

PRINCE WILLIAM CHAMBER OF COMMERCE
Business Growth Committee

Thursday, October 13, 2011

Attendees: Jim Elliott, *First Virginia Community Bank*; Joe Distefano, *Cardinal Bank*; Terry Elliott, *Virginia Commerce Bank*; Peter Pitorri, *Pitorri & Associates*; Scot Small, *RevBuilders Marketing*; Brandon Moore, *PNC Bank*; Bill Quinn, *Quinn's Landscaping*; Helena Kennedy, *Calibre CAP Group*; Dustin Zeher, *Horizon Business Brokers*; Jeffrey Willey, *Merrill Lynch Wealth Management*; Kevin Kelley, *Falcon Promotions*; Julie Weatherington, *Season of Hope Grief Center*; and Suzanne Lewis, *Chamber Staff*.

Welcome and Introductions: Chair, Jim Elliott, *First Virginia Community Bank*

Panelists: Terry Elliott, *Virginia Commerce Bank*; Joe Distefano, *Cardinal Bank*; and Brandon Moore, *PNC Bank*

TOPICS: Myths and reality of banks lending money; qualified vs unqualified borrowers; how the SBA can be your friend; the deliverables when applying for a loan; the variables considered to qualify for a loan, and how to be in good standing.

Highlights:

- The money is there and banks are lending but most businesses aren't borrowing since consumers are not buying.
- Banks need to diversify their exposure to a particular segment of lending. This may lead a Bank to "stop" lending to a particular segment of the market, not because of creditworthiness of the borrower but because of risk concentration at the Bank.
- Banks have also been hit hard by the recession. If a Bank is undercapitalized, they may not have the ability to reserve for loan loss on new loans booked which in turn slows or stops lending activity.
- A bank's primary investment is loans. They overlook bumps in borrower's credit but need to buy into not only the solidity of the business, the projections of revenue, but also in the character of the borrower since they are the businesses.
- An area of real challenge is the Dodd Frank Act which consists of 3,500 pages of regulations. The complexity is the root cause of many misconceptions.
- **SBA:** They are not lending the money – banks are still the lenders. SBA goes through the banks. Borrower needs to document how they plan to liquidate the loan and is required to inject 15% of the loan – must demonstrate and document in a ledger where borrower has invested "skin in the game." SBA will take as much as possible including the deed to the borrower's home to use as collateral.
- **Start-Ups:** They are defined by SBA as being in business for 2 years or less vs small business which is 500 employees or less. They look for limited credit and debt (debt can be 4x higher than the worth of business) and a credit score of 650 or above.
- **Small Business Loan Checklist:**
 - Application;
 - Supporting info on the loan (purchase contract, project cost estimates);
 - Personal financial statement and recent personal tax returns of all persons with a 20% or more stake in business;
 - Business plan (doesn't have to be War & Peace – brief is better) along with 1-2 (2-3 years for Start-Up business) years of financial projections (cash flow, P&L, balance sheet);
 - Resumes of key owners (if not included in business plan; and appropriate corporate documents.

Adjourned 10:00am - Next Committee Meeting: Thursday, November 10th at 8:30-9:30am