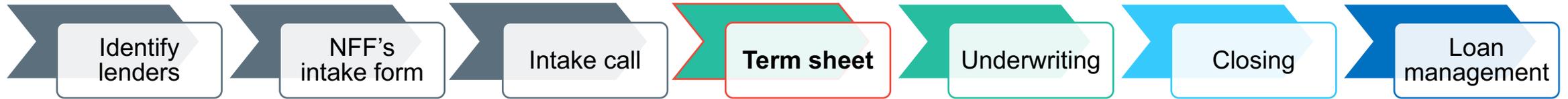


Understanding the Term Sheet



Term Sheet Process: What to Expect



NFF

Points of contact:
Loan Originator & Underwriter

- Conduct initial due diligence
- Write the Term Sheet, which outlines:
 - Loan size
 - Loan structure
 - Loan term (how long it will be active)
 - Interest rate (for 90 days)
 - Fees & penalties
 - Closing deliverables (what will be needed before payment can be processed)

Borrower

- Understand the term sheet
- Sign the term sheet
- Pay a “Good Faith Deposit”
- Continue to work with the lender to answer questions & share information as requested

Timeline

1 – 2 weeks

Example Term Sheet

Borrower: Sal



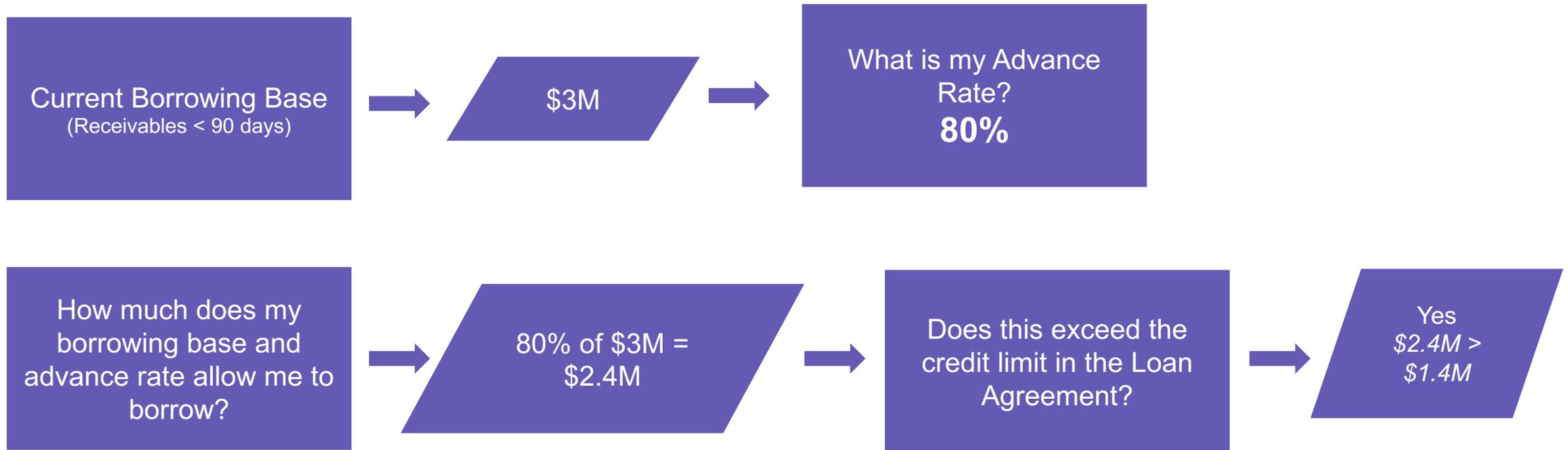
- Director of Finance for ABC Nonprofit
- Increased reimbursement-based government contracts have ~60 day payment delays, so ABC has requested a \$1,500,000 line of credit from NFF

Lender: LeNola



- Underwriter for NFF
- Analyzing ABC's request

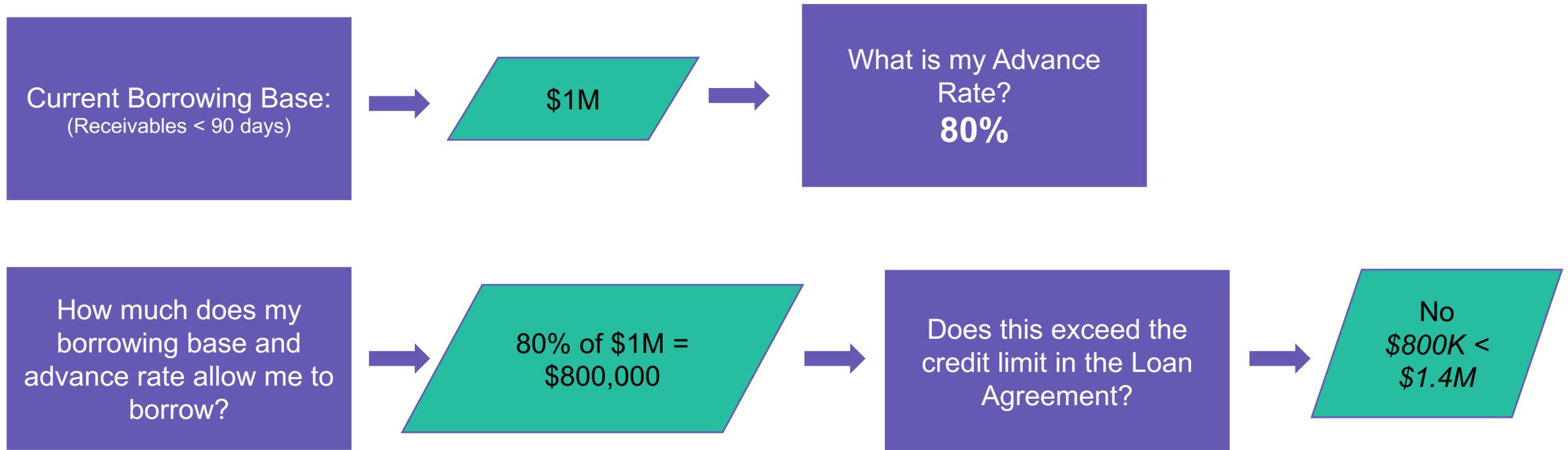
How much can I borrow on a Line of Credit? Example Scenario



With this borrowing base and advance rate, ABC can borrow up to the full \$1.4M

As long as ABC has more than \$1.75M in receivables <90 days, it can borrow the full amount
($\$1,750,000 \times 80\% = \$1,400,000$)

How much can I borrow on a Line of Credit? Example Scenario



With this borrowing base and advance rate, ABC can only borrow \$800,000.

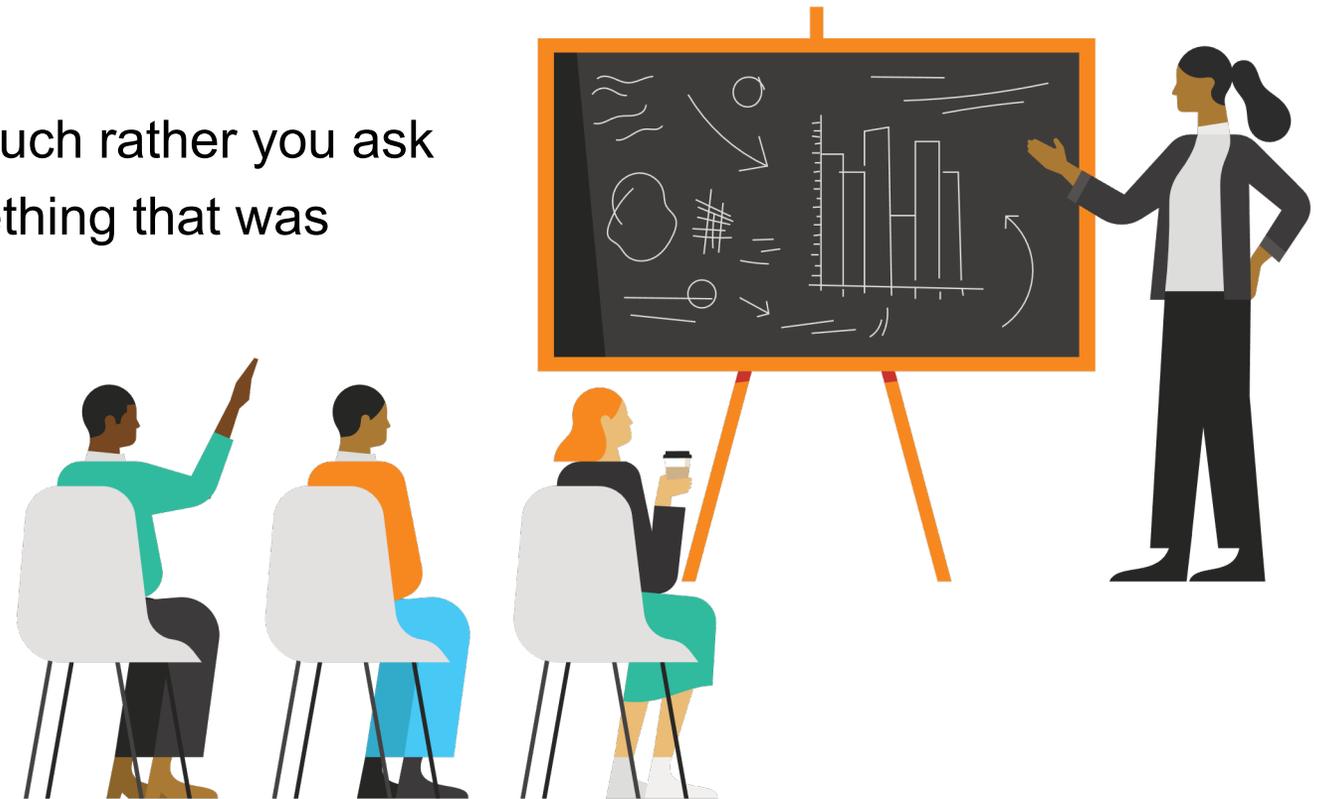
If it has more than \$800,000 outstanding from a previous month, it must pay the line down (but should have cash from paid receivables to do so)

Please: Ask as many questions as you need to!

There is no such thing as a 'stupid' or 'silly' question

We know it can be hard to admit not knowing something, but throughout the lending process you must believe there is no such thing as a dumb question.

Your organization and your lender would much rather you ask questions now than get tripped up by something that was missed later.



More Questions? Check out other videos on NFF's website

A Beginner's Guide to Debt for Nonprofits

1. What Is Debt?
2. When Is Debt Right For My Nonprofit?
3. What Lenders Look For
4. Types of Lenders
5. The Lending Process

Important Steps in NFF's Lending Process

1. Initial Conversation
- 2. Understanding the Term Sheet**
3. Underwriting
4. Closing
5. Post-Closing: Creating Your Workplan
6. Post-Closing: Ongoing Loan Management

You just
watched
this