



Banking & Finance For Small Business

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5 C's – What are banks looking for?

- Character – Credit reporting, history, reputation
- Cash Flow/Capacity – Ability to repay, structure, and overall leverage
- Capital – Working capital & net worth/equity
- Conditions – Economic and Industry trends
- Collateral – Secondary & tertiary source of repayment if cash flow fails

5 C's Cont. – Typical risk rating standards

- Character – Credit Report 720+ optimal, scores ~640 or lower begin to raise red flags
- Cash Flow- DSCR (Debt Service Coverage Ratio) 1.20x minimum
- Conditions – Are current conditions favorable or unfavorable in your industry? Are there inherent risks?
- Capital – Minimum 1:1 current ratio (current assets/current liabilities)
Minimum 75% debt to asset ratio (Debt/Assets)
- Collateral – LTV (loan to value) depends on underlying collateral, range is likely 50%-85%.

Required documents

- 2-3 years' tax returns – personal and business
- Personal & Business financial statements –Break down of assets & liabilities / Net Worth statement, Profit & Loss, etc
- Business Plan
- Proof of funds for owners' equity – typically a minimum of 10% of project costs.

Business Plan

- Feasibility & target market analysis – does not need to be excessively long but well thought out with REASONABLE assumptions.
- Historical and/or 3 years' profit and loss projections
- SWOT Analysis (strengths, weaknesses, opportunities, threats)
- SBDC is a great resource for business plan assistance:

North Central IA SBDC

ICCC Campus in Fort Dodge

515-574-1995

Loan Type & Structure

- Startup/permanent working capital - 50%-80% LTV, up to 10 year terms
- Line of Credit – On going working capital - 50%-80% LTV, renewed annually
- Machinery & Equipment – 80% LTV max, up to 7 year terms
- Real Estate – Acquisition, construction, expansion – 65%-85% LTV, up to 25 year terms
- SBA – May reduce borrower equity requirement to as little as 10% or mitigate minor issues with a loan request that would prevent approval otherwise. SBA loans do come with additional fees and paperwork.

Resources

- Iowa Economic Development – Grants, TSB loan, other resources
- [Iowa Small Business Resources | Small Business Iowa | Iowa EDA](#)
- Local Chamber Office – Design Grant, Revolving Loan Fund
- [Funding a Business - Webster City Area Chamber of Commerce \(visitwebstercityiowa.com\)](#)
- [North Central Iowa SBDC - Iowa SBDC](#)

Questions?