

Do you have A Fundable Business?

A 27 POINT CHECKLIST TO ENSURE YOU HAVE A
FUNDABLE ENTITY



WHY YOUR BUSINESS MAY GET DENIED FOR CREDIT & LOANS

- ▶ LENDERS AND CREDIT ISSUERS BASE THEIR DECISIONS ON THEIR APPROVAL STANDARDS NOT BEING MET
- ▶ USUALLY THERE IS A FORMULA THEY USE FOR AUTOMATIC APPROVALS OR DENIALS
- ▶ UNDERSTANDING THE GENERAL FORMULA IS KEY
- ▶ BUT NOT ALL TYPES OF LOAN AND CREDIT PRODUCTS HAVE THE SAME REQUIREMENTS
- ▶ ONE MUST BE FUNDABLE ON PAPER PRIOR TO APPLYING FOR BUSINESS FUNDING



1 – BUSINESS NAME MISMATCH

- ▶ LENDERS CAN'T EASILY LOCATE YOUR BUSINESS ONLINE
- ▶ BUSINESS NAME ON APPLICATION SHOULD BE EXACT SAME AS WHAT'S LISTED ONLINE WITH YOUR SECRETARY OF STATE
- ▶ BUSINESS NAME SHOULD BE EXACTLY THE SAME ON ALL CORPORATION PAPERS, LICENSES, UTILITY BILLS, BANK STATEMENTS, ETC., AS WELL AS ANY ONLINE LISTINGS



2 – NOT BEING IN GOOD STANDING

- ▶ ENSURE WITH YOUR SECRETARY OF STATE, THAT THEY HAVE ALL OF THE NECESSARY INFORMATION FOR YOUR COMPANY AND MAKE SURE THAT YOU ARE IN GOOD STANDING WITH THEM - BOTH STATE AND FEDERAL
- ▶ ENSURE YOUR BUSINESS IS ACTIVE
- ▶ FILE ANNUAL REPORTS AND PAY ALL FEES TO REMAIN ACTIVE
- ▶ MAKE SURE CORPORATE TAXES ARE UP TO DATE



3 – HIGH RISK INDUSTRY

- ▶ SOME RESTRICTED INDUSTRIES INCLUDE:
- ▶ AMMUNITIONS, WEAPONS, MANUFACTURING, BAIL BONDS, CHECK CASHING AGENCIES, ENERGY OR OIL TRADING, PAWN SHOPS AND ADULT ENTERTAINMENT
- ▶ IT VARIES FROM LENDER TO LENDER



4 – ENTITY SELECTION

- ▶ TO GET FINANCING OR CREDIT, IT IS BEST TO HAVE A BUSINESS ENTITY, IE. A CORPORATION
- ▶ A STATE AND OR FEDERALLY REGISTERED CORPORATION
- ▶ THE ENTITY CAN GET DEBT BASED CAPITAL – LOANS, LINES OF CREDIT OR EQUITY INVESTMENTS
- ▶ IDEALLY YOU SHOULD FORM YOUR ENTITY IN THE SAME STATE AS YOUR BUSINESS ADDRESS



5 – E.I.N.

- ▶ EMPLOYER IDENTIFICATION NUMBER
- ▶ WHETHER YOU HAVE EMPLOYEES OR NOT, YOUR BUSINESS ENTITY MUST HAVE A FEDERAL TAX IDENTIFICATION NUMBER
- ▶ IT IS JUST LIKE YOUR SOCIAL SECURITY NUMBER, EXCEPT IT IS FOR YOUR BUSINESS
- ▶ IT IS USED TO OPEN YOUR BUSINESS BANK ACCOUNT AND TO BUILD A BUSINESS CREDIT PROFILE



6 – Business Address

- ▶ should be a brick and mortar building with a physical address, a commercial address
- ▶ Lenders will check with UPS, Google Maps, etc., to verify the address and public listing
- ▶ Virtual addresses are no longer preferable, even if it matches IRS, state, and your bank information
- ▶ Not all lenders operate nationally



7 – Business Phone Number

- ▶ Vendors perceive a business phone number as a sign of business credibility
- ▶ set up a virtual local or tollfree number listed with directory assistance
- ▶ Having a fax number as well helps



8 – Website and E-mail Addresses

- ▶ credit providers will research your company on the Internet
- ▶ it is best if they learn everything directly from your website
- ▶ not having one will hurt your chances of obtaining business credit
- ▶ it is important to have a company e-mail address for your business
- ▶ no Gmail, Yahoo, etcetera



9 – Business Bank Account

- ▶ your business banking history is vital to your future success of being able to secure larger business loans, that are under the registered business name and EIN
- ▶ The date you open your business bank account is the day that many lenders consider your business to have started
- ▶ the longer your business banking history the better the borrowing potential will be
- ▶ you should have an open business account to receive funds
- ▶ account should have a good history of deposits



10 – Business Licensing

- ▶ make sure you have the proper licensing for your company if applicable
- ▶ license must match all your business documents



11 – Business Credit Reporting

- ▶ Your business should be registered to all business credit reporting agencies
- ▶ Start with a free DUNS number from Dun and Bradstreet
- ▶ You need business credit history and trade lines being reported regularly



12 – Inadequate Credit Score

- ▶ You should at least establish a business credit rating with Dun and Bradstreet and Experian business
- ▶ Also, Equifax business , Creditsafe and Ansoinisa
- ▶ Business credit scores range from zero to 100 the higher the better
- ▶ An 80 + score is good
- ▶ Each Bureau has their own terminology



13 – Inadequate Personal Credit

- ▶ Most business loans still take personal credit into account known as your fico score
- ▶ removing bad items and adding good ones, improves your personal credit scores on your credit reports
- ▶ it is important to have good personal credit because sometimes you may have to give a personal guarantee on any of your business loans



14 – Collateral

- ▶ while assessing business credit does not take into consideration collateral most business loans will require it
- ▶ collateral are the assets you are pledging in case of default on the loan
- ▶ it is also referred to as a security



15 – Business Plan

- ▶ while accessing business credit does not take into consideration of business plan most traditional business lenders do
- ▶ keep in mind that there are different business plans for different purposes and audiences
- ▶ a well thought out business plan can be valuable for internal processes as well As for a lender loan package



16 – Financial Projections

- ▶ while accessing business credit does not take into consideration financial projections most traditional business lenders do
- ▶ financial projections are usually a part of the business plan
- ▶ they include revenue and expense projections by month typically for a 36 month.
- ▶ Some lenders have a very specific format that they want used



17 – Use of Funds

- ▶ while accessing business credit does not take into consideration use of funds traditional business loans no
- ▶ what are you going to do with the money borrowed and how much will it cost
- ▶ in other words what do you need the loan for
- ▶ the items on your list can influence the selection of the source of capital pursued



18 - Industry Experience

- ▶ while accessing business credit does not take into consideration your industry experience traditional business loans will evaluate your relevant education and experience
- ▶ for instance, if you want a loan to buy a food truck a bank will be concerned with your experience owning or at least operating a food truck
- ▶ having a personal bio that highlights your education and relevant experience is valuable



19 – Advisors

- ▶ traditional business loans may be interested in the team you are using to help you be successful
- ▶ you are the CEO of your business, and you should have a team
- ▶ CPA for tax guidance, and attorney, a business coach for strategy and accountability, insurance agent, a technical advisor, and a funding strategist for mergers and acquisitions for example



20 – Feasibility Data

- ▶ traditional business lenders would like to see third party substantiation to support your assumptions
- ▶ for instance, third party data on target market, competitors, etc., will produce lender confidence



21 – Target Market

- ▶ traditional business lenders prefer to know about your target market
- ▶ for example, what is the income, age, race, gender, location, etc., of your target market
- ▶ How many people are in this cross section of society
- ▶ demonstrating clear knowledge of who your target market is will give lenders more confidence in your business



22 – Historical Financial Statements

- ▶ Every business even startups should be able to produce key financial statements such as a balance sheet, income statement (profit and loss)
- ▶ Financial statements are easily generated as reports out of your accounting software like QuickBooks, or even your CPA can do it



23 – Inadequate Insurance

- ▶ All businesses will need insurance protection
- ▶ if you consult with clients, an Errors and Omissions policy is required in state and federally licensed professions
- ▶ Income replacement insurance is necessary
- ▶ if you have partners, a buy sell policy, or key person policy is necessary
- ▶ if you have employees, you must have workers compensation and health insurance benefit plans
- ▶ will you be a hobbyist or a real business owner?



24 – Inadequate Cash Contribution

- ▶ If you want to borrow money from a bank for a conventional or Small Business Administration loan, you should plan to contribute 10% to 20% of the project's desired capital raise



25 - Run Your Business As A Business

- ▶ use QuickBooks or something similar, to track revenue and expenses
- ▶ Set yourself up as an employee of your own business
- ▶ do you have a business or a hobby?



26 – The Right Business For You

- ▶ Regardless of your education, experience, passion, interest, etc., determine your access to capital, then build your business plan to match your circumstances



27 – Right Source For Capital

- ▶ There are different sources of capital each with their own underwriting criteria
- ▶ Therefore, it is critical in your capital raised journey, you identify the right type of funds for your circumstances
- ▶ then ensure you meet those underwriting criteria for the appropriate funding option

