



## CAN I QUALIFY FOR A LOAN?

*Whether you are applying for a microloan, SBA loan or a traditional bank loan, there are certain factors that improve your ability to obtain financing.*

**Do you have a good personal credit history? Yes \_\_\_\_\_ No \_\_\_\_\_**

Research indicates that good personal credit history is one of the most important factors in identifying borrowers that will repay their commercial loans. Many loan programs require perfect personal credit in order to qualify.

- a) If you do not have a recent credit report, order one by calling TransUnion at (312) 408-1050. The WBDC can order a credit report for you at a cost of \$7.00 for each report.
- b) If you have credit problems but they can be explained by a one time incident such as medical problems, provide information on the problem and how it has been rectified.
- c) If you have had a bankruptcy in the past 7 years, or have slow payments, collections, etc. then it may be difficult to obtain financing now. If the poor credit history can be explained by a particular incident, supply information on the situation and how you attempted to repair the past credit problems. If you have consistent credit problems, you will need to 'repair' your credit history and rebuild your credit track history. Contact the United Charities Credit Counseling Service at (312) 545-2227 for assistance.

**Have you filed your personal and business income taxes? Yes \_\_\_\_\_ No \_\_\_\_\_**

Lenders and government loan programs alike want to see that an individual has met their tax obligations for both filing and paying taxes. For SBA loans a tax verification is obtained from the IRS before a loan is closed. (A start-up business will not have yet filed business income taxes, therefore none are required.)

**Are your Income Taxes paid? Yes \_\_\_\_\_ No \_\_\_\_\_**

Many of the loan programs are in partnership with government agencies. These loan programs do not look favorably on individuals who have unpaid income taxes.

**Have you demonstrated that your business has the ability to repay a loan?**

**Yes \_\_\_\_\_ No \_\_\_\_\_**

**EXISTING BUSINESS:** If the business is profitable, then there are demonstrated profits to repay some amount of new debt. If a business is not profitable, then it becomes very important to prove how it will be profitable in the near future so that a loan can be repaid. WBDC classes and counseling can assist you in this process.

**START-UP BUSINESSES:** It is very important that you find as much data on comparable businesses or industry statistics in order to 'prove' the revenues you intend to generate and the expenses you anticipate incurring. WBDC classes and counseling can assist you in this process.

**Does your business have a positive net worth? Yes \_\_\_\_\_ No \_\_\_\_\_**

**(For existing businesses)**

The net worth of the business should be positive. If there are loans to shareholders on the balance sheet and you are willing to subordinate these while you pay the bank loan back, you may consider these loans to shareholders as equity.



## LOAN PACKAGE CHECKLIST

### **HOW DO I PREPARE A LOAN PACKAGE?**

*Whether you are applying for a microloan, SBA loan or a traditional bank loan, similar information is required to compete a loan package. The following list provides a checklist of most requirements for a loan package. For assistance with any of the requirements, please refer to the WBDC Financial Services sheet.*

- \_\_\_ **Business Plan Narrative**  
The business plan narrative is critical for an existing business since it identifies the nature of the business and how it will be successful. See the suggested Business Plan Outline attached.
  
- \_\_\_ **Current Income Statement & Balance Sheet**  
Not older than 90 days prior to the date the package is submitted.  
Should be included even if the business has been operating only a few months.
  
- \_\_\_ **Cash Flow Projections**  
For one year by month. Income and expenses should be well documented or substantiated. See attachment.
  
- \_\_\_ **Projected Profit and Loss: for two years by year. See attachment**
  
- \_\_\_ **Notes to Financial Projections**  
Income and expenses in the projections should be discussed in detail. See attachment.
  
- \_\_\_ **Aged Accounts Receivable\***
- \_\_\_ **Aged Accounts Payable\***
- \_\_\_ **Resume**
- \_\_\_ **Personal Financial Statement(s) of all owners (20% or more) and guarantors**
- \_\_\_ **Credit Report(s) of all owners**
- \_\_\_ **Personal Income Tax Returns: for past 3 years**
- \_\_\_ **Business Income Tax Returns: for past 3 years (or fewer years if business less than 3 years old).**
- \_\_\_ **Information on Business Debts**
- \_\_\_ **Construction Budget\***
- \_\_\_ **Equipment List\***
- \_\_\_ **Franchisor Agreement - Uniform Franchise Offering Circular\***

*\* If applicable*

**(For existing businesses)**

Businesses that have too much debt will find that their profits are directed at paying back loans and not building retained earnings in the business that can fund future growth. Consequently, banks and government loan programs look more favorably at loan requests that do not add too much debt to the business. Banks often look for a debt to net worth ratio of 4 or less (total liabilities divided by equity). WBDC counselors can assist you in assessing your debt situation.

**Do you have enough money of your own to put into the business? Yes \_\_\_ No \_\_\_**  
**(For start-up businesses)**

All loan programs require that the business owner put their own money in the business. This owner equity injection shows that the owner believes in the business enough to risk their own money. Some microloan programs require only 10% owner equity, other programs require at least 20% and will look more favorably on a loan request the more equity is in the business.

**Do you have any collateral to secure a business loan? Yes \_\_\_ No \_\_\_**

Business and personal assets can be considered collateral, or a way to repay the loan if the business defaults on a loan. Most collateral is valued at an amount less than face value based on a variety of factors. Although the SBA and microloan programs state that collateral can not be the only factor that would lead to a denial, the more collateral one has, the more likely a deal will be favorably considered.

**Are you willing to personally guarantee a loan? Yes \_\_\_ No \_\_\_**

Most business owners are asked for a personal guarantee in order to obtain their first business loans.

**Does your business have managers and advisors capable of leading your business to the next level of growth? Yes \_\_\_ No \_\_\_**

**(For existing businesses)**

As businesses expand, they need more sophisticated management as it relates to strategic planning, marketing, recordkeeping, inventory control, personnel, etc. If there are sectors of your business that you need assistance with, we strongly recommend that you attend one of the WBDC's entrepreneurial training classes, meet with a WBDC counselor or obtain a referral to one of the many business resources in the area.

**Do you have experience in running your own business? Yes \_\_\_ No \_\_\_**

**(For start-up businesses)**

For a new business especially, it is important for the business owner to demonstrate that she has experience in the industry and/or entrepreneurial experience. If you have never owned or operated a small business before, we strongly recommend that you attend one of the WBDC's entrepreneurial training classes.

***STOP! If you can not answer yes to all the questions above, then you may have difficulties obtaining financing at this time. We suggest that you evaluate the needs of your business and take advantage of the WBDC Entrepreneurial Training Classes and counseling.***

## **Business Plan Outline**

A good business plan gives the business owner a pathway to profit. To profit in business, you need to consider the following questions under each section of the business plan.

### **I. Executive Summary or Statement of Purpose**

- Who is asking for money?(brief description of company)
- What is the business structure?
- How much money is needed and for what?
- How will the funds benefit the business?
- How will the funds be repaid?

### **II. Business Description**

- A. What are the existing and/or proposed
- B. What is the status of the business? (start-up, expansion, etc.)
- C. If an existing business, what is the history of the business?
- D. Why will the business be successful?
- E. Who are the people involved in the business and what are their qualifications and functions?
- F. What are the insurance needs?
- G. What are some future goals and objectives?
- H. What is the history of the principal owners?

### **III. Business Operation**

- 1. how are your products/services to be produced and sold?
- 2. What steps are involved in the process?
- 3. What sources of supplies are needed?
- 4. What are the total facility, equipment, and personnel needs?

### **IV. Marketing Plan**

- A. Give a description of products and/or services to include:
  - 1. What are the features?
  - 2. What are the benefits to the customers?
  - 3. What makes them unique/what is your niche in the market?
- B. Market analysis
  - 1. What are the characteristics of your target market?
  - 2. What is the strategic advantage of your business?
  - 3. Who is your competition and what are their strengths and weaknesses?
  - 4. What about future demand for your products/services?
  - 5. Describe your industry to include brief background, trends and prospective growth, and known factors for success.
- C. Location
  - 1. Describe the location particularly in reference to target market.
  - 2. Why did you pick this particular location?
  - 3. Renovation/construction used.

**D. Marketing strategy**

1. What is your pricing policy?
2. How did you determine the pricing for your products/services?
3. What specific advertising, promotional, networking, and sales techniques that you are/will use.

**IV. Financial Plan**

- A. What are your total financial needs and how will the funds be used?
- B. What is your start-up costs, on-going operating costs, total funding sources or financial resource mix?

**SAMPLE  
PROJECTED CASH FLOW**

	July Start-up	August Month 1	Sept. Month 2	Oct. Month 3	Nov. Month 4	Dec. Month 5	Jan. Month 6	Feb. Month 7	March Month 8	April Month 9	May Month 10	June Month 11	July Month 12	Year 1 TOTAL
g. Cash receipts	0	6,680	2,804	1,529	4,356	8,134	15,711	12,688	12,116	12,993	15,570	18,646	19,722	6,680
an	0	25,000	35,000	45,000	50,000	60,000	30,000	40,000	45,000	45,000	40,000	40,000	35,000	485,000
uity	25,000													
<b>TOTAL CASH</b>	<b>100,000</b>	<b>31,680</b>	<b>37,804</b>	<b>46,529</b>	<b>54,356</b>	<b>68,134</b>	<b>45,711</b>	<b>47,688</b>	<b>52,116</b>	<b>57,993</b>	<b>60,570</b>	<b>58,646</b>	<b>54,722</b>	<b>491,680</b>
urchases	60,000	15,000	21,000	27,000	30,000	36,000	18,000	21,000	24,000	27,000	27,000	24,000	21,000	291,000
ficer's Salary	0	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
b-Contract Labor	0	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	30,960
roll Taxes	0	526	526	526	526	526	526	526	526	526	526	526	526	6,307
nt	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
titles	350	350	350	350	350	350	350	350	350	350	350	350	350	4,200
lephone	100	100	100	100	100	100	100	100	100	100	100	100	100	1,200
gister System	6,000													0
aintenance	0	150	150	150	150	150	150	150	150	150	150	150	150	1,800
urance	833	833	833	833	833	833	833	833	833	834	834	834	834	10,000
opies	0	250	350	450	500	600	300	350	400	450	450	400	350	4,850
vertising	500	500	1,000	1,000	1,500	1,800	500	500	500	750	750	500	500	9,800
signer	0		500		500		500			500				2,000
essional Fees	4,500	0	300	0	0	300	0	0	500	0	0	300	0	1,400
ense	350													50
sehold Improvement	7,500													0
nture & Fixture	6,500													0
cellaneous	0	100	100	100	100	100	100	100	100	100	100	100	100	1,200
<b>TOTAL EXPENSE</b>	<b>92,633</b>	<b>28,189</b>	<b>35,589</b>	<b>40,889</b>	<b>44,939</b>	<b>51,139</b>	<b>31,739</b>	<b>34,289</b>	<b>37,839</b>	<b>41,140</b>	<b>40,640</b>	<b>37,640</b>	<b>34,340</b>	<b>458,367</b>
<b>T CASH OUTLAY</b>	<b>7,367</b>	<b>3,491</b>	<b>2,216</b>	<b>5,640</b>	<b>9,418</b>	<b>16,995</b>	<b>13,972</b>	<b>13,400</b>	<b>14,277</b>	<b>16,854</b>	<b>19,930</b>	<b>21,006</b>	<b>20,383</b>	<b>33,313</b>
<b>in</b>	<b>687</b>	<b>687</b>	<b>687</b>	<b>1,284</b>	<b>1,284</b>	<b>1,284</b>	<b>1,284</b>	<b>1,284</b>	<b>1,284</b>	<b>1,284</b>	<b>1,284</b>	<b>1,284</b>	<b>1,284</b>	<b>14,214</b>
<b>D CASH</b>	<b>6,680</b>	<b>2,804</b>	<b>1,529</b>	<b>4,356</b>	<b>8,134</b>	<b>15,711</b>	<b>12,688</b>	<b>12,116</b>	<b>12,993</b>	<b>15,570</b>	<b>18,646</b>	<b>19,722</b>	<b>19,099</b>	<b>19,099</b>

**SAMPLE**  
**PROJECTED**  
**PROFIT & LOSS STATEMENT**

	Year 1		Year 2	
GROSS RECEIPTS	\$485,000	100.0%	\$533,500	100.0%
COST OF SALES	\$291,000	60.0%	\$320,100	60.0%
GROSS PROFIT	\$194,000	40.0%	\$213,400	40.0%
<b>OPERATING EXPENSES</b>				
Officer's Salary	\$21,600	4.5%	\$22,000	4.1%
Sub-Contract Labor	\$30,960	6.4%	\$32,000	6.0%
Payroll Taxes	\$6,307	1.3%	\$6,500	1.2%
Rent	\$72,000	14.8%	\$84,000	15.7%
Utilities	\$4,200	0.9%	\$4,410	0.8%
Telephone	\$1,200	0.2%	\$1,260	0.2%
Maintenance	\$1,800	0.4%	\$1,890	0.4%
Insurance	\$10,000	2.1%	\$10,500	2.0%
Supplies	\$4,850	1.0%	\$5,093	1.0%
Advertising	\$9,800	2.0%	\$10,670	2.0%
Designer	\$2,000	0.4%	\$2,100	0.4%
Professional Fees	\$1,400	0.3%	\$1,470	0.3%
License	\$50	0.0%	\$50	0.0%
Miscellaneous	\$1,200	0.2%	\$1,200	0.2%
Interest	\$7,878	1.6%	\$7,006	1.3%
Depreciation	\$4,000	0.8%	\$4,000	0.7%
TOTAL EXPENSES	\$179,245	37.0%	\$194,149	36.4%
NET INCOME	\$14,755	3.0%	\$19,252	3.6%

**ASSUMPTIONS:**

Revenue increases by 10% in Year 2

Most expenses increase by 5% in Year 2

## SAMPLE

### NOTES TO FINANCIAL PROJECTIONS

#### INCOME

Income is based on sales of \$194/sq. ft. for 2500 sq. ft. This level of revenue is conservative given that many of the other retail stores selling women's apparel in the mall are averaging over \$200/sq. ft. Monthly sales figures reflect the seasonal variations in the retail apparel industry.

#### EXPENSES

Purchases/ Cost of Goods Sold: 60% of sales

Wages: Assistant Manger at \$350/wk and 1 salesperson for a total of \$250/wk. Total per month is \$2,580.

Payroll Taxes & Benefits: 12% of payroll

Rent:	Year 1	Year 2
Rent/mo.	\$1,750	\$2,750
Monthly Center Expenses	\$1,587	\$1,587
Monthly Taxes:	\$2,550	\$2,550
Monthly Promotion Fund	<u>\$ 113</u>	<u>\$ 113</u>
<b>Total Monthly Payment</b>	<b>\$6,000</b>	<b>\$7,000</b>

Supplies: 1% of sales

Advertising: Advertisements in local newspapers, direct mailings. Grand opening scheduled for early September.

Loan: \$75,000 for 7 years at 11%



**BUSINESS INDEBTEDNESS:**

an oft existing business debt, contract, note and mortgage payable.  
 (Indicate by an (\*) item to be paid w/ loan proceeds.)

To Whom Payable	Original Amount	Original Date	Payment Method	Kind of Interest	Monthly Date	Monthly Payment	Secured by	Current or Past Due
	\$					\$		
	\$					\$		
	\$					\$		
	\$					\$		
	\$					\$		
	\$					\$		
<b>Total</b>	\$					\$		
<b>Total</b>	\$					\$		