AMERICA'S SBDC
ACCREDITED MEMBER
MONTANA

SBDC START-UP SERIES: 5 "C's" OF LENDING

One of the most common questions among small business owners seeking financing is "What will the bank be looking for from me and my business?" While each lending situation is unique, many banks will utilize some variation of evaluating the "5 C's":

CASH FLOW

Ability to repay a loan is determined by cash flow projections. Your business must be profitable sometime in the first year or early second year when considering startup costs and matching month-by-month expenses to month-by-month revenues.

CHARACTER

The fact that you can produce something that people in the market want to buy does not guarantee the success of your business. You also have to manage marketing, hiring employees, record-keeping, problem-solving and planning.

CREDIT

Your credit background is very important. If you feel you have credit problems, obtain a copy of your credit report in advance and be prepared to explain any problems or discrepancies. Your credit will be checked and your score will be a major factor.

CAPITAL

You must put cash in your business if you expect someone else to provide funds. There are no 100% financing programs. Be prepared to provide at least 20% of all start-up costs and/or equipment.

COLLATERAL

Lenders want security for the funds they lend with a pledge of business assets (vehicles, equipment, buildings, etc.) and if necessary, personal assets. Home equity funds obtained through separate financing may be subsequently used for business financing.

For more information about small business lending, visit:
http://www.sba.gov/content/borrowing-money

About the Montana SBDC

The Montana Small Business Development Center (SBDC) Network is a partnership between the Montana Department of Commerce, U.S. Small Business Administration, regional economic development organizations and institutions of higher education.

The Montana SBDC Network consists of ten centers throughout the state that provide free, confidential, one-on-one business counseling and low-cost training programs to small businesses and entrepreneurs.

The SBDCs are dedicated to helping small businesses throughout Montana achieve their goals of growth, expansion, innovation and success. Our Network combines the resources of federal, state and local organizations with that of the education system and private sector to meet the specialized and complex needs of the small business community.

Visit www.sbdc.mt.gov and contact the SBDC nearest you to learn more about what counseling services and training programs are available in your area.

MONTANA DEPARTMENT OF COMMERCE

SBA U.S. Small Business Administration

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