



Accessing Capital 101

Kansas SBDC

Principal Provider
of Business Assistance in Kansas



U.S. Small Business
Administration

ADVISING. CONSULTING.
TRAINING. GROWING
ENTREPRENEURS

Agenda

Introductions

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1. What Banks Require
2. 5 C's of Credit
3. SBA
4. Finding a Lender
5. Choosing the Right Bank
6. Tips and Advice
7. Q & A



What does a bank require for a loan request?

Each bank will have a specific set of required documents, but there is a typical core of financials they will want to see:

1. Application
2. Personal financial statement – All Guarantors
3. Business plan with projections covering three years. Month to Month
4. Sources and Uses
5. Three years of personal tax returns – All Guarantors
6. Signed lease. Make sure it is contingent on financing!
7. Cost of Equipment, Leasehold Improvements and FF&E – Three bids!
8. Existing Business – Company Financials and Signed Letter of Intent

This set of documentation along with a lender conversation will typically be enough to see if the bank has an interest in the credit request. This is called a “discovery or pre flight” meeting.

Bankers are generalist lenders so your business plan must be able to tell your whole story.

Evaluating your loan request

Every lender is taught the 5 C's of credit and will use this when evaluating a credit request.

These are great questions to ask yourself as a business!

1. Capacity – How will you repay the loan?
2. Capital – How much equity will they be investing? AKA “skin in the game”
3. Conditions – What is the economic climate and within your industry?
4. Character – What are your qualifications and credit history?
5. Collateral - What assets will you pledge for the loan?



Small Business Administration (SBA)

1. Likely your first business loan.
2. Preferred Lender Status
3. Helps to mitigate risk
4. Extended Amortization
5. Typically, a 20% injection requested
6. Might ask for additional collateral
7. More paperwork, bump in rate, a little longer and SBA fees.
8. Banks make the credit decision and set terms within SBA policy.



The Right Bank and The Right Lender

Bank

1. Find a bank that fits you.
2. Do not choose a bank just off location.
3. Look at the product offerings.
4. Ask your local resources.
5. How do they make a credit decision? And Where?
6. What type of loans do they typically like?
7. Collateral or Cash Flow Lender?

Lender

1. Experience and within your industry?
2. Typical loan size?
3. Do they work for the right bank in your industry? Product offerings...
4. Interview the banker!
5. Will they fight for your loan?
6. Current workload/pipeline?
7. How many SBA loans have you personally funded this year?



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Tips and Advice

- Personal credit score over 680
- Secondary Source of Repayment
- Minimal personal debt
- No violent criminal history
- **Fully prepared financial package**
- Willing to pledge assets
- Bring equity to the loan request
- Consider working in the industry first
- Look for areas with less competition



Ask a Banker!!

Comments?



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