CONNECTING WITH TFCU BUSINESS PARTNERS

CONNECT NEWSLETTER

Quarter 2 • 2025

“Set yourself apart from the competition by adding elements that make you more attractive to customers.”

Article by Tina Herndon,
TFCU Financial Educator

The five Cs of **small business lending**

Have you ever wondered what a lender is looking for in your business plan? Are you writing a business plan and want to make it easy for a lender to say yes? Then learning about the five Cs of small business lending is a great start.

The five Cs of business lending describe the criteria lenders use to evaluate the risk of a business loan.

Character: Character is shown through the ability to fulfill your financial commitments. This could be proven by pulling a personal credit report. Some lenders may also pull a business credit report. Maintaining a good personal credit score is just as important to business lending as it is for consumer lending. Many businesses never grow to the point that business credit is valued more than personal credit. To increase credit:

- pay vendors and creditors on time,
- keep balances on credit cards and lines of credit below 30%,
- don’t close your oldest credit card and
- only apply for credit when needed.

Capacity: Capacity is the ability to repay the money you borrow. This is evaluated by calculating your debt-to-income ratio (DTI). DTI is how much of your income is committed to repaying debt. An ideal DTI is below 33%, which means 67% of your income is uncommitted to debt, but lenders may accept a DTI of 45% depending on the strength of the other four Cs.

There are many ways to increase capacity. Debt could be refinanced to decrease the amount of the loan, but if the length of time is extended, it could cost more in interest. Another way to boost capacity is to pay down balances on credit cards.

Capital: Capital evaluates how much the business owner has invested in the business. A lender will not want to finance 100% of your business. Making a meaningful investment into your business will help a lender feel more secure about the risk they are taking with you.

A lower loan-to-value ratio (LTV) is a great way to increase

The five Cs of **small business lending** [continued]

your capital. LTV is how much of the value of something you want to borrow. An example would be if you want to buy a $100,000 piece of equipment, making a down payment of $20,000 would lower LTV.

Collateral: Collateral is anything the business owner can leverage to secure funding. Collateral can be personal or business assets. However, these assets will be forfeited if the funding is not repaid. Keep business credit cards low, and pay off cards every month to maximize the positive personal effects of business credit.

Conditions: Conditions are the external things that can raise the risk level of the business. Things like dips in the market, industry trends, increases in shipping or production and economic outlook can lower this “C.” In most industries, there is not much that one person can do to improve conditions except get creative. Set yourself apart from the competition by adding elements that make you more attractive to customers.

Announcing a new partnership with Heartland

TFCU’s business team is pleased to announce a partnership with Heartland. They offer HR and payroll solutions to help your business hire the best applicants, create smarter schedules, keep up with HR requirements and much more, all backed by personalized support from the Heartland team.

Some options include:

Heartland Payroll - Put your payroll on autopilot with cloud-based payroll processsing and tax management.

Heartland Hire - Speed up interviewing, onboarding and collecting tax credit with powerful recruiting software.

Heartland Time - Make smarter labor decisions in real time with automated time tracking and scheduling tools accessible through a mobile app.

Heartland HR - Unlock a custom-built solution full of templates and tools designed to help you stay in compliance and away from fines.

Interested? Contact Allison Griffith, AVP/Manager, Treasury Services at griffitha@tinkerfcu.org or 405-319-2449.

CONNECT with us!

TinkerFCU.org/Partners

Walton Chan
Business Development Officer
405-319-2183
chanw@TinkerFCU.org

Brent Coffman
AVP/Manager,
Business Development
405-319-2187
coffmanb@TinkerFCU.org

Cordney McClain
Business Development Officer
405-319-7943
mcclainc@TinkerFCU.org

Terah Page
Business Development Officer
405-319-2320
paget@TinkerFCU.org

Thurman Relerford
Business Development Officer
405-319-2181
relerfordt@TinkerFCU.org

Grace Silvers
Business Development Coordinator
405-319-2180
silversg@TinkerFCU.org

Samantha Strealy
Business Development Officer
405-319-2184
strealys@TinkerFCU.org

TFCU
Tinker Federal Credit Union