

# 10 THINGS TO BE AWARE OF BEFORE APPLYING FOR THAT SMALL BUSINESS LOAN



## Executive Briefing Series

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**YCHANGE assists emerging and expanding small businesses with the planning and paperwork needed to get the business going. YCHANGE has the right people, skills, industry resources, business-planning expertise and track record, to help your company achieve its business goals quickly.**

## **10 Things to be Aware of before Applying for that Small Business Loan from your Bank**

Contact one or more banks to get a loan package with all the forms to be completed. This will give you a good idea of the information you'll need. Remember that a lender's primary concern is your ability to repay the loan.

### **1. Your Personal Credit Rating**

Check your personal credit rating. You can get a free copy once a year at <http://www.annualcreditreport.com>. It will not impact your credit score since you are reviewing your own credit record. Banks typically want to see it above 720 but this is not a hard or fast number.

### **2. Credit History**

Banks generally like to see a 30 to 36 month history of paying your bills on time with no more than 2 past due payments that are 30 days late and no past due payments that are 60/90/120 days late. Be prepared to explain away anything that shows up.

### **3. Collections and Judgments**

No collections, public records, charge-offs, bankruptcies or judgments.

### **4. Inaccurate Information**

Try to improve your credit score by correcting inaccurate information. Get information on fixing your credit score at: [www.credit.about.com/od/creditreportsandscores/a/CreditScoreABC.htm](http://www.credit.about.com/od/creditreportsandscores/a/CreditScoreABC.htm)

### **5. Ability to Repay**

Cash flow and collateral are the two sources of repayment that banks typically look for. They want to see personal financial statements, tax returns for the past two-three years, and business financial statements for three past or projected years. You can increase your chances of getting a loan by showing a profitable future for your company.

### **6. Business Plan**

The Bank will want to see a complete Business Plan with financial analysis showing enough cash flow to service your debt. This also demonstrates that you have invested the time and energy to do the research and have taken a hard and long look at all the factors involved in running your business. You can get free help with a business plan at [www.score.com](http://www.score.com) or you can enroll in one of their workshops.

## **7. Your Personal Investment**

You will also be expected to have invested a significant amount of your personal funds into your business. After all, why should the bank take the risk of your business failing if you are not willing to?

## **8. Experience and Character**

You are expected to have experience in the type of business that you plan to otherwise you will be expected to hire people who have the experience. Even if you do not have the expertise in this type of business, you should at least be able to show experience in other businesses and managerial experience.

## **9. Personal Financial Statements**

You will need to provide personal financial statements for anyone who owns 20 percent or more of the business. The financial statements must include a complete schedule of assets, debts with balances due.

## **10. Loan Request**

This should detail the amount of money requested, how the loan funds will be used, the type of loan, the amount of working capital you have, the collateral that will secure the loan, the personal guarantees of the loan, and how the loan will be repaid.

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