



★ HELPING SMALL BUSINESSES START, GROW, AND SUCCEED



Business Advising Services
713-752-8444



Workshops and Seminars
713-752-8488

Visit SBDC.UH.EDU for more information



START | GROW | SUCCEED WITH THE SBDC



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The UH Bauer College SBDC is a business advising and training center of the University of Houston Texas Gulf Coast SBDC Network serving 32 counties in Southeast Texas. The SBDC program is funded in part through a Cooperative Agreement with the U.S. Small Business Administration.

About Me



- ❖ Current: Director, University of Houston Small Business Development Center, Houston Office
- ❖ Former small business owner
 - ❖ Jersey Mike's Franchisee
 - ❖ Three locations in Houston
 - ❖ 45 employees
 - ❖ Sold business in 2022
- ❖ 20 Years in brand marketing for Coca-Cola, The Hershey Company & General Mills



FOUR REGIONAL OFFICES ACROSS TEXAS



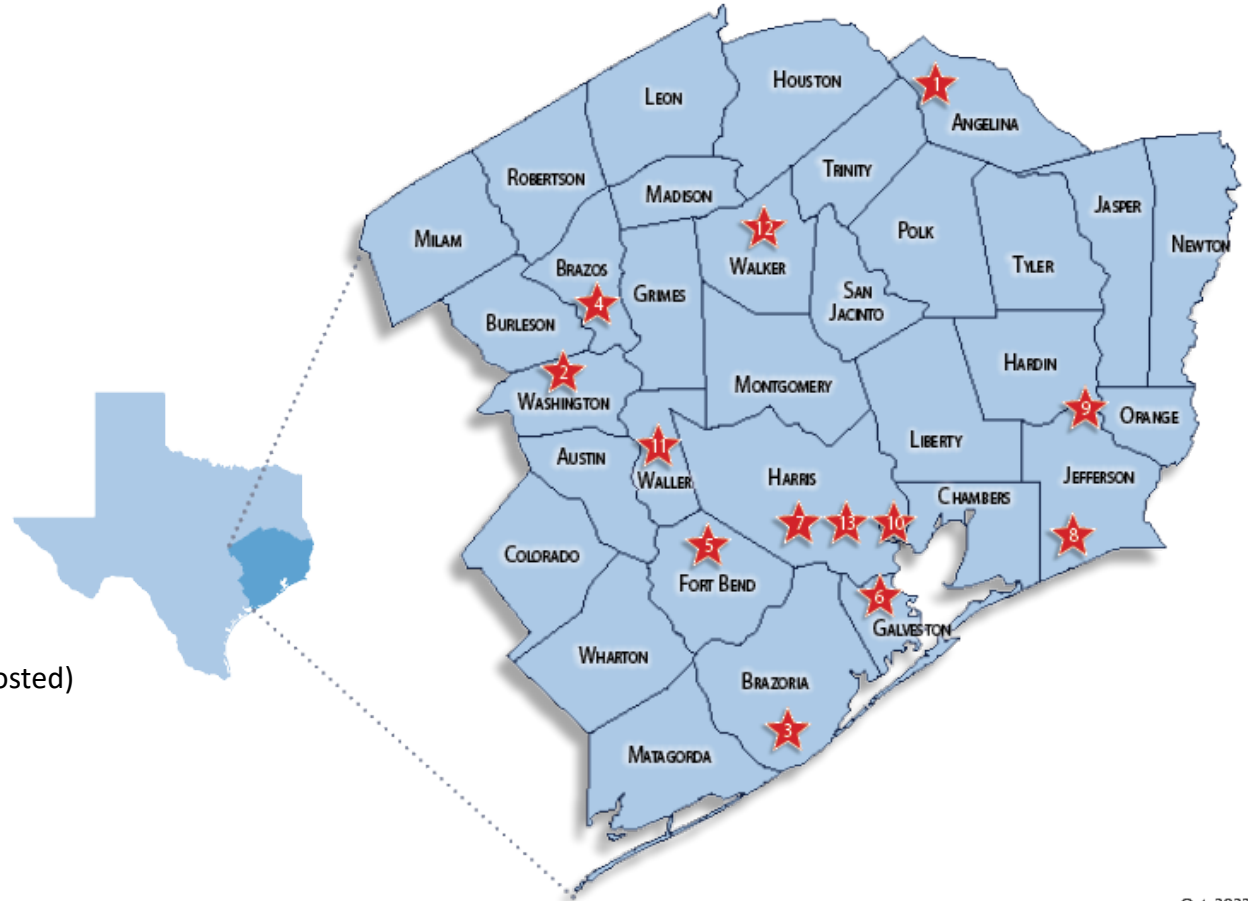
1. North Texas SBDC Network
2. South-West Texas Border SBDC Network
3. Texas Gulf Coast SBDC Network
4. West Texas SBDC Network

Dallas Community College
University of Texas at San Antonio
University of Houston
Texas Tech University

OFFICES ACROSS THE REGION

Houston
The Woodlands
Bryan
Baytown
Beaumont
Brazosport
Brenham
Lufkin
Huntsville
Deer Park
Port Arthur
Rosenberg
Prairie View
League City

Houston SBDC (UH hosted)
 Sam Houston State University SBDC
 Brazos Valley SBDC (UH hosted)
 Lee College SBDC
 Lamar University SBDC
 Brazosport College SBDC
 Blinn College SBDC
 Angelina College SBDC
 Sam Houston State University SBDC
 San Jacinto College SBDC
 Lamar State SBDC
 Fort Bend County SBDC/Coastal Plains SBDC (UH hosted)
 Prairie View A&M SBDC
 Galveston County SBDC (UH hosted)



WE OFFER A WIDE RANGE OF BUSINESS SERVICES

One-on-One
Business Advising

Training

- Business Planning
- Capital Access
- Sales & Marketing
- Market Research
- Business Legal Structure
- Financial Analysis
- Hiring Employees
- Permits & Tax Responsibilities
- Accounting/Bookkeeping

Visit SBDC.UH.EDU for more information



WHERE WILL YOU GET THE MONEY?



No government grants to start a business.



Most new owners rely on savings, family, friends, home equity, credit cards.



Can you qualify for financing? How is your credit?



Sources of Business Funding

- Personal Savings
- Retirement Funds (ROBS)
- Friends/Family/Acquaintances
- Angel Investors
- Venture Capital
- CrowdFunding
- Credit Cards
- Loans
 - SBA
 - 504, 7(a), Microloan
 - Conventional Business Loan (usually only for established businesses)
 - Home Equity Line of Credit (HELOC)
 - Mortgage Refinance



SBA Loans



U.S. Small Business
Administration

7(a) Loans

- Issued by traditional lenders (banks, etc)
- \$50k-\$5 million
- Term: up to ten years
- Guarantee: 75-85%
- SBA mandates interest rate maximum
- Utilized for working capital, equipment, buildout, etc

504 Loans

- Issued by Certified Development Corporations (CDC's)
- Up to \$5.5 million
- Term: 10-25 years (usually longer than a 7(a))
- Utilized to purchase land, buildings, long-term assets
 - Must be 51-60% owner-occupied

Micro Loans

- Issued by CDFIs (Community Development Financial Institution)
- Up to \$50k
- Terms: Flexible
- Utilized for working capital, equipment, start-up funds
- Less stringent credit score requirements



5 CS OF CREDIT



Character
Credit Score



Capacity / Cash Flow

Whether your business makes enough money to pay all its bills, including the new loan.



Collateral (Guarantees)

Something of value that you own or will buy with money from the loan that you can pledge to secure a loan.



Capital / Contribution

Your cash contribution



Condition

Loan conditions that a lender considers when approving your loan.



Character

FICO™ scores are used by the majority of lenders

01

02

Credit reports contain errors so try to fix it before applying for a loan.

For smaller loans some lenders make credit determinations based wholly or mostly on the applicants' credit score.

03

04

Obtain your credit report from www.annualcreditreport.com

- Look for any errors
- Contact credit bureaus to fix errors
 - Experian – www.Experian.com
 - Trans Union Corporation – www.transunion.com
 - Equifax – www.Equifax.com

Capacity/Cash Flow

Lenders will compare your income to your debt obligations

Income Sources

- Job: W-2
- Child Support
- Rental Property Income
- Business Income

Debt/Personal Obligations

- Mortgage
- Car Loans
- Child Support Payments
- Credit Card Debt
- Student Loans
- Business Loans
- HELOC



Note: For start -ups, lenders require a secondary source of income (outside of your business)



Capacity Example: Debt -to -Income (start -ups)



Ryan

- Ryan's Spouse works full time making \$84k/year (\$7k/mo)
- Ryan plans to quit his job to work full-time in his business
- Ryan's Debt
 - Mortgage Payment: \$1,600
 - Credit Card Payment: \$250
 - Car Payment: \$400

	Income	Debts
W-2 Job	\$7,000	
Mortgage		\$1,600
Credit Card		\$250
Car Note		\$400
	\$7,000	\$2,250

Debt-to-Income = 32%

Lender's Max DTI = 40%

***Ryan may qualify for a loan with a maximum payment of \$550/mo**

Collateral



- Not all lender's require collateral (but will take it if available)
- SBA guarantee acts as collateral
- Items that can be used as collateral
 - Vehicles
 - Personal property (boats, ATV's)
 - Inventory
 - Property (not primary residence)



Capital/Contribution



20%

- Lender's require you to have "skin-in the-game"
- Plan for 20%
- If your start-up budget is \$50k, you should have a minimum of \$10K saved to contribute.

CONDITIONS

Market & Lender Specific



What is happening in your specific market or industry



Has the Lender reached their portfolio limit for your industry?



Will your lender approve loans in your industry



DO YOU HAVE THE RIGHT EXPERIENCE?

Lenders Require Industry Experience

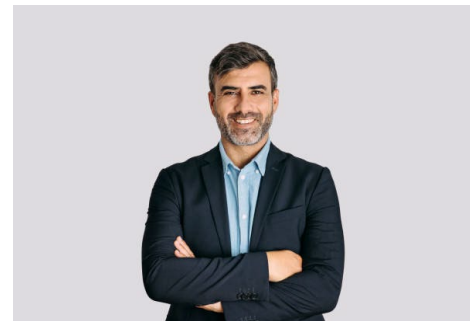
Example: Both Ryan & Bill are applying for a start-up loan to open a Food Truck.



Ryan



- Has 7 years experience working in a variety of foodservice businesses, including 5 years as a manager – (full-serve and quick-serve restaurants)
- Spent the last 9 months working in his friend's food truck



Bill



- Spent the last ten years working as an accountant in a CPA firm
- Worked at McDonald's for one summer in high-school



HOW TO MEET WITH AN ADVISOR

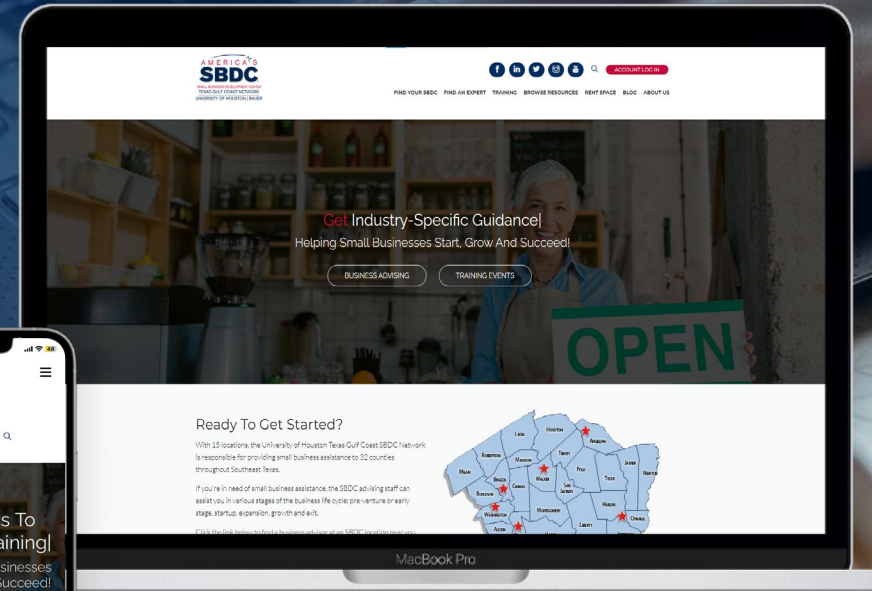
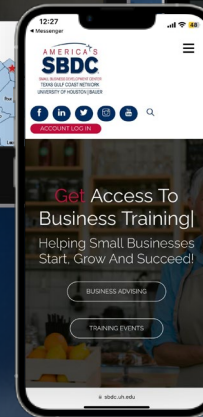
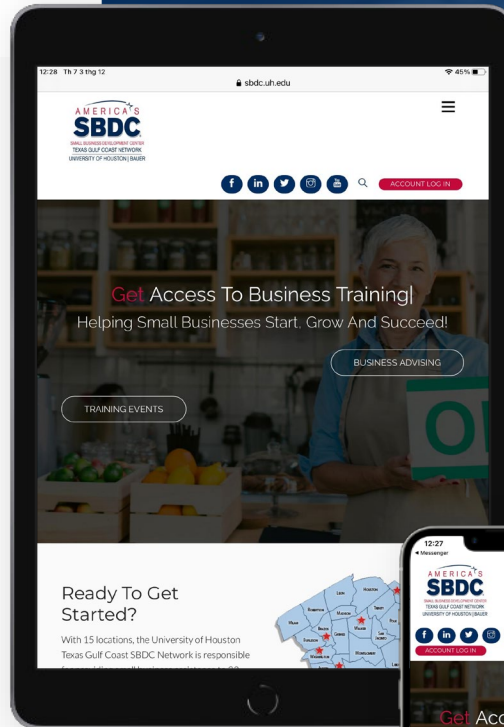
ONLINE SIGN-UP



Visit our website
to schedule a meeting
with business advisor:

www.sbdc.uh.edu

[Home - America's SBDC \(americassbdc.org\)](http://americassbdc.org)

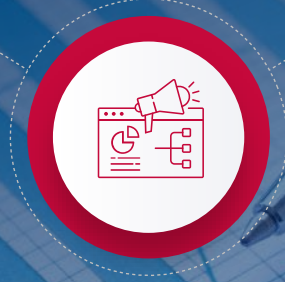


YOUR NEXT STEPS

Prepare a start -
up budget by
using financial
template.

Begin to work
on your
Business Plan.

Register for Starting
Your
Business Workshops.



Pull your credit report
annualcreditreport.com.

Prepare
your monthly costs
of running
the business.

Research the market,
industry, and customers.

Meet with an
SBDC advisor and discuss
your Action Plan.



Questions & Answers