



SMALL BUSINESS
KNOWLEDGE AND
TRAINING PORTAL

TSBDC.org



HOW TO PREPARE FOR YOUR FIRST BANK MEETING

LESSON TOPICS

1. How a Bank Operates

A bank is an establishment for the custody of money, the extension of credit, and for facilitating the transmission of funds. Just like any other business, a bank's goal is to make income; to make this income, they rent money. They loan funds to borrowers with the anticipation of repayment of the loan with interest. Interest on these loans is the bank's income.

2. Five C's of Credit

The five C's are as following:

Capital- This indicates your level of seriousness. Have you invested in the business?

Condition- This pertains to the purpose and details of your loan; does it make sense?

Capacity- How do you plan on repaying the loan?

Collateral- Do you have any collateral to help secure repayment of the loan? This can be in the form of real estate, equipment, or accounts.

Character- This is a look at your credit history; it shows your responsibility and integrity. Credit score is a vital piece of character.

3. What to Show the Banker

The banker will want to examine your personal debt to income ratio. Their hope is that your debt ratio does not exceed 33-38%. This includes your home debt, personal debt, car debt, etc. The banker will also want to see a business plan. They will want to know what your business is and how it will make money. Your financials and projections should show your ability to repay the loan. A piece of your financials will include your personal financial statement and your tax returns from the past two to three years.

4. Which Bank to Choose

It is recommended to first talk to the institution where you currently do your banking. This is because relationships are important in banking. Your current bank knows you; they know how you handle your deposits, how you pay your auto loan, and your personal loans. If you have to find a new bank, you will need to establish relationships with them. As a business owner, avoid keeping secrets from your attorney, accountant, and banker.