

SMALL BUSINESS FAQ

ABOUT VCC

Virginia Community Capital is a Community Development Financial Institution (CDFI) with a mission to create jobs, energize places, and promote an enhanced quality of life for Virginians. With offices in Christiansburg, Norfolk, and Richmond, we offer innovative and flexible financing tools throughout the state. In addition, we provide professional advisory services to individuals and organizations in low-to-moderate income and underserved communities.

*VCC Bank is a wholly owned subsidiary of Virginia Community Capital.



How is a small business loan from VCC Bank different from a traditional bank loan?

VCC Bank is a regulated bank. We must take the standard precautions in protecting our depositors' money, which translates to underwrite a loan the same way a traditional bank would. We ask for tax returns, business plans when applicable, projections, etc. like a traditional bank. The difference is that VCC Bank has the flexibility to take on slightly more risk than a traditional bank might because of grants we receive from partner organizations to deploy financing out to mission aligned projects. VCC also utilizes government guarantee programs such as SBA, USDA, and VSBFA. Though we may be able to take on slightly more risk, and use more consideration and flexibility in structuring, we underwrite to the fundamental ability of the borrower to repay the proposed debt.

How does a business qualify for a small business loan from VCC?

We start with a phone call, to learn more about the business and the loan request. If the VCC staff member feels that the deal may be within VCC's realm, we request financial information including tax returns, projections, personal financial statement, current profit and loss statement and balance sheet, and other documents where necessary. The loan officer and underwriter analyze the financial condition of the borrower and take the loan request to VCC's risk team for approval. The process typically takes 45 days from the day we receive a complete loan application package to loan closing.

Does VCC help start-ups?

It depends. VCC will consider start-ups, but with more scrutiny. Typically with a start-up, VCC likes to see:

- 1) Management with industry experience greater than 5 years
- 2) 25% cash equity from the borrower (of total project cost)
- 3) Detailed analysis of the market, competition, and customer base as included in business plan
- 4) Detailed, reasonable projections
- 5) Prior business ownership experience is a plus

How much does VCC require for an equity injection?

Typically VCC requires 15-25% equity injection from the borrower. Start-ups will be required to bring at least 25% of their own capital. Certain loans to finance commercial real estate and equipment may require as low as 10%. However, these low equity injection loans have very strict eligibilities for uses of funds.

Does VCC require personal guaranties on their business loans?

Any person that owns 20% or more of the business must personally guaranty the loan.

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Does VCC provide grants to small businesses?

No. VCC and VCC Bank is a lender and does not provide grants.

What are the typical interest rates?

Interest rates vary based on risk. Most VCC Bank loans will be floating rate, tied to the Wall Street Journal Prime Rate. A typical VCC Bank interest rate will be no higher than Prime + 2.75%, adjusting quarterly. Factors such as sufficient collateral and high historical debt service coverage ratio can help to reduce the interest rate.

Are there any industries VCC does not finance?

VCC and VCC Bank do not provide financing to other banks or financial institutions, and businesses dealing in gambling, check cashing, or illegal activities.

Are there any use of funds VCC does not finance?

VCC and VCC Bank typically will not refinance personal debt (credit cards, personal loans, etc.) used for business expenses. VCC and VCC Bank will typically not lend against contracts (government or private sector). Most legitimate business expenses can be financed by VCC and VCC Bank. However, each loan and requested use of funds is reviewed on a case-by-case basis.

What is the minimum amount for a VCC small business loan?

VCC can provided financing anywhere between \$50,000 and \$5,000,000. A typical loan provided by VCC Bank is somewhere between \$250,000 and \$1,500,000.