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1. Understand what all funding sources have in common and what they want to know.
2. Identify sources of funding and understand the pros and cons of each.
  - Banks and Credit Unions
  - Government Sponsored Sources
  - On-Line Lenders
  - Loan Brokers or Loan Matching Sites
  - Crowd Funding
3. Understanding the documentation being requested?
  - Loan Application
  - Personal Financial Statement
  - Tax returns Business and Personal
  - Debt schedule for the business

# The Five C's of Credit:

1. Character
2. Credit
3. Collateral
4. Capital
5. Conditions

# Character

What is your background and experience?

- ❖ Your personal history and your company's history
- ❖ Your experience and qualifications
- ❖ Your repayment history
- ❖ Your reputation

# Credit

What is your history of repayment and future projection of repayment?

- ❖ Your personal credit score and report
- ❖ Your business credit report
- ❖ Your history of successful operations
- ❖ Your projection of future revenue and expenses that shows the ability to repay.

# Collateral

What business or personal assets will be pledged as collateral?

- ❖ Do you have collateral?
- ❖ Amount of collateral
- ❖ Collateral quality
- ❖ Do you have a co-guarantor?

# Capital

How much are you contributing?

- ❖ Have all the costs been identified?
- ❖ Does the borrowing amount make sense?
- ❖ What is the ratio of owner funds to total project costs?

# Conditions

What industry are you in?

- ❖ Are economic conditions favorable for your industry and business?
- ❖ Could your business survive an economic downturn?
- ❖ Do you have a cash reserve for your business?



# Sources of Funds

1. Banks and Credit Unions
2. Government Sponsored Sources
3. On-Line Lenders
4. Loan Brokers or Loan Matching Sites
5. Crowd Funding
6. Friends and Family

# Banks and Credit Unions

## Pros:

1. Personal attention and service
2. Variety of products
3. Grows with your business
4. Someone to talk with when things don't go as planned

## Cons:

1. Minimum 2 to 3 years in business
2. Solid financial statements
3. Five C's are positive and strong

# Government Sponsored Sources

## Examples

- ❖ Meridian Management Group ([mmgcapitalgroup.com](http://mmgcapitalgroup.com))
- ❖ MD Dept. of Housing & Community Development ([dhcd.maryland.gov](http://dhcd.maryland.gov))
- ❖ FSC First ([fscfirst.com](http://fscfirst.com))
- ❖ WACIF ([wacif.org](http://wacif.org))
- ❖ LEDC ([ledcmetro.org](http://ledcmetro.org))
- ❖ Life Asset

# Government Sponsored Sources

## Pros:

- ❖ Smaller loan amounts
- ❖ Relaxed credit standards (one of more of 5C's is weak)
- ❖ Personal attention and service

## Cons:

- ❖ Must meet specific qualifying criteria (such as residency, minority status, etc.)
- ❖ Small loan size
- ❖ Inconsistent funding availability

# On-Line Lenders

## Examples

- ❖ Ondeck ([ondeck.com](http://ondeck.com))
- ❖ Kabbage ([kabbage.com](http://kabbage.com))
- ❖ Funding Circle ([fundingcircle.com](http://fundingcircle.com))
- ❖ SmartBiz ([smartbizloans.com](http://smartbizloans.com))
- ❖ Lendistry ([lendistry.com](http://lendistry.com))

# On-Line Lenders

## Pros:

- ❖ Short application process
- ❖ Less paperwork requirements
- ❖ Data driven approach
- ❖ Lend Smaller loan amounts
- ❖ Will work with younger businesses
- ❖ Often do not require specific collateral

## Cons:

- ❖ Approvals based upon formula
- ❖ No personal attention
- ❖ No one to help when things go wrong

# Loan Matching Site Loan Brokers

## Examples

- ❖ NAV ([nav.com](http://nav.com))
- ❖ SBA Linc ([sba.gov/tools/linc](http://sba.gov/tools/linc))
- ❖ BoeFly ([boefly.com](http://boefly.com))
- ❖ Fundera ([fundera.com](http://fundera.com))
- ❖ Lendio ([lendio.com](http://lendio.com))

# Loan Matching Site

## Loan Brokers

### Pros:

- ❖ Filters financial information and suggests best lending option
- ❖ Can help find lenders not known to you
- ❖ No cost to the borrower

### Cons:

- ❖ Must still apply with each lender selected
- ❖ Often still dealing with traditional lenders and requirements.



# Crowd Funding

## Types

1. Reward-Based: Backers receive early version of product or service.  
Sites: Kickstarter or Indiegogo
2. Equity: Individuals invest in return for an ownership share of the company.
3. Debt: Backers provide businesses with loans in exchange for interest. Sites: Kiva
4. Donor Based: GoFundMe.

# Crowd Funding

## Need to know

1. Time consuming
2. Product type matters
3. Requires good marketing
4. Be aware of costs and funding conditions
5. May be taxable

# Personal Financial Statement

<b>PERSONAL INFORMATION</b>					
<b>APPLICANT (NAME)</b>			<b>CO-APPLICANT (NAME)</b>		
Employer and Address			Employer and Address		
Business Phone No.	No. of Years with Employer	Title/Position	Business Phone No.	No. of Years with Employer	Title/Position
Previous Employer & Position		No. of Yrs.	Previous Employer & Position		No. of Yrs.
Home Address			Home Address		
Home Phone No.	Social Security No.	Date of Birth	Home Phone No.	Social Security No.	Date of Birth
Email address:					
Accountant and Phone #			Accountant and Phone #		
Attorney and Phone #			Attorney and Phone #		
Investment Advisor/Broker and Phone #			Investment Advisor/Broker and Phone #		
Insurance Advisor and Phone #			Insurance Advisor and Phone #		
Marital Status: Single Married Divorced Widowed			Marital Status: Single Married Divorced Widowed		

# Personal Income

ANNUAL INCOME	SOURCES*	AMOUNT (\$)
Salary (applicant)		
Salary (co-applicant)		
Bonuses & Commissions (applicant)		
Bonuses & Commissions (co-applicant)		
Rental Income		
Interest Income		
Dividend Income		
Proceeds from Sales		
Partnership Income		
Other Investment Income		
Other Income (List)**		
<b>TOTAL INCOME (\$)</b>		

ANNUAL EXPENDITURES		AMOUNT (\$)
Federal Income and Other Taxes		
State Income and Other Taxes		
Rental Payments, Co-op, or Condo Maintenance		
Mortgage Payments	Residential	
	Investment	
Property Taxes	Residential	
	Investment	
Interest and Principal Payments on Loans		
Insurance (Home, Health, Vehicles)		
Investments (including tax shelters)		
Alimony/Child Support		
Meals and Food		
Tuition		
Contributions and Gifts		
Medical Expenses		
Other Living Expenses		
Other Expenses (List)		
<b>TOTAL EXPENDITURES (\$)</b>		

# Balance Sheet

<u>ASSETS</u>	<u>AMOUNT</u> <u>(\$)</u>	<u>LIABILITIES</u>	<u>AMOUNT (\$)</u>
Cash in this Bank(List) (including money market accounts, CD's)		Notes Payable to this Bank	
		Secured	
Cash in Other Financial Institutions (List) (including money market accounts, CD's)		Unsecured	
		Notes Payable to Others (Schedule E)	
		Secured	
		Unsecured	
Readily Marketable Securities (Schedule A)		Accounts Payable (including credit cards)	
Non-Readily Marketable Securities (Schedule A)		Margin Accounts	
Accounts and Notes Receivable		Notes Due: Partnership (Schedule D)	
Cash Surrender Value of Life Insurance (Schedule B)		Life Insurance Loans (Schedule B)	
Residential Real Estate (Schedule C)		Taxes Payable	
Real Estate Investments (Schedule C)		Mortgage Debt (Schedule C)	
Partnerships/PC Interests/S Corporations (Schedule D)		Other Liabilities (List)	
IRA, Keogh, Profit Sharing and other Vested Retirement Accounts			
Deferred Income (# of yrs. deferred ____)			
Personal Property (including automobiles)			
Sole Proprietorship Assets:			
Accounts Receivable			
Inventory			
Fixed Assets			
Other Assets (List)			
		<b>TOTAL LIABILITIES</b>	
		<b>NET WORTH</b>	
	\$		\$



# Insurance

<b>Schedule B—Insurance</b>						
<b>Life Insurance</b> (use additional sheets if necessary)						
<b>Insurance Company</b>	<b>Face Amount of Policy</b>	<b>Type of Policy</b>	<b>Beneficiary</b>	<b>Cash Surrender Value</b>	<b>Amount Borrowed</b>	<b>Ownership</b>

<b>Disability Insurance</b>	<b>Applicant</b>	<b>Co-Applicant</b>
Monthly Distribution if Disabled		
Number of Years Covered		





# Other Businesses Ownership

Schedule D—Partnerships and S Corporations (less than majority ownership for real estate partnerships)*						
Type of Investment	Date of Initial Investment	Cost	% Owned	Current Market Value	Balance Due on Partnerships: Notes, Cash Call	Current Year Investments
<b>Business/Professional (indicate name)</b>						
<b>Investments (including tax shelters)</b>						



# Legal Questions

Please Answer the Following Questions:	YES	NO
1. Are you a United States Citizen?		
2. Income Tax returns filed through (date): _____		
Are any returns currently being audited or contested? If so, what year?		
3. Have (either of) you or any firm in which you were a major owner ever declared bankruptcy?		
If Yes, please provide details: _____		
4. Have you ever drawn a will		
If Yes, please furnish the name of the executor(s) and year will was drawn:		
5. Are you a participant (officer, director, partner, etc.) in any other business venture?		
6. Do you serve as a director, executive officer or own more than 10% of the voting shares of any banking organization?		
7. Number of dependents (excluding self) and relationship to applicant: _____		
8. Do you live in a community property state?		
9. Have you ever had a financial plan prepared for you?		
10. Did you include two years federal and state tax returns?		
11. Do (either of) you have a line of credit or unused credit facility at any other institution?		
If so, please indicate where, how much and name of banker: _____ _____		
12. Do you have ownership of an LLC, trust or other assets protection device?		
13. Do you anticipate any substantial inheritances?		
If yes, please explain: _____ _____ _____		

# Business Cash Flow

Statement Type:	INTERNAL	INTERNAL	INTERNAL
Date of Statement	12/31/2021	12/31/2022	12/31/2023
Revenues (Sales)		\$250,000	\$250,000
Cost of Goods Sold		\$101,000	\$101,000
Less Expenses		\$99,000	\$145,000
Net Income	\$0	\$50,000	\$4,000
Plus Depreciation			
Plus Interest			
Cash Flow	\$0	\$50,000	\$4,000
DEBT PAYMENTS		\$24,000	\$24,000
Debt Service Coverage Ratio	#DIV/0!	2.08	0.17
Cash & Cash Equivalents			
Total Assets			
Total Liabilities			
Equity (Net Worth)	\$0	\$0	\$0

# Personal Cash Flow

Personal Cash Flow	2019 PTR	2020 PTR	2021 PTR	2022 PTR
Wages				\$ -
Interest Income			\$ -	\$ -
Taxable Refunds	\$ -	\$ -	\$ -	\$ -
Business Income (Schedule C)	\$ -			\$ -
Rental Income (Schedule E)			\$ -	\$ -
Other Income (Retirement Disbursement)	\$ -			
Less: FICA & Medicare				\$ -
Less: Federal & State Income Tax				\$ -
Less: Personal Living Expenses				\$ -
<b>Net Income (Cash Flow)</b>	\$ -	\$ -	\$ -	\$ -
Less: Personal Debt Service				\$ -
Less: Proposed Debt Service	\$ -	\$ -	\$ -	\$ -
<b>Total Debt</b>	\$ -	\$ -	\$ -	\$ -
<b>Coverage</b>	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

# Personal Balance Sheet

<u>Assets</u>		<u>Liabilities</u>	
Cash		Credit Cards	
Marketable Securities		Mortgage-Residence	
Residence		Mortgage-Rentals	
Rental Real Estate		Term Notes	
CSVLI		Auto	\$0
IRA		<b>Total Liabilities</b>	<u>\$0</u>
Personal Property		<b>Net Worth</b>	\$0
<b>Total Assets</b>	\$0	<b>Total Liabilities &amp; Net Worth</b>	<b>\$0</b>

# Global Cash Flow

Global Cash Flow	2019 TR	2020 TR	2021 TR	2022 TR
This Business Net Income				
Personal Net Income				
Other Personal Net Income				
Other Business Net Income				
<b>Net Income (Cash Flow)</b>	\$ -	\$ -	\$ -	\$ -
Less: Personal Debt Service				
Less: Existing Debt Service				
Less: HBM Proposed Debt Service	\$ -	\$ -	\$ -	\$ -
<b>Total Debt</b>	\$ -	\$ -	\$ -	\$ -
<b>Coverage</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>



THANK YOU ALL!!

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