



Butterfield

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Bank Financing

FINANCING OPTIONS FOR MICRO & SMALL BUSINESSES

Intro...

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- In conjunction with



MINISTRY OF
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CAYMAN ISLANDS GOVERNMENT

Types of Credit Facilities

Short-Term Bank Financing – Overdraft and Credit Card

- A short-term facility that allows for repeated drawdowns and repayments provided a maximum amount is not exceeded.
- An overdraft is usually available for a maximum of 12 months at which point it expires unless renewed.

Medium-Term and Long-Term Bank Facilities – Demand loan.

- A Demand loan provides for a single, binding facility of a stated amount on a specified date.
- A repayment /amortisation schedule is established within the loan documentation with installments, usually monthly.
- Installments may be equal in amount.
- The loan may be called by the lender.

Types of Credit Facilities

- Letter of Credit is an international banking instrument which commits the issuing (opening) bank to make a payment on behalf of an importer provided the beneficiary (the exporter) presents the required (shipping) documents before the expiry of the Letter of Credit
 - Commercial Letter of Credit relates to a foreign trade transaction.
 - Standby Letter of Credit serves as financial support to a given transaction and is only activated in the event of a payment default by the borrower.

Business Loans – What Bankers Look for and Tips for Winning Them Over

- Securing a small business financing can be challenging.
- Whether you're just starting or looking to grow, banks and lending institutions can be rigorous in their assessment.
- But keep in mind banks need to make money, and while they may have an ideal candidate in mind, even they have to compromise.
- THIS IS WHERE YOUR OPPORTUNITY LIES.

Business Loans – What Bankers Look for and Tips for Winning Them Over

- Most bankers are trained to use the same basic lending principles.
- The most fundamental characteristics a prospective lender will want to examine are:
 - Character
 - Capacity
 - Capital
 - Collateral
 - Conditions

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Character

- The following traits are typically cited as important to a bank's consideration of your character:
 - Successful prior business experience
 - An existing or past relationship with the bank
 - Referrals/Testimonials by respected community members
 - References from professionals who have reviewed your proposal
 - Evidence of a borrower's care and effort in the business planning process
- One additional factor that many banks consider as evidence of a borrower's "character" is the amount of investment that the owners themselves are committing to the business.

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Capacity

- A lender's primary concern is whether your daily operations will generate enough cash to repay the loan or other debt.
- Most lenders are aware, cash flow also presents the most troubling problem for small businesses.
- Suggestions for improving cash flow
 - Pay off, or delay paying, debt
 - Collect receivables
 - Reduce credit allowances and accelerate cash receipts
 - Increase revenues/Reduce inventory

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Capital

- Capital is a measure of financial strength.
- Lenders will want to know you have sufficient assets, financial reserves and personal collateral to endure business fluctuations (and still pay your loan).

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Collateral

- Collateral may be defined as assets that secure a loan or other debt; the asset may be seized by the lender if the borrower fails to make proper payment on the loan or other debt.
- When lenders demand collateral for a loan or other debt, they are seeking to minimise the risks of extending credit.
- In order to ensure that the particular collateral provides appropriate security, the lender will want to match the type of collateral to the loan being made.

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Conditions

- Conditions refer to the general business conditions in the borrower's industry.
- Every business plan should contain certain information related to conditions:
 - What are the conditions and how does it help or hinder their business?
 - How might conditions change and how will the business be impacted?
 - How can management affect conditions in a positive way?

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Tips for Getting Your Bank Loan Approved

- Keep in mind that to stay in business banks need to make loans.
- Be thoroughly prepared when you go to your bank.
- Learn to anticipate every question.
- Dress in a professional manner.
- Be sure all your documents are neat, legible and organised in a cohesive and attractive manner.
- Be confident.
- Ask someone to give you a good referral or provide testimonials.
- Discuss the risk in your application.