

National resources and policy updates for small businesses impacted by COVID-19

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About Small Business Majority

- **Small business education and advocacy organization** – founded and run by small business owners. Been in business since 2005.
- **National** – 6 offices in Washington, D.C., California, Colorado, Illinois, Maryland and Virginia
- **Focus on issues of top importance to small businesses** (<100 employees) and the self-employed, including access to capital, healthcare, retirement, entrepreneurship, taxes and more; work supported by extensive research
- Our online resource hub located at **Venturize.org** brings resources and education to small business owners in key areas of running and growing a small business.

About Small Business Majority: Our Model

RESEARCH

Start with extensive research (polling, economic studies) to gauge small business owner views and speak to their bottom line



EDUCATION

Partner with business groups to hold seminars and roundtables to educate small business owners and get their personal views



ADVOCACY

Enact change by elevating small business views in public policy debates



NETWORK

Use real small business voices with lawmakers and the media
(more than 20,000 earned media hits)





Introduction



John Arensmeyer
Founder and CEO
Small Business Majority

Policy updates

Developments and recommendations to support small business



- **Phase 1:** President signed Coronavirus Preparedness and Response Supplemental Appropriations Act
 - Provides **\$8.3 billion** in emergency funding for federal agencies to respond to the coronavirus outbreak
 - Enables the Small Business Administration to make an estimated \$7 billion in low-cost loans to affected small businesses
- **Phase 2:** President signed the Families First Coronavirus Response Act
 - Creates the Emergency Family and Medical Leave Expansion Act and the Emergency Paid Sick Leave Act
 - Secretary of Labor can **exempt** businesses with fewer than 50 employees from the emergency family and medical leave expansion's requirements

Policy updates

Developments and recommendations to support small business



- Congress is discussing **Phase 3**, which is a larger stimulus package of **\$1 trillion** that could include more money for small business emergency loans.
- We are urging Congress and the President to do the following:
 - Pass a sizeable **bailout** for **small businesses** so they can keep making payroll, keep their doors open and avoid mounting debt.
 - **Expand unemployment** insurance, but guarantee that small businesses do not have to pay the inevitably high price-tag.
 - Ensure the **Economic Injury Disaster Loan** process, and other forms of federally-funded access to credit, is efficient and quick so that small businesses don't have to wait months to keep their businesses afloat.
 - Enact policies **NOW** that keep small businesses safe from predatory lending while they try to identify new forms of credit to keep their businesses open.

> Topics of discussion

The funding landscape:

- SBA-backed loans
- Community development financial institutions (CDFIs)
- Community banks & credit unions
- Alternative online lenders

Small Business Borrowers' Bill of Rights

Resources, tools and how to get involved



The funding landscape

SBA Disaster Relief Program



How do I apply?

- The fastest way to get a decision is to apply online at disasterloan.sba.gov

How it works

- These loans offer great rates and terms: 3.75% fixed for up to 30 years. Total term will be determined on a case-by-case basis.
- Your state must declare a disaster for you to be eligible. Most are filing; check with your state before applying



The funding landscape

SBA Disaster Relief Program



- **What information will I need?**
 - Contact information for yourself and your business
 - Business location and history (date established, revenues)
 - A personal financial statement
 - Insurance information (if any)
 - Monthly historical sales figures
 - Estimated amount of loss
 - Estimated revenue and expenses during disaster period
 - List of liabilities (loans, mortgages, accounts payable)
 - Most recent business tax return



The funding landscape

SBA Disaster Relief Program



How long will a decision take?

- The SBA expects decisions will be made within 2-3 weeks.

Paper forms

- If filing online is not an option, paper forms can be downloaded [here](#).



disasterloan.sba.gov



The funding landscape

SBA loan programs (guarantee)



The **SBA** guarantees a portion of loans to provide incentive for institutions to approve loans to small businesses that are riskier borrowers and not poised to obtain traditional bank loans

- SBA is not a lender, but a **guarantor**
- Loans cover a wide range of uses incl. start-ups, working capital, inventory, real estate, equip, etc.
- Primary programs: 7(a) and CDC/504
- Programs also available for **microloans**, disaster relief, export assistance and veteran and military



The funding landscape

SBA loan programs (cont.)



What you need to know

- Very competitive rates
 - Longer loan terms
 - No balloon payments
- Work with SBA lender to gather required documentation
 - Review application checklist

Resources:

- Find an SBA approved-lender near you: www.sba.gov/lendermatch
- Partners: SCORE, Women's Business Centers, SBDCs

The funding landscape

Community development financial institutions

- **Community development financial institutions (CDFIs)** offer loans (usually less than \$250k) for entrepreneurs who are typically ineligible for traditional bank loans; may be used for wide range of business purposes
- CDFIs are dedicated to responsible affordable lending to **underserved** entrepreneurs and **low-income** communities
 - Revolving loan funds through private and gov't funding
 - Often provide **in-depth support** that includes mentoring and technical assistance
 - Many CDFIs offer **microloan** programs, loans less than \$50K



The funding landscape

Community development financial institutions



+ Pros

- Competitive rates
- Great for entrepreneurs unable to secure traditional bank loans
- CDFIs usually offer add'l business technical assistance support

– Cons

- Smaller value loans may not be sufficient
- Personal collateral and guaranteed often required

Resource:

Opportunity Finance Network is a national membership organization of CDFIs across the country. Find a CDFI near you:

ofn.org/cdfi-locator



The funding landscape

Alternative online lenders

- A new breed of online lenders are innovating small business lending, expanding new options for entrepreneurs
 - Simple, streamlined application process
 - Quick approval and delivery of funds
 - Use of **technology** and new sources of **social data** to assess risk
 - Online lending is largely **unregulated** at this point
 - Typically higher interest rates than banks
- **Not all online lenders are equal** and some mask very high rates



Small businesses must proceed with caution!



The funding landscape

Online cash flow lenders



- Online cash flow lenders generally offer **short-term** loans, typically used for **working capital**
 - Short-term (6-12 months); high interest (20-50%+)
 - Non-traditional underwriting algorithms incl. social, online data
- Loan payments are made by **daily deductions** of a fixed amount or percent of sales, rather than citing interest rate; **require access** to business bank account or payment systems
- Be cautious of **opaque pricing**, high interest rates



The funding landscape

Merchant cash advance

A **merchant cash advance** (MCA) provides cash upfront in exchange for a portion of future sales; provider takes a **percentage of credit card/debit sales** daily until the loan, plus a premium, is paid back

- Not technically lenders but credit card payment processors
- **Quick** and **unsecured** funds at a **high price**
- Akin to payday loans for small businesses





The funding landscape

Merchant cash advance



Tips

- MCAs should be a **last resort**
- Be cautious of **deceptive and aggressive sales/advertising**
 - Keywords: Fast cash, no credit score, no collateral needed
- **Proper cash flow planning** is highly recommended
- Carefully review and understand all **fees, terms and penalties**



The funding landscape

Crowdfunding



- In crowdfunding, entrepreneurs **raise funds by reaching out to a large number of people (investors) through an online platform.**
 - Lots of **smaller sums of money** takes the place of one or two large investors
- Entrepreneurs **create an online campaign** about their venture/idea, indicate amount of money they're seeking, what it'll be used for, and what contributors (or investors) will get in return.
 - The best campaigns **inspire people to donate or invest.**
 - Resource: kiva.org/borrow

> Topics of discussion

The funding landscape:

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Small Business Borrowers' Bill of Rights

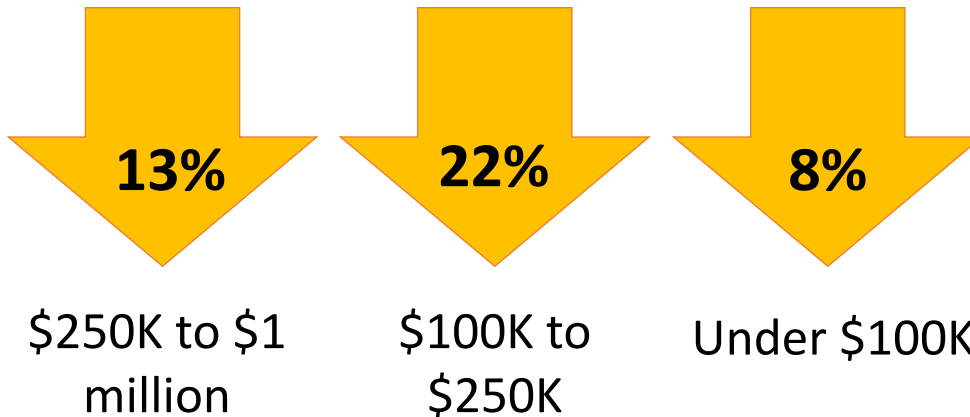
Resources, tools and how to get involved

> Small Business Borrowers' Bill of Rights

Predatory lending – a growing problem



Since the recession, there has been a **steady decline in small business bank lending**.



- > Alternative lenders have stepped in to fill the void through high-cost, short term online funding options (approx. \$3 billion). Operating in a largely unregulated space there has been an increase in predatory small business lending practices.
- Something had to be done to ensure transparency, fairness and accountability in small business financing.

Small Business Borrowers' Bill of Rights



SMALL BUSINESS BORROWERS' BILL OF RIGHTS

The six principles

1. The Right to Transparent Pricing and Terms
2. The Right to Non-Abusive Products
3. The Right to Responsible Underwriting
4. The Right to Fair Treatment from Brokers
5. The Right to Inclusive Credit Access
6. The Right to Fair Collection Practices

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Policy updates

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Small Business Borrowers' Bill of Rights

Resources, tools and how to get involved

> Resources, tools and how to get involved COVID-19 resource portal



Visit our online resource hub:

www.smallbusinessmajority.org/covid-19-daily-updates-for-small-businesses

Find state and national daily resources, links to upcoming webinars and policy updates surrounding the COVID-19 outbreak on our website.



> Resources, tools and how to get involved

Venturize



Visit our online resource hub:
www.Venturize.org/access-capital

Venturize.org is a free online resource hub for small business owners like you who need help accessing tools and resources to grow their businesses. Venturize offers unbiased information about small business loans, retirement and healthcare.



Resources, tools and how to get involved

MatchFinder



- A short set of questions will connect **California small businesses** to lenders that prioritize supporting small businesses and offer more affordable terms than many traditional financial institutions.
- All lenders are our long-standing partners who share our mission: to ensure small businesses can get affordable, responsible sources of capital to start, grow and sustain their enterprises.

matchfinder.venturize.org

A screenshot of the MatchFinder website interface. At the top, there is a dark grey header with the "venturize" logo (a green 'v' in a circle) and the text "Powered by Small Business Majority". Below the header, the main content area has a white background. It features the heading "LET US CONNECT YOU WITH RESPONSIBLE LENDERS" in blue. Underneath, there is a section titled "How it works" with three numbered steps: 1. Fill out the questionnaire, 2. Get matched with lenders, and 3. Assess your options. Each step has a brief description. At the bottom, there is a section titled "Step 1 of 4: Tell Us About Yourself" which contains two input fields labeled "First Name" and "Last Name".

venturize
Powered by Small Business Majority

LET US CONNECT YOU WITH RESPONSIBLE LENDERS

How it works

- 1. Fill out the questionnaire**
Fill out the following online questionnaire. You will need some basic financial information, such as your personal credit score and your business revenues and projections. There is no credit pull associated with filling out your application.
- 2. Get matched with lenders**
Venturize will match you with leading mission-driven lenders in our network. Matched? Great! The lender you select will review your application, request additional materials, and may pull your credit and give you an offer.
- 3. Assess your options**
Not matched? We're still going to help you by connecting you to the best business assistance centers and the online resources that will help you grow, get organized and get that loan.

Step 1 of 4: Tell Us About Yourself

First Name *

Last Name *

> Resources, tools and how to get involved

Other help for your business



- We partner with a wealth of local nonprofit business assistance organizations who can help with other business issues during this time. Visit the Venturize homepage and select your state to find providers near you, including the entire network of Small Business Development Centers.
- Our partner Pacific Community Ventures is offering free remote business assistance on any topic: www.businessadvising.org
- Community Reinvestment Fund, a national CDFI, offers connect2capital.com, another CDFI matching tool.

> Resources, tools and how to get involved

Become a small business spokesperson



- We're dedicated to ensuring that lawmakers and the media hear from real small business owners about how they're being impacted by COVID-19.
- Join our [sign on](#) campaign and call on Congress to bail out Main Street.
- Share your story about how COVID-19 has impacted your business by filling out our [online form](#).



> Resources, tools and how to get involved
Contact your member of Congress



Contact Your Representative:

<https://www.house.gov/representatives/find-your-representative>

Contact Your Senator:

https://www.senate.gov/general/contact_information/senators_cfm.cfm



Questions?



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Small Business Majority

www.smallbusinessmajority.org

Venturize Access to Capital Resource Portal

www.venturize.org/access-capital

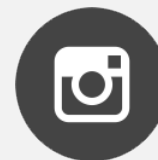
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