
FUNDING YOUR JAVA MAMA CAFÉ

Introduction

So you are interested in licensing a Java Mama Café – how exciting! Turning this dream into a reality will require hard work and start-up capital. Please read on to learn more about how to go about funding the launch of your Java Mama Café.



Fun Funding Facts

- You will need cash to start a Java Mama, and the amount of cash you will need is likely to be more than your original estimates.
- The Java Mama business plan may assist you in getting a business loan but if you need a loan you will probably have to offer the bank collateral other than the business.

Cash Sources

- **Existing cash reserves:** If you've been saving to open up your own business, good for you! Now is the time to access this account.
- **Liquid Investments:** If you've invested extra money in stock, mutual fund or other financial investments which are not held in a retirement account, you can sell these positions to obtain the start-up capital you need. Check with your broker first to avoid short-hold fees and unexpected costs of these transactions.
- **Selling Personal Items or Property:** No longer using that boat, rental property, or extra vehicle? Now is the time to sell. Check local prices on [Craigslist](#) or [eBay](#) before determining your asking price for the item.
- **Refinancing:** If you timed the purchase of your home just right, you may have equity in your home that you can withdraw by re-financing your mortgage. In the banking industry, this is referred to as *Cash-out Refinancing*. Current lending practices are likely to limit your available credit to just 50% of the equity in your home. Articles: [Bankrate.com](#), [LendingTree.com](#).
- **Friends and Family:** Your friends and family know you and trust you. Under the right circumstances, one or more members of this circle can help you get started. If you choose this route, work to separate the personal relationship from the business one treating all interactions, from the initial proposal meeting on, professional. And be sure to document your started agreement in writing. Articles: [Entrepreneur, Inc.](#)
- **Retirement Investments:** Depending on specific clauses in your retirement investment plan, you may be able to borrow against this investment to obtain the start-up capital for your Java Mama Café. Borrowing against your 401k should be a last resort and undertaken with great care by educating yourself about the drawbacks of this option. Java Mama does *not* recommend the direct withdrawal from your retirement account due to the high fees and loss of capital inherent in this approach. Articles: [Startup Nation](#), [MSN Money](#), [401kHelpCenter](#).
- **Credit Card borrowing:** This approach should also be chosen with great care. The amounts borrowed should be limited to that which you can repay quickly in order to avoid staggering finance charges. Consider interest free cards and other low-cost ways to use this option to supplement your primary capital source, and again, only as a last resort. Articles: [Startup Nation](#), [Entrepreneur](#), [About.Com: Business Finance](#).

Understanding Business and SBA Loans

- Unless you have an existing business, any business loan you pursue to finance your Java Mama start-up will require using some other real property as collateral. It may be your home, a vacation home or rental property, an investment account, a retirement account or some other collateral item.
- Your personal Java Mama Café business plan, along with the original Java Mama business plan and licensing documents will assist you in getting a business loan but are alone not enough to qualify you for a loan.
- Banks offer business loans. These loans generally have the lowest fees and longest payback periods of all of your loan options which is why they are attractive.
- Some banks work with the SBA to offer SBA-backed loans. This means that the bank may ask the [SBA to guarantee](#) your loan so that if you default, the SBA will pay back your loan to the bank.
- The SBA has a number of different guarantee programs, and even offers venture capital investments, but you would most likely pursue a loan in the [7\(a\) Program](#). Under this program you should be prepared provide 30% of total start-up cost figure you need to borrow.
- SBA loan guarantees come with strings attached. This means that there are additional steps in the loan process and additional [terms and conditions](#) on your loan.

Strategies for Business Loans

- **Know Your Score:** Make sure that your personal credit rating is above average by checking your credit history and your credit score, referred to as your FICO score.
 - You are entitled to one free copy of your credit history from each of the three primary reporting agencies each year. There is only one source for this free report authorized by the FTC and that is [AnnualCreditReport.com](#). All other sites will charge you for this service and/or sign you up for a monthly service without you realizing it.
 - You are not entitled to a free FICO score report but we recommend that you purchase your score from at least one of the reporting agencies: [Equifax](#), [Experian](#) or [TransUnion](#). You can also use [myFICO.com](#). Each FICO should cost you between \$14 and \$16. Do not pay more.
 - Your FICO score will likely need to be over 700 to be considered a safe loan risk.
 - All of these sites can provide misleading links. Take care that you purchase only what you need and do not enroll yourself any monitoring programs by mistake.
- **Know Your Bank:** Determine if your current, local bank does business loans and if it works with the SBA to offer SBA-backed loans. Most banks advertise these programs liberally.
 - If your current bank offers these programs, make an appointment to introduce yourself to the bank manager if you have not already established a relationship with this person.
 - If not, consider establishing an account at a bank that does and starting the relationship there.
- **Know Your Business:** When meeting with a banker, you should be prepared to speak fluently to all aspects of your business plan, especially the market research facts that support your revenue projections. Be sure that you are using the most current census figures and other secondary research sources of data when developing your target market and revenue statistics. Banks are much more willing to loan to those whom have done their homework.

Ways to Reduce Your Start-up Costs

- **Free Business Advice:** Your tax dollars are at work supporting the growth of small business at the federal, state and even local levels – take advantage! Your local [Small Business Administration](#), [SCORE](#) or [Small Business Development Center \(SBDC\)](#) locations provide free, individualized consulting on topics including start-up financing, business loans, accounting, marketing, finding local suppliers, business planning and special benefits for women entrepreneurs. Most sites also offer free or low cost training on topics such as using QuickBooks and filing your business taxes.
 - [SBA Office Locator](#)
 - [SCORE Office Locator](#)
 - [SBDC Office Locator](#)
- **Supplier Financing:** Consider having your suppliers participate in your launch by asking them for free or at cost items. Use your persuasion skills to educate them about how they will benefit from your future business once you are up and running. Articles: [Startup Nation](#),
- **Alternative Service Providers:** Investigate using alternative service providers, such as off-shore programmers or writers, to handle your business service requests. Your local business schools and community colleges may have programs which allow students to work for businesses for course credit. Articles: [Startup Nation](#).