



ARE YOU READY FOR A LOAN?

# FREQUENTLY ASKED QUESTIONS



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## How do I approach BDCC or a bank to ask for a loan?

Introduce yourself and your ideas clearly. Describe your business, including its value, goals, and unique aspects. Explain your funding needs and how the loan will help you achieve your objectives. Show how you plan to **make money consistently and the amount needed to start.**

Be ready to discuss your experience, business plan, and any supporting documents that demonstrate potential success. BDCC values clarity and brevity over lengthy plans. Highlight how your idea will generate consistent revenue, not just be a hobby.

## What should I think about before borrowing money?

Before borrowing money, consider the following:

- **Purpose:** Clearly define how you will use the funds and how it will benefit your business in the future. Picture it being a year from now, two years from now... how much additional income will this business provide you and your family? How many jobs might it create for others (if any)?
- **Repayment Ability:** Assess your ability to repay the loan based on your current and projected cash flow. How does the investment amount contribute to growth in your projected cash flow?
- **Interest Rates and Terms:** What are the loan terms, including interest rates, repayment schedule, and fees? We can help walk you through this, but you must understand these basic ideas before approaching a lending officer.
- **Collateral:** Determine what, if any, collateral you can provide. Not all loans need collateral but understand that it will increase your odds of getting a loan. Be prepared to answer the questions you will get around this topic. You do not have to own a home to have a form of collateral. Have a fancy lawnmower already? Consider things your business already owns like equipment.
- **Impact:** Evaluate how the loan will impact your overall business operations and growth positively and how payments will negatively impact your costs.

# When will I be ready to talk to the BDCC Loan Officer?

You should be ready to talk to a BDCC Loan Officer when you have:

- A clear business plan or letter of interest.
- A good understanding of your funding needs and how you will use the loan.
- Basic financial statements and projections.
- A generalized plan for repayment and any possible collateral.

Note that the BDCC will work with you even if you are not ready to meet with a loan officer to support your business plan development and ideation through our technical assistance staff and area partners. Please note that this document intends to help you understand when you are ready to **specifically meet with a loan officer** from the BDCC or a bank.

## How long does it take to get a loan from BDCC?

The time to secure a loan can vary depending on the complexity of your application, your established relationship with the BDCC and when the BDCC Loan Committee is meeting next. Generally, it may take several weeks from the initial application to final approval and funding. This includes time for credit analysis & underwriting, risk assessment, and review by the BDCC Loan Committee. Sometimes, we can be pretty quick in response to urgent needs from businesses who have all their “ducks in a row”. Make sure to tell us if any timing issues might negatively affect your business if the loan decision takes longer than expected.

## What if I am not sure about borrowing money?

If you're unsure about borrowing money, that is a good thing! It means you take your financial health and the health of your business seriously. Here are some things to consider:

- Consulting with a financial, SCORE, SBDC, CWE, SEVCA or other advisor to evaluate your options.
- Assess your current financial situation and business needs.
- Checking out Credit or financial counseling programs like the one through SEVCA.
- Attending an Access to Capital event at the BDCC to learn about the process and logistics of borrowing money.
- Exploring alternative funding sources or grants.
- Beware of “too good to be true” online and predatory lenders, look local first and for places aligned with your needs.

## How is a lender evaluating my application?

Lending agencies include banks, credit unions, nonprofits, Community Development Credit Unions, and Community Development Finance Institutions and more. Each has its own criteria for evaluating applications.

Most lenders use the Four C's of Credit:

- **Cash Flow:** Your ability to make monthly payments, including income from other sources if necessary.
- **Collateral:** Assets like homes, vehicles, or equipment that can secure the loan. Inventory and receivables can also be used.
- **Credit:** Your borrowing history, including timely repayment of previous debts.
- **Character:** Your reputation and behavior, such as being organized, responsible, and reliable.

Additionally, different lenders have various programs with specific criteria. For example, BDCC collaborates with agencies like the SBA and USDA, which have different loan limits and criteria based on regional economic development priorities.

## Other vocabulary that might be helpful:

- **Access to Capital:** Access to capital refers to the ability of individuals or businesses to obtain funds or financial resources needed for investment, growth, or operations.
- **Term Loans:** Standard loans with fixed repayment periods and interest rates.
- **Revolving Lines of Credit:** Flexible credit lines that you can draw from and repay as needed.
- **Microloans:** Smaller loans designed for startups or small businesses.
- **Crowdfunding:** Crowdfunding is a method of raising small amounts of money from a large number of people, typically via online platforms, to fund a project or business.
- **Grants:** Non-repayable funds that may be available for specific projects or purposes.
- **SBA Loans:** Loans backed by the Small Business Administration with specific eligibility criteria.
- **Commercial Lenders:** provide loans and credit facilities to businesses. Their goal is to support business growth and operations by offering various types of financing, including term loans, lines of credit, and equipment financing.
- **Gap Lenders/Community Financing Institutions/CDFIs:** Gap lenders provide short-term loans to fill financial gaps in projects. CDFIs (Community Development Financial Institutions) and other community financing partners such as BDCC offer financing to underserved communities to support economic development and access to capital.
- **Creditworthiness:** Lenders assess the business's credit history, financial statements, and cash flow.

## What are some of the unwritten expectations of a lending agency that I should be aware of?

- **Timeliness:** Respond promptly to requests for information or documentation. If you need more time, simply update us on your progress. Regular updates, even if brief, show you're taking the project seriously. If delays occur, a quick update is better than no communication.
- **Transparency:** Be honest about your financial situation and business challenges. Acknowledge potential issues and your plans to address them. For example, if you need a new lawn mower, mention also needing a trailer and concerns about gas prices. We prefer to address challenges early and can suggest resources to help.
- **Commitment and Seriousness:** Show commitment to your project, including repaying the loan and managing your business responsibly. Demonstrate your understanding of how your business operates and grows.
- **Plan Ahead:** Plan as much as possible. Urgent requests are difficult to process quickly for new clients.

## What is KIVA?

KIVA is a non-profit organization that provides microloans. For the lendee, Kiva works by allowing you to apply for a microloan through a local partner, who helps assess your needs and project viability. Once the loan is approved, it is listed on the Kiva platform where lenders from around the world can fund it. After the loan is fully funded, the money is disbursed to the lendee, who uses it for their business or project and repays the loan over time. entrepreneurs and small businesses in developing countries and underserved areas. BDCC is a local partner that helps identify borrowers, assess their needs, and manage the loan process to ensure that funds are used effectively.

## In addition to lending, what else does BDCC provide to individuals starting, growing or stabilizing a business?

One of the valuable resources BDCC brings to the Windham Region is our own dedicated Business Technical Assistance Provider (BTAP), entrepreneurial programs/training, and support through the life cycle of your business.

Support may include counseling, in-person and remote, focusing on feasibility, financial, regulatory, and operational guidance, and technical assistance on the various aspects of starting and expanding a successful small business.

# Loan Applicant Hard Copy Checklist

Business Name: \_\_\_\_\_

Completed: \_\_\_\_\_

## Loan Pre-App:

- |   |  |
|---|--|
| <input type="checkbox"/> Loan Application   | <input type="checkbox"/> Personal Tax Returns - Prior 2 Years  |
| <input type="checkbox"/> Summary / Statement of Need (Included in your application) | <input type="checkbox"/> Income Statements                     |
| <input type="checkbox"/> Full Business / Project Plan                               | <input type="checkbox"/> Balance Sheets                        |
| <input type="checkbox"/> Budget & Timeline (Included in your application)           | <input type="checkbox"/> W-9                                   |
| <input type="checkbox"/> Resume   | <input type="checkbox"/> Certificate of Insurance              |
| <input type="checkbox"/> Vermont Secretary of State Registration                    | <input type="checkbox"/> Credit Report (You can pull your own) |
| <input type="checkbox"/> Proof of Business Bank Account                             |  |

## Additional requests after review of the above:

- Additional Business Information Questionnaire
- Personal Finance Statement
- Proof of Identification
- No Credit Elsewhere Form