

## Project Sources & Uses of Funds

Use of Funds			Sources of Funds			
Use	Amount		Lender Name	Term	% Rate	Amount
Land						
Building						
Used Equipment						
New Equipment						
Vehicles						
Inventory						
Leasehold Improvements						
Contingencies						
Working Capital		Owner's Equity				
Non-Cash Assets		Owner's Non-Cash Assets				
<b>Total Use of Funds</b>		=	<b>Total Sources of Funds</b>			

# Understanding Collateral Value versus Loan Value

## 1. Below, a sample project.

Project Sources & Uses of Funds						
Use of Funds			Sources of Funds			
Use	Amount		Lender Name	Term	% Rate	Amount
Land			Nolendum Bank	7	8	\$160,000
Building						
Used Equipment	\$50,000					
New Equipment	\$80,000					
Vehicles						
Inventory	\$50,000					
Leasehold Improvements						
Contingencies						
Working Capital	\$20,000		Owner's Equity			\$40,000
Non-Cash Assets			Owner's Non-Cash Assets			
<b>Total Use of Funds</b>	<b>\$200,000</b>	=	<b>Total Sources of Funds</b>			<b>\$200,000</b>

## 2.

The funder works off of the premise that at some point, they will have to take back the money they gave you. They take that money back in the form of the items you purchased with it. They call those items, collateral. They don't know when they will take it back or in what condition it will be in when they do, so they give themselves a cushion in order to protect their businesses by discounting the value of the collateral. An example of the Valuing of Collateral:

Used Equipment discounted 50%	\$25,000
New Equipment discounted 80%	\$64,000
Inventory discounted 50%	\$25,000
Working Capital discounted 100%	\$ 0
<b>Total Collateral Offered</b>	<b>\$114,000</b>

## 3.

Bank will lend	\$114,000
Loan Request	<u>\$160,000</u>

**Collateral Shortage \$ 46,000**

## 4.

Offer more collateral, or provide \$86,000 in equity, or get gap financing or a combination of all three.