

Commercial Lending & Financing

Presented by:

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Introduction

- Work in Commercial Credit Administration department
- Review majority of the commercial financing or funding requests for the bank
- Work in tandem with Commercial Lenders to package a funding request that benefits both the bank and the customer

Workstation Overview

- Approaching a Commercial Lender
- Documents and Materials Needed
- Financing Considerations
- Financial Programs Available

Approaching a Commercial Lender

- Basic business plan or purpose
 - Does new venture fit a need or gap in the market?
- How much funding do you need
 - Use of funds?
 - Operating expenses, or inventory, or equipment purchases, etc.
 - Justification – Any market analysis? Work orders or purchase agreements?
Income/Expense projections?
- Bank: Financing Resource vs. Investor

Documents and Materials Needed

- Personal Financial Statement
 - Listing of assets, liabilities, net worth, income level
- 2-3 years of Tax Returns
- Credit Report – typically 620 and above
- If available: Invoices, purchase agreements, expense projections

Financing Considerations

- Financing Structure: Line of Credit vs. Term Loans
 - Working capital? Purchasing equipment or real estate?
- Cash Equity or Down Payment
 - 25% - “Skin in the game”
- Repayment Terms
 - Interest rates, amortization
- Primary and Secondary Sources of Repayment

Financial Programs Available

- Small Business Association (SBA)
 - <https://www.sba.gov/>
 - SBA provides a number of financial assistance programs for small businesses that have been specifically designed to meet key financing needs, including debt financing, surety bonds, and equity financing
 - Loan Programs
 - <https://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs>
 - Most common include: Small Business 7(a), CDC/504, and Microloans
 - See related handout

- City of Iowa City

- <https://www.icgov.org/financialassistance>
- MicroLoan Fund – to provide low and moderate income entrepreneurs with access to sufficient economic and social opportunities by providing them with limited capital to assist with their start-ups and expansions
- Application available online

Conclusion & Questions

- Engage a commercial lender, have documentation available
 - Reason for financing or use of funds
 - Be comfortable with repayment terms
 - Embrace available programs such as the SBA and City sponsored
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- Questions?

Contact

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