



launch *texas*



ABOUT PEOPLEFUND

CEO LETTER, CLIENT FEATURES, SERVICES OFFERED, MISSION



MISSION, VISION, & CORE VALUES

PeopleFund creates economic opportunity and financial stability for underserved people by providing access to capital, education and resources to build healthy small businesses.

Healthy small business growth is key to economic development

Integrity, service, excellence

WHO WE ARE

- Certified Texas Non-profit 501(c)3
- Established in 1994
- **US Treasury Certified Community Development Financial Institution (CDFI)**
 - Commitment to serve underserved markets
 - **Minority, women, veteran** owned businesses
 - Businesses in low to moderate income **(LMI) census tracts**
- **Small Business Administration (SBA) Certified Lender**
 - CDFI Analysis and Rating System known (AERIS) AA+2

TEXAS MARKET

- **254** counties
- **2.2 million** businesses with **5** or fewer employees
- Represent **89.4%** of all Texas businesses
- If just 1 of 3 small business hired a single employee, U.S. would be at **full employment**

ACCESSING CAPITAL

CASH FLOW, EQUITY, COLLATERAL, DOCUMENTS



CASH FLOW

Income a person earns or revenue a business generates compared to expenses.

- Positive/Negative/Neutral
- $(\text{total monthly debt payments} + \text{proposed loan payment}) / \text{gross monthly income} = \text{Debt to Income Ratio}$
- Secondary source of income

LIQUIDITY

How easy it is to convert an asset to cash.

- Cash equivalent assets VS Collateral
- $\text{Cash assets} / \text{monthly expenses} = \text{liquidity ratio}$

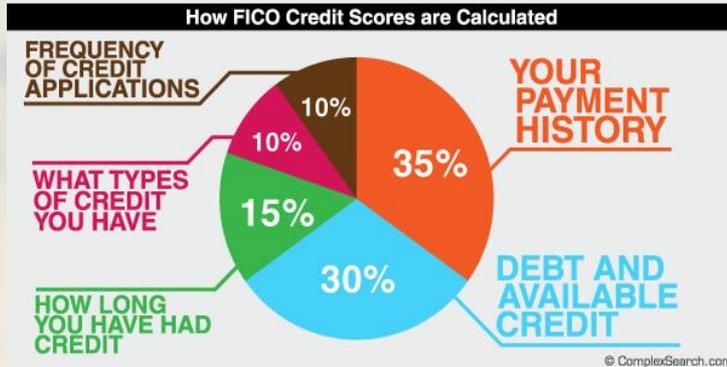
5 C'S OF CREDIT

- **Character:** Comprised of experience, history, and track record to provide information about how trustworthy you are to repay.
- **Capacity:** Determines ability to repay based on debt-to-income ratio.
- **Capital:** Refers to your net worth – assets minus liabilities, or simply, what you own versus what you owe.
- **Collateral:** Refers to any asset of the borrower that a lender has the right to take ownership of if the borrower is unable to repay.
- **Conditions:** Outside contextual information that helps determine feasible repayment.

CREDIT BUREAUS

- Experian, Transunion, Equifax
- Track history
- Report out to other agencies

CREDIT SCORE



POSITIVE CREDIT PRACTICES

- Consistently pay your bills on time
- Keep a debt-to-credit ratio equal to or less than 30%/70% respectively
- Only apply for and open new accounts when you need them
- Keep a mix of revolving and installment credit

NEGATIVE CREDIT PRACTICES

- Late payments
- A high debt-to-credit ratio
- Having credit card balances near your maximum spending limit
- Exceeding spending limits
- Opening new cards or accounts frequently
- Negative public records

INTERPRETING YOUR REPORT

IDENTIFYING INFORMATION

- Names and SS#
- Addresses
- DOB
- Employment history

CREDITOR INFORMATION

- The status of the account: Current, closed, late, or charged-off
- Responsibility of account
- Account balances
- Most recent payment
- Credit limit
- Terms
- Inquiries

ACCOUNT INFORMATION

- Revolving
- Installment
- Open
- Collections

PUBLIC RECORDS

- Bankruptcies
- Liens
- Judgments
- Wage garnishes
- In some cases, criminal history
- Federal obligations

EQUITY INJECTION

- “Skin in the game”
- 15-30%

Sources of equity injection

- A cash reserve
- A gift from a friend or family member
- Inventory, equipment, services, materials, or property purchased for the business

COLLATERAL

- Anything that can be pledged as security for a loan or liquidated in default of a loan.
- Loan to Value: 15-120%

Items that *can* be pledged as collateral

- Vehicles, inventory, equipment, property, high value personal properties

Items that *cannot* be pledged as collateral

- Your homestead, intellectual property, contractual agreements, purchase orders



PERSONAL DOCUMENTATION

- Driver's license
- Borrower information form
- Personal financial statement
- Personal bank statements (could date back 1-6 months)
- Tax returns with all accompanying documentation (could date back 1-5 years)
- Verification of personal income (paycheck stub, benefit letters)

BUSINESS DOCUMENTATION

- Business plan
- Financial projections (could require 3-5 years)
- Copy of governing documents (Filing with Secretary of State or County)
- Tax ID
- List of collateral
- Proof of equity injection
- Business financial statements
(profit and loss and balance sheet – could date back 3-5 years and year to date)
- Business tax returns with all accompanying documentation (could date back 1-5 years)
- Lease agreement
- Detailed breakdown of use of funds
- Verification of loan proceeds (quotes, sales orders, purchase agreements)
- Business debt schedule: a document outlining all of the debts the business currently faces
- Business bank statements (could date back 1-6 months)
- Supporting documentation (licenses, permits)

ADDITIONAL CONSIDERATIONS

- Use of funds
- Character
- Competitiveness
- Industry risk

LOAN PRODUCTS

SBA MICROLOAN	< \$50,000	<ul style="list-style-type: none"> ▪ Typically provided by microlenders or community-based non-profit organizations ▪ Often favor individuals with low cash reserves, poor credit, or those in rural or disadvantaged communities ▪ Specific microfinancing programs offered for Veterans, women, minorities, environmentally responsible businesses, and other specific business types ▪ Technical assistance requirements ▪ Available both to startups and established businesses
SBA 7(A)	Up to \$5 million (lenders may abide by different monetary thresholds)	<ul style="list-style-type: none"> ▪ Most common type of government supported business loan ▪ Available both to startups and established businesses ▪ Offered by many banks, community-based non-profit organizations, and other SBA approved lenders ▪ Technical assistance requirements
SBA 7(A) COMMUNITY ADVANTAGE	Up to \$250,000	<ul style="list-style-type: none"> ▪ Designed to help businesses in underserved markets gain access to financing ▪ Designed to help borrowers who do not meet the eligibility requirements for the SBA 7(a) program due to low revenues, low collateral, or other reasons ▪ Available both to startups and established businesses ▪ Technical assistance requirements
SBA 504	Up to \$14 million (lenders may abide by different monetary thresholds)	<ul style="list-style-type: none"> ▪ Delivered in partnership between a lending institution and community development corporation (lending institution provides up to 50%, CDC provides up to 40%) ▪ 10% minimum equity injection ▪ Designed for owner-occupied commercial real estate purchase, construction, or renovation or the purchase of high dollar fixed assets ▪ More restrictive than the 7(a) programs ▪ Possible job creation and public policy goals
LENDER-INTERNAL	Lender-designated	<ul style="list-style-type: none"> ▪ Requirements vary by lender

ADDITIONAL CAPITAL OPTIONS

- Credit cards
- Bootstrapping
- Payday or cash advance loans
- Online lenders
- Lines of credit
- Crowdfunding
- Venture capital
- Partnering
- Grants

CAPITAL SOURCES

- Banks
- Community Development Corporations
- Small Business Administration
- Business incubators and accelerators
- Venture firms

SOURCING CAPITAL

- Terms
- Interest rates
- Equity
- Pay-off
- Insurance
- Additional financing
- Modification
- Technical assistance
- Requirements
- Communication
- Time

NEXT STEPS

STRUCTURE, REGISTRATION, EMPLOYER ID, INSURANCE

BUSINESS STRUCTURE AND REGISTRATION

Business structure	Ownership	Liability	Taxes
Sole proprietorship	One person	Unlimited personal liability	Personal tax only
Partnerships	Two or more people	Unlimited personal liability unless structured as a limited partnership	Self-employment tax (except for limited partners) Personal tax
Limited liability company (LLC)	One or more people	Owners are not personally liable	Self-employment tax Personal tax or corporate tax
Corporation - C corp	One or more people	Owners are not personally liable	Corporate tax
Corporation - S corp	One or more people, but no more than 100, and all must be U.S. citizens	Owners are not personally liable	Personal tax
Corporation - B corp	One or more people	Owners are not personally liable	Corporate tax
Corporation - Nonprofit	One or more people	Owners are not personally liable	Tax-exempt, but corporate profits can't be distributed

ADDITIONAL STEPS

- Obtain an Employer Identification Number or EIN
- Obtain licenses and permits
- Obtain insurance
- Open a business bank account
- Consult with outside professionals

RESOURCE MANAGEMENT

Understanding, prioritizing, and utilizing the resources available to you to meet your goals.

- **The bank**
- **Community lenders (CDCs, CDFIs)**
- **Co-working spaces**
- **Business professional or networking organizations**
- **Chambers of commerce**
- **The government**
- **Assistance services**
- **Demographic specific entities**
- **Continuing education opportunities**
- **YOU!**

BUSINESS ACTION PLANNING

Determining short-term action-ables to meet long-term business goals (SMART).

- Credit
- Obtaining capital
- Business planning
- Finances
- Education



CONTACT US