and cleaning had been very well received by their initial clients, and the sisters really felt like they had a viable business model.

Victoria felt that the next six months were critical for Concierge Cleaners and her entrepreneurial dreams. She had begun repairing her **credit score**, which she knew would be critical to future fundraising efforts. Victoria also decided to cut back hours in her existing job. She could go to 25 hours a week and still keep health insurance for herself and her children. She would have to take some salary from Concierge Cleaners, at least enough to offset her lost wages. The sisters agreed they would hire a part-time employee to work with Victoria. The demand was there and their current pricing would comfortably cover the cost. It was also less risky than having Victoria quit her current job.

They would buy a used vehicle and require some additional equipment (total investment of approximately \$9,000). In addition to wages for Victoria and the part-time hire, there would also be new operating expenses. They needed to file a Business Certificate as Concierge Cleaners in Queens County (\$100) and would also require an IRS Employer Identification Number (EIN). Thankfully, their local NYC Business Solutions Center provided advice and assistance with both. The EIN did not cost anything but was required to set up a Concierge Cleaners checking account and to hire part-time employees. Victoria and Anita sat down at their computer and developed the following forecast for their second six months:

Capital Planning Workshop – Instructor's Guidebook

<sup>&</sup>lt;sup>1</sup> During their research, the sisters discovered that websites were the primary tool used by potential competitors for marketing their cleaning services. They also learned that some competitors were also using their websites to facilitate scheduling, communication and the overall customer service experience.

<sup>&</sup>lt;sup>2</sup> Financial results of operations are measured in different time periods, months, quarters or year depending on when the owner needs data to make decisions and assess operations.







	Actual		Fore		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	Year 1
Revenue	\$900	\$2,400	\$14,000	\$22,100	\$39,400
Wages			(\$5,300)	(\$9,200)	(\$14,500)
Operating Expenses	(\$1,600)	(\$2,475)	(\$9,100)	(\$11,250)	(\$24,425)
Operating Profit	(\$700)	(\$75)	(\$400)	\$1,650	\$475
Start-up investment	(\$4,950)		(\$9,000)		(\$13,950)
Cash Flow	(\$5,650)	(\$75)	(\$9,400)	\$1,650	(\$13,475)
Funding	\$7,000		\$9,000		\$16,000
Cash Balance	\$1,350	\$1,275	\$875	\$2,525	\$2,525









By Richard T. Bliss and Michael L. Fetters, Babson College

### Vignette 1: Teaching Note

#### Overview

The Concierge Cleaners vignettes follow the progress of a new venture from idea to growth. Each vignette highlights the funding need at a specific stage of the business and asks the reader to assess the following:

- The decisions and actions taken by Victoria and Anita, specifically the ones creating the need for funding
- Where Victoria and Concierge Cleaners would rank on the 5 Cs of Lending and why
- The most like source for their funding need
- Most important components of a funding pitch

In Vignette 1, Victoria and Anita are six months into their new business, Concierge Cleaners. They have done significant market research and used it to develop their CVP (customer value proposition). They also launched a website and developed their marketing strategy and the associated materials.

Starting with \$7,000 (\$4,000 from their own savings and the rest from family and friends), Victoria and Anita now had several satisfied customers, an effective marketing strategy, and a solid plan for moving Concierge Cleaners forward. However, they were still working their full-time jobs, and cash was tight, with both sisters paying some of the business expenses with their own money.

From their forecast for the next six months, it was clear they would require additional funding. However, with Victoria's improving but still low credit score and a short financial track record, it was unclear where Concierge Cleaners might turn for funding.

At various places in the discussion below, the instructor may choose – depending on time constraints and on the comfort of the participants with the material – to go into more detail on certain topics. These places are highlighted with text boxes.

#### **Reflection Questions**

Participants are asked to discuss and answer the following questions:

- 1) Update your assessment of Victoria and the 5 Cs. What has changed in six months?
- 2) What is (are) the most likely funding option(s) for Concierge Cleaners over the next six months?
- 3) What are the three most important components of a funding pitch to the likely funders?

#### **Timing and Teaching Plan**







#### Timing

- Read case (~ 8 minutes)
- Questions 1 (5 minutes)
- Question 2 (5 minutes)
- Questions 3 & Wrap-up (5 minutes)

#### **Teaching Plan**

Distribute Vignette 2 and give the participants five minutes to read it.<sup>3</sup> Project the first two Reflection Questions on the screen and ask for thoughts from the participants.

Question 1: Update your assessment of Victoria and the 5 Cs. What has changed in six months?

#### Character

With even a small number of loyal clients, the sisters can offer a lender evidence of their commitment to the business and to the customer experience. Furthermore, they now have not only basic income statements but forecasted statements as well.

#### **Capital**

By using \$4,000 of their savings and raising \$3,000 from family and friends, Victoria and Anita have clearly shown their financial commitment to the business. Victoria's plan to cut back hours in her existing job and move part-time to Concierge is additional evidence of her "skin in the game".

#### Capacity

Although the forecast does not include any loan repayments in Q3 and Q4, the business is projected to generate significant Revenue and positive Operating Profit by the end of the year. Both of these metrics would give a potential lender some confidence in their ability to repay a loan.

#### **Collateral**

The only change here might be the vehicle Concierge plans to acquire in Q3. Although used, it would still have some small value as collateral and the sisters' willingness to offer it as security for any funding would be a positive signal.

#### **Conditions**

By proving their business model – albeit on a small scale – Victoria can show a lender she understands how to assess the market and develop a strategy that targets a clearly-defined customer need.

#### Question 2: What is (are) the most likely funding option(s) for Concierge Cleaners over the next six months?

These changes in the 5 Cs and the fact that Concierge Cleaners has customers, revenue, and a business plan/forecast open up new funding options for the sisters. However, their short track record and Victoria's improving but still sub-600 credit score limit the possibilities.

There are numerous organizations that will provide micro-loans up to \$10,000. They will work with low credit scores but typically want to see some evidence of traction for the business idea and a business plan/forecast. Since the sisters have customers, revenue and a clear strategy moving forward, they should be good candidates for this type of loan. The fact that they have invested their own savings and received additional funding from

<sup>&</sup>lt;sup>3</sup> Depending on the education level and primary language of the group, more time can be allotted.







family and friends will also be a positive factor. Terms for these types of loans are typically up to 3 years for repayment, with a range of interest rates and up-front costs.

Question 3: What are the three most important components of a funding pitch to likely funders?

Funders such as micro-lenders will want to hear:

- Brief description of founder, business including operating results to date, founder investment and family/friends investment
- Forecasts for the immediate future showing funding needs and impact on business. What do you need
  the money for and how that will actually impact bottom line or grow the business. People frequently
  forget to include this vital information.
- Time table and support for loan payback (connect with capacity)

Once the Vignette is wrapped up, give the participants 5 minutes for reflection on Vignette 2 and their 5 Cs self-assessment. Could ask, "So what did you just learn?"

#### Other topics trainers could discuss

Do you think Victoria and Anita spent their \$7,000 wisely? What would you have done differently?

Overall Victoria and Anita spent their funds well. They used the money to identify what customers wanted and then developed a business model that used their specific skills and resources to satisfy that need. They then developed the Concierge Cleaners website and marketing strategy to support that business model and acquire their first customers. Finally, they purchased only the equipment they needed, did not take any salary for themselves, and were careful with their cash. The instructor can compare their planned and actual start-up expenditures, noting that in total they were close (\$4,900 vs. \$4,950) and that initial marketing costs were higher than planned.

Point out detailed financials. The actual Revenue, Expense, Cash Flow and Cash Balance numbers for Q1 and Q2 can also be reviewed. The instructor should make sure participants understand that revenue is the cash collected from customers during the quarter. The operating expenses are the normal, recurring expenses for transportation costs to and from jobs, website-related expenses, printing of advertising materials, cleaning supplies, etc. The instructor can note that there are no wages in the Q1 and Q2 numbers.

Below Operating Profit, the line items are Start-up Investment, which is subtracted from Operating Profit to get Cash Flow. The Funding line reflects the \$7,000 of funding from the sisters and family/friends. The Funding is added to Cash Flow to get Cash Balance at the end of each quarter.

#### What do you think of their plan for the next six months?

The Q3 and Q4 forecast follows the same format as Q1 and Q2 (say 'quarter' not 'Q2'). One difference is the addition of Wage expense, reflecting the small salary Victoria will pay herself and the wages of their part-time employee.

If time allows, the hiring of an employee can be discussed in more detail. Victoria's decision to commit more time to Concierge Cleaners and take a salary, along with the hiring of a part-time employee are big steps for any entrepreneur. In this case, these choices are being driven by two factors. First, Victoria and Anita want to create a business that will be large, successful and provide employment opportunities to their community. Second, the







demand for their service appears strong and the only way they can add new customers is to add capacity (the part-time employee, a vehicle and equipment).

The important point to note is that the sisters' decision to grow is driven by both their personal goals and favorable market conditions. At the same time, Victoria is reducing the risk by keeping enough hours at her current job to retain health benefits for her family and purchasing a used vehicle.

Having Victoria move to Concierge on a more formal basis and get paid is also a big step to making the business "real". It should relieve some of the pressure on the sisters and alleviate the recent bickering. It will also test their model of training and retention as they bring on their first employee, albeit only part-time. This is important as a motivated and skilled workforce is key to the long-term viability of Concierge Cleaners.

In addition, the sisters will have to develop the systems, processes, and resources needed to ensure they can increase their client base to achieve their revenue goals without sacrificing "5 star" service, which is their competitive advantage. This includes scheduling software, training manuals, and a system to collect and respond to customer feedback. Clear evidence that they have thought all of this through would be critical.

The following high-level points should be noted in the Q3 and Q4 forecast:

- Significant revenue growth and commensurate increases for Wages and Operating Expenses
- A small, positive Operating Profit in Q4 and for the full year
- The \$9,000 of new Start-up Investment and the funding it requires

A more detailed discussion of the financial forecast might include the following:

- The steps required to achieve the projected Revenue growth
- How the sisters establish their pricing and estimate demand
- More detailed Operating Expenses and which components are fixed vs. variable

One question might be whether the \$9,000 of funding – assuming they find a source for the money – is sufficient to meet the cash needs for the next six months. Participants might discuss contingency steps the sisters should consider if they have underestimated their funding needs.

Wrap up this discussion by highlighting the importance of having even rudimentary projections and supporting assumptions at this stage of the company and make sure the difference between assumptions and projections are explained. Potential funders will need this, but it is also important for Victoria and Anita to use as their roadmap for moving the business forward.









By Richard T. Bliss and Michael L. Fetters, Babson College

### Vignette 2: The Next Level

In one year, Concierge Cleaners had become a real business. With their savings and family contributions totaling \$7,000 and a \$9,000 micro-loan4, the company had generated Year 1 Revenue of over \$40,000 - beating the forecast. And although negative for the full year, the Q4 Operating Profit was positive – small, but still positive!

Concierge Cleaners - Year 1

		Actual				Forecast
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	Year 1	Year 1
Revenue	\$900	\$2,400	\$16,142	\$22,581	\$42,023	\$39,400
Wages			(\$7,268)	(\$9,745)	(\$17,013)	(\$14,500)
Operating Expenses	(\$1,600)	(\$2,475)	(\$9,658)	(\$12,574)	(\$26,307)	(\$24,425)
Operating Profit	(\$700)	(\$75)	(\$784)	\$262	(\$1,297)	\$475
Start-up investment	(\$4,950)		(\$9,000)		(\$13,950)	(\$13,950)
Cash Flow	(\$5,650)	(\$75)	(\$9,784)	\$262	(\$15,247)	(\$13,475)
Funding	\$7,000		\$9,000		\$16,000	\$16,000
Cash Balance	\$1,350	\$1,275	\$491	\$753	\$753	\$2,525

Most importantly, Concierge Cleaners had a loyal group of clients and customer retention and satisfaction ratings well above the industry average. The company was delivering on the original goal of offering 5-star service for which customers would happily pay a premium price. Combining this with their new and effective marketing tactics gave the sisters confidence they could substantially grow their business in Year 2. In fact, Victoria had begun turning away new clients because they did not have the time, staff, or equipment to take on additional business while maintaining a high level of service. If Concierge were going to be more than just a "lifestyle" venture, the sisters needed a plan to take it to the next level.

Victoria and Anita agreed that at a minimum, the "next level" meant Victoria quitting her job and becoming Concierge Cleaners' full-time CEO. They also agreed that they could no longer run the business out of their homes - proper commercial/office space was a must. Finally, they would need additional staff, vehicles, and equipment in order to expand capacity. All of this was exciting, but also scary as the sisters looked uneasily at their latest bank statement showing just \$753 in the Concierge Cleaners account.

Over the last 12 months, Victoria had worked hard to improve her credit score, which currently stood just below 600. This would help, but both sisters knew they had a lot of work to do before they would be an attractive investment for a new funder. They also had to make sure they stayed current on their micro-loan payments.

<sup>&</sup>lt;sup>4</sup> Micro-loans help individuals start and grow their businesses. Dollar amounts typically range from \$100 to \$50,000 and numerous organizations offer micro-loans (e.g., Accion, Grameen America, The Business Center for New Americans, KIVA, and the SBA). Each organization has its own application process and criteria, but most emphasize Character (of the 5 Cs) and will work with applicants to find innovative ways to meet funding needs.







With all of this in mind, Victoria and Anita developed the following **assumptions** for their second year of operations:

- Victoria would become full-time, cleaning for approximately 20 hours per week and working as Concierge's CEO the rest of the time. She estimated her personal expenses, including health insurance, and came up with a \$55,000 annual cost for salary and benefits. This was not a market wage and was less than her current salary, but it would support her family and provide a little peace of mind.
- Anita would continue to work 16-20 hours per week as her job and personal commitments had not changed. Instead of salary, she would track her hours and they would be converted to "sweat equity."<sup>5</sup>
- Concierge's existing part-time employee would move to full-time and the company would hire two
  more full-time workers immediately and purchase a new vehicle and equipment for them. With
  Victoria's new role and Anita's available hours, this would give Concierge the equivalent of two fulltime cleaning crews to start Year 2. If revenues grew as expected, another crew (two people, vehicle
  and equipment) would be brought on at the beginning of Q3.
- The company would rent 800 square feet of commercial/office space in Ridgewood, Queens. The
  location was convenient to the sisters' homes in Jackson Heights, close to the M line subway, and
  bordered Brooklyn where most of Concierge Cleaners' clients were located. It would provide parking
  for the vehicles, storage for equipment and supplies, and an office Victoria and Anita could share.

Based on this plan, Victoria and Anita created the following Year 2 financial forecast:

	Actual	Actual Forecast Year 2				
	Year 1	Q1	Q2	Q3	Q4	Year 2
Revenue	\$42,023	\$36,225	\$53,550	\$67,725	\$81,900	\$239,400
Direct wages	(\$17,013)	(\$15,577)	(\$21,956)	(\$29,122)	(\$33,579)	(\$100,233)
Gross profit	\$25,010	\$20,648	\$31,595	\$38,603	\$48,321	\$139,167
Operating Expenses:						
Salary/benefits (Victoria)		(\$13,750)	(\$13,750)	(\$13,750)	(\$13,750)	(\$55,000)
Vehicle		(\$2,250)	(\$3,000)	(\$5,800)	(\$5,800)	(\$16,850)
Occupancy		(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$24,000)
Selling & marketing		(\$3,000)	(\$4,000)	(\$5,000)	(\$6,000)	(\$18,000)
Other		(\$3,000)	(\$3,500)	(\$4,000)	(\$4,500)	(\$15,000)
Total Operating Expenses	(\$26,307)	(\$28,000)	(\$30,250)	(\$34,550)	(\$36,050)	(\$128,850)
Operating Profit	(\$1,297)	(\$7,352)	\$1,345	\$4,053	\$12,271	\$10,317
Capital Investment	(\$13,950)	(\$12,000)	\$0	(\$12,000)	\$0	(\$24,000)
Funding	\$16,000	\$32,000	\$0	\$0	\$0	\$32,000
Debt repayment		(\$2,447)	(\$2,447)	(\$2,447)	(\$2,447)	(\$9,786)
Cash Balance	\$753	\$10,955	\$9,853	(\$541)	\$9,284	\$9,284

<sup>&</sup>lt;sup>5</sup> Sweat equity is a term to signify working without pay to build value in a company. In this case, Anita's contribution would be reflected in her ownership stake in Concierge Cleaners.









By Richard T. Bliss and Michael L. Fetters, Babson College

### Vignette 2: Teaching Note

#### Overview

The Concierge Cleaners vignettes follow the progress of a new venture from idea to growth. Each vignette highlights the funding need at a specific stage of the business and asks the reader to assess the following:

- The decisions and actions taken by Victoria and Anita, specifically the ones creating the need for funding
- Where Victoria and Concierge Cleaners would rank on the 5 Cs of Lending and why
- The most likely source(s) for their funding need
- What a pitch to a funder should include

Vignette 2 finds the sisters celebrating their first year in business and planning for even bigger things in Year 2. Concierge Cleaners had over \$40,000 of Revenue, a positive Operating Profit, and ended Year 1 with cash in the bank. Most importantly, Victoria and Anita were turning away customers, which was testimony to a successful business model and their strong execution. Their plan for Year 2 is to add significant capacity by adding vehicles, equipment and staff, and to move Concierge Cleaners into rented commercial space. While confident in their strategy, the sisters also knew that to achieve their goals, they would need significant additional funding.

At various places in the discussion below, the instructor may choose – depending on time constraints and on the comfort of the participants with the material – to go into more detail on certain topics. These places are highlighted with text boxes.

#### **Reflection Questions**

Participants are asked to discuss and answer the following questions:

- 1) How would you rate Victoria and Concierge Cleaners on the 5 Cs?
- 2) Based on your answer to #3, what is the most likely Year 2 funding option for Victoria and Anita as they work to take Concierge Cleaners to the next level?
- 3) What are the three most important components of a funding pitch to likely funders?

#### Additional

- 1) Assess the Year 1 financial performance of Concierge Cleaners. What metrics do you think Victoria and Anita should be using to evaluate their business?
- 2) What do you think of the sisters' plan for Year 2? What would you do differently?







#### Timing and Teaching Plan

#### **Timing**

- Read case (~ 5 minutes)
- Questions 1 (10 minutes)
- Question 2 (10 minutes)
- Question 3 & Wrap-Up (5 minutes)

#### **Teaching Plan**

Distribute Vignette 3 and give the participants five minutes to read it.<sup>6</sup> Project the first two Reflection Questions on the screen and ask for thoughts from the participants.

Question 1: How would you rate Victoria and Concierge Cleaners on the 5 Cs at the end of Year 1?

#### Character

The sisters have a loyal and growing customer base and a one-year track record of starting and growing their business. They have paid their bills on time, are current with their micro-loan, and Victoria's credit score has improved significantly. They have forecasts for Year 2 and are clearly thoughtful about their growth plans and how they have run their business to date.

#### Capital

Starting with \$7,000 of their savings and family funds, followed by the \$9,000 micro-loan, Victoria and Anita have clearly shown they are committed to Concierge Cleaners. Their Year 1 financial results show that they have invested their capital wisely, effectively creating and growing a profitable business. Finally, Victoria's decision to convert her part-time role to being the full-time CEO is further evidence of her "skin in the game".

#### Capacity

Concierge Cleaners is profitable by the end of Year 1, and the Year 2 forecast shows significant growth in Revenue and Operating Profit along with sufficient Cash Flow to repay both their existing micro-loan and the new funder. It also projects the business will have almost \$10,000 in cash at the end of Year 2 – almost enough to cover a full year of debt payments.

#### **Collateral**

With several new vehicles and additional equipment, Victoria will have assets to pledge as collateral for any new funding. In addition, the commercial lease may have value as collateral.

#### **Conditions**

A full year of operations and Revenue that exceeded forecast seem to indicate that Victoria understands the market and her customer segment. The fact that she is turning customers away would clearly indicate that there is additional demand in the market which bodes well for their expansion plans. Furthermore, NYC continues to be an economic viable region with real estate in demand and likely cleaning services industry continuing to do well.

<sup>&</sup>lt;sup>6</sup> Depending on the education level and primary language of the group, more time can be allotted.







Question 2: Based on your answer to #3, what is the most likely Year 2 funding option for Victoria and Anita as they work to take Concierge Cleaners to the next level?

Significant improvement in all of the 5 Cs and the rapid growth of Concierge Cleaners will make the business of interest to a wider range of possible funders. The longer track record and Victoria's improved credit score allow the sisters to approach more traditional lenders. This would include organizations like ACCION, or the Women's Venture Fund, and possibly even a CDFI. However, with the combination of Victoria's credit score (around 600) and the other 5 Cs ratings, Victoria may not be able to obtain the entire \$32,000 from one source. She may want to purchase the vehicle with a loan from the dealer, the equipment with asset-based funding from a CDFI, and then seek the remaining capital from lending platforms like KIVA or city or state governmental programs.

#### Question 3: What are the three most important components of a funding pitch to likely funders?

- Management team and recent track record
- Support for revenue forecasts and expense levels
- Explanation of how much money is needed, how it will be used, and how it will be paid back

Reflection time on Vignette 3 and the participants' 5 Cs self-assessment.

#### **ADDITIONAL IF TIME PERMITS**

Assess the Year 1 financial performance of Concierge Cleaners. What metrics do you think Victoria and Anita should be using to evaluate their business?

	Actual	tual Forecast Year 2				
	Year 1	Q1	Q2	Q3	Q4	Year 2
Revenue	\$42,023	\$36,225	\$53,550	\$67,725	\$81,900	\$239,400
Direct wages	(\$17,013)	(\$15,577)	(\$21,956)	(\$29,122)	(\$33,579)	(\$100,233)
Gross profit	\$25,010	\$20,648	\$31,595	\$38,603	\$48,321	\$139,167
Operating Expenses:						
Salary/benefits (Victoria)		(\$13,750)	(\$13,750)	(\$13,750)	(\$13,750)	(\$55,000)
Vehicle		(\$2,250)	(\$3,000)	(\$5,800)	(\$5,800)	(\$16,850)
Occupancy		(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$24,000)
Selling & marketing		(\$3,000)	(\$4,000)	(\$5,000)	(\$6,000)	(\$18,000)
Other		(\$3,000)	(\$3,500)	(\$4,000)	(\$4,500)	(\$15,000)
<b>Total Operating Expenses</b>	(\$26,307)	(\$28,000)	(\$30,250)	(\$34,550)	(\$36,050)	(\$128,850)
Operating Profit	(\$1,297)	(\$7,352)	\$1,345	\$4,053	\$12,271	\$10,317
Capital Investment	(\$13,950)	(\$12,000)	\$0	(\$12,000)	\$0	(\$24,000)
Funding	\$16,000	\$32,000	\$0	\$0	\$0	\$32,000
Debt repayment		(\$2,447)	(\$2,447)	(\$2,447)	(\$2,447)	(\$9,786)
Cash Balance	\$753	\$10,955	\$9,853	(\$541)	\$9,284	\$9,284

The following high-level points should be noted in the Year 2 forecast:

- Revenue continues to grow rapidly, as do Direct Wages and Operating Expenses
- Operating Profit turns positive in Q2 and continues to grow
- Significant Capital Investment of \$24,000 total which is offset by \$32,000 of new funding







Debt Repayment for both the micro-loan and new funding

The sisters exceeded their Revenue forecast, but were unprofitable for the year, which was unexpected. This was due to higher than expected Wages and Operating Expenses. However, they had a small Operating Profit in Quarter 4 and ended the year with a little cash in the bank.

Victoria should focus on her expenses and profit margins since her Year 1 Operating Profit was below the forecast. She has clearly been good at generating Revenue, now she needs to focus on making the business more profitable.

A more detailed discussion of the financial forecast might include the following:

- The steps required to achieve the projected Revenue growth
- Victoria's full-time salary and benefits (especially relevant for start-ups)
- Estimating and calculating Direct Wages and their link to Revenue
- Occupancy expenses reflect the cost of renting commercial space for Concierge Cleaners
- Operating Expenses growing slower than Revenue means improvements in Operating Margin
- Negative Cash Balance in Q3: What does it mean and how should it be addressed?

#### What do you think of the sisters' plan for Year 2? What would you do differently?

The Year 2 plan shows significant growth for Concierge Cleaners, as Revenue in Quarter 1 is almost equal to the full Year 1 Revenue. However, expenses have also increased significantly, primarily due to the decision to move the business to a rented commercial space. By Quarter 2, with continued Revenue growth, Concierge becomes profitable and their Operating Profit continues to grow for the rest of the year.

Their \$32,000 funding need is significantly larger than prior loans and is used mainly to cover the purchase of new vehicles and equipment needed to expand capacity. As long as Victoria is turning customers away, this investment should be an easy decision to make.

One thing Victoria and Anita might have done differently is waiting longer to move the business out of their homes. It would be an inconvenience, but Year 2 Occupancy Expense is \$24,000 or \$2,000 per month. Not committing to that fixed expense would give them a bigger cushion in case their forecast was off. At the same time, the move to commercial space is an important step in moving Concierge Cleaners to the next level.







#### Pre Work - The 5 Cs of Credit

By Richard T. Bliss and Michael L. Fetters, Babson College

#### **Introduction**

Whether you seek funding from a bank, a local **economic development corporation**<sup>7</sup> or even a relative, the prospective lender's main question will be: Will I get a **return on my investment**? For a loan, this means the repayment of **principal** and **interest**. If funders provide **equity**, they will own a piece of your business and profit if the value of the company increases. The ability of you and your company to provide a fair return to funders is called your **creditworthiness**.

One widely used framework for assessing creditworthiness is based on the following "5 Cs":

- Character
- → Credit Score
- 2. Capital
- 3. Capacity
- 4. Collateral
- 5. Conditions

We discuss the Cs individually in more detail below. Each C tells your potential funder something different about the creditworthiness of you and your company. For a small business owner, your personal and business creditworthiness are essentially the same. For one funder, some of the Cs may be less applicable or even irrelevant, while another will have strict guidelines. For example, a loan from a family member is typically based more on a personal relationship than your **credit score**. On the other hand, an **asset-based lender** will put significant weight on the value of **assets** pledged to secure a loan (Collateral). Many funders have strict cutoffs on an applicant's **FICO score**. Almost all funders use some version of the 5 Cs, so it is important for any entrepreneur or small business owner to be familiar with the framework.

In summary, to successfully obtain funding for your businesses, it is important you know the 5 Cs, how each is assessed, where you rank on each C, and given your rankings, which types of organizations are most likely funders of your business.

#### The Cs

#### 1. Character

Not all of the Cs can be evaluated by looking at financial statements. Character describes the personal qualities and trustworthiness of an applicant to meet obligations such as the repayment of loans. Character is often assessed based on the following:

- Employment history
- Management abilities
- Working relationships with others
- · Personal and credit references
- Applicant's reputation
- Level of education
- Credit score

<sup>&</sup>lt;sup>7</sup> Terms in **bold** can be found in the Glossary.







Many of these are "soft" criteria and involve judgment on the part of the funders. They will call personal references, business partners and may even interview customers and/or employees as part of evaluating Character. One of the main quantitative metrics used to assess character is your credit score, most likely your FICO score.

Your FICO score is determined by your history of paying bills, establishing credit, and making timely payments. Some lenders have hard cutoffs for making loans, and most traditional lenders want to see a FICO score of 650 or higher. However, a low credit score does not mean you cannot get funding. There are numerous funders who are willing to work with applicants that have low FICO scores and also many resources available to help you improve your score.

In the end funders want to have comfort that your personal qualities and history, i.e. your Character, make it likely that you will work hard to repay their investment in you and your company.

#### 2. Capital

Capital is based on the amount of cash and other assets you have invested in your business and on your ability to invest more in the business if needed. Funders also use Capital to assess your willingness to take risk and to put "skin in the game."

An applicant with more Capital is good for the funder in two ways: It can reduce the amount of your funding request and therefore their risk. Even if an applicant has invested personal assets in the business, most funders will ask for a personal guarantee, which gives them access to those assets in the event of **default**.

It is important to understand that Capital is relative. Entrepreneurs with little personal wealth can still rate highly on Capital if they invest some funds — no matter how small — into the venture and can convince the funder they are 100% committed to its success.

#### 3. Capacity

Capacity assesses the applicant's ability to generate cash flow that can be used to service the interest and principal on a loan. Ideally, this cash flow is generated from the operations of the business, but funders may also look at the applicants other income in assessing Capacity. This is one reason entrepreneurs often keep a full-time or part-time job when launching their venture.

Funders will assess your business operations, both current and forecasted, as well as your current debt levels in assessing your ability to repay the loan. This is why it is important to have clean financial statements and a solid business plan for potential funders. Lenders will also want to know exactly how their funds will be used to generate cash flow.

#### 4. Collateral

Collateral is assets pledged to the lender as security for a loan. If a borrower defaults, the lender can take the collateral as partial payment. Personal collateral can include real estate, vehicles, boats, etc. For a business collateral may be a building, equipment, vehicles or **current assets** like **accounts receivable** and **inventory.** Collateral is closely linked to Capacity.

The funder's claim on collateral can be formal or informal. Examples of formal claims are a **mortgage** on a building or **UCC** filing tied to a specific piece of equipment. Informal collateral claims come in the form of a personal guarantee or a general guarantee by the business.

Finally, some funders may require a third party guarantee or **co-signor** as an additional form of collateral. This guarantee means that another person promises to repay the loan if you can't and is a serious commitment.

#### 5. Conditions







Conditions has two dimensions. The first is how the money will be used as this has a direct impact on the likelihood of timely repayment. A loan to develop a new, but untested product would be viewed differently than funds requested to finance inventory for an existing **purchase order**. Funders want to see a quick and direct link between the use of the funds and the cash flows needed to repay their investment.

The second aspect of Conditions are the current economic and business environment facing your company. Your industry knowledge and understanding of the local economy and your competitors are all important factors in the timely repayment of the loan.

#### Summary

The 5 Cs of Credit is a common framework used in most funding decisions. The Cs are used differently by different types of funders. Typically, all are used in some combination to develop a holistic view of you, your business, and the likelihood that you will repay a loan in a timely manner.

By understanding the Cs and where you rank on each, you can best target the most likely funders for your needs and current situation. This knowledge will also help you identify potential future funders and be well positioned as your business grows and requires larger amounts of capital.

The C	What it Measures	How Assessed
	Personal qualities	
Character	Credit trustworthiness	Work history and business/personal references
- Credit Score	<ul> <li>Probability of meeting obligations</li> </ul>	FICO credit score
Capital	<ul><li>Existing investment in business</li><li>Potential to invest more</li></ul>	<ul><li>The "skin" (\$) you have put into your business</li><li>Ability and willingness to invest further</li></ul>
		Profitability of the business/ability to generate cash flow
	<ul> <li>Cash flow available to service debt</li> </ul>	Other sources of cash flow, e.g., salary from a job
Capacity	<ul> <li>Funder's margin of safety</li> </ul>	Forecasted data showing ability to service debt
	<ul> <li>Assets available as security for a</li> </ul>	
	loan	Value and liquidity of assets owned by the business
Collateral	<ul><li>Funder's margin of safety</li></ul>	Value and liquidity of owner's personal assets
	• The current operating environment	
	<ul> <li>Competitive landscape</li> </ul>	Specific use of the funds; likelihood of success
Conditions	<ul> <li>Risk of the investment</li> </ul>	Industry/economic data

#### References

Investopedia.com

http://www.investopedia.com/ask/answers/041715/why-do-banks-used-five-cs-credit.asp

MBDA.gov

http://www.mbda.gov/print/blogger/financial-education/5-c-s-credit-analysis

Well Fargo

https://www.wellsfargo.com/financial-education/credit-management/five-c/

Hands on Banking

http://www.handsonbanking.org/financial-education/adults/the-five-cs-of-credit/







### **Capital Planning Workshop**

#### **Glossary**

Assets Something owned, has future benefits to the company or individual. Examples include a

computer, business license, office equipment, automobile, etc.

Accounts Receivable Money owed from a customer for a product or service already delivered

**Asset-based Lender** Financial institution that lends money based on the value of specific assets owned by or

to be purchased by the borrower. They claim the assets as collateral for the loan.

**Business Model** The strategy executed by a business to generate revenue and make a profit

**Capital Investment** Money invested to launch or grow a business; often for the purchase of assets

**Co-signor** An individual or organization that agrees to be responsible to pay the debt if the

borrower cannot pay. In other words, the co-signor guarantees the debt repayment.

**Credit Score** A number assigned to a person indicating creditworthiness based on his/her history of

credit acquisition and repayment. Scores range from 300-800. The most widely used

credit score is published by **FICO** (Fair Isaac Corporation).

**Creditworthiness** The assessment by a lender of an applicant's likelihood of repaying a loan. This is also

phrased as the probability of default on a loan.

**Current Assets** Assets that will be turned into cash or used within twelve months. Examples are cash,

accounts receivable and inventory.

**Default** Failure by a borrower to promptly pay interest or principal when due. Upon default, the

lender can seize any collateral securing the loan and sue for any unpaid interest and

principal.

**Debt** Funds loaned to the company with a promise of future repayment. Bank loans and

credit cards are examples of debt.

**Demographics** Identifying characteristics of potential customers, e.g., age, income, education, race,

sex, etc. Demographics are used to identify likely customers for a product and their

geographic location.

**Direct Wages** Salaries/wages paid to those employees (including owner) directly giving service to

customer or making product to sell to customer. A form of expense (see below for

expense definition).

**Economic Development** 

**Corporation** A non-profit corporation whose mission is to foster economic development within a

specific geographical area

**Equity** Investment that represents ownership in a company. Can be made by founders as well

as other investors. Equity returns may come in the form of dividends or an increase in

the value of the company.







Expenses	Money promised of	or spent to generate	revenue and operate a l	business. Examples
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include rent, insurance, wages, etc.

**Income** Revenue minus Expenses during a specified period of time. Also called "Profit"

**Interest** The charge lenders require for the use of their money. Interest payments do not reduce

the loan principal (see below), but only represent "rent" for the funds provided. Some

loans have reduced or no interest.

**Inventory** Products held by a company for sale to its customers

**KIVA** A not-for-profit global organization which provides a platform for entrepreneurs to seek

interest-free loans from individuals willing to loan money to entrepreneurs. Loan

repayment terms are set at the time of the loan.

**Liability** An obligation to pay cash or provide a service sometime in the future. Bank loans, credit

card debt and wages payable are all examples of liabilities. Also called "Debt"

Market Research The collection and analysis of information about a market, potential customers,

competitors and products

Marketing Strategy The process of identifying a target customer and developing tactics to reach that

customer and make a sale. Typically combines market research, social media, print

advertising, website design and possibly radio/TV ads.

Micro-loan A small, relatively short-term loan with a low interest rate, usually extended to a start-

up company or self-employed person. Loans typically range from \$100 to \$10,000.

**Mortgage** A long-term loan usually used to purchase real estate and secured by the property.

Mortgages are typically repaid with monthly payments which include interest and

principal.

**Operating Expense** Day-to-day expenses incurred in the normal operations of a business such as rent,

insurance, utilities, etc. These types of expenses are often fixed expenses as they do not

vary with sales and have to be paid whether or not a company has customers.

**Operating Profit** Revenue minus operating expenses; the profit resultant from the normal, day-to-day

business operations

**Principal** The amount of money loaned on which interest is paid

**Profit** Revenue minus Expenses during a specified period of time. Also called "Income"

**Purchase Order** A firm commitment to buy, specifying quantity, price and terms of delivery. Purchase

Orders can be used to obtain loans that fund the production or purchase of the product

being sold.

**Quarter** A three-month period frequently used as a forecast period for businesses. There are

four quarters in a year.

**Return on Investment** 

(ROI) ROI measures the return on an investment relative to the investment's cost. It is

calculated by dividing the benefit (return) on the investment by the cost. The result is

usually expressed as a percentage.







Revenues Money a company is promised or receives from customers for delivering a product or

service. Also called "Sales"

**Search Engine** 

**Optimization (SEO)** The process of improving the visibility of and maximizing traffic to a website

**Small Business Development** 

**Center (SBDC)** SBDCs are a partnership between the U.S. Small Business Administration (SBA) and

typically a local college or university designed to help foster small businesses. SBDCs provide free marketing, financing and business-related activities to local entrepreneurs.

**Target Customer** Demographic description of a company's ideal customer

Target Market A group of Target Customers that will be the focus of a company's marketing strategy

UCC Filing A UCC (Uniform Commercial Code) filing is a legal form publicly filed by a lender to give

notice of a claim on specified asset(s) of the borrower as collateral.

#### **Babson 5 Cs of Credit**

#### Please answer the following questions related to your 5 Cs

YOUR 5Cs ASSESSMENT	YES	NO
Credit Score		
Do you know your credit score?		
If you have a credit score, is it above 550?		
Character		
Have you worked full-time for more than one year in your current position?		
Do you have significant industry experience?		
Capital		
Have you invested your own funds into your business?		
Do you have personal assets that can provide capital?		
Capacity		
Does your business currently generate positive cash flow?		
Are all your debts paid on time?		
Collateral		
Does your business own assets that could be used as security for a loan?		
(e.g., real estate, vehicles, equipment)		
Do you have personal assets in the form that could be used as security for a loan?		
(e.g., real estate, vehicles, equipment)		
Conditions		
Is the regional economy in which your business operates strong?		
Is the industry in which your business operates growing?		







### Sample Funding Pitch

My name is Gina Stavio and I am the co-owner and CEO of HQ Seafood HQ is a wholesaler of the freshest seafood in the New York City market. We are seeking \$50,000 of funding in the form of a line of credit or working capital loan to pursue an exciting new growth opportunity.

HQ supplies over 750 customers including fish markets, grocery stores, and restaurants. Our revenue last year was almost \$1 million. My father and mother started the business 20 years ago and we still operate out of our original northern New Jersey location. HQ sells to the entire tri-state region and we ship to several customers nationally.

Our customers need the freshest seafood delivered on time and at a fair market price. With our emphasis on customer service, our relationships with fishermen, and an efficient delivery infrastructure, we meet this need in a way our competitors cannot.

The opportunity we are seeking funding for is that a major competitor who is going out of business. This competitor is about half our size and supplies up-scale restaurants, hotels, and country clubs. We have a long and friendly relationship with the owner and he's expressed a willingness to recommend HQ Seafood to his customers. Given our track record, we are confident we can secure at least 50% of their client base, increasing HQ's revenue about 25% over the next twelve months.

This opportunity will improve our profitability in two ways. First, purchasing seafood in larger quantities will mean bigger discounts from suppliers. Second, we will spread our fixed-costs over a larger revenue base, improving operating margins.

The \$50,000 requested will go mainly to support working capital increases, i.e. increases in accounts receivable, inventory, and the cash needed to meet a slightly larger payroll. The new business will be profitable immediately and our forecasts show sufficient incremental cash flow to service either a 5-year term loan or a line of credit secured by the incremental working capital

HQ Seafood is known for reliably delivering the freshest seafood at competitive prices. We have a stable base of loyal customers and the competitive advantages to keep them. This opportunity will significantly grow our business with relatively low risk, but we need to act quickly. We welcome your questions and look forward to working with you to secure the \$50,000 needed to move HQ to the next level. Thank you.







## Funding Pitch Template

explain when it is and what stage your company is at.
What type of funder are you targeting and how much are you seeking? (10 seconds)
Introduce yourself and your business. Provide a brief history. (20 seconds)
Briefly explain your business. Focus on what pain/problem it solves for your customer and makes your product unique (i.e. your competitive advantage). (30 seconds)
Describe how much funding you need and how it will be spent. (25 seconds)
How will the money generate the cash flow to repay the funder? (20 seconds)
Wrap-up (10 seconds)







## Pitch Feedback Form

Name of Business Owner/Business:				
Content and Pitch Effectiveness	Included?	Additional comments		
Description of targeted funder/amount needed	□			
Introduction/description/history of the business				
Clear statement of product/service and target customer				
Identification of competitive advantage				
Explanation of financing need	□			
Source of profit/cash flow to repay funder	<b>-</b>			
Overall Structure of Presentation (easy to follow and well-organized information)				
Presentation/Communication Skills (appropriate energy level and positive tone, clear and well-paced delivery, well practiced/strong delivery, engaged eye contact/connection to audience, confident)				
Additional comments:				







### 5 C's Matching Game

Choose a 'C' for each image (or set of images) and explain your choice:













- (1) What is invested in already
- (1) Ability to invest more
- (2) Sweat Equity non-monetary investment

#### Alt: Capacity:

- Cashflow from the Business
- Second job

#### Character:

- (1) Credit Score
- (2) Personal Qualities: Employment history, Reputation, Management abilities, Etc.

#### Collateral:

- Assets available as security for a loan
- Funder's margin of safety

#### **Conditions:**

- (2) The current operating environment
- (2) Competitive landscape
- (2) Risk of the investment
- (½)Industry/ economic data
- (1) Customer demand.
- (1) Specific use of Funds, likelihood of success

#### Capacity:

- Funders Margin of Safety (if the boy is too short to ride, it would be dangerous to let him participate)
- Cash flow available to service a debt (height required to get on the ride)

Capital: "Skin in the Game"