



Alternative Finance /Loan Packaging


Kris Jerke – Platte Valley State Bank
Eugene Rahn – Rural Enterprise Assistance Project
Glennis McClure – Nebraska Enterprise Fund

MarketPlace Conference
February, 2012

Importance of Entrepreneurship in NE

- ▶ 85% of businesses are microenterprise (factoring in non-employers). Over 90% of businesses in rural counties are microenterprise.
- ▶ In Nebraska, if 1 in 3.5 micro businesses hired one employee, the state would be at full employment. *(Association for Enterprise Opportunity, 2011)*

Alternative Finance / Collaborative Packaging?

- ▶ What is it?
 - ▶ What does it look like?
 - ▶ Why is it important?
 - ▶ How to leverage multiple sources of funds
- 

Small Business Loans from One Banker's Perspective

The C's

that Lenders /Investors Consider

- ▶ **Credit & Financial History**
- ▶ **Character**
- ▶ **Capacity – ability to repay**
- ▶ **Collateral**
- ▶ **Conditions – future economic trends**
- ▶ **Capital – time & money**

Loan or Investor Request

- ▶ Amount needed
- ▶ Uses of the fund\$
- ▶ Terms – Type of loan or request
- ▶ Collateral
- ▶ Financial performance measures

**Understand lending /investor
policies and requirements**



Capital Sources

See Capital Sources handout for complete listing

- ▶ Banks
- ▶ SBA
- ▶ USDA
- ▶ Revolving Loan Funds
- ▶ Alternative lenders
 - Microenterprise Development Organizations –
 - REAP is the largest micro-lender in Nebraska
 - CDFIs
 - NEF serves as Statewide Intermediary

REAP Services – An Overview

- ▶ Technical Assistance
- ▶ Micro Loan Fund Access
- ▶ Networking – Roundtable Groups
- ▶ Business Training



Collaborative Loan Example

- ▶ Start up service business
- ▶ Purchase of real estate, tools & equipment
- ▶ Lenders—bank & development district
- ▶ Business plan & financial projection assistance by REAP



Collaborative Loan Example

- ▶ Start up service business
- ▶ Purchase of real estate, office equipment & working capital
- ▶ Lenders—bank, local RLF & REAP
- ▶ Business plan & financial projection assistance by REAP



Collaborative Loan Example

- ▶ Purchase of an existing retail business
- ▶ Purchase included real estate, equipment and inventory
- ▶ Lenders—bank (SBA guaranty) & REAP
- ▶ Business plan & financial projection assistance by REAP



To Collaborate is to Work Together Toward a Common End

**Collaboration is helpful, positive,
responsible work.**

Loan packages are examples of collaboration!



Keys to Collaboration

- ▶ Common Purpose
 - To facilitate loans & assistance for small businesses success
- ▶ Value each Partner
 - It's not competition
- ▶ Clear Communications
 - Determine financing gaps
 - Minimize risk to lenders



How does NEF help make more capital available to micro businesses?

- **Loans and LLR Funds to program partners that lend**

Micro-programs

Community development loan funds

- **CD Guarantee Loan Product**

Collaboration with banks

- **Direct lender to business – help fill direct financing gaps**

Collaboration with programs and banks

Supporting Micro /Small Business Development

Sharing the message of the value
of micro/small businesses





Recent KC-Fed TEN article,
“Caught in the Grind – What can
spark small business lending?”

[http://www.kc.frb.org/publicat/ten/
pdf/winter2012/TENComplete.pdf](http://www.kc.frb.org/publicat/ten/pdf/winter2012/TENComplete.pdf)

Rief Design & Manufacturing, LLC

UNL Mechanized Systems Grad Stays in State – Grows Rural Business

Owners: Adam & Steve Rief

Location: Cuming County

Business website: www.riefdesign.com

Programs – NEF CD Guarantee, NED Inc., First National
Bank – NE

NEF & Platte Valley



Examples



www.industrialoutfitters.com

www.facebook.com/TheChocolateBarGI



Recent business expansion – received large Menards contract

- *Woman owned business
- *Needed significant operating capital – for supplies, labor and cost of goods
- *Plus needed \$\$ for equipment
- *Good relationship with local bank
- *Purchase order in hand – collateral
- *SBA Express (guaranteed ½ of bank loan)
- *NEF CD guarantee used and a personal CD as security.
- *Personal guarantors and home real estate pledged on one loan.

Two programs and a bank worked together to get this done!



Build A Business Plan

Include marketing analysis
& strategy

Income & Expense history

Projections / proformas
Cash flow (month to month)

Break-even point

Balance sheets
(business & personal)

Attachments – contracts,
leases, agreements



What is your “skin in the game”?

- I can give up _____
- I could sell this _____
- I could borrow against this _____

Earn it
Share it



Resources:

Nebraska Enterprise Fund: www.nebbiz.org
intake /application form

REAP Business plan format & financials template –
<http://www.cfra.org/reap/forms>

Platte Valley State Bank – Grand Island & Kearney
www.pvsb.com

SBA Business Plan - www.sba.gov
Template - <http://web.sba.gov/busplantemplate/BizPlanStart.cfm>

SCORE Business Plan Template page -
<http://www.score.org/resources/business-plans-financial-statements-template-gallery>