

I. Small Business Loan Processes and Underwriting

IC. Underwriting

About This Section

In the Screeners section, your bank’s answer to S5, Top Small Business Lending Product, indicated that its highest-volume small business lending product is *[Insert product]*, excluding any credit cards and government-guaranteed products.

In this section, we ask about your bank’s underwriting practices for *[Insert PRODUCT]* to small businesses.

Important Note: If your bank answered “No” to question IA.1, then your institution will not be asked to answer any of the questions here nor any remaining questions in Sections I, II, and III. Please go directly to Section IVA (page 29).

IC.1 As part of its loan decision process, does your bank assign any kind of grade or numeric score to a loan application from a small business for a *[Insert PRODUCT]*? *Include risk-rating scores only if they play a material role in the approval decision.*

- Yes
- No

Underwriting Loans of Various Sizes

IC.2 In your **normal course of business**, would your bank make a *[Insert PRODUCT]* of these approximate sizes to a small business? *Select one option per loan size.*

Loan size	Yes	No
a. \$25,000	<input type="checkbox"/>	<input type="checkbox"/>
b. \$250,000	<input type="checkbox"/>	<input type="checkbox"/>
c. \$1,000,000	<input type="checkbox"/>	<input type="checkbox"/>
d. \$3,000,000	<input type="checkbox"/>	<input type="checkbox"/>

[Programmer’s note: Start a loop of questions IC.3 through IC.8, for up to three possible loops by loan size]

Loans of \$25,000 to Small Businesses

[Loop 1: If IC.2a=Yes. Insert SIZE=25,000]

IC.3 Which of these purposes is the **most** common for a *[Insert PRODUCT]* of approximately \$25,000 made to a small business? *Select only ONE purpose.*

- a. Accounts receivable
- b. Equipment, fixed assets other than real estate, or leasehold improvements
- c. Inventory
- d. Working capital
- e. Owner-occupied commercial real estate

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f. Other _____

IC.4 How **commonly** does your bank evaluate the following pieces of information for small business applicants for a *[Insert PRODUCT]* of approximately \$25,000?

The information may be for loans of this size that are made for a variety of purposes. Select only ONE option for each piece of information.

Information	Evaluates for no or almost no loans of this size	Evaluates for some loans of this size	Evaluates for most loans of this size	Evaluates for all or almost all loans of this size	Don't know
a. Audited financial statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Non-audited financial statements such as tax returns or income statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Business credit score from a credit bureau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Personal credit score of owner(s) or guarantor(s) from a credit bureau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Business plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Experience in industry of owner(s) or management team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Identity of business's advisors (i.e., CPAs or consultants)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Loan officer's assessment of owner(s) or business based on interview or personal interactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Market conditions in business's industry or region	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Purchase agreements or other material third-party contracts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Willingness of owner(s) to offer collateral and quality of offered collateral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Willingness of owner(s) or third party(s) to offer personal guarantee for loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Other _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IC.5 How often does your bank **require** that a small business or small business owner **offer collateral** in order to receive a *[Insert PRODUCT]* of approximately \$25,000? *Select one.*

- Rarely or never requires for loans of this size
- Sometimes requires for loans of this size
- Often requires for loans of this size
- Almost always or always requires for loans of this size
- Don't know

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IC.6 How often does your bank **require** a small business to **have a valid business credit score available from a major credit-scoring agency** in order to receive a *[Insert PRODUCT]* of approximately \$25,000?

Select one.

- Rarely or never requires for loans of this size
- Sometimes requires for loans of this size
- Often requires for loans of this size
- Almost always or always requires for loans of this size
- Don't know

IC.7 How often does your bank **require** a small business owner to **have a valid personal credit score available from a major credit-scoring agency** in order to receive a *[Insert PRODUCT]* of approximately \$25,000? Select one.

- Rarely or never requires for loans of this size
- Sometimes requires for loans of this size
- Often requires for loans of this size
- Almost always or always requires for loans of this size
- Don't know

IC.8 How does your bank rank the following aspects of a loan application for a *[Insert PRODUCT]* of approximately \$25,000 in terms of importance? An aspect is **important** if an application that displays strength in this aspect has a higher chance of approval or if an application that displays weakness in this aspect has a lower chance of approval.

For this question, rank aspects in importance from 1-6, with 1 as most important and 6 as least important.

Aspect	Most important 1st	2nd	3rd	4th	5th	Least important 6th
a. Credit scores or other information from credit bureaus	<i>[Programmer's note: Allow ranking of aspects from 1-6]</i>					
b. Geographic proximity of the business to a bank branch, loan office, or bank staff						
c. Industry-level or regional factors, including current conditions in the business's industry or region and your bank's experience in lending to the business's industry or region						
d. Qualitative factors, such as the quality of the business plan or the experience of the management team						
e. The business's financial position, such as its balance sheet, debt-service coverage ratio, or liquidity management						
f. The presence or quality of collateral or guarantees offered by the business or borrower						

Loans of \$250,000 to Small Businesses

[Loop 2: If IC.2b=Yes. Insert SIZE=250,000 and repeat IC.3 through IC.8]

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Loans of \$1,000,000 or \$3,000,000 to Small Businesses

[Loop 3:

If IC.2d=Yes. Insert SIZE=3,000,000 and repeat IC.3 through IC.8

If IC.2d=No and IC.2c=Yes. Insert SIZE=1,000,000 and repeat IC.3 through IC.8]

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