

Applying For A Loan

When applying for a loan, you must prepare a written loan proposal. Make your best presentation in the initial loan proposal and application; you may not get a second opportunity.

Always begin your proposal with a cover letter or executive summary. Clearly and briefly explain who you are, your business background, the nature of your business, the amount and purpose of your loan request, your requested terms of repayment, how the funds will benefit your business, and how you will repay the loan. Keep this cover page simple and direct.

Many different loan proposal formats are possible. You may want to contact your commercial lender to determine which format is best for you. When writing your proposal, don't assume the reader is familiar with your industry or your individual business. Always include industry-specific details so your reader can understand how your particular business is run and what industry trends affect it.

Description of Business

Provide a written description of your business, including the following information:

- ◆ Type of organization
- ◆ Location
- ◆ Product or service
- ◆ Brief history
- ◆ Proposed future operation
- ◆ Competition
- ◆ Customers
- ◆ Suppliers

Management Experience

Provide resumes of each owner and key management members.

Personal Financial Statements

SBA requires financial statements for all principal owners (20% or more) and guarantors. Financial statements should not be older than 90 days. Make certain that you attach a copy of last year's federal income tax return to the financial statement.

Loan Repayment

Provide a brief written statement indicating how the loan will be repaid, including repayment sources and time requirements. Cash-flow schedules, budgets, and other appropriate information should support this statement.

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Existing Business

Provide financial statements for at least the last three years, plus a current dated statement (no older than 90 days) including balance sheets, profit and loss statements, and a reconciliation of net worth. Aging of accounts payable and accounts receivables should be included, as well as a schedule of term debt. Other balance sheet items of significant value contained in the most recent statement should be explained.

Proposed Business

Provide a pro-forma balance sheet reflecting sources and uses of both equity and borrowed funds.

Projections

Provide a projection of future operations for at least one year or until positive cash flow can be shown. Include earnings, expenses, and reasoning for these estimates. The projections should be in profit and loss format. Explain assumptions used if different from trend or industry standards and support your projected figures with clear, documentable explanations.

Other Items As They Apply

- ◆ Lease (copies of proposal)
- ◆ Franchise agreement
- ◆ Purchase agreement
- ◆ Articles of incorporation
- ◆ Plans, specifications
- ◆ Copies of licenses
- ◆ Letters of reference
- ◆ Letters of intent
- ◆ Contracts
- ◆ Partnership agreement

Collateral

List real property and other assets to be held as collateral. Few financial institutions will provide non-collateral based loans. All loans should have at least two identifiable sources of repayment. The first source is ordinarily cash flow generated from profitable operations of the business. The second source is usually collateral pledged to secure the loan.

Taken from <http://www.sba.gov/content/how-apply-sba-loan>