



ACCESS TO CAPITAL:

Bridging The Gap

VIRTUAL EVENT

Q&A: WHAT ARE OTHER LOAN PRODUCTS?

Presenter:

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Q: What are some New York focused grants and loans?

A: This is a good time to seek funding. For example, there is the LISC/Verizon Grant program. There is NY Forward for small NY businesses to borrow up to \$100K at 3% interest rate (NDC is a lender of the program). Apply for the maximum amount you can qualify for to ensure you have all the resources to fully execute your plan

Q: How can I use the PPP to cover payroll to help avert extended unemployment?

A: Schedule C programs/Sole proprietorship can now apply for loans and use their gross receipts to reflect earnings (Formula: Gross receipts/12 X 2.5). If you only hire contractors, you will not be able to file for them because the PPP program is a payroll program for businesses with employees.

When applying for PPP avoid writing off (i.e., losses) too much on your taxes because this is not attractive to lenders. Your ability to run a profitable operation becomes questionable. You can apply for PPP forgiveness with NDC if you had applied for the first round of PPP with them. Nonetheless, you can apply for PPP with them if this is your first time.

Q: What do I need to know to successfully apply for SBA Loans?

A: These loans are meant to help small businesses progress in their operations, but the criteria for qualification are rigorous. You need to demonstrate that you can repay the loans.

- Credit history is required. Generally, a credit score above 650 is good, but if it's lower, provide an explanation (things happen).
- These loans are generally for 25 years at 3% interest rate.
- SBA (7A) loan fees are reduced and offer a three (3) month moratorium.
- In essence, SBA's commitment is to cover the lender for 80/90% of the loan amount if it is defaulted. As a result of COVID-19, SBA provides lenders 100% recovery guarantee for the loans they make.
- No SBA guarantee fee is required post COVID-19.
- SBA loans are primarily to cover the lease hold (property), equipment, etc.

- Generally, lenders want to see you have about 10% equity (personal capital) invested in the business. They need to see you have skin in the game.
- The lender will look at your future revenue generation and cash flow potential to fund your operations and expansion.
- For franchises, loans are provided for those the SBA has pre-approved and has assessed their performance over time.
- Nonprofits are not eligible for SBA loans; however, NDC does make loans to nonprofits. Contact me: Kafilatu Tihamiyu at ktiamiyu@ndconline.org for further information.

Q: What are the advantages of CDFIs?

A: CDFIs are Community Development Financial Institutions. They are a little more accommodating in accepting explanations for lower credit scores. Their interest rates are below 10%. Their criteria and terms and conditions for the loans they make are not as stringent as those of commercial banks.

Q: What are micro loans?

A: They are smaller sized loans, generally around \$20,000 to \$25,000. The lender still needs to determine whether you can afford the loan and be able to repay it. The borrower needs to understand the process to determine qualification:

- The lender will look at your cash flow and whether you will be able to repay the loan through your current operations.
- Your personal credit score is taken into consideration.
- They need to see that you have equity in the business—some skin in the game.