



Loan Readiness Toolkit

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Getting a loan application ready can be daunting and puzzling. This toolkit is designed to help make the process clear, transparent, and supportive. You do not need to know all the answers, as a lender can provide resources and guidance to assist you in determining if a loan is the best answer for you and what you will need to apply and qualify for one.

Lenders look for certain characteristics when considering a business loan application. You will want to present a clear plan to a potential lender about your overall business, your experience, your strengths and weaknesses, key advisors, and how you will use the money you borrow and pay it back. You will want to be familiar with the financial condition of your business and have all your financial information ready to share with the lender. You should also weigh the pros and cons of each of the various financing options against your business goals.

Step 1: Your Business Model and Situation

To help you decide whether you are ready to apply for a loan consider the following questions. This is the type of information a lender will want to learn about with your business.

- Do you have a clear plan in place defining goals and markers of success?
- What is the management structure and are employees' roles and responsibilities understood?
- Does the business have a legal structure (sole proprietor, LLC, Corp, etc.)?
- Do you have an established market for the products and/or have you researched new markets?
- Are your financial statements readily available?
- Are you willing to be transparent about your personal and business financial condition?
- Do you have sufficient insurance (crop, property, liability, workers compensation) (where applicable)?
- Does the business comply with state and federal laws regarding labor, pesticides, runoff, food safety, market rules and regulations, etc.?

Step 2: Assess Whether Debt is the Answer

A loan can propel your business forward, but debt can also hold the business back. Here are questions to ask yourself as you consider a loan.

- What is the purpose of the loan?
- Can you explain how it will improve your business?
- Have you determined how the business can repay the loan?
- Does the requested loan term match the expected life of the purpose? For example, real estate loans are much longer than operating loans.
- Do you have a plan for raising additional revenue to cover the loan payments should you experience a setback?

Step 3: Getting Ready to Talk to a Lender

Once you have determined that a loan is right for your business, the next step is to speak with a commercial lender before submitting a loan application. This conversation will help determine whether you are ready to apply or if there is more information or resources needed. The table below lists questions you can expect a lender to ask, so be prepared to answer these questions. The most important question in each section is in bold.

Question	What a lender is listening for
What is your business?	<ul style="list-style-type: none"> • A strong business idea with goals, existing/potential customers • How long your business has existed • Ownership structure of the business • Management team, employees
How does your business make money?	<ul style="list-style-type: none"> • Products and services • What you need to be profitable • Market channels • Market differentiation
What is the purpose of the loan?	<ul style="list-style-type: none"> • What you will use the money for? • How this will improve the business; “How will this make you money or save you money?”
How much cash did you, or are you able to put into your business and this project?	<ul style="list-style-type: none"> • Commitment to and confidence in your business • Ability to withstand down turns or other unexpected expenses and events
How will you repay this loan?	<ul style="list-style-type: none"> • A clear path to success for the business • Historic profitability or detailed projections that let you repay the loan • Available collateral to help mitigate the risks of default
Have you experienced any extraordinary incident(s) impacting the business? (COVID, drought, frost, etc.)	<ul style="list-style-type: none"> • Identification of potential risks to production or operations • Changes/pivots business made to address impact



Step 4: Supporting Documents to get in Order

When it is time to apply for a loan, supporting documents are often required. This list is not comprehensive and will vary depending on the lender and the purpose of the loan.

All applications require

- Signed loan application specific to the lender
- Two years of business and personal tax returns, plus year-to-date Business Profit & Loss, and Balance Sheets
- Personal Financial Statements (Balance Sheets) from anyone who owns 20% or more of the business

Other documents that may be required

- Business plan with financial projections for the next 12-36 months
- Lease agreement(s) if leasing space or land
- Operating Agreement/bylaws

We hope this toolkit has helped you become a prepared borrower. Ultimately, the loan process allows for both the borrower and the lender to have a clear understanding of the contractual agreement both parties are proposing to enter into with confidence on both sides that their partner can perform up to expectations.

Take a moment to review the steps and consider your responses. If you are not ready now, reach out to one of the organizations to learn more about the resources available to assist you with your business. If you are ready to apply for a loan, contact one of the lenders listed.