

CAN I QUALIFY FOR A LOAN?

Whether you're applying for a micro-loan, SBA loan, or traditional bank loan there are factors that improve your ability to obtain financing.

Do you have a good personal credit history?

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 don't have a recent credit report, you can order one by calling TransUnion: 800-916-8800, Experian: 800-682- 7654, or Equifax: 800-685-1111. If your questionable credit situation can be explained by a one-time incident such as a medical problem, provide information on the problem and how it has been rectified.

#If you've had a bankruptcy in the past 7 years (10 years for an SBA loan), or have slow payments or collections, it may be hard to get financing now. If the poor credit history can be explained by a particular incident, supply information on the situation and how you tried to repair the past credit problems. If you've had consistent credit problems, you'll need to "repair" your credit history and rebuild your credit track record. Call your local Consumer Credit Counseling Agency (CCCA) for help

Have you filed your personal/business income and business taxes?

Lenders and government loan programs want to see that individuals have met their tax obligations for both filing and paying taxes. Many loan programs are in partnership with government agencies who do not look favorably on individuals or businesses who have unpaid income and/or business taxes. For SBA loans, income tax verification is obtained from the IRS before a loan is closed.

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

For Existing Businesses -If the business is profitable, there are demonstrated profits to repay new debt. If a business is not profitable, it becomes very important to prove how it *will* be profitable in the near future, so that a loan can be repaid. Counseling by SCORE can help you with this.

For Start-up Businesses -Find industry statistics and data on comparable businesses. The purpose of this data is to help you to substantiate your projections of the revenues you intend to generate and the expenses you anticipate incurring. SCORE counseling can assist you in this process.

Does your business have a positive net worth? (*For Existing Businesses*)

The net worth of your business 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 pay the bank loan back, you should consider these loans from shareholders as equity.

Is your business carrying too much debt? (*For Existing Businesses*)

Businesses with too much debt will find that their profits go to paying back loans instead of building retained earnings that can fund future growth. Consequently, banks and government loan programs look *more* favorably at loan requests that don't add too much debt to the business. Banks often look for a debt to net worth ratio (total liabilities divided by equity) of 3 or less. SCORE consultants can assist you in assessing your debt situation.

Do you have enough money of your own to put into the business? (*For Start-up Businesses*)

All loan programs require the owner to put his or her own money in the business; this injection of owner equity shows that the owner believes in the business enough to take that risk. Most loan programs, including SBA loans, will require a reasonable contribution from the owner(s). A good rule of thumb is 30% or more equity injection unless other factors {e.g., strong management experience, known franchise business) reduce the need for an equity contribution. The more equity, the more favorably potential lenders will look upon the loan request. **Neither banks nor SBA provide 100% financing.**

Do you have any collateral to secure a business loan?

Business and personal assets can be considered collateral (a way to repay the loan if the business defaults on it). Most collateral is valued at less than market value. Although the SBA will not deny a loan due solely to the lack (or amount) of collateral, the more collateral one has, the more likely a deal will be favorably considered. Unwillingness to pledge assets can be a basis for decline.

Are you willing to personally guarantee a loan?

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? (*For Existing Businesses*)

As businesses expand, they need more sophisticated management in the areas of strategic planning, marketing, record keeping, inventory control, and personnel. If you need help with any area of your business, you should seek one-on-one counseling from SCORE.

Do you have experience in running your own business? (*For Start-up Businesses*)

It's important for the owner of a new business to demonstrate that he or she has experience in the industry and/or entrepreneurial experience. If you have never owned or operated a small business before, get one-on-one counseling from SCORE.

If you can't answer ""YES" to all these questions, you may have difficulty obtaining financing. We suggest that YOU evaluate the needs of your business and take advantage of the free counseling provided by SCORE.