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**Small Business Financing Options:**

**Traditional loans:**

* A traditional business term loan is a lump sum of capital that you pay back with regular repayments at a fixed interest rate.
* The set repayment term length will typically be one to five years long. Most business owners use the proceeds of term loans to finance a specific, one-time investment for their small business.
* Criteria for Business Loans typically include turnover and profit, bank statements, filed accounts, loan amount vs. turnover, Trading history, Payment History.
* Banks usually require strong personal and/or business credit scores, a personal guarantee (making you essentially a co-signer on the loan), collateral, and healthy financials.
* The loan process can last about one to three months
* Banks often prefer larger loans, since the larger the loan the more profit they make.

***Pros:***

Very low, fixed interest rates

Predictable monthly payments

Helps build business credit

Professional banker relationship

Lending available for many uses

***Cons:***

Lengthy paperwork

Longer wait time

Requires strong credit

Usually requires specific collateral

**SBA loans** (which can come from a traditional lender or a CDC):

* CDC is: Certified Development Company, a U.S. Small Business Administration program designed to provide financing for the purchase of fixed assets.
* SBA (Small Business Association) works with lenders to provide loans to small businesses.
* The agency doesn’t lend money directly to small business owners. Instead, it sets guidelines for loans made by its partnering lenders, community development organizations, and micro-lending institutions.
* SBA reduces risk for lenders and makes it easier for them to access capital. That makes it easier for small businesses to get loans.
* There are many different types of loans available through the SBA such as:
	+ 7(a) Loans
	+ 504 loans
	+ Microloans.
* The Benefits of SBA-Guaranteed loans: rates and fees are generally comparable to non-guaranteed loans, lower down payments, flexible overhead requirements, and no collateral needed for some loans.

**Micro loans:**

* Microloans are small loans that are issued by individuals rather than banks or credit unions.
* Can be issued by a single individual or aggregated across several individuals who each contribute a portion of the total amount.
* Microloans are smaller loans up to $50,000 to help small businesses start up and expand.
* Interest rates vary depending on the intermediary lender but are generally between 8% and 13%.
* SBA Microloans are eligible to individuals with:
	+ For-profit small business
	+ Average credit
	+ Ability to repay the loan
	+ Collateral and personal guarantee
	+ Good character (no criminal history)

**Gap lending:**

* Gap financing, as its name suggests, is a kind of loan which is granted for the purpose of fulfilling a financial obligation in the meantime, while the borrower is in the process of securing sufficient funds to make a full payment or find a more stable financing scheme.
* A funding gap is the difference between the money required to begin or continue operations, and the money currently accessible.
* Funding gaps are common in very young companies, who may underestimate the amount of capital needed to sustain production until a workable cash flow has been established.
* A funding gap is the amount of money needed to fund the ongoing operations or future development of a business or project that is not currently funded with cash, equity, or debt. Funding gaps can be covered by investment from venture capital or angel investors, equity sales, or through debt offerings and bank loans.
* Gap financing is leading up to about 20% of the total project.

**Crowdfunding:**

* Crowdfunding is a way to raise funds for a specific cause or project by asking a large number of people to donate money, usually in small amounts, and usually during a relatively short period of time, such as a few months.
* There are two main models or types of crowdfunding: Donation-based funding and investment crowdfunding.
* Crowdfunding is typically done online, through crowed funding sites such as GoFundME, Kiva, Kickstarter, Indiegogo and many more.
* Loan-based crowdfunding means that investors get their money back, usually with interest while investment-based crowdfunding, people put money in, usually for a share of your business

**Grants:**

* A business grant is money awarded to businesses in need. Unlike loans, grants don't have to be paid off. The money is not being borrowed. There is no interest attached. Grants are GIVEN to businesses with no expectation of return.
* Small business grants can come from the federal government, state government, local government, and corporations.
* Doing all of the research to find the right grants for your business can be most of the battle. A database of over 15,000 available grants to make your research as seamless and simplified as possible. Once you’ve found the right grants, the application process can take time to complete. Competition may stiff, so spend whatever time is needed to truly portray why your company is deserving

**Personal investment:**

* Otherwise known as bootstrapping, self-funding lets you leverage your own financial resources to support your business.
* Self-funding can come in the form of turning to family and friends for capital, using your savings accounts, or even tapping into your 401(k).
* With self-funding, you retain complete control over the business, but you also take on all the risk yourself.
* Be careful not to spend more than you can afford and be especially careful if you choose to tap into retirement accounts early. You might face expensive fees or penalties or damage your ability to retire on time — so you should check with your plan’s administrator and a personal financial advisor first.