

# The City of Lawrence Metro E-Community Revolving Loan Fund Glossary



**Ability to pay:** (Financial capacity) Borrower's capacity to make good on loan obligation.

**Administrative Support Organization/ Underwriter:** responsible for creating loan documents, closing loans, UCC or mortgage filings, collecting loan repayment checks from the business, forwarding those payments (P&I, less servicing fee, if applicable) to NetWork Kansas to be deposited back into the E-Community account, and communicating with the business regarding late payments. This organization can be any entity, private or public (i.e. regional certified development company, local financial institution, economic development organization). When the Financial Review Board approves a loan application and submits a check request to NetWork Kansas, checks will be made payable to the administrative support organization for disbursement to the business. NetWork Kansas cannot make the check payable directly to the business. Likewise, repayment from the business will be made to the administrative support organization, who will deposit the funds into a local account and then issue a check to NetWork Kansas to be deposited into the E-Community account. NetWork Kansas cannot accept loan repayment checks directly from the business. All E-Community bank accounts in which repayments are made are owned and operated by NetWork Kansas.

**Amortization Schedule:** A table or spreadsheet that reports the balance due and breaks down monthly loan payments principal/ interest.

**Annual Percentage Rate:** Cost of credit via an annual rate.

**Assets:** The entire property of a person, association, corporation, or estate applicable or subject to the payment of debts.

**Asset Based Lending:** Financing secured by pledging assets such as: collateral other than real-estate, inventory or receivables.

**Business Plan:** A comprehensive document which clearly describes the business developmental objective of an existing or proposed business. The plan outlines what and how and from where the resources needed to accomplish the objective will be obtained and utilized.

Typical Business Plan Components: General Description

**Capital:** The funds necessary to establish or operate a business.

**Capacity:** The amount of goods or work that can be produced by a business given its level of equipment, labor and facilities.

**Capacity to Repay:** The determination made by a lender on whether a borrower can repay a loan after examining financial statements, financial ratios and operating data.

**CDC - CERTIFIED DEVELOPMENT COMPANY** - The 504 Certified Development Company (CDC) Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company is a nonprofit corporation

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set up to contribute to the economic development of its community. CDCs work with the SBA and private -sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide. Each CDC covers a specific geographic area.

**Cash Flow:** The movement of money into and out of your business.

**Character** - The degree to which a potential borrower feels a moral obligation to repay debts as evidenced by the borrower's credit and payment history. One of the "Five Cs" used in a lending officer's determination of a particular loan applicant's credit-worthiness.

**Collateral:** Item (equipment, property, etc.) that is pledged to guarantee a loan. Also one of the Five "Cs" used in determining a loan applicant's credit worthiness.

**Conditions** - External factors such as government regulation, competition, industry trends, and national economic trends can affect the success of a business. One of the "Five Cs" of credit.

**Conventional Financing:** Financing from established lenders, such as banks, rather than from investors; debt financing.

**Co-Signer:** A person who signs and guarantees a loan for someone else.

**Credit Scoring:** A predetermined process of scoring which is used to approve or reject loan applications.

**Current Liabilities:** Liabilities due within less than a 12 month or one year period.

**DBA "Doing Business As":** A business trade name rather than the name by which it is legally incorporated; a company may be incorporated under XYZ Corporation but do business under another name.

**Debt Financing:** The provision of long term loans to small business concerns in exchange for debt securities or a note.

**Debt Service:** Money being paid on a loan; the amount necessary to keep a loan from going into default.

**Delinquency:** Failure to make a loan period when it is due.

**Small Disadvantaged Business:** "Small Disadvantaged Business" as used in this provision means a small business that: (i) has received certification as a small disadvantaged business consistent with 13 CFR part 124, Subpart B; (ii) no material change in disadvantaged ownership and

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control has occurred since its certification; (iii) where the is owned by one or more individuals, the net worth of each individual upon whom the certification is based does not exceed \$750,000, after taking into account the applicable exclusions set forth at 13 CFR 124.104©(2); and (iv) is identified, on the date of its representation, as a certified small disadvantaged business in the database maintained by the Small Business Administration (PRO-Net: <http://pro-net.sba.gov/>).

**Entrepreneur** - One who assumes the financial risk of the initiation, operation and management of a given business or undertaking.

**Financial forecast** - Projection of revenues and expenses for the next one to five years.

**Financial Statement:** Reports showing the financial conditions of a business on a particular date or for a period of time (such as 12 months). Lenders and Lawrence Metro E-Community will review balance sheets and income statements.

**Five "Cs" Of Credit:** A system used by loan evaluators to review loan applications: Character, Cash Flow, Collateral, Capitalization and Conditions. See individual definitions.

**Fixed assets:** Equipment, buildings, etc., that are purchased and used for long-term purposes.

**Fixed Costs:** Costs of doing business such as rent, utilities, depreciation, taxes, etc., that remains generally the same regardless of the amount of sales of goods or services.

**Gross Profit:** A business's total revenue (equivalent to total sales) minus the cost of goods sold. The profit a business makes after deducting the cost associated with making and selling its products, or the costs associated with providing its services.

**Gross Sales:** The revenue a business derives from sales before making any deductions for discounts, transportation, and some other expenses. Gross sales contrast with net sales, which account for some of these basis expenses. They also contrast with cash flow because gross sales include credit sales that the company may not have collected.

**Guaranty:** Promise by an individual or organization to repay a loan in the event of default.

**Guarantor:** A party who will guarantee repayment or performance of a covenant.

**Goodwill: ("Blue Sky")** Amount of money paid for an on-going business beyond its book value or an intangible asset of a business that relates to a favorable relationship with customers, and excess earning power. (Example: Customer lists, contract, business brand, trademarks,

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copyrights, patents, licensing agreement, knowledge of new technology or unique market position).

**Income Statement:** Financial statement showing a company's sales, expense and net income or loss for a specific period of time.

**Interest:** An amount paid a lender for the use of funds.

**Interest Rate:** The cost of borrowing money, expressed as a percentage per year of the money borrowed.

**Inventory:** Merchandise that is purchased and/or produced and stored for eventual sale.

**Lawrence Metro E-Community Finance Committee:** Reviews and approves loans to local entrepreneurs and small businesses. This team will also be responsible for creating the application that will be completed by businesses applying for the fund, as well as the process and scoring system that will be used to evaluate the application. In addition, this board will determine interest rate, length of term and security position (or may choose to be unsecured) for each approved application. NetWork Kansas will ensure that each approved application meets statutory guidelines but will not evaluate it with regard to the applying business's potential for success. The Financial Review Board can meet on a regularly scheduled basis or as needed.

**Lawrence Metro E-Community Project Lead:** Liaison to Network Kansas

**Lawrence Metro E-Community Working Committee:** Provides strategic vision and ongoing execution of initiatives targeted at a subset of a community ecosystem. These teams are key to the success of the Metro E-Community so thought should be given to who is included. Each working group is expected to meet monthly and should have representation from the public and private sector with special emphasis on stakeholders who specialize in the specific segment the working group has been assigned. Working groups will be required to create a financial review board to make decisions on loan approval.

**Leasehold Improvements:** The changes made to a leased store, office or plant, to suit the tenant and make the location more appropriate for the conduct of the tenant's business.

**Lead Organization:** The City of Lawrence/BizFuel Partner is the designated lead organization that is responsible for the overall direction and leadership for the E-Community. This organization will be charged with selecting a point person who will lead the Metropolitan E-Community. The Lead Organization and point person will be ultimately responsible for the performance of the Metro E-Community. They will be expected to build an Urban

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Entrepreneurs Working Group, raise funds for the pilot through the entrepreneurship tax credit and provide oversight for monthly meetings of the working group. The point person will be the primary contact for NetWork Kansas and is critical for the success of the Metropolitan E-Community Pilot.

The initial focus of the Metro E-Community pilot will center on “Urban/Distressed Area Entrepreneurs.” The working group will be responsible for developing strategies for this segment of the entrepreneurial ecosystem. It is also expected that the working groups will make operational decisions on agreed upon strategies (example: Loans for Urban/Distressed Area Entrepreneurs will be managed by the Urban Entrepreneurs Working Group. The working group’s financial review board will be responsible for making loan decisions rather than the Lead Organization.)

**Lien:** A charge upon or security interest in real or personal property maintained to ensure the satisfaction of a debt or duty ordinarily arising by operation of law.

**Loan Agreement:** Agreement to be executed by borrower, containing pertinent terms, conditions, covenants and restrictions.

**Loan Commitment:**

**Low Income Individual: Based on Housing & Urban Development Guidelines**  
FY 2016 Income Limits (Housing & Urban Development)-

FY 2016 Income Limit Area	Median Income Explanation	FY 2016 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Douglas County	\$74,700	Very Low (50%) Income Limits (\$) Explanation	26,150	29,900	33,650	<b>37,350</b>	40,350	43,350	46,350	49,350
		Extremely Low Income Limits (\$)* Explanation	15,700	17,950	20,200	<b>24,300</b>	28,440	32,580	36,730	40,890
		Low (80%) Income Limits (\$) Explanation	41,850	47,800	53,800	<b>59,750</b>	64,550	69,350	74,100	78,900

**Net Profit (Net Income):** A company’s total earnings after subtracting all its expenses from its total sales and other income for a specific period of time

**Net Sales:** The amount a business receives from the sale of its products, after deducting discounts, returns of products by customers, and damaged, missing, or stolen products. A net sale provides the most accurate calculation of what a company has received or expects to receive in revenue from sales. Any financial statement indicating "sales" refers to net sales.

**Net Worth:** Property owned (assets), minus debts and obligations owed (liabilities), is the owner's equity (net worth).

**NetWork Kansas Resource Partner:** a non-profit or public sector organization that provides business assistance to entrepreneurs and small businesses. Examples are: Kansas Small Business Development Centers, Enterprise Facilitation, SCORE, Kansas Department of Commerce Business Development, Certified Development Companies, Kansas Main Street, USDA, City or County Economic Development organizations, local College Business & Industry, etc..). Learn about our resource partner network by reading "Resources for Starting and Growing Your Business", under the "Entrepreneurs" heading of the [www.networkkansas.com](http://www.networkkansas.com) website.

**Owner's Injection:** Owner's personal investment into the business.

**Personal Injection:** Small business owner(s) personal cash

**Prime Rate:** Interest rate which is charged business borrowers having the highest credit ratings, for short term borrowing. As published daily in the Wall Street Journal, it is the basis for rates to other lenders.

**Secured Loan:** Loan secured by collateral that would be sold/liquidated if the borrower defaults on loan obligation.

**Small Disadvantaged Business (SDB) –** Disadvantaged businesses that are federally defined as at least 51 percent owned by one or more individuals who are socially or economically disadvantaged that include Disadvantaged, Woman-Owned, Minority Owned and /or Veteran Owned Business.

**Statewide Advisory Council:** The City of Lawrence Small Business Facilitator is the designated representative from the City of Lawrence Metro E-Community. This person will have primary responsibility for two areas: a) primary contact point for NetWork Kansas communication, and sharing that communication with the working group and others as necessary, and b) attending a statewide E-Community conference and/or other shared-learning opportunity.

**Tangible Assets (Hard Assets):** In accounting, any asset that can be seen and touched. Tangible assets include things that can be reproduced, such as widgets or a widget factory, and things

that cannot be reproduced, such as the land upon which the widget factory is built. Tangible assets are comparatively easy to price, and therefore they are often used to express the value of a business.

**Term:** The life of the loan.

**Term Loan:** A form of BANK LOAN made for a fixed time period at a predetermined rate of interest.

**Total Project Costs:** Total of all funds required to complete business purchase transaction. Examples: Business purchase, lender fees, closing costs, working capital, professional fees, business licenses or appraisals.

**Urban/Distressed Area Entrepreneurs:** defined loosely to cover a broad range of entrepreneurs whose business growth comes with additional historical, economic, and cultural challenges that extend beyond the challenges normally associated with entrepreneurial ventures. This segment encompasses the following entrepreneurs and businesses:

- Businesses located in a distressed area (20%+ live below poverty level)
- Owned by woman, veteran, minority, or someone of disadvantaged status
- Businesses that currently employ or will employ low-income employees
- Businesses whose products/service supports disadvantaged/underserved populations
- Businesses whose mission is to serve disadvantaged/underserved populations

**Veteran Owned Business:** "Veteran-Owned Small Business" as used in this provision means a small business that: (i) is at least 51% unconditionally owned by one or more veterans (as defined at 38 U.S.C. 101(2)); or in the case of any publicly owned business, at least 51% of the stock of which is unconditionally owned by one or more veterans; and (ii) whose management and daily business operations are controlled by one or more veterans.

**Woman-Owned Small Business:** "Woman-Owned Small Business" as used in this provision means small business that: (i) is at least 51% unconditionally owned by one or more women; or in the case of any publicly owned business, at least 51% of the stock of which is unconditionally owned by one or more women; and (ii) whose management and daily business operations are controlled by one or more women.

**Working capital** - Cash and short-term assets that can be used for current needs (bills, etc.).