



# SunTrust Bank Lending

Underwriting Snap Shot

# Information Needed

## **Credit Package and Financial Information Requirements**

- A Center credit package submission must meet the following financial information requirements:
- All Business Banking loan requests must include a signed credit application.
- Current personal financial statement(s) on a SunTrust personal financial statement form from the borrower(s), owner(s) and/or guarantor(s).
- Two years business tax returns or financial statements and two years personal tax returns from the borrower(s), owner(s), and/or guarantor(s).
- Completed IRS Form 4506 for borrower(s).
- Current interim financial statements if year-end financials are older than three (3) months

# 6 C's of Credit

Credit theory would tell you there are 5 C's  
Character, Capacity, Capital, Conditions &  
Collateral.

But we also asked the 6<sup>th</sup> C: “Can we?” This  
includes our appetite for credit risk as well as  
our footprint, our comfort with particular  
industries, and our regulatory environment.

# Eligibility Requirements

- Eligibility requirements: The basic checklist for determining the eligibility of a request includes:
- Acceptable industry
- Acceptable Loan to Value
- Global Debt Service Coverage (more about this later)
- Been in business longer than 3 years (if less, it's an SBA deal)
- Sales size appropriate for line of business (for SunTrust BB, it's <\$5MM)
- Personal guarantees of the owners
- Total relationship exposure (we view the relationship as a whole, rather than at a transactional level, so loan authority and decision making happens at the level required for the full relationship exposure, not just the loan in question)
- Satisfactory credit history (in SunTrust BB, we use an Equifax score that is a blended result of personal and business credit scoring)

# Cash Flow Lender

- We are not a collateral lender. We are a cash flow lender. So the majority of our decision is going to be based on the global debt service coverage ratio.

# Global Debt Service Coverage

- This is all the cash income generated by the business and guarantors combined, all divided by the aggregate annual debt service payments (principal and interest) for the business and guarantors combined.
- By taking a global approach, we avoid influencing the way business owners retain profits in the company or hold them personally

# Leverage

- Leverage is not one of the basic eligibility requirements, but it's important when discussing a company.
- Leverage is typically defined as total liabilities divided by net worth (equity).

# Profitability

- That's largely picked up through the cash flow coverage discussion
- Variations from year to year need to be explained.

# Cash Flow Cycle

- What terms does the business offer their client (30 days 10% discount)
- What terms do the business suppliers offer them (discounts)?
- How does the business decide to pay their payables

# Risk Rating

- Probability of default
- Probability of loss given the event of default
- Risk Rating drives our appetite to lend and pricing

# Open Book

- Exceptions to policy are possible, but they must be mitigated and documented clearly. This is why thorough information is important. Borrowers should tell their relationship manager everything – the good, the bad, the ugly, the past, the present and the future. Lending is really an attempt to assess the probability that we will in fact get our money back. So we are using all the financial information to determine the likelihood that the company will be able to generate ongoing cash flow in the future. What happened in the past is important. What we think will happen tomorrow is really what we are basing our decision on.

# Summary

- Get to know your business banker