

E2E Presentation

What do Banks Look For?

What is Lee Bank?

- Been in business here in Berkshire County since 1852.
- What does a bank like Lee Bank do?
- How does it help individuals and businesses?
- Bank's are businesses. How does a bank make a profit?

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What is a small business loan?

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's objectives?

1. Want to see borrower succeed.
2. Want to see the loans repaid.
3. Want to help local economy thrive.
4. Build a solid relationship with borrowers

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's underwriting requirements?

- Five (Six) C's of Credit
 - Credit
 - Character
 - Capital
 - Capacity
 - Collateral
 - Conditions

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's underwriting requirements?

- Sources of repayment
 - Primary – Cash flow from the business
 - Secondary – Guarantor support
 - Tertiary – Liquidation of assets
- Credit enhancements
 - Small Business Administration Loans
 - Additional collateral sources

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's underwriting requirements?

- Credit

- Your history of meeting your obligations in a timely manner.
- If you have a good credit history, maintain it in good order.
- If you have a not so good credit history, repair it.
- If you don't have a credit history, start one.

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's underwriting requirements?

- Character

Lenders need to know the borrower and guarantors are honest and have integrity. Additionally, the lender needs to be confident the applicant has the background, education, industry knowledge and experience required to successfully operate the business. Lending institutions may require a certain amount of management and/or ownership experience. They will also ask about your licensing and whether or not you have a criminal record. Today, Google, Facebook, Linked-in are all sources to determine character.

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's underwriting requirements?

- Capital

Your lender will ask what personal investment you plan to make in the business. Not only does injecting capital decrease the chance of default, but contributing personal assets also indicates that you are willing to take a personal risk for the sake of your business; it shows that you have 'skin in the game.' Traditional bank lenders are not venture capital investors. Angel investors are often needed for start up businesses.

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's underwriting requirements?

- Capacity

The lender wants to know that your business is able to repay the loan. The business should have sufficient cash flow to support its business expenses and debts comfortably while also providing principals' salaries sufficient to support personal expenses and debts. Examining the financial statements or projections is an indicator of the borrower's ability to make loan payments. When using projections the lender will critically assess your assumptions and results.

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's underwriting requirements?

- Collateral

A lender will consider the value of the business' assets and the personal assets of the guarantors. Collateral is an important consideration, but its significance varies depending on the type of loan. A lender will be able to explain the types of collateral needed for your loan.

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

What are the bank's underwriting requirements?

- **Conditions**

The lender will need to understand the condition of the business, the industry, and the economy, which is why it is important to work with a lender who understands the local area. The lender will want to know if the current conditions of the business will continue, improve or deteriorate. Furthermore, the lender will want to know how the loan proceeds will be used- working capital, renovations, additional equipment, etc.

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

Putting it all together

- A well thought out, well presented business plan is critical to establishing a great first impression with your banker.
- Contact a banker and have a discussion. We are not intimidating and we want to be helpful.
- Work with a professional.
 - Accountants
 - Small business advisory services
 - Keith Girouard

Simple. Direct. Personal.



E2E Presentation

What do Banks Look For?

After the loan is granted

- Communicate frequently with your lender.
- Initially quarterly financial statements.
- After stabilization, annual financial reviews.
- Work with lender so lender will work with you.

Simple. Direct. Personal.

