

CHASE BUSINESS BANKING



ACCESS TO CAPITAL For Business Owners

Updated April 2016



MANAGING YOUR BUSINESS
Presentation Overview



- **Business Strategy for Credit**
- **Initial Credit Considerations**
- **The 3 Cs of Credit**
- **Tools for Identifying the Health of Your Business**
- **Credit Application Preparation**
- **Credit Options**
- **Equipment Financing**
- **SBA Loan Programs**
- **Business Credit cards**
- **Planning for Your Credit Need**



- **Credit solutions as a tool for managing cash flow**
- **Cash flow management key to business success**
- **Credit options support variety of specific business needs**
- **Credit as a strategic lever that savvy business owners use to their advantage**

INITIAL CREDIT CONSIDERATIONS



Economy

- How is the current economy impacting your business?
- As economy changes, better or worse, how is your business impacted and how are you prepared to address it?

Industry

- What are the current trends (last 3 years) for the industry that you are in?
- Who are your competitors? Customers? Suppliers?

Operations

- What changes have you made to the operating model in the last 12 months? Or plan to make in the next 12 months?

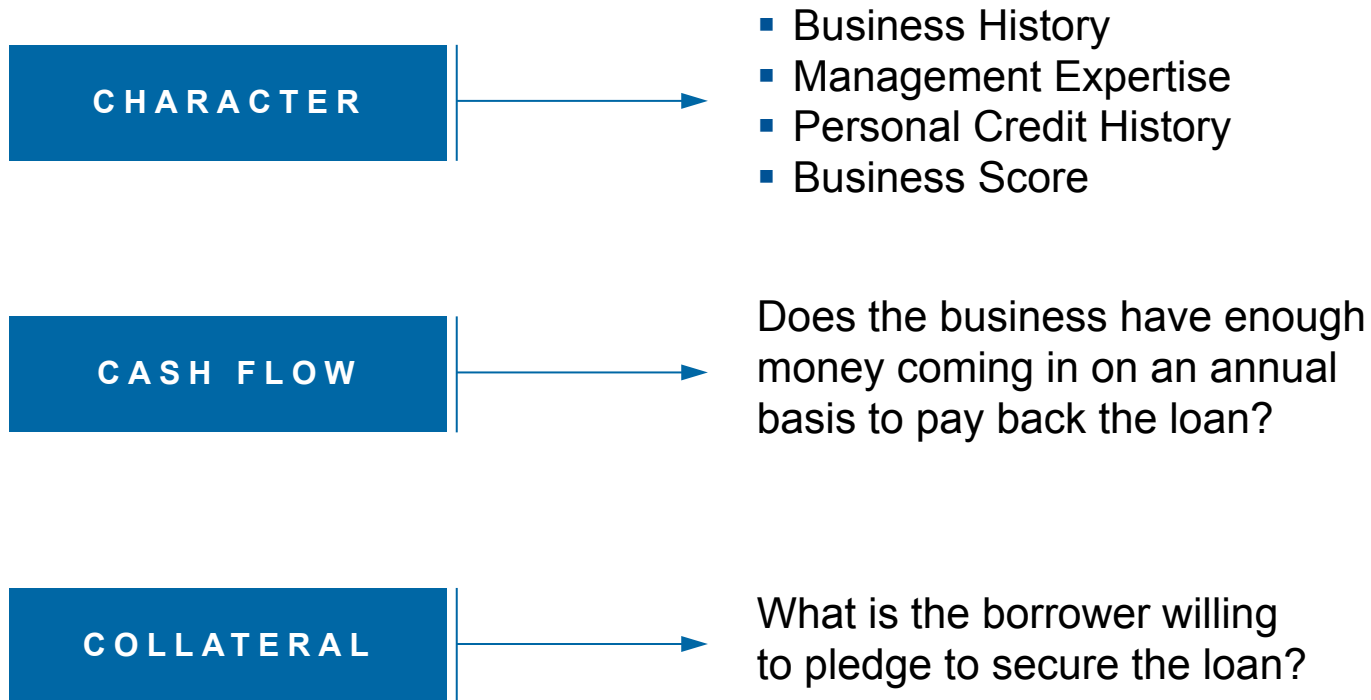
Ownership & Management

- What is your competitive advantage?
- Why do your customers do business with you?
- How will you pay us back?
- Why should we lend you money?

THREE Cs OF CREDIT



Considerations for Lending Decisions



CASH FLOW IS KING



Nothing is more critical to business survival than access to credit and a healthy cash flow.

- Allows business owners to settle debts on time, which allows willingness of:
 - Suppliers to offer credit
 - Landlords to lease workspace
 - Employees to work

More businesses fail for lack of cash flow than for lack of profit.

- Poor cash flow management caused 82% of all business failures¹
- Business owners tend to overestimate income and under-project expenses



Cash flow does not discriminate and affects every operation within a company regardless of its size.

¹ According to a recent survey funded by a leading financial organization

TOOLS FOR IDENTIFYING THE HEALTH OF YOUR BUSINESS



Balance Sheet Analysis

- Leverage ratio – the ratio of your debts to equity
- Current ratio – ratio of current assets to liabilities

Income Statement Analysis

- Sales Growth
- Gross Profit Margin
- SG&A to Sales
- EBITDA

Quality of Financial Statements

- Audited
- Reviewed
- CPA Compiled

CREDIT OPTIONS



Business Lines of Credit

Take advantage of business opportunities as they arise.

- Access your funds to take advantage of trade discounts, build inventory or use for operating capital
- Revolving line of credit – use it when you choose, and only make payments when advances are outstanding
- Get lines of credit ranging from \$10,000 and above

Business Term Loans

Pay off a significant purchase over a longer period of time.

- Choose fixed or variable rates
- Fixed monthly payment options available
- Flexible terms available
- Loans from \$5,000 and above

Business Credit Cards

- Pay in full or over time
- Your choice of rewards – choose from cash back, travel, gift cards and experiences
- Use online tools to help manage spending, including employee spending

All loans and lines are offered by JPMorgan Chase Bank, N.A. and are subject to credit approval and other eligibility requirements. Credit cards are provided by Chase Bank USA, N.A.

EQUIPMENT FINANCING



Choose from a variety of credit options to purchase or refinance new and used equipment or commercial vehicles.

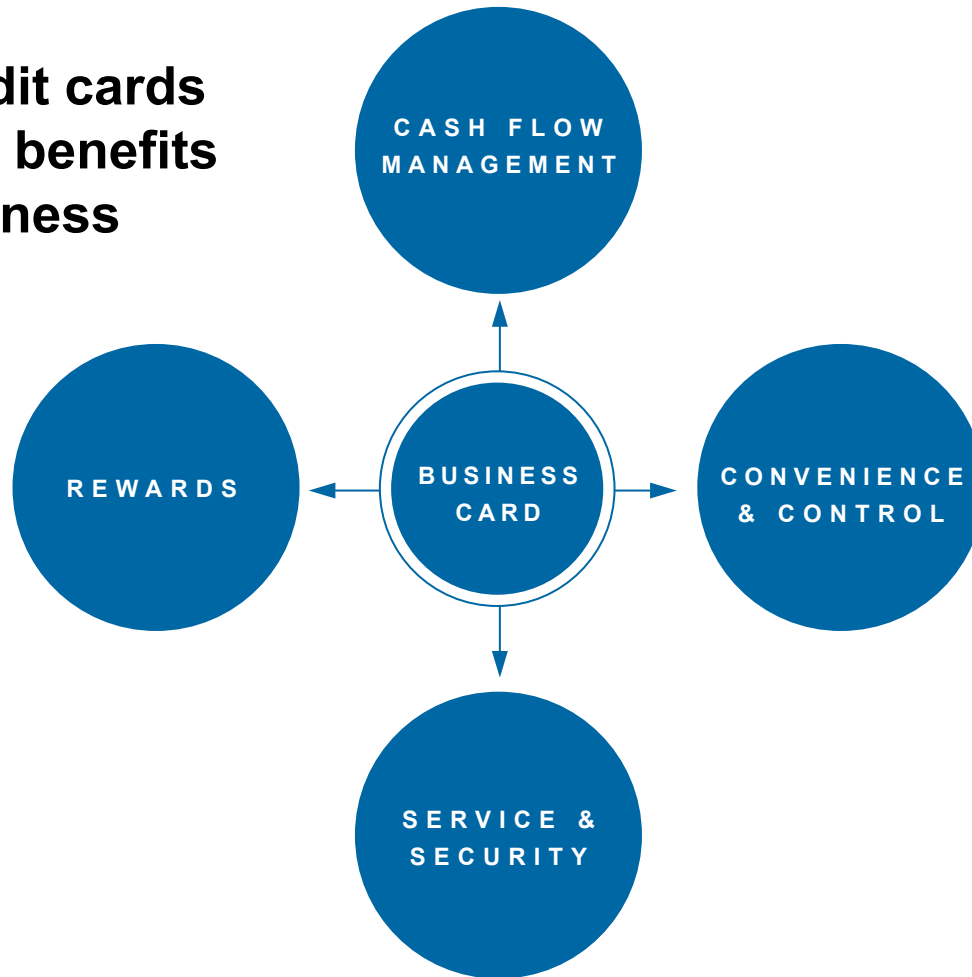
- Get up to 100% financing¹
- Loan or line of credit options

¹ Subject to credit approval and other eligibility requirements.

WHY BUSINESS CREDIT CARDS?



Business credit cards provide many benefits for small business owners.





A business card can be useful to cover Short-term expenses while retaining cash.

- Maintain immediate access to credit
- Stay afloat by using a business card while waiting to be paid by customers
- Manage fluctuation in cash flow due to business seasonality
- Address emergencies and unexpected expenses
- Lower cost compared to paper check disbursements
- Leverage card terms to extend payment date (aka Payment Float)

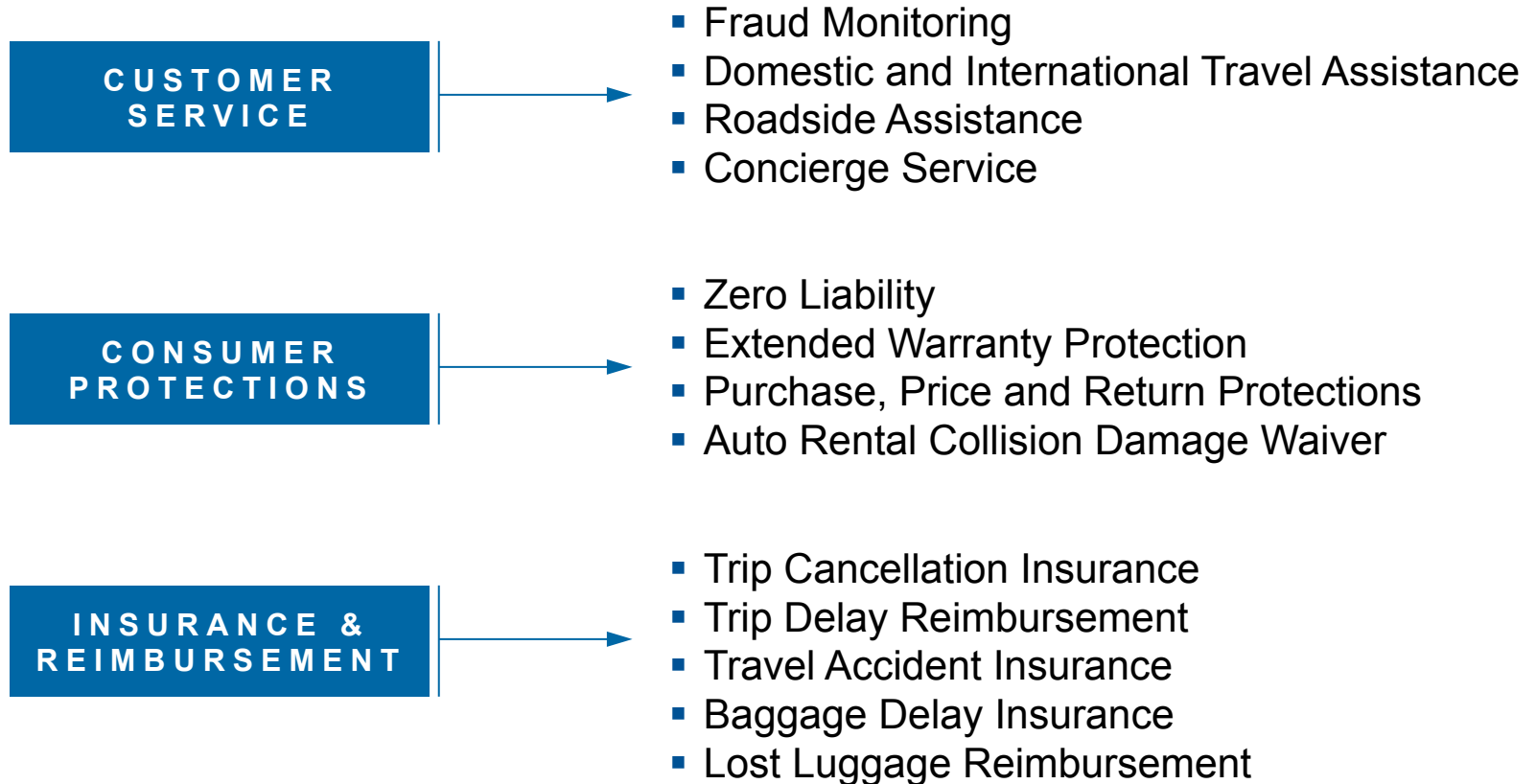
TYPICAL A/P CYCLE = 30 DAYS



PAY IN FULL WHEN CARD
PAYMENT IS DUE (ADD ~21 DAYS)



Many cards come with benefits to give business owners peace of mind.





TAKING CARE OF BUSINESS

With the Small Business
Administration (SBA)

2017

OBJECTIVES



- **Learn who the SBA is and its significance to the economy.**
- **Learn how financial institutions can provide loans in a challenging environment.**
- **Understand what SBA Guarantee Loan Programs are and how they benefit businesses.**
- **Understand what the SBA 504 program is and its advantages for businesses.**

WHAT IS THE SBA?



- **Designed to help small businesses grow and expand by making loans easier to attain.**
- **Provides a government guarantee to bank loans:**
 - For example: An SBA Express loan for \$100,000 carries a 50% SBA guarantee. In the event of default, the bank can collect 50% of its loss from the government after the bank liquidates collateral and collects on business and personal guarantees.
- **Provides long-term, fixed-rate financing for owner occupied real estate and heavy equipment.**

SBA STATISTICS



- **From 10/1/15 to 9/30/16¹:**

- The SBA approved 64,000 SBA 7(a) loans totaling \$24.1 billion
 - This represents an increase over previous year approvals of 2% in number of loans, and 2% in total dollars
- The SBA approved SBA 504 Debentures for \$4.7 billion

¹ According to www.sba.gov/sites/default/files/aboutsbaarticle/SBA_2016_AFR.pdf

SBA STATISTICS (CONTINUED)



National SBA 7(a) & Express Rankings

5/31/17

Rank	Bank	Approved #
1	Wells Fargo Bank, National Association	3728
2	The Huntington National Bank	2581
3	JPMorgan Chase Bank, National Association	2145
4	U.S. Bank National Association	1405
5	TD Bank, National Association	1242
6	Compass Bank	1001
7	Celtic Bank Corporation	972
8	Manufacturers and Traders Trust Company	847
9	Live Oak Banking Company	734
10	First Home Bank	664

Rank	Bank	Approved \$
1	Wells Fargo Bank, National Association	1,134,296,900
2	Live Oak Banking Company	939,397,900
3	The Huntington National Bank	485,093,900
4	JPMorgan Chase Bank, National Association	443,304,000
5	U.S. Bank National Association	360,837,900
6	Celtic Bank Corporation	333,081,100
7	Byline Bank	252,783,100
8	Newtek Small Business Finance, Inc.	228,036,100
9	SunTrust Bank	205,800,200
10	First Home Bank	183,641,200

FREQUENTLY UTILIZED SBA LOAN PROGRAMS



- **SBA Guarantee Loan Programs**

- Express
- Export Express
- 7(A)
 - ❑ Small Loans \$350,000 and less
 - ❑ Over \$350,000

- **SBA 504 Loan Program**

SBA GUARANTEE LOAN PROGRAMS OFFERED BY CHASE



- **SBA Express**
 - Up to \$350,000
 - Term and Line of Credit
 - 50% SBA guarantee
- **SBA Export Express**
 - Program for Exporters
 - Up to \$500,000
 - Term and Line of Credit
 - Up to 90% SBA guarantee
- **SBA 7(A)**
 - Up to \$5MM
 - Term only
 - 85% SBA guarantee for loans up to \$150,000
 - 75% SBA guarantee for loans greater than \$150,000

Similar interest rates
as conventional lending

BENEFITS OF SBA LOANS TO THE CLIENT



SBA's primary goal is to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels by guaranteeing part of the lender's loan.¹

Provides additional financing opportunities for businesses that:

- May be highly leveraged
- Might be short on collateral
- Have not been in business for at least 24 months
- Have other identified weaknesses that may not allow for conventional financing

Benefits:

- Longer maturity on term loans
- Lower equity injection (typically 10% less than conventional loan)
- Easier to qualify for than conventional loans
- Proceeds can be used for a variety of needs
- SBA guarantee fees can be financed into the loan

¹ Subject to credit approval and other eligibility requirements.

SBA GUARANTEED LOAN PROGRAM BASIC ELIGIBILITY REQUIREMENTS*



- **For-Profit Business Only**
- **Must Be an Eligible “Small Business” Including Affiliates**
 - Alternative Size Standards
 - Less than \$15 MM tangible net worth
 - Less than \$5 MM average net income over last 2 years

* Note that other eligibility criteria apply.



SBA 504 Program

WHAT IS THE SBA 504 LOAN PROGRAM?



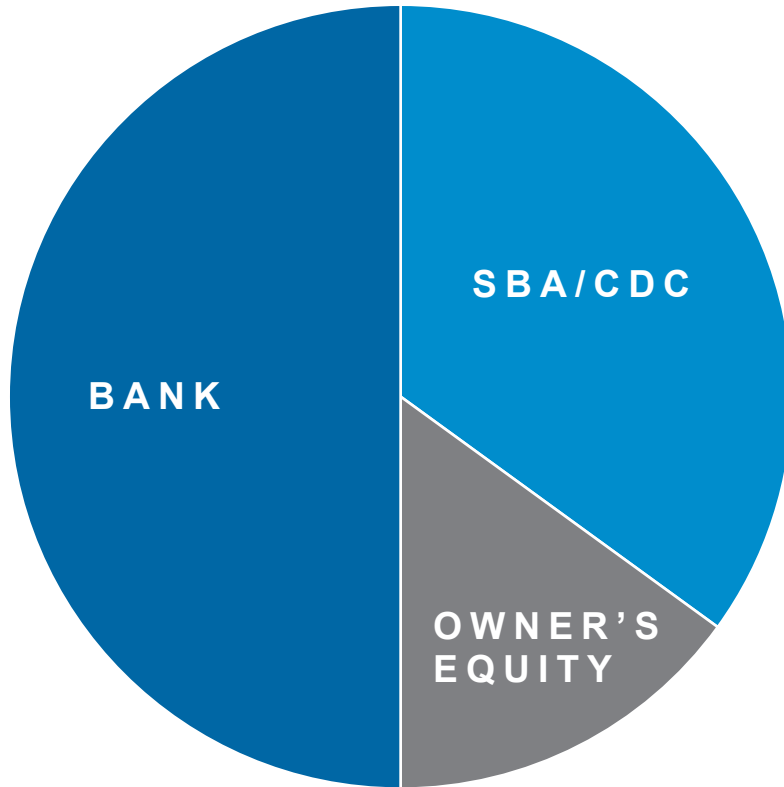
- **Designed to spur economic growth**
- **A loan program for:**
 - Owner Occupied Real Estate
 - Heavy Equipment



Fixed-Asset Financing

- Purchase land and existing buildings
- Renovate or expand existing facility
- Construct a new building
- Acquire or install machinery
- Soft costs involved with the projects

TYPICAL SBA 504 STRUCTURE



BANK 50%

SBA/CDC 30-40%

OWNER'S EQUITY 10-20%

Additional Owner's Equity

- +5% if special purpose real estate
- +5% if start-up business

SBA PORTION OF LOAN



- **Financing Term will be**
 - 20 year term and amortization for real estate
 - 10 year term and amortization for equipment
- **Fixed interest rate**
- **Example Effective Rates¹ (as of May '17):**
 - 4.46% real estate (20 year debenture)
 - 4.36% equipment (10 year debenture)
- **SBA related fees:**
 - Approximately 2.0% to 2.75% of SBA loan portion²

¹ These rates represent the effective rates as published by one CDC. Actual effective rates will vary by CDC.

² This fee calculation includes the reduction to zero of the one-time guaranty fee that the SBA is authorized to charge 504 borrowers. This fee reduction was extended through SBA FYE 2017 (ending 9/30/17).

BANK'S PORTION OF LOAN



- **Minimum term requirements:**
 - 10 year term on a 20–year SBA loan
 - 7 year term on a 10–year SBA loan
- **No restriction on amortization**
- **Interest rate may be **variable or fixed****
- **Bank funds SBA portion of loan until bond sale is complete**

BENEFITS TO BORROWER



- Up to **90%** financing
- Long-term, competitive fixed rate funds on SBA portion
 - 10 or 20 year term
- Blended rate can be **more favorable**
- 504 loan fees and closing costs **included in loan amount**

OCCUPANCY REQUIREMENTS



- **Existing Building**
 - Business must occupy at least 51%
 - May lease out the other 49% permanently
- **Newly Constructed Building**
 - Business must occupy at least 60%
 - Must plan to occupy additional space within 3 years.
 - Must occupy 80% within 10 years



EXAMPLE NUMBER 1



An established bakery wishes to purchase additional equipment at a cost of \$200,000.

This may be a good candidate for an **SBA Express** term loan.

	EXPRESS
PURPOSE	Borrower who needs funds to expand, purchase another business or manage cash flow
LOAN AMOUNTS	Up to \$350,000
PRODUCT TYPES	Term Loan or Line of Credit
STANDARD TERMS	Working Capital up to 7 years Equipment up to 10 years Real Estate up to 25 years
STRUCTURE	SBA guarantees 50% of the loan

- Business wants to expand operations by purchasing additional equipment
- The loan amount falls under the allowable SBA Express limits
- The term financing needed by the business is offered under the Express program
- Subject to credit underwriting, the business could qualify for a loan term of 10 years

If the borrower qualifies for 90% financing, a down payment of \$20,000 would be required, and the estimated guaranty fee for a \$180,000 loan, which could potentially be financed, would be \$2,700.

EXAMPLE NUMBER 2



An established business wants to purchase a competitor business for contract price of \$400,000.

This may be a good candidate for an **SBA 7(a)** term loan.

	7 (A)
PURPOSE	Borrower who needs funds to expand, purchase another business or manage cash flow
LOAN AMOUNTS	Up to \$5,000,000
PRODUCT TYPES	Term Loan
STANDARD TERMS	Working Capital up to 7 years Equipment up to 10 years Real Estate up to 25 years
STRUCTURE	SBA guarantees up to 75% of the loan

- Business wants to purchase another business
- The loan amount falls under the allowable SBA 7(a) limits
- The term financing needed by the business is offered under the 7(a) program
- Subject to credit underwriting, the business could qualify for a loan term of 10 years

If the borrower qualifies for 90% financing, a down payment of \$40,000 would be required, and the estimated guaranty fee for a \$360,000 loan, which could potentially be financed, would be \$8,100.

EXAMPLE NUMBER 3



An established business wants to purchase the real estate that it is currently renting for \$1,000,000.

This may be a good candidate for an **SBA 504** term loan.

	504
PURPOSE	Borrower who plans to expand business through land or building acquisition, construction and heavy equipment finance
LOAN AMOUNTS	No maximum
PRODUCT TYPES	Term Loan
STANDARD TERMS	Chase: Min. 7 years for equipment or 10 years for Real Estate with up to 30 year amortization SBA: 10 years for equipment or 20 years for Real Estate
STRUCTURE	Not a guaranteed loan; Chase and SBA make direct loans to business

- Business wants to acquire and occupy 100% of an existing building
- There is no maximum allowable loan amount under the SBA 504 program
- The term financing needed by the business is offered under the SBA 504 program
- Subject to credit approval, Chase could approve a \$500,000 loan for a term of 10 years (with a 30 year amortization)
SBA would approve a \$400,000 loan for a term of 20 years

Because the SBA 504 program is not a guaranty program, no guaranty fees would be assessed. However, Chase and the SBA may assess other fees on their respective loans.

CONTACT INFORMATION



- **Joaquin Zendejas - Business Relationship Manager**

Office Number: 480-970-7691 Cell: 602-391-9226

Joaquin.Zendejas@chase.com

- **Jose A Dastas – Business Relationship Manager**

Office Number: 480-890-5058 Cell: 480-313-6631

Jose.dastas@jpmorgan.com

- **Guy Chaffee – Specialty Finance Consultant**

Office Number: 702-733-2610 Cell: 702-523-8615

Guy.chaffee@chase.com