

Loan Checklist

It is highly recommended that you consult with Small Business Development Center specialists, financial advisors, accountants and others to prepare your financial projections and to make sure that the amount of the loan and the type of the loan will be the right one to meet the business objective. Look for the best deal available. Do the research on small business lending process and different loan programs.

It is important to establish and maintain the "banking relationship" with both private and public sector lenders. Remember, not all lenders are fluent in every business sector, so you are educating them about your business, be prepared to answer questions about assumptions in your business plan and financial projections.

The following are typical items for any small business loan application:

All Applicants

Loan application form

The forms vary by lender but they all require similar information, including how the loan proceeds will be used (list the assets to be purchased and suppliers).

Type of business (e.g., Individual, LLC, S Corp, Partnership, etc.)

Make sure to include proper documentation such as federal and state tax ID numbers.

Business plan

Include complete set of projected (pro-forma) financial statements - income statement, balance sheet and cash flow statement for at least 3 years; it is recommended that the first year is presented monthly.

Income tax returns

Personal for the past three years.

Bank statements

Personal for the last 12 months.

Personal financial statement

Showing owners that own 20% or more of the business.

Collateral

Include a description (schedule) and cost/value of personal or business property of owner(s) or co-signers to secure the loan (appraisals may be added)

Type and Source of Equity

Plan on a 10-20% equity contribution, however, it can vary by the type of loan project.

Resumes

Submit owners and officers' resumes (some lenders demand relevant managerial experience in the field for start-up businesses).

Personal credit report

Lenders will obtain borrowers' credit reports, but it is highly recommended to order a credit report before meeting or submitting a loan request to a lender.

A credit report can be obtained free from www.annualcreditreport.com. If there is inaccurate information on the report, work with creditors and credit reporting agencies to correct the information. If there are derogatory entries on the credit report that are accurate, submit a formal letter with your loan application explaining the blemishes on your credit report.

Existing Businesses

Business financial statements

Provide complete financial statements for the past three years and current interim financial statements.

Current Balance Sheet and Income Statement

Business credit report

Income tax returns for three years

Bank statements for the last 12 months

Accounts receivable and payable

Provide aging and break A/R and A/P reports into 30, 60, 90 and past 90-day old categories (the same date as interim financial statement).

Legal documents

There are a variety of legal documents that may be requested by the lender; some of the typical examples are as follows:

- articles of incorporation;
- lease agreement;
- contracts;
- franchise agreement;
- employment contracts, etc.

Appearance and presentation of documents

All documents in the loan package must be presented in a neat and orderly fashion. Information must be accurate and complete; forms must be filled out legibly, preferably computer-generated.

Business plan style and formatting must be according to generally accepted standards. It must be checked and edited for accuracy and consistency - it should convey quality. The contact information (address, phone, e-mail) must be included on the cover page of the business plan.

Under no circumstances make misrepresentations on loan application documents. The lender can easily verify all information.

If some documents are submitted through e-mail or fax, verify the documents have been received by the lender and send hard copies or originals, via registered mail with a signed receipt document.