

How to Finance Your Portable Restroom Business



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You've made one of the most important decisions of your life. You want to start a portable sanitation business.

Now, you have to make your second major decision — how to find the money to invest in it.

There are many potential ways to find the “seed money” you need to finance your startup. The following information is a review of the most common opportunities.

Take the time to research all your options carefully. Find the best match(es) based on the amount you'll need and the loan terms, such as the interest rate, how much time you have to repay and additional fees.



Start with the SBA

One of the most reliable and comprehensive resources for the small business owner is the U.S. Small Business Administration (SBA). The SBA offers information and assistance on financing and all aspects of small business. Use SBA resources online or in person:

ONLINE

The SBA website homepage is www.sba.gov.

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IN PERSON

Find the nearest SBA District Office at www.sba.gov/tools/local-assistance/districtoffices. The SBA provides free and low-cost counseling and training through District Offices across the country to help small business owners grow their business. Programs include:

- Free counseling on starting a business through SCORE
SCORE is a nonprofit association comprised of volunteer businesspersons throughout the U.S. who are trained as advisors to business owners. Services are free.
- Financial assistance for new businesses through guaranteed loans made by area bank and non-bank lenders.
- Free consulting services through the network of Small Business Development Centers
- Assistance to socially and economically disadvantaged business owners through the Minority Enterprise Development Program
- Advice for women business owners by Women's Business Ownership representatives

Connect with a Business Mentor

A business mentor is a person with experience in the industry who can offer real-world advice and who has valuable connections in portable sanitation. An ideal mentor shares knowledge to help you avoid pitfalls and steer you toward success.

The manufacturers of portable sanitation products are good sources to help you identify and connect with a mentor in your area. Often, professionals who work for these companies are willing to mentor a new business owner.

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Also, check Facebook industry groups that focus on portable sanitation.

Portable Sanitation Association International (PSAI) holds annual conventions that are excellent occasions to meet and network with other portable sanitation professionals. For more information on PSAI, go to <http://psai.org>.

The SCORE Association, in partnership with the SBA, offers a "Find a Mentor" program at www.score.org/find-mentor.

A Jump Start

We can't tell you the exact dollar amount required to start a business because there is no single amount. Each business owner has different plans and different goals for his or her business.

However, many startups are able to gain a foothold in the portable sanitation industry with minimal investment by combining a small loan from their bank, credit union or other finance company with their own savings.

As one example, a recent ad offered a used pumper truck for about \$15,000. Combined with a set of toilets and supplies for about \$5,000 to \$8,000, and that's a reasonable amount for an enthusiastic beginner to become a small-scale owner-operator.



There are plenty of reliable sources of used equipment, especially the JohnTalk Classifieds (www.johntalk.com/classified), Pumper Magazine (www.pumper.com), PRO Monthly (www.promonthly.com), www.pumpertrader.com, Facebook and Craigslist are others.

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Used equipment is an economical entry point into portable sanitation. But as your business grows, commit to strengthening your image in the marketplace by investing in new units and equipment.

Non-Traditional Funding

Many startups use other means besides the traditional loan process to invest. The SBA highlights these:

- **Credit Cards**
 - Credit cards are used by a majority of owners to help finance their small businesses. But if you're using a personal credit card and your business falters and it becomes difficult to pay off the debt you accumulate, you risk your personal credit rating and ability to borrow. A better alternative is getting a small business credit card. Read more about small business credit cards at www.sba.com/funding-a-business/business-credit-cards.
- **Friends and Family**
 - Borrowing from family members, relatives or friends and associates is often a good option, especially if you don't have a strong credit history. The SBA recommends that you carefully choose who to ask. Your best choices are friends or family members who have faith that you will succeed, understand your business plans and are clear about the risks. Don't be casual about asking for money. Your borrowing agreement should be as equally professional as any other business transaction.

The Loan Process

Many portable sanitation owners will secure the money they need to open their business the traditional way, by securing a loan. If this is your choice, prepare yourself for the loan process. It can be complicated, and it's more difficult for a startup to get a loan than an established business.

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The SBA offers a more comprehensive approach to help you decide how much money you will need and how to find it. The three basic steps are:

1. Estimate your startup costs
2. Find a lender
3. Prepare your loan proposal

1. Estimate your startup costs

A lender will want to see a realistic estimate of the cost of doing business for the first few months.

(Knowing your startup costs is also important if you are using the non-traditional sources of funding mentioned above. By doing your "homework," you can present a startup budget that gives your lender a clear outlook of your expectations. Good planning will help give your lender confidence that you are a low risk for a loan.)

An in-depth way to calculate your startup costs is to consider both one-time and ongoing costs.

Some expenses will be one-time costs, such as paying for your business sign or the cost of registering your business. Once you've paid them, you won't pay again.

Ongoing expenses are those you pay on a regular basis. Ongoing expenses are either fixed or variable. Fixed expenses are almost



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always the same, such as utilities and insurance. Variable expenses are usually different each time. Examples are chemicals and fuel costs, which can go up or down depending on market prices or how busy you are. Here's a basic list:

One-time costs

- Pumper truck
- Trailer
- Business license fee
- Shop tools (drills, rivet guns, etc.)

Ongoing costs: fixed

- Rent (shop or land for business)
- Commercial vehicle insurance
- General liability insurance

Ongoing costs: variable

- Equipment (units, power washer, buckets, gloves, hoses, etc.)
- Supplies (chemicals, toilet paper, sanitizer, etc.)
- Waste disposal fees
- Fuel and maintenance
- Utilities
- Website, advertising and marketing

As you identify your startup costs, decide if they are essential or optional. The cost of a pumper truck is essential, but a truck loaded with extra features isn't. A realistic budget should include only essential costs necessary to start your business.

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As a beginner, you may not know all the expenses you will have in your first few months or be able to accurately estimate the costs. This is where your business mentor can help you.

Equity investment

Don't expect to get the entire amount of money you need to start your portable sanitation business through a loan. In order to qualify for a loan, you have to put some of your own money, or equity, into the business. Equity is your own cash or business assets that you invest in your company. Banks and other lenders will want to make sure there is enough equity to secure the loan. The amount depends on the specific conditions of the loan, but most banks or financial institutions will want you to contribute at least 20 to 40 percent of the total request.

2. Find a lender

You may want to explore other options besides your own bank or credit union because all banks handle loans differently. It's important to find a lender that fits your business, your needs and your values. You'll probably be working with the bank for many years, so you want to work with financial professionals you trust.

You'll get good advice at your local SBA District Office. They can advise you about community banks, national banks, credit unions and commercial finance companies.

The SBA has loan programs for persons who want to start a business but can't get a loan on reasonable terms. SBA can also give good advice



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about loans and how to apply for them. Some state and local economic development agencies and nonprofit organizations provide loans to small business owners who may not qualify for traditional commercial loans.

If you are a veteran or a woman, you can see what special programs are available through your regional Veterans Business Outreach Center and Women's Business Center.

3. Prepare your loan proposal

When you apply for a loan, you have to provide a lot of personal and financial information to the lender so they can make a sound decision. This is known as preparing a loan proposal.

The following are some common components of a small business loan proposal:

- **Executive summary**

Think of your executive summary as a professional introduction to your proposal. Concisely describe your background and experience, your portable sanitation startup and how the loan will be used. You want to convince the lender you have what it takes to run a successful company.

- **Loan application form**

As you fill out the basic application form, be prepared to answer questions including:

- How much money you need
- How you will use the money
- How you will repay the loan
- What you will do if your business is unable to repay the loan
- Personal background (such as previous addresses, other names, criminal record, education, etc.)

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- **Your resume**

Some lenders look for management or business experience.

- **Business plan**

A business plan describes your business and how it will operate to achieve your goals. It covers aspects of the business such as products and services, operations, management and organization, startup expenses, a financial plan and marketing. Besides being an important part of the loan application, a business plan will help you think through every part of your company. SCORE offers a template for startup businesses that will guide you step-by-step through the process of writing a business plan, at www.score.org/resource/business-plan-template-startup-business.

- **Personal credit report**

You want to have good credit. Before you apply for a loan, get your personal credit report from one of the credit bureaus - Equifax (www.equifax.com), Experian (www.experian.com) or TransUnion (www.transunion.com). Personal credit reports may contain errors or be out of date, so make sure all the information is correct.

- **Income tax returns**

Usually, personal and business income tax returns for the previous three years.

- **Personal financial statement**

A balance sheet that measures your net worth by listing personal assets and debts.

- **Collateral**

Collateral includes personal and business assets that can be sold if the money you make from your business is not enough to repay the loan. Every loan requires some collateral. If you don't have collateral, you'll need a co-signer who has collateral.

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Examples of collateral are a house, truck, furniture, stocks and bonds and Certificate of Deposit (CD). Items that are not collateral include a car, office equipment, jewelry, mutual funds and Individual Retirement Account (IRA).

- **Legal Documents**

Depending on a loan's specific requirements, your lender may require you to submit one or more legal documents, such as business licenses and registrations.

Take the time to prepare your loan request to the best of your ability. Have your business mentor or a trusted business associate review your proposal. When you meet with your lender, be professional in your appearance and presentation.

When you are approved for a loan to start your business, it should be a real confidence-builder. By giving you the money you asked for, the lender is telling you that they think you have what it takes to make your business a success!

However, if you are turned down for a loan, don't let it discourage you. Talk to your lender and ask why. Use that information to make a better proposal next time.

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