

CAN I QUALIFY FOR A LOAN?

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

1. Do you have a good personal credit history? Yes _____ No _____

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

If you do not have a recent credit report, you may order one by calling Equifax at 1-800-685-1111 or Experian (formerly TRW) at 1-800-397-3742. The cost is approximately \$8.00 for each report.

If you have had a bankruptcy in the past 10 years, or have slow payments, collections, or judgments, it may be difficult to obtain financing at this time. If a poor credit history can be explained by a one-time incident, such as medical problems, supply information on the situation and how you attempted to repair the past credit problem. If you have had a consistent credit problem, you will need to "repair" your credit history. Contact a credit and debt counseling service in your community for assistance.

2. Have you filed and paid your personal and business income taxes? Yes _____ No _____

Lenders and government loan programs require an individual and small business to have met their tax obligations for both filing and paying taxes. For SBA guaranteed loans, a tax verification of business income tax returns is obtained from the IRS before a loan is closed.

3. Can you demonstrate your business has the ability to repay a loan? Yes _____ No _____

(For existing businesses) If the business is profitable, are profits sufficient to repay the proposed loan? If a business is not profitable, it becomes very important to prove how it will be profitable in the near future in order to service the proposed loan. Small Business Development Centers (SBDC) and/or SCORE Chapters, located in your area, conduct training and provide individual counseling to assist you in this process. If you are unable to locate a SBDC and/or SCORE in your community, please call the SBA at 904-443-1900.

(For start-up businesses) It is very important you provide sufficient data on comparable businesses and/or industry statistics to justify your revenue and expense projections. This is a primary part of your business plan. SBDC and/or SCORE training sessions and individual counseling can assist you in preparation of your business plan.

4. Does your business have a positive net worth? Yes _____ No _____

The net worth for existing businesses should be positive. If there are loans from shareholders on the balance sheet and you are able to subordinate these (not pay the shareholders) while you repay the proposed bank loan, you may consider those loans from shareholders as equity.

5. Is your business carrying too much debt? Yes _____ No _____

Profits for existing businesses, carrying too much debt, will be required to pay loans and not be available to increase retained earnings in the business and finance future growth. Therefore lenders and the SBA will review the current level of debt and the proposed level of debt including the loan. Banks often look for a debt to net worth ratio of 4 or less (total liabilities divided by owner's equity). SBDC and/or SCORE counselors can assist you in assessing your debt situation.

6. Do you have enough equity in your existing business or to start a business? Yes _____ No _____

All SBA loan programs require business owners provide equity in the business. The equity contribution by the owner is an indication of confidence in the business and its future growth and profitability. Some SBA loans require only a 10% capital injection, while others require 30% and in some cases more.

7. Do you have sufficient collateral to secure a business loan? Yes _____ No _____

Business and personal assets can be considered collateral. The SBA will consider a secondary source of repayment, in some cases. The values of assets, for collateral purposes, are normally less than face value and depend on the type of assets. Although the SBA loan program guidelines state collateral can not be the only factor leading to a denial, the more collateral available, the more likely a loan application will be favorably considered.

8. Are you willing to personally guarantee a loan? Yes _____ No _____

All owners with 20% or more ownership interest, or each stockholder owning 20% or more of voting stock and each corporate officer are asked to provide a personal guarantee in order to obtain a SBA guaranteed loan.

9. Does your business have managers and advisors capable of managing your business profitably? Yes _____ No _____

As businesses expand, they need more sophisticated management as it relates to strategic planning, marketing, recordkeeping, inventory control and personnel. If there is a part of your business where you need assistance, we strongly recommend that you attend one of the SBDC and/or SCORE entrepreneurial training classes, meet with a SBDC and/or SCORE counselor or contact one of the many resources in your community.

10. Do you have experience in running your own business? Yes _____ No _____

For a new business, it is important the business owner demonstrate he/she has industry and/or entrepreneurial experience. If you have never owned or operated a small business, we strongly recommend you attend one of the SBDC and/or SCORE entrepreneurial training classes.

STOP! If you can not answer "yes" to all the questions above, you may not be adequately prepared to apply for financing at this time. We suggest you evaluate the needs of your business and take advantage of the Small Business Development Centers' (SBDC) and/or SCORE Chapters' training and counseling available in your community.