



# IDSELF

**\$25,000-\$65,000**  
**Loans Available**

# Start a Business

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Use DSELF loan funds for operating or start up costs.

*Small business loan interest is tax deductible as a business expense.*

# Market Your Business

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Use DSELF loan funds for new or improved signage, marketing materials and customer outreach.

*Businesses that improve their facade see a noticeable increase in sales, overall and against their competition.*

# Stock Up

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Use DSELF loan funds to expand your inventory.

# Expand

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Use DSELF loan funds to expand your business, remodel, or purchase new equipment.

# What is DSELF?

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Downtown Stockton Enterprise Loan Fund (DSELF) is a community development entity (CDE) that provides loans to small to mid-sized growing businesses in the central downtown core area of the City of Stockton.

Acting under the umbrella of the DSA, the Downtown Stockton Enterprise Loan Fund (DSELF) is a non-profit, multi-bank community development corporation created to facilitate economic development in Stockton's economically under-served central city.

The DSELF achieves economic development by: facilitating the growth of small to mid-sized businesses; and, attracting, creating and retaining new jobs

The DSELF is intended to provide traditional and "gap" financing - providing small business loans to entrepreneurs who lack sufficient up-front equity and historic profits for conventional financing. It is involved in high risk lending, usually unacceptable to traditional lenders.

The DSELF interest rate is prime as shown in the Wall Street Journal plus 2%. Upon loan approval, the business loan manager will work with you to define the loan term.

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**TIME-FRAME:** Applicants have 90 days from the submittal of their initial application to submit all pre-qualification + pre-approval materials.



# PHASE I

## PRE-QUALIFICATION

### **Requirements**

1. Application & \$200 Fee (see insert)
2. Executive Summary Submittal
3. Interview with DSELF Administrator
  - Upon submission of DSELF Application and Executive Summary, the DSELF administrator will schedule an interview with you.

# **DSELF Application** See Insert

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# Executive Summary Template

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## **Vision & Mission Statement**

1. State Your Vision Statement
2. State your Mission Statement

## **About the Company**

1. Describe the current stage of your business
  - Are you in the idea phase, in operation, looking to expand?
  - How long have you been in operation (if in operation)?
2. State your business entity type & ownership information.
  - What is your business entity? Sole proprietorship, LP, LLC, etc.
  - Who are the owners/investors? If there are partners, how is ownership divided?
  - What is the relevant background/experience of the owners/operators?

## **The Market**

1. Name the industry in which you are operating
  - If the industry is growing, share the % growth rate
2. Name key opportunities and threats for your business
3. Name your biggest competitors
4. Define your target-customer- i.e. age, gender, needs, wants

## **Products & Services**

1. Describe your products and services, including their prices.

**This is an example of what should be included in your executive summary. The summary should be only 1 - 2 pages.**



## **Operations**

1. State the size of your operating team and share whether team members have relevant experience/ relevant certifications.
2. Share whether you are planning to hire additional workers within the next year.

## **Value Proposition/Competitive Advantage**

1. State the unique selling point of your business which makes you attractive to your target customer.
  - Why will your customers choose you, rather than your competitors?
  - How are you solving a problem or addressing a pain point for your customer?

## **Financial Projections**

1. State Total Revenue within the past year, and/or number of clients secured within the past year.
2. State your revenue projects for the next year.
  - Describe how you arrived at this number.
3. State the expected amount to be spent on salaries/ wages within the next year.

## **Financing Needs**

1. State the amount you are seeking and what it will be used for
2. State how much the owner(s) or investor(s) have invested to date
3. Share if there are any other financing sources you are pursuing
4. Add any special information/things you would like the DSELF Board of Directors to know.

# Pre-Qualification Rubric

Scores of 10 or more will go to the next round. Scores 9 or below will be asked to re-submit in 60 days and told which criteria they were lacking.

## SCORING CRITERIA

<b>Application</b>	Incomplete/Absent/ Business not in Downtown  <b>0 pts</b>	All sections are complete  <b>2 pts</b>
<b>Credit Score</b>	Credit score was below 620  <b>0 pts</b>	Credit score was 620 or above  <b>4 pts</b>
<b>30-Minute Interview with Applicant</b>	Did not schedule interview/ Missed interview/ Answered <50% of interview questions confidently/ Business not in Downtown/ Have not sought traditonal funding  <b>0 pts</b>	Attended interview, and could answer at least 50%, but <75% questions confidently  <b>1 pts</b>
<b>Executive Summary (ES)</b>	Incomplete/Absent/ Business not in Downtown  <b>0 pts</b>	Provided complete ES, with limited detail or several unclear/incorrect/ confusing sections.  <b>1 pts</b>

## Phase I

If applicant is asked to resubmit, for the repeat interview portion they will only be asked questions upon which they hesitated previously.

			Max PTS
	N/A	N/A	2
	N/A	N/A	4
	<p>Attended interview, and could answer 75% - 100% of interview questions confidently</p> <p>2 pts</p>	N/A	2
	<p>Provided complete ES, with appropriate detail and 1-2 confusing sections.</p> <p>2 pts</p>	<p>Provided complete ES, with excellent detail, and no confusing/incorrect/unclear sections.</p> <p>3 pts</p>	3



# PHASE II

## PRE-APPROVAL

### **Requirements**

1. Must submit all items in pre-approval check list.
  - See the following pages

# Pre-Approval Requirements

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The following information is needed by the Downtown Stockton Enterprise Loan Fund (DSELF) to determine feasibility for entering into a loan application assistance agreement. Work with the DSELF Admin to ensure you have all of the items necessary.

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- ☐ 1. Application & Certifications (forms to be provided)
- ☐ 2. List of Current & Proposed Hiring Schedule
- ☐ 3. Financial Statements:
  - ☐ Business (Previous three (3) years and recent interim)
  - ☐ Personal (Current)
- ☐ 4. Federal Tax Returns (previous three (3) years):
  - ☐ Business
  - ☐ Personal
- ☐ 5. Business Debt Schedule
- ☐ 6. Personal Budget Analysis
- ☐ 7. Accounts Payable Aging
- ☐ 8. Accounts Receivable Aging
- ☐ 9. Customer list with names, address, zip code and telephone numbers
- ☐ 10. A copy of sample invoice, if applicable

In order to quickly determine if we can be of service to your firm, we need all of the information requested above.

If any information is not available, please attach a written explanation. All information will be held in strictest confidence.

- ☐ 11. Written description of loan request including loan amount, use of proceeds, collateral to be pledged, and repayment terms desired
- ☐ 12. Business Plan to include description of products offered, market served, industry outlook and projected two (2) year profit and loss cash flow statement.
- ☐ 13. Resume(s) of principal(s) (normally those with 20% ownership or more)
- ☐ 14. Lease Agreement — existing or proposed  
\* Please note: if you have personally guaranteed a business lease, the DSELF will not consider your application until you have revised the lease to make the landlord subordinate to DSELF.
- ☐ 15. Purchase Agreement, if acquiring a business or entity.
- ☐ 16. Life Insurance information on key management persons
- ☐ 17. Description of Real Property pledged
- ☐ 18. Copy of Lender Decline Letter or written statement that Credit is not otherwise available
- ☐ 19. Environmental Questionnaire (will be provided by staff)

### Please Note:

All documents submitted with this application become the property of the DSELF and **WILL NOT BE RETURNED**. Do not submit original documents.

# Pre-Approval Rubric

## A. Credit Underwriting and Scoring

Each Loan application will be scored on a 0-100 point range with a minimum score of 75 needed for loan approval. Loan staff will score loan applications based on the following criteria.

### 1. Credit History of the Borrower 0-20 Pts

Due to the nature of these loans and the costs associated with processing and closing the loans, a credit scoring system will be used to determine the creditworthiness of the project/borrower.

5 pts	7 pts	10 pts
No credit history	No established credit, but has recent (within 24 months) payment history that can be verified	Major derogatory information — bankruptcy, foreclosure, repossession in past five (5) years, but reestablished credit with no derogatory info since
15 pts	17 pts	20 pts
Moderate derogatory information, 30-day late (2+), 60-day late (1) in past twenty-four months, explanation required	Minimal derogatory information in prior 12 months, 30-day late payments (1-2), otherwise clean credit history	Minimum of five (5) years of credit history with no derogatory items

- A credit report demonstrating several years of credit history, with all accounts paid as agreed would score the maximum points.



- FICO scores will also be considered when evaluating applicants. Example: applicants with a FICO score of 720 or above would receive a 5-point increase, but at no time shall the total points awarded exceed 20. Medical Collections will not be considered when assigning points in this category.
- The Business Loan Manager will have discretion in making the final determination of “minimal” or “minor” derogatory for the purpose of scoring.

### 2. Approved Business Plan

0-20 Pts

The business plan should include:

- A brief history of the business;
- Management capabilities (entrepreneurial training, resume, etc.)
- Overview of the product or service being provided;
- A Strength, Weakness, Opportunities & Threat “SWOT” analysis or similar;
- A Marketing & Promotion Plan
- Statement demonstrating the need for capital and sound business purpose;
- A reasonable plan for repayment. (Financial statements/ tax returns/ projections for not less than 24 months);
- A listing of assets being pledged as collateral and the estimated value.

**Business plans without financial statements, tax returns, and projections will not be considered and thus the application will be disqualified or rejected until such time as a complete document is available for review. Small Business Development Center (SBDC) certified business plans will earn the maximum points so long as the financial information is adequate to underwrite and analyze the business and assess the DELF’s risk. There is no requirement that the SBDC certify an applicant’s Business Plan, although preferable.**

# Pre-Approval Rubric Continued

### 3. Evidence of Owners' Commitment 0-15Pts

The owners' commitment to the project is best reflected by their willingness to invest in the business themselves. The measurement of their investment comes in the ratio of debt to equity.

5 pts	10 pts	15 pts
Debt-to-Equity greater than 6:1	Debt-to-Equity 4:1 to 6:1	Debt-to-Equity 4:1 or less

- Projects that on a proforma (after funding) basis have a debt-to-equity ("D/E") ratio of 4:1 or less would indicate a high level of commitment from the owner. Projects with negative equity would indicate little or no commitment from the owner and thus are not entitled to any points in this category.
- Applicants that will contribute cash in the form of participation for the DSELF financed project will be eligible to earn 5 additional points in this category. A minimum 15% cash contribution will earn the 5 points. These potential additional points shall be added to the initial scoring of the pro format D/E ratio but at no time shall the total score plus additional points exceed 15 points.

### 4. Secondary & Tertiary Sources of Repayment 0-20Pts

The secondary source of repayment shall be the personal guaranty(ees) of the principals/owners of the business. A Global Cash Flow Analysis ("GCFA") shall be performed. The GCFA analysis shall

constitute 25% of the total points available for this rating criteria, or 5 points. The secondary source of repayment may also originate from a third-party co-signing the loan, or a third-party or guarantor. The secondary source of repayment shall be the business assets that can be pledged to secure the loan, the DSELF's discounting standards will be applied as set forth in the Plan. The collateral value will represent 75% or 15 points of this rating category.

Below is how the collateral rating system will assign points:

5 pts	7 pts	10 pts	15 pts
Net asset value equals 25% - 49% of the loan amount	Net asset value equals 50% - 74% of the loan amount	Net asset value equals 75% - 99% of the loan amount	Net asset value equals or exceeds loan amount

- Those guarantors that have significant personal assets or other sources of income shall earn the most points. Conversely, principals/owners with little to no guarantee capacity will receive minimum points.
- To expedite loan processing, Broker's Price Opinions or third-party data sources including Co-Star, Zillow, etc., will be utilized to determine value of real property pledged as collateral. Real Estate listings shall not be used to calculate estimated collateral value.

# Pre-Approval Rubric Continued

5. Debt Service Capacity

0-25Pts

Cash Flow Available for Debt Service (“CF”) will be the focus in assigning points in this category. The Debt Service Coverage Ratio (“DSCR”) will be calculated to determine the “cushion” available to cover fixed debt service payments of not only the RLF debt but other obligations that could impair the DSELF’s ability to collect, i.e. senior debt obligations.

10 pts	15 pts	20 pts	25 pts
DSCR less than 1:1	DSCR greater than 1:1 and less than 1:25:1	DSCR greater than 1:25:1 and less than 1:5:1	DSCR greater than or equal to 1:5:1

- Applications may be awarded additional points to their DSCR ratio, up to the maximum of 25, if there is documented history of repayment of long term debt obligations and the DSELF is senior to all other obligations of the borrower/applicant.



### B. Bonus Points

Applicant may earn bonus points for the following:

*Surplus Job Creation — greater than minimum required*  
3 points

*Loan-to-Cost Ratio at less than 65%*  
2 points

*Documented and verified history of profitability*  
3 points

The maximum Bonus points for any one application shall be five (5). At no time shall the awarding of Bonus Points enable the applicant to exceed the maximum scoring total of 100.

### C. Loan Approval and closing process

Upon receipt of the completed DSELF loan application the EEDD Business Loan Officer/Manager will conduct the underwriting analysis and complete a Scoring Sheet that incorporates the five (5) rating criteria. Loan applications that receive a score of at least 75 points will be recommended by the Business Loan Manager for approval.



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# ASE III & IV

## INTERVIEW & APPROVAL

### **Requirements**

1. Interview with DSELF Board
  - Upon recommendation from the Business Loan Manager, you will be asked to sit for a brief interview with the DSELF Board. You will introduce yourself & your business and answer any questions the Board may have.
2. DSELF Board Vote
  - After the interview, the DSELF Board will conduct a final vote to decide whether or not your loan will be approved.

# Resources

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## **STOCKTON IMPACT CORPS**

*Free Consulting & Business Plan Help*  
209.600.4999

## **SJDC SBDC**

*Free Consulting & Business Plan Help*  
209.954.5089

## **S.C.O.R.E.**

*Free Business Mentoring*  
[www.score.org](http://www.score.org)

## **BUSINESS LOAN MANAGER**

*Steve Lantsberger*  
209.468.3619

## **DSELF ADMINISTRATOR**

*Courtney Wood*  
[cwood@downtownstockton.org](mailto:cwood@downtownstockton.org)



**DSELF**