



BNEL

2026

BALTIMORE NEIGHBORHOOD ECONOMICS LAB

THE DEBT TRAP

Scenario #1: Restaurant Owner Facing a Cash Flow Crisis

INTERACTIVE EXERCISE

Across Baltimore, many small business owners are not choosing between "good" and "bad" capital. They are choosing between survival and closure.



In reality, many entrepreneurs choose the option that helps them survive the next 7 days, not necessarily the next 7 years.

SCENARIO #1

NEIGHBORHOOD RESTAURANT OWNER



You own a small neighborhood restaurant in West Baltimore. You've been open for 4 years and have a loyal customer base. But rising food costs and slower winter sales have hurt your cash flow.

- Refrigerator failed unexpectedly
- You owe vendors
- Payroll is due Friday

Summer festival season is coming
You need \$18,000 immediately.

WHAT'S AT STAKE



Two employees are relatives who rely on the business as their primary income.



The owner has personally delayed paying themselves for 2 months.



A major neighborhood event is approaching, and the business is expected to cater.



Your business is a trusted gathering place in the community.

FINANCIAL SNAPSHOT



MONTHLY REVENUE
\$32,000



MONTHLY EXPENSES
\$29,500



CASH ON HAND
\$2,300



CREDIT SCORE
611



EXISTING DEBT
\$9,000



EMPLOYEES
7

YOU NEED

What do you do?

\$18,000

IN 7 DAYS

YOUR CAPITAL OPTIONS



A. MERCHANT CASH ADVANCE

Consider This

- Receive \$18,000 tomorrow
- Repay \$27,000 total
- Daily automatic withdrawals
- No credit check



B. TRADITIONAL BANK LOAN

Consider This

- Lower interest rate
- 6-8 week approval process
- Requires collateral & strong credit score
- Stronger financial records needed



C. LOCAL CDFI

Consider This

- Lower repayment pressure
- Includes business coaching
- Funding timeline: 8-12 weeks



D. USE PERSONAL CREDIT CARDS

Consider This

- Immediate access
- High interest rates
- Personal financial risk



Which option would you choose? Why?



Which option feels most realistic?



Which option creates long-term harm?



Did this business truly have a good choice?

SIX MONTHS LATER...

Every choice led somewhere. Here are the potential outcomes.



A. MERCHANT CASH ADVANCE

Sales increased slightly during festival season, but daily withdrawals crushed cash flow. Vendor payments fell behind, and the business struggled to recover financially.

High repayment costs and fees made it almost impossible to get out of the hole.



NEIGHBORHOOD IMPACT



Employees reduce hours or leave



Vendor relationships weaken



Neighborhood loses a trusted gathering space



Owner delays maintenance or improvements.



Family stress spills into business decisions.



B. TRADITIONAL BANK LOAN

You were approved, but barely survived the waiting period. You had to reduce staff hours temporarily, but the loan helped you stabilize and invest in equipment.



NEIGHBORHOOD IMPACT



Employees reduce hours or leave.



Vendor relationships weaken.



Neighborhood loses a trusted gathering space.



Owner delays maintenance or improvements.



Family stress spills into business decisions.



C. LOCAL CDFI

Growth was slower, but the coaching helped you strengthen operations. Repayment of the loan added extra stress to your business model, even with lower monthly payments.

You're building toward long-term growth, but the journey is still challenging.



NEIGHBORHOOD IMPACT



Employees reduce hours or leave



Vendor relationships weaken.



Neighborhood loses a trusted gathering space.



Owner delays maintenance or storefront improvements



Family stress spills into business decisions.



D. PERSONAL CREDIT CARDS

Debt spread across personal and business life. High interest payments ate into profits. Stress increased and personal financial stability took a serious hit.



NEIGHBORHOOD IMPACT



Employees reduce hours or leave.



Vendor relationships weaken.



Neighborhood loses a trusted gathering space.



Owner delays maintenance or improvements.



Family stress spills into business decisions.



WHAT WOULD CAPITAL LOOK LIKE IF THE GOAL WAS NEIGHBORHOOD STABILITY AND WEALTH CREATION, NOT SIMPLY REPAYMENT?

How do we balance speed, flexibility, and sustainability in capital systems?



ACCESS & FLEXIBILITY

Who should be able to access capital?



TERMS & STRUCTURE

What would fair, flexible terms look like?



SUPPORT & RELATIONSHIP

What support beyond money matters?



COMMUNITY IMPACT

How does this build wealth locally?



WHO ELSE SHOULD HELP CARRY THE RISK?

- Government
- Philanthropy
- Anchor institutions
- Local procurement partners
- Guarantors
- Technical assistance provider
- Community development financial institutions

Other ideas:



HOW DOES THIS STRENGTHEN THE NEIGHBORHOOD BEYOND THE BUSINESS ITSELF?

- More stable jobs
- Stronger local supply chains
- Vibrant, safe, and welcoming spaces
- Generational wealth building
- Resilience in hard times
- Community identity and pride

Other ideas:
