



IDSELF

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

Start a Business

Use DSELF loan funds for operating or start up costs.
Small business loan interest is tax deductible as a business expense.

Market Your Business

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

Use DSELF loan funds to expand your inventory.

Expand

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

What is DSELF?

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. Credit Score Check
3. Interview with DSELF Administrator
 - Upon submission of DSELF Application and Executive Summary, the DSELF administrator will schedule an interview with you.

**CLICK HERE
FOR LINK**

Pre-Qualification Rubric

Phase I

Scores of 7 or more will go on to the “Pre-approval” phase. Scores 6 or below will be asked to re-submit in 60 days and told which criteria they were lacking.

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

SCORING CRITERIA

SCORING CRITERIA						Max PTS
Application	Incomplete/Absent/ Business not in Downtown 0 pts	All sections are complete 2 pts		N/A	N/A	2
Credit Score	Credit score with more than minimal derogatory information in the prior 12 months, and/or more than two (2) 30-day late payments within that period without adequate written explanation. 0 pts	Minimal derogatory information in prior 12 months, allowing for a maximum of two (2) 30- day late payments within that period; written explanation will be mandatory for any derogatory information within this period 4 pts		N/A	N/A	4
30-Minute Interview with Applicant	Did not schedule interview/ Missed interview/ Answered <50% of interview questions confidently/ Business not in Downtown/ Have not sought traditional funding 0 pts	Attended interview, and could answer at least 50%, but <75% of questions confidently 1 pts		Attended interview, and could answer 75% - 100% of interview questions confidently 2 pts	N/A	2

PHASE II

PRE-APPROVAL

Requirements

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

I. PRE-APPROVAL REQUIREMENTS

Phase II

The following information is needed by the Downtown Stockton Enterprise Loan Fund (DSELF) to determine feasibility for entering into a loan application assistance agreement.

- ☐ **A. Existing Applications & Certifications (forms to be provided by staff)**
- ☐ **B. Financial Statements:**
 - ☐ 1. Business (Previous one 1 year [if already in business] and recent interim)
 - ☐ 2. Personal (Current) – *Personal Budget Analysis (month-by-month income, personal balance sheet, and expenses for the past 24 months)
Required for all owners with at least a 20% stake in the company
- ☐ **C. Federal Tax Returns (previous three (3) years):**
 - ☐ 1. Business (If in business)
 - ☐ 2. *Personal
Required for all owners with at least a 20% stake in the company
- ☐ **D. Business Plan, which MUST include ALL of the following (*Please see Exhibit A for a more detailed description of what to include in your business plan):**
 - 1. Vision & Mission of the business
 - 2. Brief history of the company and years of operation
 - 3. Market Analysis - including industry outlook, Strengths, Weaknesses, Opportunities & Threats “SWOT” analysis, and description of target customer
 - 4. Operations - including management capabilities (resume, entrepreneurial training etc.), and proposed 2 year hiring schedule
 - 5. Products & Services - overview of the product or service being provided, and your value proposition/competitive advantage
 - 6. Marketing & Promotion plan
 - 7. Profit and Loss statements and Cash Flow projections for 24 months, demonstrating a reasonable plan for loan repayment
 - 8. Financing Needs

- ☐ **E. Copy of lender decline letter or written statement that credit is not otherwise available**
- ☐ **F. Written Description of Loan Request – Including loan amount, use of proceeds, detailed description of collateral to be pledged, and repayment terms desired.**
NOTE: Vehicles are not accepted as collateral, and all business or personal property will be discounted by 80%.
NOTE: For loans over \$30,000, real property collateral is required, and a description or copy of the deed of such property must be submitted.
- ☐ **G. Lease agreement — existing or proposed.**
NOTE: If you have already personally guaranteed your lease, in order to receive DSELF funds, you must work with your landlord to add the DSELF as a subordinate, as a term of the loan.
- ☐ **H. Business License, Necessary Permits, Proof of Proper Zoning, and Certificate of Occupancy**
- ☐ **I. Business Account Aging (If Applicable)**
 - ☐ 1. Accounts Payable Aging
 - ☐ 2. Accounts Receivable Aging
- ☐ **J. Business Debt Schedule (If Applicable)**

ADDITIONAL REQUIREMENTS

If you are acquiring an existing business or entity, you must also submit:

- ☐ **K. Purchase agreement**
If you are a business to business operation, rather than a business to consumer operation, you must also submit:
- ☐ **L. Customer list with names, address, zip code and telephone numbers**
- ☐ **M. A copy of a sample invoice**

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.

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

II. PRE-APPROVAL STANDARDS

Phase II

ALL APPLICABLE PRE-APPROVAL REQUIREMENTS MUST BE SUBMITTED IN FULL AND MEET THE STANDARDS OUTLINED BELOW, AS DETERMINED BY DSELF STAFF.

If any submitted document within the “pre-approval” requirements list, apart from the business plan or projections (which may be modified and re-submitted), are found to warrant disqualification, an applicant must wait 60 days to re-submit updated materials.

1. Business Plan

Business plans must include all information outlined above.

STANDARD: Business Plans without financial statements/projections, or with inadequate detail will not be considered and thus the application will be disqualified or rejected until such time as a complete document is available for review.

NOTE: The SJDC Small Business Development Center (SBDC), Stockton Impact Corps, or Centro Community Partners may be used as a resource for business plan creation, but the use of these organizations is not required.

2. Secondary and Tertiary Sources of Repayment

A secondary source of repayment is required. The secondary source of repayment shall be the personal guaranty(ees) of the principals/ owners of the business. The secondary source of repayment may also originate from a third-party co-signing the loan, or a third-party personal guarantee. This will be a term of the loan closing process.

STANDARD: If you have already personally guaranteed your lease, in order to received DSELF funds, you must work with your landlord to add the DSELF as a subordinate.

A tertiary source of repayment is also required. This shall be the real property, business assets or personal assets that can be pledged as collateral in support of the financing. The DSELF's discounting standards will be applied at 80% of personal property and business assets. 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.

STANDARD: The tertiary source of repayment (with any applicable discounting applied), MUST equal 75% of the loan amount or greater. Anything less, will disqualify the applicant. Applicants pledging real property as collateral will be required to fill out an Environmental Questionnaire, which will be provided by staff.

3. Debt Service Capacity

Existing or projected cash flow for the combined business and personal expenses must be sufficient to support repayment of the loan, which will be determined by an examination of the business's 2 year financial projections which should include the loan payment as an operating expense.

STANDARD: Any months showing an inability to make the loan payment will disqualify the loan application.

4. Personal Financial Capacity

Existing or projected cash flow for the combined business and personal expenses must be sufficient to support repayment of the loan, which will be determined by an examination of the business's 2 year financial projections which should include the loan payment as an operating expense.

STANDARD: Any months showing an inability to cover personal expenses will disqualify the loan application.

5. Evidence of Business Profitability

STANDARD: Financial Projections must show a 15% net profit margin by the last month of year 2. If the net profit margin is less than 15%, the loan application will be disqualified.

6. Evidence of Owners' Commitment* (*for start-ups only)

STANDARD: 10% or more of any listed start-up costs must be funded by the owner(s) of the company, which must be shown in the business financial projections sheet. Start-ups with owner contribution of less than 10% will be disqualified.

III. LOAN APPROVAL AND CLOSING PROCESS

Upon receipt of a completed DSELF loan application, DSELF staff will examine whether the requirements are met. Loan applications deemed eligible will be forwarded to the DSELF Board of Directors for final consideration and ultimate approval or denial.

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.

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.

This is an example of what should be included in your business plan.

PHASE 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

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

BUSINESS LOAN MANAGER

Steve Lantsberger
209.468.3619

DSELF ADMINISTRATOR

Courtney Wood
cwood@downtownstockton.org



DSELF