



# The a16z Fintech Guide to Raising Debt

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# Fintech Guide to Raising Debt

Embarking on raising debt for your fintech company can be a daunting task, given the number of options and structures you need to consider, the time and resources required, as well as an ever-evolving debt provider landscape. Successfully getting a facility in place takes time and effort, but the more prepared you are, the easier (and more efficient) your process will be.

To help demystify—and navigate you through—the debt-raising process at large, the a16z fintech and capital network teams have put together this guide to help you successfully plan and execute a debt capital raise. Below, you'll find a timeline and checklist for both corporate and asset-backed debt, covering materials and other diligence items you'll need to prepare. By understanding this process, you'll hopefully be in a position to secure debt term sheets and determine the optimal funding path for your specific circumstance.

These checklists are derived from [It's Time To Raise Your Debt Facility: Execution Tactics For Founders](#), the third part of our new series, *How Fintech Companies Can Simplify Their Funding Strategy*. In parts one and two, we explored [funding options](#) for startups looking to launch a new financial product and [terms to consider](#) when negotiating your first warehouse facility. The full series can be found at [a16z.com/fintech](https://a16z.com/fintech).

## Corporate Debt

When raising debt, startups will sometimes consider corporate debt (e.g., a term loan or revolving line of credit) to help quickly launch a new financial product. Companies should plan for a 4-6 week process timeline, from introductory call to closing. They should also prepare to share financial information that may include the items listed below.

Be sure to read [It's Time To Raise Your Debt Facility](#) for additional commentary and considerations.

### Process Timeline

| Weeks                          | 1 | 2 | 3 | 4 | 5 | 6 |
|--------------------------------|---|---|---|---|---|---|
| Introductory Call              | ● |   |   |   |   |   |
| Initial Diligence / Data Room  | ● | ● |   |   |   |   |
| Follow-Up Diligence Call       |   | ● |   |   |   |   |
| Indicative Term Sheet          |   | ● |   |   |   |   |
| Final Term Sheet               |   |   | ● |   |   |   |
| Legal & Confirmatory Diligence |   |   | ● | ● | ● | ● |
| Closing                        |   |   | ● | ● | ● | ● |

### Process Checklist

|   | Indicative Term Sheet | Credit Agreement |
|---|-----------------------|------------------|
| Management Request and Use of Proceeds                                | ●                     | ●                |
| Three-year historical financials, if available (monthly or quarterly) | ●                     | ●                |
| YTD monthly financials  | ●                     | ●                |
| Two-year financial forecast (monthly or quarterly)                    | ●                     | ●                |
| Detailed Capitalization Table   | ●                     | ●                |
| Top Customer List (by Revenue or ARR)                                 | ●                     | ●                |
| Most Recent Investor or Board Deck                                    | ●                     | ●                |
| Internal KPIs / Metrics Report  | ●                     | ●                |
| Latest 409A   | ●                     | ●                |
| Business Updates and Commentary                                       |                       | ●                |
| Lead Investor Reference Call  |                       | ●                |

# Asset-Backed Debt

Asset-backed debt is often a better fit for startups with scaled originations, though getting a facility in place can be a significant undertaking. Companies should plan for the asset-backed financing process to last up to several months. It's also critical to retain experienced counsel early on, as the deal terms and documentation will be much more complex compared to corporate debt.

Be sure to read [It's Time To Raise Your Debt Facility](#) for additional commentary and considerations.

## Process Timeline

| Weeks                         | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9-12 | 13-15 | 16-18 |
|-------------------------------|---|---|---|---|---|---|---|---|------|-------|-------|
| Introductory Call             | ● | ● |   |   |   |   |   |   |      |       |       |
| Initial Diligence / Data Room |   | ● | ● | ● | ● | ● |   |   |      |       |       |
| Indicative Term Sheets        |   |   |   |   |   | ● |   |   |      |       |       |
| Negotiations & Legal          |   |   |   |   |   | ● | ● | ● |      |       |       |
| Final Term Sheet              |   |   |   |   |   |   | ● | ● |      |       |       |
| Entity & Add. Legal           |   |   |   |   |   |   |   |   | ●    | ●     |       |
| Funding                       |   |   |   |   |   |   |   |   |      |       | ●     |

## Process Checklist

|  | Indicative Term Sheet | Credit Agreement |
|--|-----------------------|------------------|
| Management Request and Use of Proceeds   | ●                     | ●                |
| Most Recent Investor Deck  | ●                     | ●                |
| Financial Model  | ●                     | ●                |
| Historical and Projected Financials  | ●                     | ●                |
| Asset Tape (with details on all originations to-date)                                  | ●                     | ●                |
| Summary of Historical Asset Performance (at vintage level)                             | ●                     | ●                |
| Summary of Projections for Future Asset Performance (with accompanying justifications) | ●                     | ●                |
| Underwriting and Pricing Guidelines  | ●                     | ●                |
| Servicing Guidelines (including reporting structure)                                   | ●                     | ●                |
| Sample Customer Agreement  | ●                     | ●                |
| Detailed Capitalization Table  |                       | ●                |
| Projected Future Capital Needs and Capital Raise Timeline                              |                       | ●                |
| Credit/Risk Guidelines (including reporting structure)                                 |                       | ●                |
| Vendor List and Selection Criteria   |                       | ●                |
| Summary of Flow of Funds   |                       | ●                |
| Fraud, Charge-off, and Recovery Guidelines   |                       | ●                |



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Respect for the entrepreneur and the company-building process **defines a16z**. We know what it's like to be in the founder's shoes. General partners lead the firm, many of whom are former founders/operators, CEOs, or CTOs of successful technology companies, and have domain expertise ranging from data to artificial intelligence, biology to crypto, distributed systems to security, and marketplaces to financial services.

We aim to connect entrepreneurs, investors, executives, engineers, academics, industry experts, **cultural geniuses**, and others in the technology ecosystem. We have built a **network of experts**, including technical and executive talent; marketing and communications resources; Fortune 500/Global 2000 companies; **cultural leaders and influencers**; as well as other technology decision makers and key opinion leaders. Our network reflects a16z's commitment to helping our portfolio companies grow their businesses, and our operating teams provide entrepreneurs with access to expertise and insights across the entire spectrum of company-building.

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