

## Commercial Lending Options Term loan vs. Line of Credit

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## Workshop Goals

Five Cs of Credit

Term Loan vs Line of Credit Understanding Your Financial Needs

Application
Process and
Requirements

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# Five Cs of Credit

- Capacity: Can you repay now and in the future?
- **Capital**: What personal funds and profits have you invested?
- <u>Collateral</u>: Personal or business assets you can use to repay the bank <u>IF</u> you default.
- Character: Your history of following through in life and business.
- **Conditions:** Do external factors favor the success of your business?

## Other Considerations by Lenders

- Background or general questions
- Management and employee questions
- Business operation questions
- Financial questions
- Personal questions

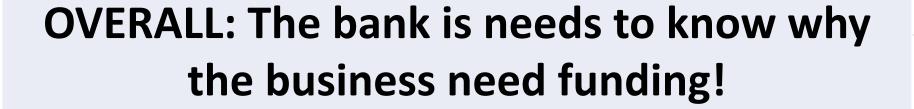




## Understanding Your Financial Needs

#### **Diverse financial needs for most contractors**

- 1) Project Financing
- 2) Equipment Purchase
- 3) Working Capital
- 4) Seasonal Cash Flow
- 5) Expansion





#### **Loan Option**

Definition: A loan provides a lump sum of capital upfront, which is repaid over a fixed period of time with interest.

#### **BENEFITS:**

- Predictable Payments
- Fixed Interest Rates
- Suitable for Specific Projects or Investments
- Long-Term Planning

#### **USE CASES:**

- Acquiring Real Estate
- Purchasing Equipment
- Major Renovations



## Line of Credit Option

Definition: A line of credit is a revolving credit facility that allows you to draw funds up to a predetermined limit, repay, and reuse.

#### **BENEFITS:**

- Flexibility in Accessing Funds
- Pay Interest Only on What You Use
- Ideal for Short-term Needs
- Emergency Situations

#### **USE CASES:**

- Covering Operational Costs
- Managing Seasonal Fluctuations
- Handling Unforeseen Circumstances



## Loan vs. Line of Credit Comparison

Interest Rates

Term Length

Flexibility



## **Application Process**

Required Documentation

Approval Timeline

• Disbursement Process



#### Required documentation

#### **Business Loan Application Checklist**

- Business credit application
- Personal credit report
- Most recent business <u>AND</u> personal tax returns
- Most recent business financial statements
- Personal financial statement
- Collateral information
- Sales contracts/ purchase orders
- Business lease or loan agreements
- Business license
- Disclosures if you own other businesses or your business has partners
- Business plan (a plus, but not required)



# Questions?

## Thank you

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