

CHECKLIST

These are the important items you should create and/or address before you meet with a lender:

- A completed Business Plan.** This helps to answer the question, “Is your business bankable?” A full plan should include the narrative description of your business along with the financial forms listed below. In some cases, a shorter Executive Summary can serve as your plan:
 - A Cash Flow Projection and Assumptions
 - A Profit and Loss Statement (if you are already in business)
 - A Balance Sheet
 - A Sources and Uses of Funds statement

- Your personal credit history.** Bankers consider the personal credit history of the borrower when looking at a business loan, so a good personal credit history is a very important factor. You should request a recent credit report so there are no surprises or disappointments when the lender reviews your credit history. You can order a credit report from any one of the three major credit reporting agencies by contacting www.annualcreditreport.com. If you have a low credit score, things you need to clean up on your report, a bankruptcy in the last seven years or other credit problems, then it may be difficult to obtain financing now. Actual documents that would be helpful are your Credit Score and Report.

- Up-to-date tax records.** Many of the loan programs available are in partnership with various government agencies. This makes it important to have current tax records for your business and personal obligations. Be prepared to submit your most recent tax returns.

- Personal money or assets you are willing to commit to the project.** All loan programs require that the business owner invest in his own business. After all, if the business owner is not willing to invest in the business, why should anyone else? As a general rule, a 20% or more equity investment should be considered. In addition, if your personal and/or business assets can be used as collateral to secure repayment of a business loan in the event of a business default, then a lender is much more likely to consider your loan. The documents that would be helpful are a Personal Net Worth Statement and the Sources and Uses of Funds.

- Your personal experience in running a business.** For a start-up business, it’s important for a business owner to have experience in the industry or business. As an alternative, entrepreneurial experience is a valued substitute. The document that can help here is your Personal Resume.

-
- **A list of your business advisors.** Existing businesses have often gathered a number of trusted advisors and mentors that are helping with various aspects of the business such as financial recordkeeping, marketing, or strategic planning. Lenders will view your business more favorably if you are tapping the expertise of experienced business mentors.

 - **Low levels of debt.** For existing businesses, it is important that the burden of existing debt is manageable. Banks often desire a debt to equity ratio of 3:1 or less (total liabilities divided by equity) to mitigate the financial risk of the business not being able to service its debt. The key document for this information is your Business Balance Sheet.

Adapted from the Montana Small Business Development Center.

Getting Credit Ready

© Maine Centers for Women, Work, and Community