

# Debt Financing Options

## An Introduction to Capital Sources for Entrepreneurs

There are many types of debt financing. All however, are loans: money that you borrow and agree to pay back, with interest, according to specified terms. The terms vary greatly and it's essential that you understand them and the tradeoffs involved.

The table below provides an overview of some of the key ways types of debt financing differ.

	<b>REGULATORY REQUIREMENTS</b>	<b>LOAN ELIGIBILITY CRITERIA</b>	<b>ADDITIONAL SERVICES</b>	<b>INTEREST RATES</b>
<b>BANKS</b>	Highly regulated	2+ years of operational history Profit or strong & growing revenue Collateral Strong credit score	Consumer banking	Lower
<b>CREDIT UNIONS</b>	Highly regulated	Some flexibility in lending criteria	Consumer banking	Lower
<b>COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIS)</b>	Not regulated Many are mission-driven nonprofits	Most flexible	Technical assistance for applicants and borrowers	May be higher, depending on the credit risk
<b>ACCREDITED MICROLENDERS</b>	Minimal regulation	May be limited by mission or geographic focus	May provide technical assistance	Rates vary but will usually not exceed 15%
<b>PEER-TO-PEER HARD MONEY LENDERS</b>	Not regulated	Require real estate collateral; loans are typically for construction and up to 18 months in length	No additional services	Typically 9-20%
<b>PREDATORY LENDERS</b>	Not regulated	Will loan to anyone regardless of their ability to repay	No additional services	Rates may start at 20% but jump to 40% or more if a payment is missed

# Funding Your Business

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Use the tables below to take notes as you consider your options for funding your business.

### Funding your business

Source	Advantages relevant to you and your business	Disadvantages relevant to you and your business	Fit eligibility, amount available, rate and terms, your ability to repay
<b>SELF-FUNDING</b>			
<b>GRANT FUNDING</b>			
<b>EQUITY FINANCING</b>			

### Debt financing

Source	Advantages relevant to you and your business	Disadvantages relevant to you and your business	Fit eligibility, amount available, rate and terms, your ability to repay
<b>BANK</b>			
<b>CREDIT UNION</b>			
<b>COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI)</b>			
<b>ACCREDITED MICROLENDER</b>			
<b>HARD MONEY LENDER</b>			
<b>PREDATORY LENDER</b>			