



Small Business Development Centers
Helping businesses start, grow, and prosper.






PA National Guard Association | PA Dept. of Military & Veterans Affairs

Fuel Your Business Growth: Navigating Business Funding Opportunities

October 24, 2025
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SBDC next-gen SAP Lab

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Fuel Your Business Growth:

NAVIGATING BUSINESS FUNDING OPPORTUNITIES




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THROUGH OUR SERVICES WE CAN HELP YOUR BUSINESS

START
GROW
PROSPER

Loan Packaging | Growth Plans | Business Plans | Market Research Legal
 Entity | Real Estate Acquisition | Licenses & Permits | Financial Projections

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PA SBDC NETWORK

**OUR
NETWORK
LOCATIONS**

THE PENNSYLVANIA
SMALL BUSINESS
DEVELOPMENT CENTERS

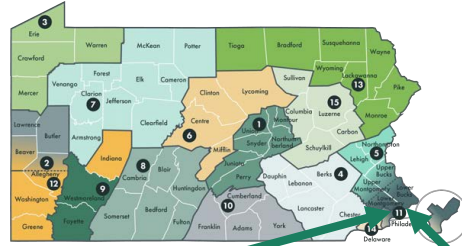
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Serving Delaware County, Philadelphia County and Norristown

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FUNDING PARTNERS



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I need a Business Loan... Who do I Talk to

CAPITAL CONTINUUM

Lender Type	Business Stage	Characteristics
CONVENTIONAL BANKS Bank Loans such as: • Lines of Credit • Term Loans • Asset-Based Loans • Construction Loans	STABLE BUSINESSES	📌 Market interest rates 📌 Varying repayment terms 🕒 Slower turnaround time 📌 Higher personal credit score required 📌 Personal guaranty 📌 Based on cash flow or collateral
COMMUNITY LENDERS • Microlenders • SBA lenders • CDFIs • Credit unions • Community banks	GROWING BUSINESSES	📌 Low to average interest rates 📌 Longer repayment terms 🕒 Heavier on paperwork 🕒 Slower processing 📌 Cash-flow based 📌 Personal guaranty
INSTITUTIONAL LENDERS • Online and peer-to-peer lenders • Factoring companies • Merchant cash advance lenders	NEW BUSINESSES	📌 Flexible requirements 📌 Faster turnaround & approval 📌 Lighter on paperwork 🕒 Higher interest rates 🕒 Shorter repayment term 🕒 Costly fees 📌 Personal guaranty (depends on lender)
FRIENDS & FAMILY • Gifts or loans • Crowdfunding		
YOU & PARTNERS • Personal savings • Credit cards • Sweat equity • Bootstrapping • Angel Investment • Equity • Home Equity Line of Credit		📌 "Risk-free" capital due to flexible repayment schedule 🕒 Potentially risky to relationships

5 C'S OF CREDIT

1. **Character/Credit History**
2. **Capacity/Cash Flow**
3. **Capital/Equity**
4. **Collateral**
5. **Conditions**

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THE DOCUMENTS YOU'LL NEED...

This credit issue...	Is addressed by these documents...
Capacity	<ul style="list-style-type: none"> ✓ Financial Projections (B) ✓ Personal Financial Statement (P) ✓ Tax Returns (B&P)
Capital	<ul style="list-style-type: none"> ✓ Sources and Uses of Capital (B)
Collateral	<ul style="list-style-type: none"> ✓ Balance Sheet (B) ✓ Personal Financial Statement (P)
Conditions	<ul style="list-style-type: none"> ✓ Business Plan (B)
Character	<ul style="list-style-type: none"> ✓ Credit Report (P) ✓ Resumes (P)

Key: P=personal, B=business

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How can I be seriously considered by a lender for a loan?

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- 1. HOW MUCH MONEY DO I NEED?**
Sources and Uses
- 2. CREDIT**
History, and worthiness
- 3. YOUR OWN MONEY**
Owners Investment
- 4. LENDER REQUIREMENTS**
Documents and Timelines

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REALITY CHECK YOURSELF!

- 1** Do you have a fundamentally sound idea?
- 2** Can you convince customers to give you money?
- 3** Can you operate within the laws of society?
- 4** Can I sustain My business in the startup phase?
- 5** Do I have 20% to invest, a Budget, Financial projections, Credit?

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Loan Type	Use of Funds	Security	Interest	Monthly Payment
Credit Cards	Most Common form of short term credit. Used for everyday purchases such as supplies & other necessities.	Unsecured	Variable. 10-40%	Monthly, 2-3% of average balance.
Lines of Credit	Short term working capital; seasonal purchases	Secured	Fixed or Variable 1-4% above prime	Interest monthly, principal at maturity. In some cases, principal and interest monthly.
Letter of Credit	Used in connection w/international sales transactions to expedite shipping & payment. If seller demands this type of payment, buyer must arrange with its bank to issue letter of credit	Secured	Fixed. 1-3% above prime	Depends on circumstances
Asset Based	Cyclical & short term working capital. Used by businesses that provide credit to other businesses.	Secured (usually by inventory and AR)	Usually variable. 1-6% above prime	Monthly. Dependent on changes in inventory & AR
Factoring	Company sells accounts receivables at a discount to a factoring company for cash. Company can get 80-90% of invoices face amount. Once collected by factor company will receive remainder less fees and interest.	“With-or Without Recourse.” With Recourse: Factor is not responsible to collect delinquent receivables. Without Recourse: Factor has to collect delinquent accounts. Without Recourse agreements are more costly than With-Recourse	3-5% Note: Can be as high as 60% annually.	Dependent on changes with AR sold.
Bridge Loan	Used to transition from the end of one loan to the start of another.	Secured or unsecured	Variable. 1-2% above prime	Paid at end of period or consolidated into next loan.
Merchant Cash Advances	Short-term working capital.	Unsecured	Variable 10-40%	A % is deducted from future customer credit card transactions.

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Loan Type	Use of Funds	Security	Interest	Monthly Payments
Term Loan	Most common general-purpose loan. Used for business expansion purposes	Secured	Usually variable. 1-3% above prime. Loan fees 1-2% of loan amount.	Principal and interest monthly
Term Loan with SBA Guaranty: 7(a) Loan Guaranty Program	Used for working capital and business expansion. SBA guaranty provides the small business owner with greater access to capital.	Secured	Usually variable. 2-5% above prime. Loan fees 3-8% of loan amount.	Principal and interest monthly
Equipment Leasing	Alternative to term loan. Easier for small business to secure since equipment serves as collateral for loan.	Secured	Market rate	Monthly
Commercial Real Estate Loan	Acquisition of commercial real estate.	Secured	Fixed and variable. 2-4% above prime.	Principal and interest monthly.
Commercial Real Estate Loan with SBA Guaranty: Certified Development Company(504 Loan) Program	Acquisition of commercial real estate. SBA guaranty provides the small business owner w/greater access to capital.	Secured	Fixed & Variable. 2-4% above prime.	Principal and interest monthly
Microloan	Start-up costs and working capital. Loans usually will not exceed \$25,000 and will mature in 12-60 months.	Secured or unsecured	Variable 10-20%	Principal and interest monthly.

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Understanding Loan Alternatives	Bank Term loan	Bank Line of Credit	Equipment Lease	SBA Loan Programs	Other Federal/State/Local Programs	Asset-based/Factoring Lenders	Non-traditional Lenders	Microenterprise Lenders	Home Equity Line of Credit	Family and Friends	"Angels" or Private Investors	Personal Loans
	Scenario A: Your business meets traditional lending criteria; "Five C's."	✓	✓	✓	✓	✓		✓		✓		
Scenario B: Your business does not meet all "Five C's" but has AR or other liquid assets			✓	✓	✓	✓	✓		✓			
Scenario C: You are a start-up business or your company is not creditworthy and/or has no assets. Personal credit is good & personal collateral is available.			✓	✓	✓		✓		✓	✓	✓	✓
Scenario D: You are a start-up business or your company is not creditworthy and/or has no assets. Personal credit is good but collateral is unavailable.			✓	✓	✓		✓		✓	✓	✓	✓
Scenario E: You are a start-up or business or your company is not creditworthy and/or has no assets. Personal credit is not good but personal collateral is available.			✓		✓		✓		✓	✓	✓	✓
Scenario F: You are a start-up business or your company is not creditworthy and/or has no assets. Personal credit is not good and personal collateral is unavailable.			✓				✓	✓		✓	✓	

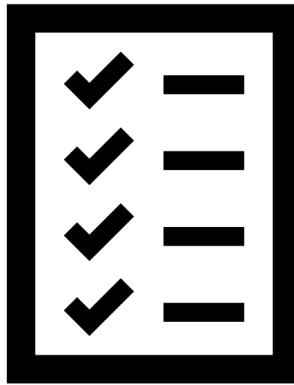
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TOOLS & RESOURCES

Start a Business



BP Guide



Loan Package Checklist



PA Guide to Business Registration

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THANK YOU!



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