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](http://www.sba.gov/content/borrowing-money)