

Questions & Answers

The first five things you should do with a business loan - webinar



Helping Small Businesses Grow...

Webinar's Presenter

Moderator



Peter Thorsson,
Business Development
Palo Alto Software,
maker of LivePlan and Bplans.com



Peter Thorsson leads Business Development work for Palo Alto Software, maker of LivePlan, where he crafts strategic partnerships that help entrepreneurs succeed. Peter has also started and sold a successful business with revenues over \$1MM, directed Strategic Partnerships for Nickelodeon and Comedy Central, organized local Startup Weekend events, and judged business competitions for Rice, Princeton, Notre Dame, and others. As a volunteer, Peter is the President of the Board of Directors for Committed Partners for Youth in Lane County, formerly Big Brothers Big Sisters of America

Speaker



Rohit Arora,
CEO and Co-Founder of Biz2Credit



Rohit Arora, CEO and co-founder of Biz2Credit, is one of the country's leading experts in small business finance. Since its founding in 2007, Biz2Credit has arranged \$1 billion in small business loans and has helped literally thousands of entrepreneurs. For his efforts to help others and his pioneering business model, Rohit Arora was named Crain's NY Business "Entrepreneur of the Year 2011." Rohit is an often quoted expert on small business lending for major news media, including: New York Times, The Wall St. Journal, Bloomberg, Entrepreneur, American Banker, CNNMoney, MSNBC, Inc., and Washington Post

Questions & Answers

- ***What are the typical percentage rate private lenders receive for investing capital?***

A lender's receiving rate depends on many different variables and is assessed on a case by case basis. Lenders typically receive anywhere between 12-22% for investing capital.

- ***What are some ways for young entrepreneurs to get funding?? I get a lot of discrimination from lenders... The first thing they look at is my age and do not look further at my application.***

It is true that young entrepreneurs do not find it easy to secure funding. Lenders associate age with lack of experience while running a business and do not want to take on that risk. For a young entrepreneur, it comes down to mitigating all the red flags that a lender might raise. One way you can counter that is by getting a more experienced partner on board. You might have to part with a 5-10% stake, but an experienced partner brings on board a lot more than just his age.

Questions & Answers

- ***Do you work with customers outside of the US ... Canada, Asia and Europe?***

Apart from the U.S., Biz2Credit works with customers in India and Canada.

- ***Are there any differences in the ability to obtain loans based on what type of business structure you have chosen (S Corp, C Corp, LLC, Partnership, or Sole Proprietor)?***

Yes, there is. Business structures make a big difference when it comes to your ability to obtain loans. If you are set up as a Sole Proprietor, the risk is higher for the lender as there is no demarcation between personal, and business assets and liabilities. Besides this, calculating the financial strength of the business is difficult, as it gets challenging to assess how the income statements are organized. It gets tricky to calculate repayment capacity, takes more time and adds to complexity. Getting a sole proprietorship incorporated will make the structure easier and calculations easier.

Setting up your business as an S Corp., C Corp., LLC or Partnership makes your business more likely to get funding.

Questions & Answers

- ***Would you recommend applying for grants as well as loans?***

A grant is for you if you figure out that it's worth your time. Grants usually take extended periods of time to come through and require more paper work and elaborate business plans for \$5000- \$10,000. If you have the time to prepare for a grant then go for it, if it is not then it makes sense to borrow money from friends and family, get started and then eventually get a loan.

- ***I have registered my trucking company and have my EIN but how do I go about building business credit?***

Building business credit is critical to getting a business loan. There are a number of ways you can do so: It is important that you start making regular payments to slowly build your credit score. Ensuring you get the minimum amount in the pipeline will also help. It is important that you not more than 30 days late after your due date on a payment. Ensure that all personal credit cards have lower than 50% open balances. Use business credit cards to book business expenses as it does not get reflected on personal credit. Ensure that no personal payments like home mortgages and auto loans are late.

Questions & Answers

- ***I have a 2.5 year old business, which was doing well 2 years into the business. Then I had a disgruntled employee that caused me to lose 50% of my clients. With that said, I have been rebuilding, but have pretty much exhausted my funds to get the business back up on its feet and while that is happening, it's been a slow process. I am looking at switching the place where I lease to a more economical one, so I'm looking to get an expansion loan. If I don't have any money to put down to show as good faith/and or collateral, what are the odds of me getting an expansion loan and/or options?***

You are right; it does make sense to move in to a more economical place. In this case you will have to think of creative solutions since you do not have collateral in exchange of the loan. The lenders are concerned with your ability to service the loan that you take. You can either borrow money from friends and family to put down as down payment or negotiate with the leasing company to give you, for example, the first few months rent free so that you can use that money against your loan.

Questions & Answers

- ***Are micro loans good for startups?***

Yes, they are. They are also one of the only few options for startups.

- ***I am planning to open an assisted living home in one year. I have money saved up in a personal savings account in which I am trying to avoid using for the business. I also have \$10,000 to go towards the business for a down payment, my credit score right now is 742. I am currently a 30-year-old home owner that works as a full time nurse. I want to know if I should apply for a second home loan to open the business or if I should apply for a SBA loan?***

Going for a second home loan will add to your personal debt. Instead of doing so, keep your job for a little bit longer, save some more money and then apply for an SBA microloan for your assisted living home, to start with.

Questions & Answers

- ***Hi, I'm from Mumbai, India. Do you have any small business loan resource here in Mumbai?***

Yes, we have offices in Mumbai. For more information, you can get in touch with:

Ravi Aswani

212 644 4555 Ext 118

- ***I am currently in the process of writing my business plan for a small retail specialty clothing/shoe store. I am looking to reach 100k in total startup money, with 20k of my own money. My current credit score is about 800. What would be a competitive rate for a loan of this type? Should there be any actions I can take towards the business loan while still planning?***

Save more money as you will need to put in more than 20% of the total amount; we see this amount being closer to \$50,000. Figure out if you actually need \$100,000 to begin with. Start smaller, show your track record for 6 months, and then apply for more money.

Questions & Answers

- ***If you have a company that is starting up and has no cash flow but requires loans to startup for R&D, what are the repayment expectations and timeline if revenue isn't forecasted for at least a year? Can repayment be delayed if your timeline is clear to the lender?***

Lenders don't usually lend money for R&D. Looking for investors, venture capital firms, angel investors, and other kinds of investments, may be a better option in this case. Traditional lenders are looking for some kind of repayment roadmap from Day 1, which is not the case in R&D.

- ***Can you discuss how loans compare to other funding? Are loans first option or better option? Why not go for other investment funds?***

The biggest benefit of a loan is that you do not part with equity. If you are in the fields of technology and high technology, it is better if you go for an investment fund. Traditional businesses go for a loan as investment funds are not interested in them.

Questions & Answers

- ***Are there any organizations that give loans based on future profits without requiring collaterals?***

No they don't. It is important that you either have collateral, a very clear business plan, and a personal guarantee or are willing to put in line personal assets.

- ***I am in the food business scaling up from farmers' markets to natural grocery stores. My 2-year sales history is lean with high cost resulting in loss, but future opportunity is high. Will my 2-year history hurt me for receiving loans to scale up my business?***

No it won't, if you can put together a business plan and show how you will make it a profitable business. You can also apply for a microloan but it is limited to \$50,000. Although, since you have losses on file, you will still need to come up with some sort of collateral as lenders would need some kind of assurance.

Questions & Answers

- ***Please clarify how Biz2Credit gets paid.***

Biz2Credit is a marketplace that means that our services are free for the small business and free for the financial institution. The only time that Biz2Credit makes money is when an actual financial transaction takes place; then Biz2Credit gets an origination fee.

Thank You

For any other queries, you can reach out to us at 800-200-5678 or write to us at info@biz2credit.com.

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