

IMMIGRANTS **RISING**

**GETTING ACCESS TO
FINANCIAL CAPITAL FOR
YOURSELF AND YOUR BUSINESS**

immigrantsrising.org

Getting Access to Financial Capital for Yourself and Your Business

Basic Facts

Credit

- Your credit is made up from information about your borrowing history, which mostly comes from your credit reports.
- Your credit history is converted to a credit score by a computer program that looks for patterns, characteristics, and red flags in your history.
- Credit scores range from 300 to 850.
- The federal government gives you [free credit reports](#), but it does not provide free credit scores.
- You may access your credit score for free, such as by checking with your credit card provider (Discover, Chase, etc.), or through websites that offer them (CreditKarma.com, CreditSesame.com and Credit.com).
- You may build credit with a SSN or ITIN by applying for a credit card at your local bank or favorite merchant

Financial Capital for Business

- When seeking financial capital for a small business, lenders will typically review your personal credit history, which is why it is important to establish and maintain good personal credit.
- You will likely need proof of your business to get funding, so we suggest reviewing the materials about choosing a business structure.
- When seeking business capital, be prepared to present business documents, including business bank statements, invoices, incorporation, and tax documents.
- Remember that anyone, regardless of legal status, may start and business, and therefore, may use the business name and number ([EIN](#)) to access business credit without having to disclose personal immigration status.
- There are many ways to access financial capital for your business, not just banks. This guide goes over other options, such as SBA loans, microloan programs, crowdfunding, angel investors, venture capitalist, and grants and fellowships.

Introduction to Building Credit

Accessing financial capital for personal or business purposes requires building credit history and maintaining a good credit score. There are different ways to build credit, such as applying for a credit card at a bank, using a co-signer for a loan, or becoming an authorized user on someone else's credit card. Many banks will accept the ITIN and any form of valid identification, such as a passport when applying for an initial credit card or loan. Once you get access to your first lines of credit, make sure to be a responsible credit user by making on time payments, disputing errors and unauthorized charges, checking your credit limit and not overspending. All these factors will ultimately affect your credit score and the likelihood to increase your credit line or apply for other loans.

What is Credit?

Credit is borrowed money that you can use to purchase goods and services when you need them. You get credit from a credit grantor, whom you agree to pay back the amount you spent, plus applicable finance charges, at an agreed-upon time. Your credit is made up from information about your borrowing history, which mostly comes from your credit reports. Credit reports include the following:

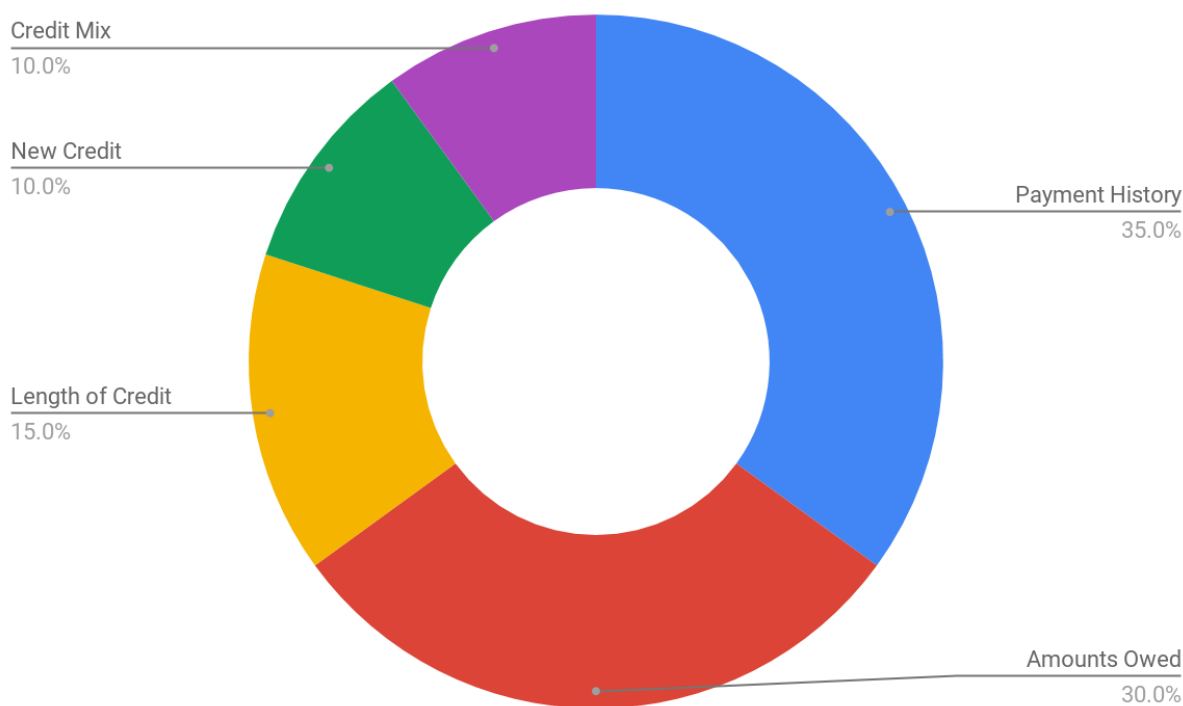
- Loans that you've used in the past, even if you've paid them off (generally the past seven years, although there are exceptions)
- Loans that you're currently using (including any unused lines of credit)
- How much you've borrowed
- Your required minimum monthly payments
- Your payment history—have you made late payments, or are you always on-time?
- Public records such as bankruptcy and foreclosure
- Any loans that you have defaulted on and are in collections

Credit Scores

Your credit history is converted to a credit score by a computer program that looks for patterns, characteristics, and red flags in your history. Credit scores range from **300 to 850**. A high score (typically greater than 720) means you're more likely to get approved for a loan at attractive rates, while loans between 650 and 720 get a higher interest rate. When somebody wants to see your credit report or get your credit score, they request it from a credit bureau (also known as credit reporting agencies). There are many credit bureaus, but the "big three" (Equifax, Experian, and TransUnion) have the greatest impact on what is most often referred to as your credit.

While federal law gives you [free credit reports](#), it does not provide free credit scores. However, there are many ways to access your credit score for free, such as by checking with your credit card provider (Discover, Chase, etc.) or through websites that offer them (CreditKarma.com, CreditSesame.com and Credit.com). The most important score right now is the FICO score – it is the one lenders usually use for the most important loans (such as mortgages, auto loans, and credit cards). Other scores, such as VantageScore, might become increasingly popular, but FICO scores are the most valuable scores.¹

FICO does not reveal the formula for computing a credit score, but they do provide categories that go into the FICO score. The following chart shows the five most important elements that go into a FICO score. Note that the most important element is payment history, accounting for 35 percent of the FICO score, which is why it is important to make your credit payments on time! The percentages are based on the importance of the five categories for the general population.²



Ways to Build and Grow Your Credit

We understand building credit can be difficult, particularly for immigrants. Without credit history, it is difficult to get a credit card, loan, or even an apartment. Do not worry! Several tools exist to help you establish a credit history, such as secured credit cards, a credit-builder loan, a co-signed credit card or loan, or authorized user status on another person's credit card. Below are

¹ <https://www.experian.com/blogs/ask-experian/credit-education/score-basics/what-is-a-good-credit-score/>

² <https://www.myfico.com/credit-education/whats-in-your-credit-score/>

a few ways you can establish and build your credit.³ In general, most banks and credits unions will ask for some form of ID (Driver's License, Passport, etc.) and either a SSN or ITIN.

- Apply for a secured credit card at your local bank or credit union. A secured card is backed by a cash deposit you make upfront; the deposit amount is usually the same as your credit limit. These are not meant to be kept forever; the purpose of a secured card is to build your credit enough to qualify for an unsecured card.
- Apply for a personal credit card (unsecured) at your local bank, credit union or favorite merchant (i.e. Macy's, Kohls, etc.). Large banks and merchants have been known to give small credit lines (\$1000-\$1500) to people without credit, as a way to help build credit.
- Get a co-signer. You may get a loan or an unsecured credit card using a co-signer. Make sure you and the co-signer understand that the co-signer must pay the full amount owed if you don't pay.
- Become an authorized user on someone else's credit card. A family member or significant other may be willing to add you as an authorized user on his or her card. As an authorized user, you'll enjoy access to a credit card and you'll build credit history, but you aren't legally obligated to pay for your charges.
- Use [MAF's Lending Circles](#) (continue reading below).

Building good credit takes time, approximately six months of on-time payments. Below are some tips from [NerdWallet](#) to help you build good credit.

1. Make 100% of your payments on time, not only with credit accounts but also with other accounts, such as utility bills. Bills that go unpaid may be sold to a collection agency, which will seriously hurt your credit.
2. Keep your credit utilization low — utilization is your balance when compared to your limit. We recommend paying in full each month, but if do you carry a balance don't let it exceed 30% of your credit limit.
3. Avoid opening too many new accounts at once; new accounts lower your average account age, which makes up part of your credit score.
4. Keep accounts open for as long as possible. Unless one of your unused cards has an annual fee, you should keep them all open and active for the sake of your length of payment history and credit utilization.
5. Check each of your credit reports annually for errors and discrepancies. Get your free credit report [here](#).

³ <https://www.nerdwallet.com/blog/finance/how-to-build-credit/>

Mission Asset Fund (MAF)

Mission Asset Fund (MAF) is a nonprofit organization whose mission is to create a fair financial marketplace for hardworking families. Their programs help participants overcome financial barriers with savings and credit-building opportunities. When bank loans aren't options and friends and family can't help, their programs step in and create a pathway into the financial system.

Early on, MAF surveyed low-income residents to better understand their lives and learned that 44% of all households in the Mission Districts had no credit scores. As a result, many families turned to fringe financial services like payday lenders, which have more locations than McDonalds and Starbucks combined.

As an alternative to these fringe services, many residents turned to the time-honored tradition of coming together to lend and borrow money with each other. Known as "tandas" within the Mexican immigrant community, this informal borrowing practice helped people meet immediate needs. But it didn't them build a credit history, a critical first step toward financial security and prosperity.

MAF - Lending Circles

MAF launched Lending Circles in 2008. This first-of-a-kind social loan program has helped people open bank accounts, avoid predatory lenders, and quickly build credit. Word spread throughout the neighborhood, and social lending continued to grow.

Lending Circles provides zero-interest loans that help people build credit. Every participant starts by taking an online financial training class. Then, the six to twelve members meet in person to form the Lending Circle and collectively decide on the loan amount; for example, a group of 10 people might decide they each want a loan of \$1,000. Each participant in the Lending Circle can have their own goal for the money, whether it's paying off debt or paying for tuition.

Everyone in the Lending Circle makes the same monthly payment, ranging from \$50 to \$200, which MAF reports to the credit bureaus. The loan rotates monthly to a different participant: in the first month, one participant receives \$1,000, and each month another member receives the total sum until everyone has gotten a chance. The program is proven to help participants establish credit histories for the first time and increase low scores.

The program is offered at MAF's office in San Francisco and through our nonprofit partner providers across the country. To learn more about lending circles and other services offered by MFA, visit the [MFA website](#).

Business Loans

Most businesses will require start-up capital. When seeking financial capital for a small business, lenders will typically review your personal credit history, which is why it is important to establish and maintain good personal credit. The capital you need to launch, maintain or grow your business can come from a variety of sources, including friends and family, traditional banks and other alternative lenders. Finding the right funding depends on the strength of your business and your own financial history. Below is an overview of the most popular sources of business capital.

NOTE: You will likely need proof of your business to get funding, so we suggest reviewing the materials about choosing a business structure [here](#). Also, be prepared with business documents, including business bank statements, invoices, incorporation and tax documents, when you inquire about business capital. Quickbooks offers some great templates to prepare and familiarize yourself with the financing process, check them out [here](#)⁴. Lastly, do not be intimidated by your immigration status when inquiring about business lending. Remember that anyone, regardless of legal status may start and business, and therefore, may use the business name and number ([EIN](#)) to access business credit without having to disclose personal immigration status.

Banks

Traditional banks are a great starting point and can help you figure out where you stand in terms of qualifying for funding. Even if your business doesn't have a strong enough track record or enough assets as collateral to qualify for a bank loan, talking to someone at a traditional bank can help you figure out what documents you need and what your best options may be.

Locally owned banks, in particular, are a great resource for small businesses because they often have a strong interest in economic development in the community. However, larger banks may be more willing to fund your small business if you have a personal (good) record with them.

SBA Loans

The SBA provides financial assistance in the form of loans that financial institutions make to eligible small businesses. In exchange for this guarantee the SBA charges a fee, which is paid by the borrower. The goal of the SBA is to encourage loans to businesses that might not otherwise qualify for loans through normal/traditional lending sources. The SBA does not lend the money directly to entrepreneurs to start or grow a business, but sets the guidelines for loans that made by its partners (lenders, community development organizations and micro-lending

⁴ <https://quickbooks.intuit.com/r/equity/every-document-you-need-to-pitch-and-onboard-equity-investors/>

institutions). SBA guarantees that these loans will be repaid, which eliminates some of the risk to the lending partners. ⁵

SBA financial support is available primarily for businesses owned by U.S. Citizens or naturalized citizens. However, this does not mean that businesses that are majority owned or controlled by persons who are not citizens of the U.S. are immediately ineligible for SBA assistance. Eligible businesses owned by non-U.S. citizens that are eligible for SBA assistance fall under two categories:

1) Businesses owned by Legal Permanent Residents (LPRs / Green Card Holders) are eligible. A Green Card holder has been granted authorization to live and work in the U.S. on a permanent basis. As proof of status, a permanent resident card (Green Card) granted. Most Green Card Holders are sponsored by a family member or employer in the U.S. Others become permanent residents through refugee or asylee status or other humanitarian programs.

2) Business owned by Legal non-permanent residents. Not being owned by a citizen or green card holder does not immediately disqualify a business from SBA assistance. However, additional requirements are needed from these businesses and their owners. These requirements are as follows:

(a) The application must contain assurance that management is expected to continue in place indefinitely and have U.S. citizenship or verified LPR status.

i. Management must have operated the business for at least 1 year prior to the application date. (This requirement prevents financial assistance to “start-up” businesses owned by aliens who do not have LPR status.)

ii. The personal guaranty of management must be considered as a loan condition and if not required, the decision must be explained in the loan file.

(b) The applicant must pledge collateral within the jurisdiction of the U.S. sufficient to pay the loan in full at any time during its life. If the small business applicant owned by foreign nationals, foreign entities or non-immigrant aliens residing in the US does not have sufficient collateral, the applicant is not eligible for a guaranteed loan.

(c) In order for a business not to be subject to these additional requirements, it must be at least **51 percent owned** by individuals who are U.S. citizens and/or who have LPR Status from USCIS and control the management and daily operations of the business.

Microloan Programs

Microloans are perhaps the best option for immigrants because they are controlled by non-profit organizations that create their own requirements. The Microloan program provides loans up to \$50,000 to help small businesses and certain not-for-profit childcare centers start up and expand. The average microloan is about \$13,000.⁶

The U.S. Small Business Administration provides funds to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance. These intermediaries administer the Microloan program for eligible borrowers. Each intermediary lender has its own lending and credit requirements. Generally, intermediaries require some type of collateral as well as the personal guarantee of the business owner.

Microloans can be used for:

- Working capital
- Inventory or supplies
- Furniture or fixtures
- Machinery or equipment
- Proceeds from an SBA microloan cannot be used to pay existing debts or to purchase real estate.

Loan repayment terms vary according to several factors:

- Loan amount
- Planned use of funds
- Requirements determined by the intermediary lender
- Needs of the small business borrower
- The maximum repayment term allowed for an SBA microloan is six years.

Interest rates vary, depending on the intermediary lender and costs to the intermediary from the U.S. Treasury. Generally, these rates will be between 8 and 13 percent.

You can get microloans from nonprofit lending organizations such as [Accion USA](#), the nation's largest microlender, through community development organizations and through commercial websites. Interest rates vary with the lender, the loan size, and your credit history. Each microlender has its own detailed requirements, such as training or planning, so you'll need to call or visit each one to find out what they are.

To apply for a Microloan, you must work with an SBA approved intermediary in your area. Approved intermediaries make all credit decisions on SBA microloans. For more information,

⁶ <https://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs/microloan-program>

you can contact your local [SBA District Office](#) or view the list of Participating Microloan Intermediary Lenders listed in [this report](#).

Crowdfunding

This is a great option for businesses with products that can capture the public's interest. Crowdfunding sites such as [Kickstarter](#) rely on investors to help get an idea or business off the ground, often rewarding them with perks or equity in exchange for cash. Another great resource for entrepreneurs is [Kiva](#), a nonprofit organizations that uses crowdfunding to help a borrower start or grow a business. Kiva crowdfunds loans of up to \$10,000 at 0% interest for borrowers in more than 80 countries who are often financially excluded and can't access other fair and affordable sources of credit. In the U.S., Kiva crowdfunds loans for borrowers who are either financially excluded or creating social impact in their communities. You may apply for a Kiva loan [here](#)⁷ or lend to a fellow entrepreneur [here](#)⁸.

Angel Investors

Angel investors are just one of several equity funding sources. Friends and family infuse small amounts of capital to get your business started. If your business is already up and running, angel investors can help it mature before you're ready to pitch to large venture capital firms. Many of the biggest tech companies today, including Google and Yahoo, were funded by angel investors. At its most basic deal, taking money from an angel almost always requires you to give your investor some share of equity in your company. Angel investors and any related transactions must be registered with the Securities and Exchange Commission (SEC). For more information about angel investors, check out QuickBooks, "[The Complete Guide to Equity Financing](#)".

Venture Capitalists (VCs)

Similar to angel investors, venture capitalists have money to invest, which they want to invest in young, up-and-coming businesses with a high potential for growth and monetary returns. Venture capitalists typically also look for a share of equity in exchange for their investment, but are also interested in having a voice in the direction of the company. These investments are generally characterized as high-risk/high-return opportunities. For more information about VC funds, check out QuickBooks, "[The Complete Guide to Equity Financing](#)". VCs are not easy to acquire and require much work and preparation. We suggest doing additional research and contacting us to connect you with experts on the topic.

⁷ <https://www.kiva.org/borrow>

⁸ <https://www.kiva.org/lend>

Small Business Grants

Small-business grants offer a way for small-business owners to get established or grow, without having to worry about paying back the funds. These grants are typically offered through nonprofits, government agencies and corporations; some grants focus on specific types of business owners, such as minorities, veterans and women. The downside to free financing is that everybody wants it. It will take a lot of work to find and apply to grants, but time spent searching for free money opportunities could pay off in the long run.

Below are a few small business grants and fellowships specifically for immigrants.

The Emerson Collective

The Emerson Collective Immigration Innovation Incubator is a new initiative that offers individuals financial, organizational, and professional development support over two years to develop early-stage ideas. By employing technology or other innovation, these ideas will expand protections and access to achieve change for the undocumented and/or low-income immigrant community in the U.S.

The Incubator offers you the flexibility to receive support for up to two years turning your great idea into a working program. They provide each innovator with \$80,000 a year for two years and a \$7,000 stipend for health care benefits. During the two years, they will offer individual project guidance and support, mentors, capacity-building training, and access to a range of experts from our networks to help you implement your idea. For more information visit the [Emerson Collective](#).

The Roddenberry Fellowship

The Roddenberry Fellowship is a new 12-month program for activists from across the country who are working to protect the most vulnerable and to make the US a more inclusive and equitable place to live. Twenty Fellows will be selected to receive \$50,000 each, as well as tailored support, to help implement a project or initiative in one of four areas:

- Civil Rights
- Climate Change and Environmental Justice
- Immigration and Refugee Rights
- LGBTQIA and Women's Rights

For more information visit [The Roddenberry Fellowship](#).

About Immigrants Rising

Founded in 2006, Immigrants Rising transforms individuals and fuels broader changes. With resources and support, undocumented young people are able to get an education, pursue careers, and build a brighter future for themselves and their community. Immigrants Rising is a fiscally-sponsored project of Community Initiatives. For more information, visit immigrantsrising.org

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