



# Funding Your Business

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**BANK OF  
COMMERCE**



# Bank Funding

What is your Banker thinking??

How does the Bank evaluate your request?



# Loan Request Evaluation

What is the Purpose of the Loan  
Request?

***Does it make sense?***



# Loan Request Evaluation Cont'd

- Repayment Terms
  - Term Loan v. Line of Credit
    - Fixed Asset Purchases
      - Leasehold improvements
      - Equipment
      - Permanent Working Capital (WC)
      - Real Estate



# Loan Request Evaluation Cont'd

- Lines of Credit
  - Revolving v. Non-revolving
  - Short-term WC v. Permanent WC
  - Current Assets (Receivables and Inventory)
    - Borrowing Base-Frequency, Ineligibles



# Loan Request Evaluation Cont'd

- Cash Flow
  - Global v. Entity (Business) Cash Flow
  - Historical v. Pro-forma Cash Flow



# Loan Request Evaluation Cont'd

- Entity (Business) Cash Flow

Net Income plus Depreciation plus Interest  
Minus Distributions/Total Annualized Debt  
Service = Entity Cash Flow Coverage.



# Loan Request Evaluation Cont'd

- Global Cash Flow = Entity Cash Flow + Personal Cash Flow (Which includes distributions from the entity) divided by All annualized debt service (Including all personal and business debt service) = Global Cash Flow Coverage.

*Personal Cash flow is net of taxes and living expenses. [Cash Flow Example](#)*



# Loan Request Evaluation Cont'd

- Most Community Banks look at Personal and Entity Cash flow separately then combine the two to produce the Global Cash Flow Coverage.
- Some Exceptions:
  - a. Credit Tenants e.g.: McDonalds.
  - b. Historically Profitable entities where the recourse or guarantee of the principal's are limited or nonexistent.



# Loan Request Evaluation Cont'd

- Historical vs.: Pro-forma Cash Flow  
(hypothetical financial figures)
  - If pro-forma/Mitigants?
  - Start-Up?
  - Small Business Administration (SBA)



# Loan Request Evaluation Cont'd

- Financial Information
  - Quality
    - Self-prepared
    - Accountant prepared
    - Reviewed
    - Audited
  - Disclosure Personal Financial Statement
    - Full Disclosure



# Loan Request Evaluation Cont'd

- Experience/Expertise
  - Core Business
  - Real Estate
- Operating Trends
- Balance Sheet Stability



# Loan Request Evaluation Cont'd

- Relationships v. Transactions
  - Deposit
  - Personal



# Loan Request Evaluation Cont'd

- Guarantor Analysis
  - Historical credit worthiness
  - Secondary and Tertiary sources of repayment



# Collateral Evaluation

- Loan to Values v. Loan to Cost
- Appraisal Considerations
- Environmental Considerations
- Liquidation Issues (special use, single purpose)



# Loan Request

- Documents needed by Bank
- Ongoing communication with the Bank

## ***RELATIONSHIP***