City of Seattle
Technical Assistance Services (TAS)
Now That you Have the Business how do you Finance it for Growth
Resources for Businesses Impacted by COVID-19

- Washington State’s Corona virus Response Information for Businesses & Workers: www.coronavirus.wa.gov
- United States Small Business Administration: www.sba.gov

* PPP Loan Applications-Seattle Credit Union, KeyBank, Bank of America and US Bank currently lending
“Topics of Discussion”

- Financing for small Businesses
- What Type of Financing is Right for me, weighing Pros & Cons
- Financing for Growth Panel Discussion
“Financing for Small Businesses.”
# Various Types of Financing

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term loans</strong></td>
<td>Common for business financing. Borrower receives a lump sum of cash repaid with interest over predetermined period.</td>
</tr>
<tr>
<td><strong>SBA Loans</strong></td>
<td>Small Business Association guaranteed loans offered by banks &amp; lenders, repayment varies.</td>
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<tr>
<td><strong>Business LOC</strong></td>
<td>Line of credit allows access to funds up to credit limit, interest paid on funds used.</td>
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<tr>
<td><strong>Equipment Loans</strong></td>
<td>For equipment purchases, term typically matches equipment lifespan. Rate dependent on business strength and equipment.</td>
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<tr>
<td><strong>Business CC</strong></td>
<td>Business Credit Cards are a line of credit which can be withdrawn from and replayed as needed.</td>
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Various Types of Financing

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<td>Invoice Factoring</td>
<td>Receivables sold at a discount for cash upfront. Factoring company responsible for collecting invoice.</td>
</tr>
<tr>
<td>Invoice Financing</td>
<td>Receivables used as collateral to gain cash advance.</td>
</tr>
<tr>
<td>MCA</td>
<td>Merchant Cash Advance provides lump sum for business. Payments are either fixed bank withdrawals or a percentage of sales.</td>
</tr>
<tr>
<td>Personal Loans</td>
<td>Typically small loan with approval based on personal credit.</td>
</tr>
<tr>
<td>Micro Loans</td>
<td>Typically small loans from nonprofits and mission-based lenders process can be rigorous.</td>
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## Loans

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<tr>
<th>Financing Type</th>
<th>Pros</th>
<th>Cons</th>
<th>Best Use</th>
</tr>
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| Term Loan            | • Cash up front  
                       • High borrowing amounts  
                       • Fast funding online | • Require personal guarantee  
                       • Costs vary, online vs traditional | • Expanding business  
                       • Borrowers with good credit |
| SBA Loans            | • Possibly lowest rates  
                       • High borrowing amount  
                       • Long repayment term  | • Difficult to qualify  
                       • Tough application process | • Expanding business  
                       • Borrowers that can wait for funds |
| Micro Loans          | • Low cost  
                       • May include additional services; consulting and training  | • Small loan amounts  
                       • Possible tough eligibility requirements | • New businesses in disadvantaged communities  
                       • Borrowers looking for small amount of financing |
| Equipment Loan       | • Own equipment and build equity  
                       • Business finances and competitive rates | • May require a down payment  
                       • Loan may last longer than equipment. | • Businesses that seek to own equipment |
| Personal Loan        | • New businesses and startups can qualify  
                       • Fast funding | • High borrowing cost  
                       • Small borrowing amounts | • Borrowers with strong personal credit  
                       • Borrowers that don’t mind risking personal credit |
| Merchant Cash Advance| • Fast Cash  
                       • Unsecured | • Borrowing cost may be as high as 300%  
                       • Requires frequent payments | • Businesses with frequent and high credit card sales  
                       • Business with difficulty getting financing |
# Lines of Credit

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<tr>
<td>Business Lines of Credit</td>
<td>• Flexible borrowing&lt;br&gt;• Usually unsecured</td>
<td>• Typical associated fees; maintenance fees and draw fees&lt;br&gt;• Strong credit and revenue</td>
<td>• Unexpected expenses, cash flow management and short term financing needs&lt;br&gt;• Seasonal business</td>
</tr>
<tr>
<td>Invoice Factoring</td>
<td>• Fast cash&lt;br&gt;• Approval is faster than traditional options</td>
<td>• Costly&lt;br&gt;• Factoring company collects due invoices</td>
<td>Businesses that need cash and have unpaid invoices&lt;br&gt;Businesses with long payment terms</td>
</tr>
<tr>
<td>Invoice Financing</td>
<td>• Fast cash&lt;br&gt;• Customers do not know invoice is financed</td>
<td>• Costly&lt;br&gt;• You must still collect invoices</td>
<td>• Businesses that need cash and want to keep control over invoices</td>
</tr>
<tr>
<td>Business credit cards</td>
<td>• Earn rewards on purchases&lt;br&gt;• No collateral needed</td>
<td>• High costs and variable rates&lt;br&gt;• Additional fees</td>
<td>• Ongoing business expenses</td>
</tr>
</tbody>
</table>
“Panel of Financial Professionals”
Panelists

Che Wong
Program Manager
King County Outreach

Jimmy Ng
Vice President
Sr. Business Banking Relationship Manager

Aaron Stuesser
Vice President
Small Business Banker Manager
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