



FOCUS Microloan Application Terms

Finances, Funding, and Loans

Initial Capital: The money, property, and other valuables that are contributed to a new business by the owners and beginning investors. Once the business is started, *Working Capital* is the cash available in a checking account to pay daily expenses.

Collateral: Property that guarantees payment of a secured debt. (A secured debt is a debt in which the creditor, such as a bank or FOCUS, has the right to take a specific item if the debt is not repaid.) The creditor can take possession of the property if the loan is not paid. For example, a bank would repossess a car if the loan is not paid.

Repossession: When a creditor takes property that has been pledged as collateral for a loan.

Foreclosure: The forced sale of land, equipment, or property to pay off a loan on which the owner of the property has failed to make payments.

To calculate a percent: Divide the given amount by the total amount. Multiply by 100.

Ex: 30 out of 200 apples is 15%.

$$30 \div 200 = .15 \qquad .15 \times 100 = 15\%$$

Business legal structures

State Incorporated: A business that is designed to make profit. Like a nonprofit corporation, it is authorized by the state.

Nonprofit: A legal structure authorized by state law allowing people to come together to either benefit members of an organization or for a public purpose. Nonprofit corporations can make a small profit, but the business cannot be designed primarily for profit-making purposes.

C Corporation: A corporation whose profits are taxed separately from its owners.

LLC: Combines aspects of partnerships and corporations. Like a corporation, it protects people from personal liability for business debts, but has a similar tax structure to a partnership. Many small businesses are Limited Liability Corporations (LLC).

Partnership: A business owned by two or more people who are personally liable for all business debts.

S Corporation: A profit-making corporation organized under state law. It lets shareholders enjoy limited liability status, as would be true of any corporation, but be taxed like a partnership or sole proprietor, unlike a C corporation. It must have at least 75 shareholders.

Sole proprietor: A business owned and managed by one person. For IRS purposes, business profits are reported and taxed on the owner's personal tax return.

Joint Venture: An agreement between two or more individuals or businesses to engage in a single project. For most purposes, it is similar to a partnership. However, once the project is complete, the joint venture ends.