

Newsletter

Nov 2020



Financing at the speed of business!

RBAC's mission is to foster economic development and entrepreneurship by providing loan capital through SBA financing and business mentoring.

The #1 504 & Community Advantage Lender in NJ again

(5 years in a row). We also offer our services in PA and NY.



Success Story

Fashion Designer Crystal Kodada



Owner and handbag designer Crystal Kodada's mission is to create elegant, efficient handbags that attract women seeking quality and innovation. Her passion is to empower and inspire people beyond the purse. Designed with her customers in mind, every Crystal Kodada handbag is built around the principle of attainable, everyday luxury and making the lives

of her customers beautifully simple. Functional can be fashionable; should be sensible and versatile! Designed and handcrafted in New Jersey with the highest sustainable quality full-grain leather; these are handbags you can be proud to carry for multiple

Success Story



reasons! With RBAC's SBA loan support, Crystal could fund her local production run on her newest design, The "Freedom Backbag." And consolidate all her credit cards, which significantly reduced her overhead.

Since COVID-19, Crystal had the opportunity to work alongside digital marketing coach Tatiana Orozco, and Ralph Perez, RBAC's Technical Assistance Officer. With this power team, Crystal was taught to implement a solid e-commerce conversion funnel foundation, optimize her website, discover her real authentic buyer personas, and effectively communicate with her target audience in a meaningful way. Thanks to this talented

team at RBAC, the Crystal Kodada handbag brand can produce a memorable virtual shopping experience that will take her business to another level!

CRYSTAL
KODADA

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What is a microloan and how does it work?



In the realm of business lending, there are loads of small business loan options. Each loan type has its own stipulations and payment periods, interest rates, and qualification requirements. Microloans are no different. A microloan is a small loan ranging from \$1,000 to \$50,000 that must be paid back on a short-term basis. Generally provided by nonprofit organizations, such as RBAC, these loans make up only a small fraction of business loans in the U.S. These loans tend to have interest rates between 6% and 10%, with the intent of helping small businesses get off the ground or continue growing.

In many instances, the U.S. Small Business Administration provides the funding for microloans to nonprofit organizations to act as an intermediary

lender through the SBA microloan program. RBAC is an intermediary lender and a designated and certified CDFI (Community Development Financial Institution). Though the SBA's loan program does not "review, underwrite, or have the authority to approve or deny a microloan," the government agency does set guidelines for the microloan program, such as the previously mentioned \$50,000 maximum amount. Other regulations include a maximum loan term of six years, a stipulation that the funds can't be used to pay off existing personal debt or purchase real estate, and a requirement for the "micro borrower" to attempt to get a loan from a conventional source prior to applying for a microloan.

Microloans are useful for short bursts of capital that you'll use for things like buying inventory, paying employees and swallowing seasonal costs. They're also a great way to help your business build credit.

Key takeaway: Microloans are funded by the SBA through intermediary lenders, such as RBAC, for the purpose of giving undeserved businesses a leg up.

Who should consider obtaining a microloan?



At their foundation, microloans are built to help small businesses get access to capital to help them grow their business. As such, if you're looking to get a small amount of funding to start a business and don't necessarily qualify to obtain a loan from traditional lenders, a microloan could work for you. Micro lenders generally have less restrictive loan requirements, making microloans significantly easier to obtain than traditional options.

Along with helping small businesses get off the ground, many micro lenders use their loans to combat existing inequities in the way capital is provided to small businesses in the markets they serve. While it's pretty difficult for any up-and-comer to obtain a traditional bank loan for a small business, the odds of being turned down for funding are substantially higher for women and people of color trying to get their venture off the

ground than for their white male counterparts. The prospects are even worse in predominantly nonwhite, struggling communities.

To that end, microloan lenders, such as RBAC, to provide these loans to minority or female-owned businesses, focus their lending serving disadvantaged communities, or low-income entrepreneurs. That's not to say that businesses owned by non minority can't get a microloan because they can but lenders tend to look at the overall scope of a microloan borrower and their business, with the overarching mission the lender wants to support in mind.

Key takeaway: Microloans are a responsible loan option available to the underserved business community.

Do you qualify for a microloan?



Since microloans are often seen by professionals as a type of “starter” loan to help a business build credit before moving on to a traditional loan, entrepreneurs generally find them significantly easier to obtain than normal loans. While the process is faster and less stringent, experts suggest that there are still some things you can do to prepare for the loan application process.

The following items are things you can do now as a small business owner to improve your chances of being approved for a microloan.

1. Establish a business plan.

As a newly minted entrepreneur, you’ve likely already created a general business plan for how you will grow from a startup operation to a profitable company. If you

previously applied for a business loan from a traditional bank, then you’ve likely already completed this step. Being able to show prospective lenders your plans and prove how seriously you’ll take the business will give some peace of mind to the lending organization. If you haven’t created a business plan yet, you need to outline how your company will make money, what goods or services the business will offer in, and how you will attract new customers, among other things.

2. Get your credit and financial houses in order.

When you apply for any type of loan, it’s important to take a closer look at your monetary situation. The proper calculations of how much you can pay each month give you a baseline for how much you can realistically borrow and how long your repayment

Financial Education



period should be. Even though a micro lender is generally more relaxed about the money they're providing small businesses, they still need to be paid back. Failure to do so can spell just as much financial trouble as defaulting on a traditional loan. You should also make sure your business and personal credit scores are in good shape. Even though microloans can be suited for businesses with little to no credit, lenders often look at an applicant's personal credit history to see how that person handles their own money. Find errors and have them corrected, lower your own credit balances if possible, and clean up some other aspects of your credit report and you should be an easier approval for most lenders.

3. Prepare collateral or a loan guarantee.

Microloans are provided to small businesses and entrepreneurs with little to no credit history. Without

a reliable record to see how trustworthy a borrower is, most lenders will require some assurance in the form of collateral. Offering some valuable piece of property as collateral can prove to the microlender that you're committed to paying the balance back in full. If you default on the loan, you will lose that collateral and your credit score will take a hit.

Key takeaway: Microloans may be easier to obtain than traditional loans, but there are some actions you can take now to make the process easier.

Should you have an interest in applying for a Micro loan, please reach out to the RBAC to discuss your needs, the requirements and start the process. Please feel free to share this communication with your fellow small business owners that might be in need of financing.

- *We offer competitive rates*
- *Loan Pre-qualification within 48 hours*
- *Loan starting as low as 5K*

LET RBAC GET THE DEAL DONE!



***Financing at the speed
of business!***

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