

BBVA USA Small business

How to establish credit and access capital

Introducing

Paul Ponzica

*Commercial Banking and Global Wealth
National Sales Director - Retail Small Business*

Brodie Oldham,

*Experian Commercial Data Science
Sr. Director Analytic Consultancy*

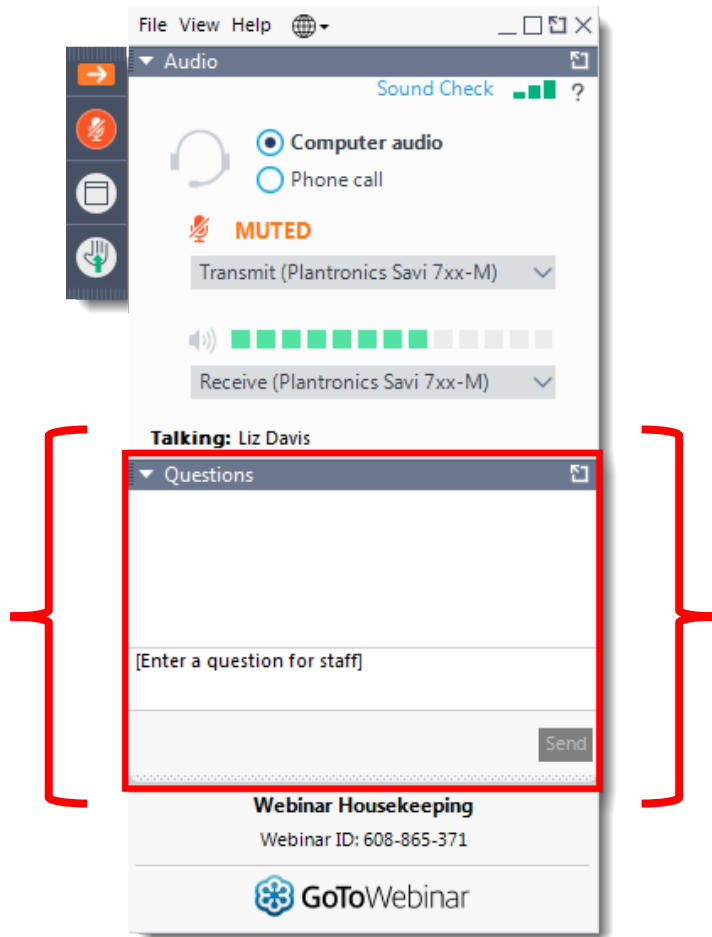
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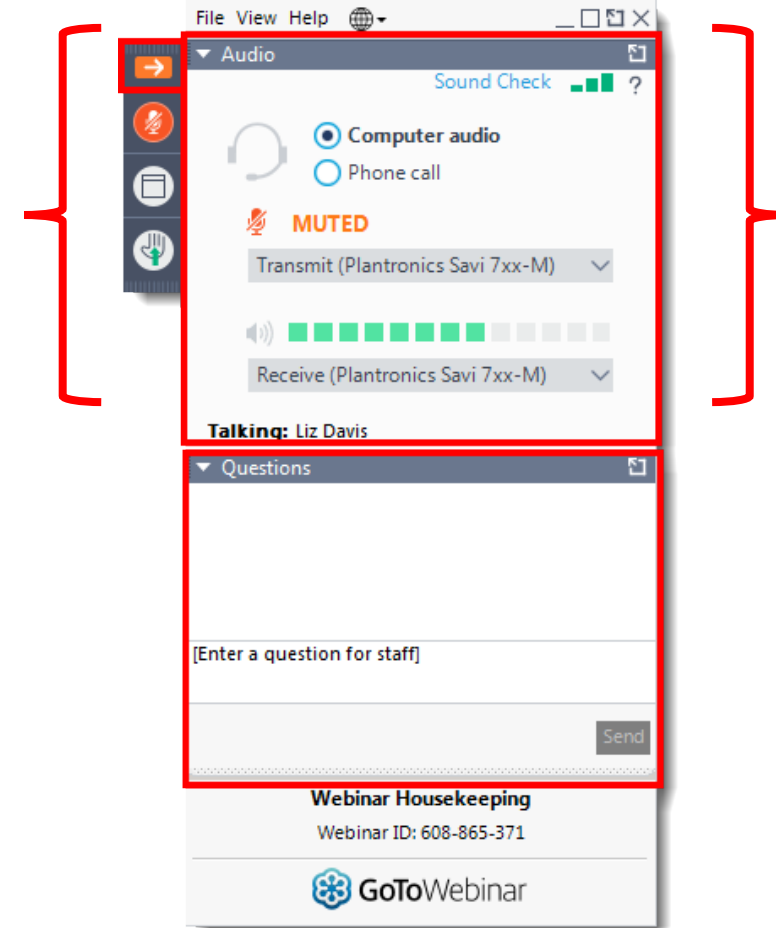


Your Participation

- Please continue to submit your text questions and comments using the Questions panel

For more information, please contact gary.stockton@experian.com.

Note: Today's presentation is being recorded and will be provided within 48 hours.



Access the slides in the handouts area



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BBVA **experian**

Handouts: 0 of 5

BBVA Webinar Slides.PDF

Today's Presenters



Paul Ponzica

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Brodie Oldham,

*Experian Commercial Data Science
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Small Businesses are at the core of our economy

Generate 44 Percent Of U.S. Economic Activity - SBA Office of Advocacy

- ✓ **99.7%** of businesses
- ✓ Create **2/3** net new jobs
- ✓ Cultivate innovation producing 13 times more patents than large businesses
- ✓ International: accounting for 97 percent of U.S. exporters
- ✓ Urban, suburban, and rural
- ✓ **Creating opportunities**, inclusive of women and minorities, to achieve financial success and independence



Small Businesses are at the core of our economy

Why is business credit important?



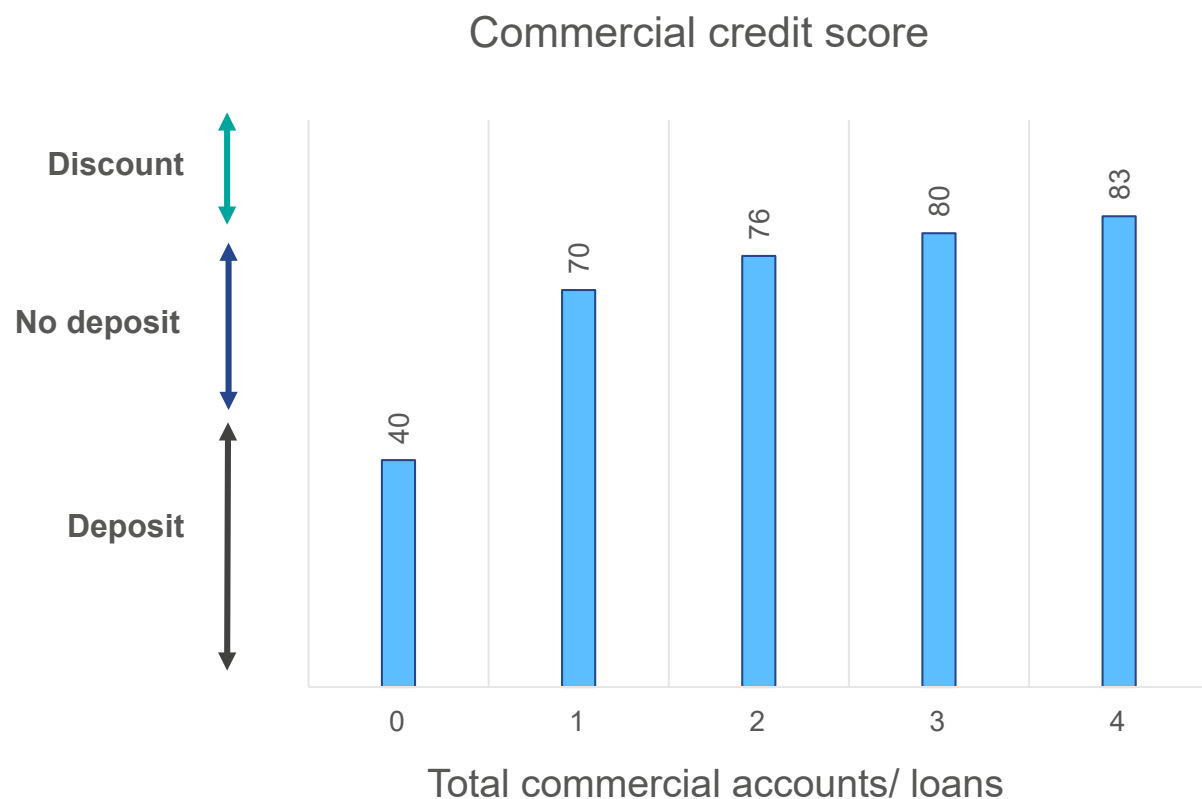
- Your credit bureau report is at the heart of **building business credit**
- Should be **separate and distinct** from your personal credit
- Provides utilization and debt relief to balance credit health
- Creates opportunity for greater access to more affordable funds

Average business owner vs. average consumer

Consumer attributes		Consumer average	Owner average
Trade	Open trade count	3	8
	Trades opened in last 6 months	0.3	0.4
	Age of oldest trade (years)	16	21
	Utilization	38%	59%
Derogatories	Derogatory public records	0.2	0.2
	Collections	1.6	0.3
Delinquency	Percentage of trades 90+ days delinquent or derogatory	27%	4%

- On average business owners have five more tradelines
- Business owner utilization is 55% higher
- Business owners are lower risk however....
- Funding business through consumer credit is detrimental to consumer credit health

How to build commercial credit



Act like a business

- ✓ Establish accounts in your business name, not your personal name

Be visible

- ✓ Ensure that your good behavior is reported

Borrow and pay on time

- ✓ Stay current to agreed upon terms






Monitor your company's profile

- ✓ Check and correct outdated information
- ✓ Be alerted of important changes in your company's name

Establishing business credit profile

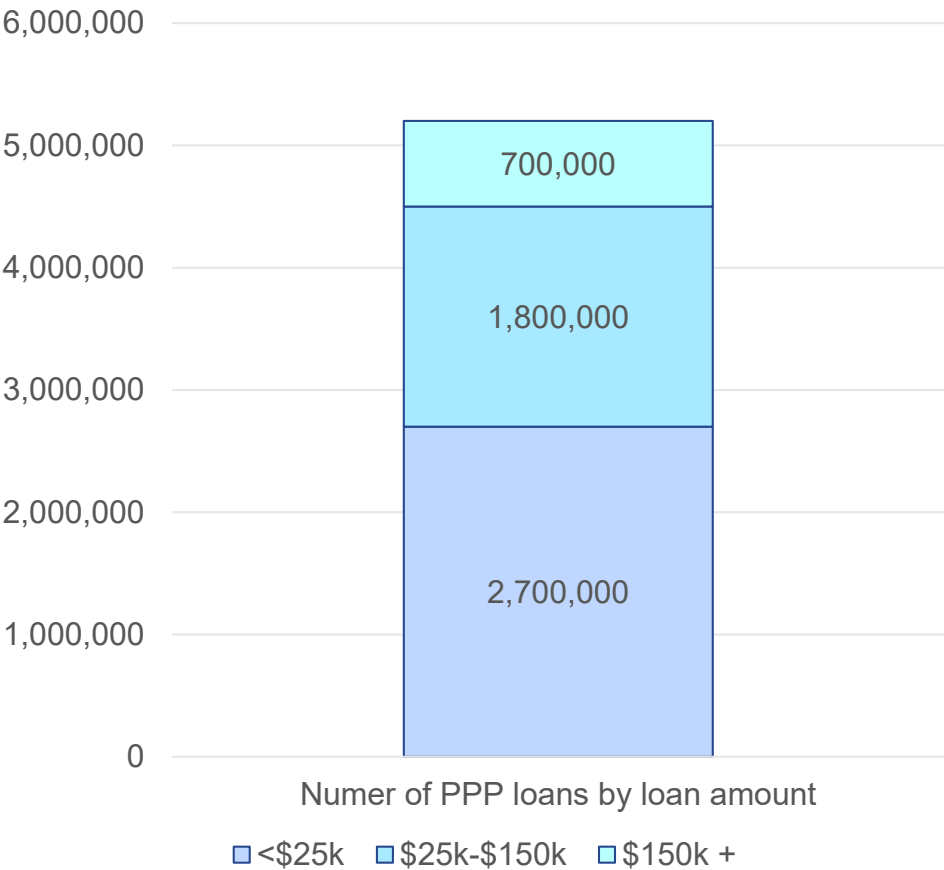
Primary factors of your score



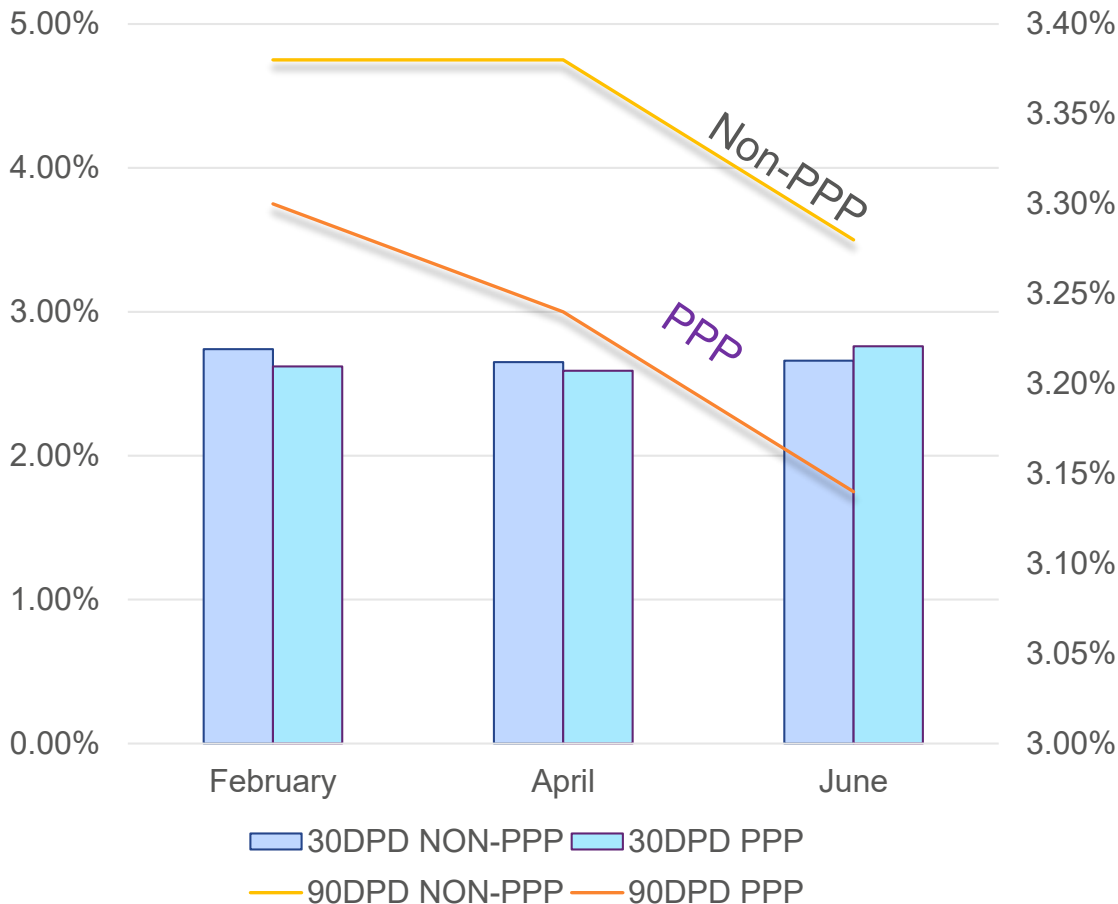
Model weighting	Business aggregates
	Historical payment behavior, delinquency trends
	Current payment status – number / trade balance / percent of accounts delinquent
	Credit utilization
	Company profile – age of business, industry risk, employee size
	Derogatory items – collections, liens, judgments, bankruptcy

Paycheck Protection Program

Number of PPP Loans by Loan Amount



Delinquency observation



The “5 C’s” of Credit

How lenders decide whether or not to lend your business money.

Character

When lenders evaluate character, they look at stability — for example, how long you’ve lived at your current address, how long you’ve been in your current job, and whether you have a good record of paying your bills on time and in full. If you want a loan for your business, the lender may consider your experience and track record in your business and industry to evaluate how trustworthy you are to repay.

Capacity

Capacity refers to considering your other debts and expenses when determining your ability to repay the loan. Creditors evaluate your debt-to-income ratio, that is, how much you owe compared to how much you earn. The lower your ratio, the more confident creditors will be in your capacity to repay the money you borrow.

Capital

Capital refers to your net worth — the value of your assets minus your liabilities. In simple terms, how much you own (for example, car, real estate, cash, and investments) minus how much you owe.

The “5 C’s” of Credit



Collateral

Collateral refers to any asset of a borrower (for example, a home) that a lender has a right to take ownership of and use to pay the debt if the borrower is unable to make the loan payments as agreed.

Lenders generally require a personal guarantee in addition to collateral. A personal guarantee means that the business owner/guarantor promises to repay the loan if the business can not.

Conditions

Lenders consider a number of outside circumstances that may affect the borrower’s financial situation and ability to repay, for example what’s happening in the local economy. If the borrower is a business, the lender may evaluate the financial health of the borrower’s industry, their local market, and competition.

*Some lenders develop their own loan decision “scorecards” using aspects of the 5 C’s and other factors.

Example: borrower’s credit used vs. credit available.

Access to Capital to Maintain or Grow Your Business

With interest rates at all time lows, now is the time to secure financing to help maintain or grow your business

■ Benefits of a Business Credit Card

- Gives you purchasing power everywhere you go
- Can assign individual card limits and track expenses
- Keeps business expenses separate from personal for tax reporting
- Take advantage of Rewards Programs
- Fraud Protection



■ Benefits of a Business Line of Credit

- Take advantage of trade discounts
- Help with seasonality in cash flow fluctuations
- Provides working capital
- Helps with acquiring inventory
- Easy access to cash when you need it



Access to Capital to Maintain or Grow Your Business

■ Benefits of a Term Loan

- Helps finance major expenses and keeps your cash in hand
- Fixed monthly payments provides for better budgeting
- Used to purchase equipment, commercial vehicles, or unsecured



■ Benefits of a Commercial Real Estate Loan

- Provides ability to fund leasehold improvements
- Use for new purchase or construction
- Investment property opportunities
- Flexible terms with up to 20 years amortization



Access to Capital to Maintain or Grow Your Business

■ Benefits of SBA Financing

- Longer maturities to help improve cash flow
- Lower equity requirements with as little as 10% down for real estate
- Creative loan structures and more flexible underwriting parameters
- Ability to use projections when calculating cash flow requirements
- No balloon payments
- Closing costs and soft costs can be rolled into the loan
- BBVA USA is a SBA Preferred Lender which speeds up approval and closing timeframes
- Designated SBA Specialists to help you throughout your project

BBVA is proud to be recognized as a Top 20 SBA Lender by the Small Business Administration



Conventional Underwriting

How do I qualify?

4 Core Underwriting Criteria



- Conventional financing generally requires at least 2 years in business and a minimum of \$100,000 in annual revenue (sales).

Conventional Underwriting

How do I qualify?

If applicant does not meet conventional financing criteria, we also look to determine if it may qualify for various SBA programs.

4 Core Underwriting Criteria

- **Profitability:** Is key to success of any business. Lack of profitability affects the other core criteria. Pre-tax earnings should be positive for the years reviewed.
- **Liquidity (business):** Measures the ease with which a company can meet their financial obligations with the liquid assets available to them. $\text{Current assets} \div \text{current liabilities} = \text{current ratio}$.
- **Leverage:** The amount of money borrowed in relationship to the amount invested by the owner. Total liabilities divided by tangible net worth. The higher the leverage, the more the company has borrowed, therefore the higher the risk to the bank.
- **Debt Service Coverage (DSC):** A measure of the cash flow available to pay current debt obligations. BBVA underwrites on a “Global Cash Flow” basis, including both business and personal obligations and income.

SBA Programs

BBVA USA Participates In

■ **7 (a) Up to \$5 Million**

Fully amortizing government guaranteed loan up to \$5MM for general business purposes

■ **504 Up to \$15 Million**

Partnership financing between BBVA and a Certified Development Company(CDC)/SBA for owner-occupied real estate acquisitions, construction and heavy equipment purchases

■ **SBA Express Loans Up to \$350,000**

A 50% government guaranteed loans up to 10 years. Uses can be for working capital, equipment, business acquisition, and facility expansion. Expedited application processing and quick turnaround. Requires only 1 year in business. *SBA guaranty fee waiver for Express Loans up to \$350,000

Documents Required to Apply for Business Credit

- **Business Credit Application**
- **2 or 3 years personal and business tax returns for all requests greater than \$100,000**
- **Current Year End Business Financial statement or interims**
- **Current Personal Financial statement**
- **If equipment purchase, a copy of the sales contract or purchase order**
- **If Commercial Real Estate, a copy of the sales contract**
- **Construction Bid or estimate**

Our dedicated small business sales professionals will work with you through every stage of the application process to ensure a smooth and beneficial experience



What you should take with you



- ✓ **Act like a business**
- ✓ **Be visible**
- ✓ **Monitor your credit**
- ✓ **Plan ahead**

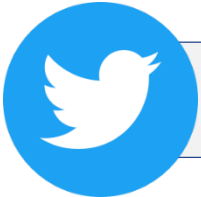
Don't be afraid to use credit to maintain and grow your business

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Experian Business Credit Advantage
www.smartbusinessreports.com/bbva

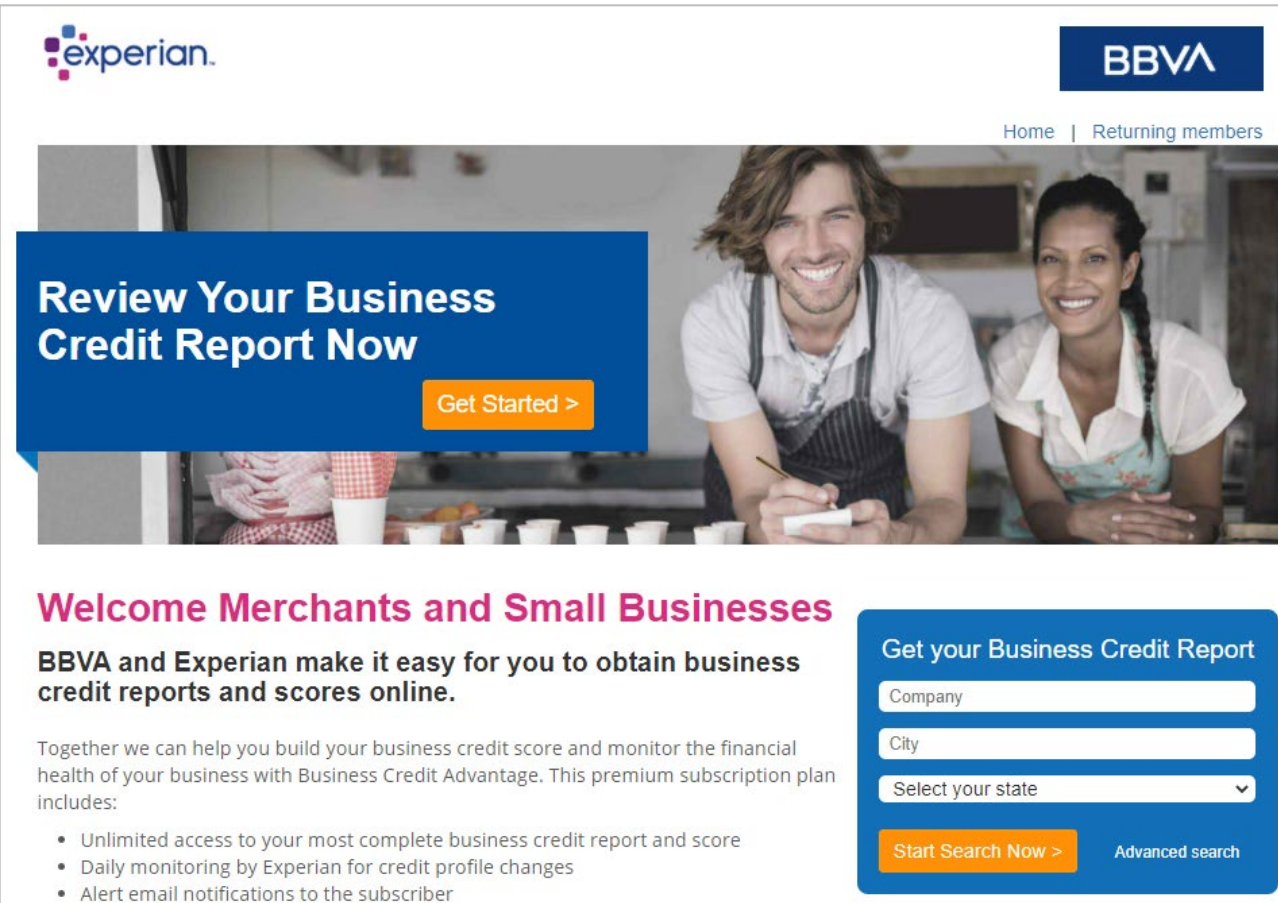
How Did We Do?

Leave us feedback

Answer “**Yes**” in our event survey to be entered into the drawing to receive one year of Experian Business Credit Advantage (\$189 value)

Provide us feedback on this webinar so we can continue to bring you helpful educational webinars.

Learn more about Experian's business credit reports and scores, visit www.smartbusinessreports.com/bbva



The screenshot shows the top of a website with the Experian logo on the left and the BBVA logo on the right. Below the logos are links for "Home" and "Returning members". The main banner features a photo of a smiling man and woman in a kitchen. Overlaid on the photo is a blue box with the text "Review Your Business Credit Report Now" and an orange "Get Started >" button. Below the banner, the text "Welcome Merchants and Small Businesses" is displayed in pink. This is followed by a paragraph stating that BBVA and Experian make it easy to obtain business credit reports and scores online. A list of benefits is provided: unlimited access to the most complete business credit report and score, daily monitoring by Experian for credit profile changes, and alert email notifications to the subscriber. On the right side of the page, there is a blue box titled "Get your Business Credit Report" containing input fields for "Company", "City", and a "Select your state" dropdown menu. At the bottom of this box are two buttons: "Start Search Now >" and "Advanced search".

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BBVA

Home | Returning members

Review Your Business Credit Report Now

Get Started >

Welcome Merchants and Small Businesses

BBVA and Experian make it easy for you to obtain business credit reports and scores online.

Together we can help you build your business credit score and monitor the financial health of your business with Business Credit Advantage. This premium subscription plan includes:

- Unlimited access to your most complete business credit report and score
- Daily monitoring by Experian for credit profile changes
- Alert email notifications to the subscriber

Get your Business Credit Report

Company

City

Select your state

Start Search Now > Advanced search

Complementary Experian Business Credit Advantage (“BCA”) offered to the first one hundred (100) attendees who complete the survey offered at the end of the webinar and answer “Yes” to enter the giveaway. See rules in event handouts for details.