

## 21 Business Funding Sources

Having funded several businesses over the past two decades (including cracking the code to SBA Loans), I want to share with you several business funding sources. I have listed them from the least risky to “those that I would avoid”, and saved the best for last, ending with “The BEST Business Funding Sources.” This is not theory or something I have simply studied; I have used all but 3 of these methods to fund my business endeavors. Included in the Best Business Funding Sources are:

- The 4 Myths About SBA Loans (and)
- The 2 Secret Weapons That I Used to Get a \$50,000 SBA Loan in 2 Months

### Low Risk / Low-Cost Business Funding Sources (1):

**Liquidation of Assets (Sell Stuff)** - If you have an asset that you can sell such as a car or a second home, this is a better option (in my opinion) than using your savings because it does not put your nest egg at risk.

### Medium Cost / Medium Risk Business Funding Sources (4):

**Your Personal Savings** - Saving money to launch a business is not as crazy as it sounds. The pros are that you remain in control of your destiny and you don't owe anyone money. A downside is delaying your business launch until you have saved enough money but the biggest risk is losing your nest egg and losing out on compound interest from having your money grow.

**Friends & Family** - Some say to never borrow from your friends or family. I can tell you first hand that if things don't go well that letting someone know that they won't get the money that you borrowed from them in the timeframe that they expected is a tough conversation to have. The biggest risk here is the loss of a relationship with someone that you made a promise to. This can make for awkward family gatherings. My advice is to always communicate with whomever you borrowed from and ALWAYS pay them back regardless of what happens with your business venture.

**Life Insurance Policy Loans** - If you have a whole life insurance policy that has accrued cash value, this is something you are able to borrow from. This cash value is technically not your money, but rather money that is secured by your insurance policy. This means that you will be charged interest on it, but the company should not allow you to borrow more than the policy would pay you if you canceled it. The potential risk here is losing your life insurance if you are unable to pay the loan back, so make sure you have a full understanding of all of the terms of your loan.

**Home Equity Loan** - A home equity loan can be a way to fund your business, however, the risk is that you could end up having to sell your home (or losing your home) if you get in a position to where you can't make the payments.

## **High-Risk Business Funding Sources (5):**

**Non-Bank Lenders** - There is a class of lending companies that will lend business owners and entrepreneurs money (often based on their personal credit) and these loans often come with daily debit payback terms and high-interest rates. The reason these are risky is that it cripples your cash flow immediately by tapping into your bank account daily. For these to work, you need to have a solid plan for a high return on that money and also have the ability to pay back the daily payment without neglecting other cash needs.

**Receivable Factoring** - This is another risky form of borrowing money because you are giving up money you have not yet collected. This can work for some business types where inventory is needed to bring in more revenue or in industries where long payment terms are expected. The business received money for their invoices due for a discounted percentage of what is due. The business gets the money upfront and the lender waits for the full payment of the invoice.

**Merchant Cash Advance** - If your business processes credit cards, a merchant advance loan is another type of loan that might be available to you. The way these loans work is that the lender will advance you money and then take a percentage of all of your credit card charges until their loan is paid back.

**Credit Cards** - Credit cards are dangerous in general. As a country, we have abused them and to use them to fund a business is risky due to the high-interest rates and immediate need for monthly payments. It's a trap to think you can continue to do balance transfers to zero interest cards; don't fall into that trap!

**Personal Lines of Credit** - Similar to credit cards, are personal lines of credit that are often available to you if you have good credit. The higher your credit score, the lower the interest rate you should qualify for. Be very cautious of interest rates that are higher than the market rate.

## **Business Funding Sources I DO NOT RECOMMEND (2):**

*If you are in a position where these are your only options to fund your business, I strongly advise you that this is probably not the time to start a business. Considering that most businesses fail, borrowing money at high interest against a gamble is never advisable.*

**Hard Money Lenders** - A hard money lender is one that will loan money to borrowers with bad credit.

**Payday Lenders** - This is one of the highest interest rate loans with the annual percentage rate often in excess of several hundred percent. This is only available if you have a job with a paycheck and it's a sure road to bankruptcy because you are borrowing money that you have not made yet. These companies are often predatory and it is easy for someone to get hooked on them and paying back several times more than you borrow.

## **Creative Business Funding Sources (3)**

**Barter** - Barter is one of the oldest forms of doing business dating back to 6000BC. Fast forward to today, there are barter networks that transact millions of dollars annually between business members. Within these networks, barter has become its own currency, and it is often a way to generate funds that you otherwise might not have generated to use for a business purpose that you may have thought could only be paid for with cash.

**Crowdfunding** - Crowdfunding is a form of raising money by pre-selling products of services, and works best for compelling ventures or entrepreneurs with large networks. It's not ideal for every business type, however it works well for product launches.

**Cost Reduction** - If you are running a business and need funds to expand, reducing costs is one thing to consider to free up funds. You will often have to look hard and more than once to find ways to reduce your monthly costs, but it can be done.

## The BEST Business Funding Sources (6)

YES, I saved the best for last! This is where I recommend starting on your journey for business funding.

**A Job** - Whether you are starting a business or growing a business, don't underestimate the value of getting a job where you can bring in consistent income to both cover your personal expenses and invest in your business.

**Sales Revenue (Get a Customer)** - So many people spend lots of time, energy, and money putting together business infrastructure before ever making a penny. Some never go on to make any money in the end. Years ago, I learned that the most important thing I could focus on was acquiring a customer (or multiple customers) and then figure out everything else. If you find paying customers up front, many of your money challenges will go away.

A note of caution here: Once you take someone's money, you are obligated to deliver. NEVER take money for a product or service and spend that money on anything else except for delivering that product or service. You have not earned it until you have fulfilled the obligation for which you accepted the money.

**Grants** - A grant is a monetary gift that does not need to be repaid. There are many sources of grants for businesses of all sizes. Grants take time to research and apply for, so my advice is to pursue grants as you are building other aspects of the business. Devote a small amount of time to finding and applying for grants, however, don't let it be the all-consuming activity of your business or of your fundraising process.

Here are a few organizations that offer small business grants:

National Association for the Self Employed

<https://www.nase.org/become-a-member/grants-and-scholarships/BusinessDevelopmentGrants.aspx>

FedEx Small Business Grant:

<https://smallbusinessgrant.fedex.com/#/>

**Sponsorships** - Finding sponsors is certainly not as easy as it seems. It is often sold as the "financing sweetheart" because you don't have to pay sponsor money back, but I can tell you first hand, it's not always easy to get sponsors. I have successfully attracted sponsors and while it is true that you don't need to pay them back, if you have any integrity, you will certainly want to make sure your sponsors feel like they got a good deal. Most small sponsors are actually looking for a return when they sponsor something. They want leads that convert into clients.

If you are fortunate to attract a large corporate sponsor, they may just want exposure or perhaps a write off, but it's certainly not an easy feat. Lastly, finding sponsors is very time consuming, so I recommend focusing on sales rather than finding sponsors for most people, especially if you are unfamiliar with how to create a winning sponsor proposal.

Sponsor Concierge is a great resource for learning the ropes of the sponsorship game. I have worked directly with the founder (Linda Hollander) and she is one of the best. Learn more about her course here: <https://AnthonyKirlew.com/SponsorConcierge>

**Community Lenders** - There are lenders that seek to serve their community by offering low interest rate loans. This is a good place to check if you are seeking funding for a local business. I would do a Google search for "community based lenders". Here are a few that serve Arizona and the SouthWest US:

Arizona Microcredit Initiative  
<https://www.azmicrocredit.org/>

DreamSpring (formerly Accion)  
<https://www.dreamspring.org/>

**SBA (Small Business Administration) Loans** - These are bank loans that are backed by the US government. There is often lots of confusion around SBA loans, so I am going to share with you the 3 Most Common Myths About SBA Loans AND MY 2 Secret Weapons That I Used to Get a \$50,000 SBA Loan in 2 Months!

*(scroll down to the next page)*

## **4 SBA Loan Myths Exposed:**

### ***Myth #1 - SBA Loans Are Hard to Get***

An SBA Loan is not hard to get, but there are some minimum criteria as follows:

- Minimum 2 years in business
- Owner(s) must be U.S. citizen(s) or Lawful Permanent Residents
- Business must be located in the U.S.
- Business must be open to all on a nondiscriminatory basis
- Non-profit businesses are ineligible
- Business must be able to demonstrate repayment ability from earnings
- Business must not be involved in lending, investing in real estate, religion, politics, gambling or sex-related industries

SBA Loan Funds Can Be Used For:

- Working capital, e.g. payroll, inventory, marketing, finance receivables, bookkeeping and legal fees, hiring
- Refinancing existing business debt
- New equipment purchase

SBA Loan Funds Cannot Be Used For:

- Construction
- Acquisitions

Businesses Not Eligible for SBA Loans:

- Banks
- Bail Bond Companies
- Direct Lenders
- Factoring Companies
- Farms
- Gas Stations
- Gambling
- Investment Companies
- Life Insurance Companies (not independent agents)
- Non-profits
- Other businesses whose stock in trade is money
- Pornography
- Tobacco-related businesses

### ***Myth #2 - You Need Excellent Credit to Get an SBA Loan***

You can get an SBA loan with a credit score as low as 650 (685 for an SBA Commercial Real Estate Loan), however there are some additional rules regarding credit. They are as follows:

- No bankruptcies or foreclosures in past 3 years
- No outstanding collections
- No open tax liens
- No recent 30+ day late payments
- No felonies
- No delinquencies and/or default on government loans

### ***Myth #3 - SBA Loans Take a Long Time to Complete***

If all of your paperwork is in order and you apply through the resource that I provide (the one that I used to get my SBA loan in record time), you can close your SBA loan in as fast as 7 days.

### ***Myth #4 - The Bank Where I Have My Business Account is the Best to Help Me Get an SBA Loan***

This is what I thought and in fact, I switched from an amazing credit union to a traditional bank when I was seeking my SBA Loan. What I learned is that some of the largest SBA lenders are banks that most people have never heard of, but they do lots of SBA loans.

NOW... Here are The 2 Secret Weapons That I Used to Get an SBA Loan in 2 MONTHS!

1. ***My PROVEN SBA Lender Checklist.*** These are the items you will need to get your SBA loan approved. I recommend getting these prepared up front before applying as this will increase your approval rate and the speed of your approval.
  - Last 2 years of Business and Personal Tax Returns
  - List of Business Debts with Payment Scheduled
  - Profit & Loss Statement
  - Balance Sheet
  - Last 3 Most Recent Business Bank Statements
  - Articles of Organization (LLC) or Articles of Incorporation (Corporation)
  - Business Operating Agreement
  - Evidence of Business Insurance (Liability, Workers Comp, Equipment, etc.)
  - Office Ownership or Leasing Info (Including deed to property if it is a home based business)

## **2. How and WHERE to Apply for Your SBA Loan.**

When I was seeking an SBA loan, I thought the bank that I did business with and had money at would want to earn my SBA loan business. I then met with a representative from our local Small Business Development Center. He told me about a lender that was having success with SBA loans, so I contacted the loan officer, filled out a loan, and waited. I followed up a few times and after about 6 months, I was turned down. I was really frustrated so I continued on my journey to find an SBA loan. I found a company that helped best position business owners to get approved for SBA loans, and I applied with them. After a little back and forth and paperwork requests, I was approved for my \$50,000 SBA loan in about 2 months!

Now, I help others get SBA loans through this same company. Click here (<https://finamark.com/sba>) to see if you pre-qualify (within 5 minutes) with no impact to your credit score. Click "Apply Now" in the upper right corner.

P.S. - Don't worry if you don't have your list of items yet, this will allow you to pre-qualify to see if this is a viable option for you at this time.

I hope you found this helpful. Due to my limited schedule, I am unavailable to do free phone consults (I will answer basic questions via email). You can schedule a 30 minute phone consultation with me by using this link: <https://anthonykirlew.com/business-lending-consultation/>

Wishing you the success you deserve!

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