

Stand-In CFO Frequently Asked Questions

So you have great credit (FICO 700+), and are considering helping someone get the money they need to fund their business. There are many important questions you should ask. We have taken some of the most common and listed them here, so you can understand the process and your responsibilities.

My Friend/Partner Wants to Fund a Business, Why Do You Need Me?

We setup bank funding for businesses, which is the cheapest and safest way to fund a business. But banks will not lend to a business without at least one person with good credit. You are the business' first lender, as you are lending your good credit to the them so that we can begin to get them bank credit.

What is the Process?

1. We put you on the corporate documents as the CFO (Chief Financial Officer).
 - a. This gives you NO official rights to the business.
 - b. This gives you NO official duties in the business.
 - c. This strictly places you inside the companies as a credit reference for the banks.
2. We put together underwriting documents and start applying for credit in the business' name.
3. Over time the business will pay the lines of credit.
4. Each line of credit will start with your personal guarantee.
5. After a period of time you can get those personal guarantees removed if:
 - a. They are never late.
 - b. They pay more than the minimum payments.
 - c. They show revenues through the company bank account.
6. After twelve full months we will remove your name from the company as CFO.
7. At this point liability for the credit lines is in the business' name and not yours.

Why Am I the CFO – What Are My Responsibilities?

You have no new responsibilities. Anyone can be a corporate officer, but it doesn't mean you have to participate in the business, and it doesn't necessarily give you any rights within the business. We use the CFO position because it is one of three mandatory corporate positions all corporations have, and it is one commonly held by people with good credit scores.

Will it Affect My Personal Credit?

These are business lines in the business name, so they will not even show up on your personal credit report. What may appear from time to time are inquiries from when we apply for the credit lines, but we clean these up as they occur, so any effect will be minor and temporary.

Is It Safe & Legal?

Yes, of course! In fact this is the safest way to fund a business. We have done this process for over 1,000 different clients, so we know it works. Plus we have our own law firm that does all the legal work, and their main focus is to do everything possible to shield the owners of the business from any liabilities that should belong to the business – and that includes repayment of business credit. We work to keep you safe, so you can focus on what's important and not spend the whole time worrying about your house.

What is a Personal Guarantee?

A Personal Guarantee is “A promise made by the guarantor which obligates him/her to personally repay debts the corporation defaults on.”

Does that Mean I Have to Repay Their Debts if They Default?

The Answer to this is Yes and No.

Why Yes: If the company defaults in a short time frame the banks may come after the guarantor to repay the debts. To limit this risk we always tell our clients to request enough money to run their business for at least 12 months after they start, so that they don't have to worry about defaulting in the first year. Another important factor is if the banks believe there was fraudulent behavior they may try to hold you liable, meaning they believe the money was not spent on regularly accepted business expenses. To limit this risk we show you how to track major company purchases through the company in a way that shows the banks you had real business expenses.

Why No: If the company defaults after you have left the company, and after personal guarantees have been removed, you are generally released from liability for those debts. In some situations, even if the default happened in a shorter time frame, if it is for understandable reasons the banks may not decide to pursue the debt. This is why we remove you as the CFO from the company after one year. It would be pretty strange for a bank to try and sue an ex-employee of a company for defaulting on something that happened after they left the business. Most banks would not waste their money on lawsuits they are almost sure to lose.