



PRESTAMOS CDFI

A DIVISION OF **CHICANOS POR LA CAUSA**

PRESENTER
MARK MCKENNA

August 2023

A black and white photograph of a hand balancing a tall, precarious tower of wooden blocks, similar to the game Jenga. The blocks are stacked in a staggered pattern, and the hand is visible on the left side, carefully holding one of the blocks. The background is a plain, light color.

ABOUT US

Prestamos CDFI, a division of Chicanos Por La Causa (CPLC), is a trusted mission-driven Community Development Financial Institution. Since 1980 we have promoted economic and community development through lending, business consulting services, and investment opportunities to underserved communities in Arizona, California, Nevada, New Mexico, and Texas.

Highlights:

- WBC – Women’s Business Center
- MBDA – Minority Business Development Center
- Business Consulting Services
- Prestamos CDFI was named the #1 U.S. SBA lender by playing an integral role nationally in supporting small businesses during the pandemic, providing over 400,000 Paycheck Protection Program (PPP) loans to underserved communities in crisis.
- Maricopa County Resilience Loan Program (\$26MM)
- Santa Cruz County Forgivable Loan Program (\$1MM)



5 C'S OF CREDIT

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5 C'S OF CREDIT

- **Capacity/Cash flow**
Ability to repay a loan by comparing income against recurring debts
- **Collateral**
Assurance over the loan
- **Character**
Credit History
- **Capital**
Capital the borrower puts towards a potential project. "Stake in the Game"
- **Conditions**
Uses of Funds, interest rate and amount of principal can influence an Underwriter

Capacity/Cash Flow

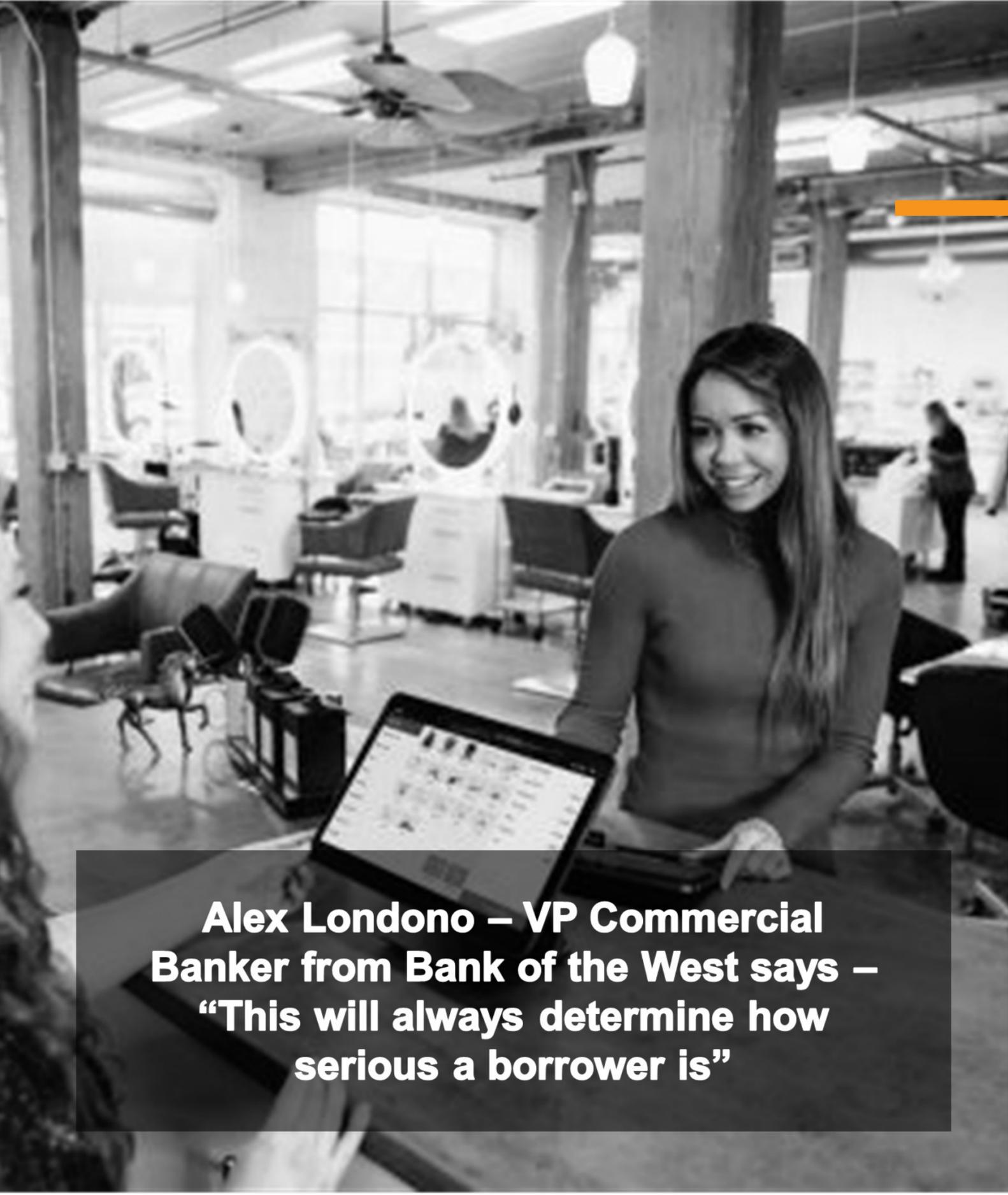
- Lenders must be sure that the borrower has the ability to repay the loan based on the proposed amount and terms.
- Reviewing Current P&L Stmt and Balance Sheet (
- Outside income
- Debt Service Coverage Ratios (1.0 to 1.25)
- Understanding Debt Obligations (Balance Sheet)
- Future Projections (why do we need these?)
- Looking out for the client's best interest and not putting undue stress on the business



Israel Gibbs from First Citizens Bank says
– “Is the borrower **ABLE** to repay the loan,
and **WILLING** to repay the loan....?”

Collateral

- Personal/Business assets pledged by the borrower as a security interest for their loan. Collateral can come in many forms
- Real Estate – Residential or Commercial
- Equipment – Tractor, Leather Press Machine, Pipe Milling Machine
- Vehicle – Dump Truck, Semi-Truck, Heavy Duty work truck
- Lenders measure collateral quantitatively by its value and qualitatively by its perceived ease of liquidation
- Default – Collateral helps mitigate the perceived risk with any loan. The better the collateral the stronger the application



Alex Londono – VP Commercial Banker from Bank of the West says – “This will always determine how serious a borrower is”



Character

- Character refers to a borrower's reputation. The old adage that past behavior is the best predictor of future behavior is one that many lenders subscribe to.
- Verifying references (Personal and Business)
- Credit Score – “Knowing your score is crucial in any conversation with a lender”
- Bankruptcy – What type?
- Collections/Charge offs – (Medical Debt, Repossessions)
- Credit Usage – “Are you maxed out on credit card debt?”

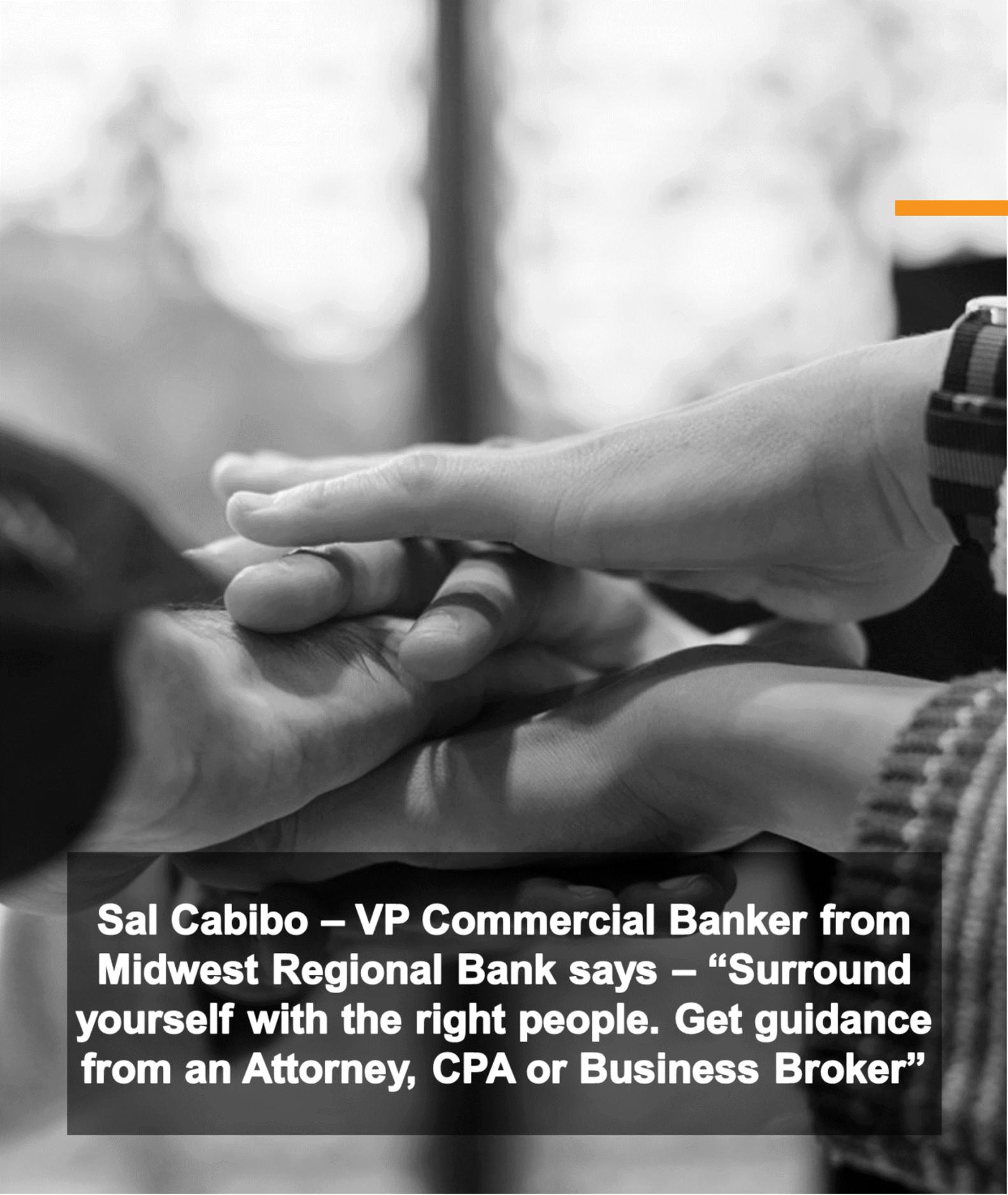


“You are far off better to have tried something and failed, then to have tried nothing and succeeded”

ANONYMOUS

Capital

- Analyzing a business's assets when determining creditworthiness. Lenders view capital as an additional means to repay debt obligation should a business be faced with an interruption in revenue while loan is still being paid
- Personal Investment (Capital Injection)
- Retained earnings (Cumulative net earnings or profits of a company after accounting for dividends or owner draws)
- “What is your skin in the game?” – When an owner is fully vested into their company there is an added incentive to give it 110% and not default on their obligation to the lender



Sal Cabibo – VP Commercial Banker from Midwest Regional Bank says – “Surround yourself with the right people. Get guidance from an Attorney, CPA or Business Broker”

Conditions



- Conditions refers to the terms of the loan itself, as well as economic conditions that might affect the borrower
- Strengths and Weaknesses (Overall economy and purpose of loan)
- Uses of Funds – “Does your loan request make sense?”
- This factor is the most subjective of the 5 C’s and is evaluated mostly qualitatively. Industry related – “Is your industry considered HIGH RISK?”
- Terms – Interest Rate, Term of Loan, Payment, etc.



BEST PRACTICES

Financial Documentation

Being prepared at all times (My biggest challenge as a lender)

Hiring a good CPA / Bookkeeper

Get a referral....do your research! Length in business.

Updated Profit and Loss Statement

Completed by 2nd week of the following month

Understading your cash cycle

When to borrow

Updated business plan / Projections

Where is your business headed? Knowing your business inside and out makes lenders "HAPPY"!



BUSINESSES FUNDED

Glow Midwifery

Zazueta Law Firm

Mesquite Landscaping

Le Dogue Mobile Grooming

Nanokas LLC

Potter's Peak

Restaurant Las Marias LLC

Neuroglia PLLC

Lasgidi Café LLC

Mariscos El Guayabas LLC

Keeper Piping and Fabrication



→ **Q & A**

CONTACT INFO



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UPCOMING EVENTS

For more information about our programs,
please visit prestamoscdfi.org



Cómo Construir una Marca Eficaz

March 29, 2023

5:30PM – 6:30PM

Introduction To Grants

March 30, 2023

9:00AM – 10:00AM

Media Strategies for Reaching Latinx Customers

March 30, 2023

12:00PM – 1:00PM

Welcome to Prestamos CDFI, your Microloan Lender

April 3, 2023

11:00AM – 12:00PM

Social Enterprise Empowerment Program

April 4-weeks

Every Tuesday 12PM - 2PM

THANK YOU

Give us your feedback and tell us how we
can improve!

