

Securing Financing



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Selecting a bank

Understand the bank's profile:

- Are they well capitalized/profitable?
- Are they a preferred lender - how many loans have they done
- Do they have an expertise or industry knowledge
- Who are the decision makers
- Are they going through a merger

How much do you need

The amount you need depends on what you need it for – operations, expansion, equipment purchase, or even to start a business. This should be addressed in detail and be apparent to the lender. **Know how much you want and for what!**



Types of Debt

Understand the various types of debts and what you are looking for:

- Conventional Bank loans & lines
- SBA 7(a), Express and Patriot loans
- SOHO loans
- Other loan programs
- Factoring
- Credit Cards
- Leasing

Lenders are guided by the 5C's of Financing

- Character
- Cash Flow
- Capital
- Collateral
- Conditions

What criteria do banks include in their review?

- Personal Credit
- Business history/plan, management team
- Ability of the business to pay the debt
- Ability of the owner going to pay personal expenses
- If the business fails, can the guarantors pay the loan?
- What is the collateral? Business assets, home equity?
- Capital invested by owners
- Do you really need the money – what is enough?

For new businesses, Lenders look at:

- The business plan – simple, clear and concise
- The financial projections – possible or not
- Personal credit & respective financial statement
- The global Debt to Income ratio
- Supporting collateral
- Invested capital
- Is this loan less risky using an SBA guarantee?

Loan package

Should include:

- The business plan with financials
- Management resumes
- Personal financial statement for all owners with more than 20% holding in the business
- 3 years tax returns for all guarantors
- 3 years tax returns for business
- YTD financials if application is made mid year
- Detail accounts receivable statement (if applicable)
- If government contractor, then copy of contracts on hand and a contract backlog report

SBA Loans

The Small Business Administration has many loan programs to help small businesses, however keep in mind that the loan is made by the bank/financial institution and only guaranteed by the SBA to a certain percentage.

The guarantee percentage has been increased as of February 09 and guarantee fees have been temporarily waived

In Short:

- ❑ Have a business plan, projections
- ❑ Know how much you need
- ❑ Understand the 5C's of Credit that the Bank is looking at
- ❑ Get all your documents ready
- ❑ Understand the bank's strength - who is their SBA lender, how many loans have they done?
- ❑ Understand the current economic conditions
- ❑ Look at a banker as an advisor

Which Bank do you choose?

- Find a bank that is local
- Verify that they are a preferred SBA lender
- Ensure that you feel comfortable with and trust the lender
- Choose one that can grow with you
- Has the services you are looking for – ease of use, online banking, etc.

Sandy Spring Bank is the largest publicly-traded banking company headquartered in Maryland. Independent and community-oriented, the Bank was founded in 1868 and offers a broad range of commercial and retail banking, insurance, and trust services through 42 community offices in Maryland and Virginia.

