

Rising Tide Community Loan Fund

Micro-Loan Program

Frequently Asked Questions:

1. *How are you different from a regular bank and who qualifies?*

The Rising Tide Community Loan Fund is a non-profit Community Development Financial Institution (CDFI). This means that we exist to make an impact on economic development in the area of small business ownership in the communities we serve. The Rising Tide operates out of a home office in Bethlehem. We are federally certified to lend in Carbon, Lehigh, Monroe, Northampton and Upper Bucks counties. We do not offer deposit accounts like checking or savings like banks, and lend only for community development purposes. We lend to people of low-to-moderate-income that have been historically underserved by traditional financial institutions. We also lend to people starting businesses or who already have businesses in existence in low-income census areas. Banks usually do not lend to start-up businesses while over 75% of Rising Tide loans involve start-ups and businesses in existence less than two years.

2. *How much can I borrow and for how long?*

We lend up to \$50,000 for a start-up and up to \$150,000 for an established (older than 1-year) business. The longest term for a loan is typically seven years. It is all dependent on the amount of the loan. We exist mainly to lend to small projects with the goal of bringing those small business borrowers, after successful loan performance with us, into the financial mainstream where they will have access to larger amounts of capital from a bank.

3. *What are your interest rates?*

While typically our rates are competitive, they are usually at or below market interest rates for the types of projects we are lending to in the community. In addition, prudent lending practices dictate a relationship between the risk of our loans and the interest rates we charge. Our rates reflect the increased risk we are willing to take on behalf of our borrowers. We will not compete with banks and do not want to attract their borrowers – this would crowd out the types of people we want to help.

4. *Is my credit history important?*

Your personal credit history is one of the most important factors in any lending decision. It is the clearest indication of your willingness and ability to repay loans. At The Rising Tide, it is one of the main factors we take in to consideration however we do look at a number of other factors when considering a loan application. If your credit history is in need of repair, you should carefully assess whether this is the right time for you to be starting or expanding your small business. Your ability to borrow will be seriously impaired and if you do find a willing lender, it will likely involve loans at very high rates and fees. This does not set your small business up for success. We want to see your small business succeed in the short and long term.

5. *Do I need collateral?*

Yes. However, The Rising Tide may not decide to use everything you offer as collateral but it is a good faith gesture on your part. Red flags go up when a potential borrower does not offer any collateral to secure the loan and wants The Rising Tide to take all the risk for their business. Although not always required, we like to have spouses or relatives guarantee our debt to show there is family support for the business. Offering assets that you have such as automobiles, your home or other real estate demonstrates you are as confident in your business as you would like us to be – it also shows commitment and character.

6. *Do I need a business plan?*

Yes. A Business Plan is very useful and is a part of our application packet. It lists questions The Rising Tide likes to have answered about your business. You do not need to take the time or expense to present us with a lengthy, bound presentation. However, we do like to see that the proper time and effort has been taken to show you have a clear understanding of the type of business you are about to start. In case you need assistance with this, we are also available to help guide you through the process of writing your Business Plan.

7. *Do you provide any business training courses?*

Unlike banks, we also offer one-on-one business counseling and a 19 week Start Your Business training course through our Community Action Development Corporations located in Allentown and Bethlehem. This series of classes not only provides help with writing your Business Plan, but provides training in pricing, bookkeeping, marketing, insurance, and credit. Eligible entrepreneurs will also receive a full range of technical assistance and support in the form of consultation in various areas of their business needs.

8. *How long does the approval process take?*

Once we have a completed application package we will aim to have an answer to you within a few weeks. Each loan package needs to have a written "Credit Memo" completed which explains in detail your loan request and your respective financial and business strengths and weaknesses. Every memo is analyzed very carefully to balance our mission to support small businesses with our need to be paid back. Our turnaround time after approval will depend upon how heavy a loan volume we are experiencing, the complexity of your request and the source of funds for your loan. Three to four weeks has been our experience. If we expect it to be longer, we will alert you.

9. *If I am approved, when can I expect my money?*

We make every effort to get your loan proceeds to you quickly. Currently our loans are disbursing between one to two weeks from approval. The approval time could take up to four weeks. Again, if we expect it to be longer, we will alert you.

10. *When do I have to start re-paying the loan?*

A payment schedule is set up between you and The Rising Tide upon loan approval. You can expect your first payment to typically be within two months after the loan has been disbursed. Incidentally, we do not charge prepayment penalties for early payments or pay-offs.