

# CHECKLIST - APPLYING FOR AN SBA LOAN

Whether you're looking to expand your business, purchase equipment, real estate or refinance existing debt, a [Small Business Administration](#) (SBA) Loan can assist with alternative financing to help your company grow.

It's important to understand that although the SBA guarantees the loan, you're borrowing funds from the bank – not from the SBA.

It's up to you to assess your business finance needs and find an SBA Loan for your situation. Our handy checklist can help you do this.

## 1. IS A LOAN NECESSARY OR CAN YOU CONTINUE TO GROW WITH THE CASH YOU HAVE?

### What do you need the money for?

Carefully consider why you're borrowing in the first place. Is it worth going into debt for, or can you raise the cash for it in some other way, such as selling rarely-used assets or finding business savings?

### Think carefully

Although SBA guarantees the loan, it's still important to be sure you've considered all other options before borrowing. Talk to your accountant – there could be another solution to your capital issues you haven't thought of.

### Consider the outcome

Are the repayments going to hinder the growth plans you have in mind? If so, it might be better to use what cash you have on hand. There's no point borrowing if the repayments are going to become difficult.

## 2. IS AN SBA LOAN RIGHT FOR YOUR BUSINESS?

### There are four main loans available

It's important to carefully consider each of the loans available and decide if one of them is right for your business. SBA has a [section on their loan programs](#) which is important for you to read and understand. It covers each of the following options:

#### 1. [General Small Business Loan](#)

This is the most common loan program. Your eligibility is based on what you do to make money, your circumstances and where you operate. Your business needs to be small, operate for profit, do business in the US and will use the funds for a sound business purpose. It's important to visit the link above and go through each of the 7 steps to make sure this is the right loan for you.

#### 2. [Disaster Loan](#)

This loan is designed to repair or replace items destroyed in a disaster, such as real estate, personal property, machinery and equipment, inventory and business assets. Review this page on eligibility, application and the kinds of disasters that are covered to decide if this is the right loan for your business.

#### 3. [Microloan](#)

This is a small loan of up to \$50,000 and is to help with start-up and expansion. This loan is commonly used by certain not-for-profit organizations, but some small businesses can be eligible as well. Review this page to see if it would suit your business needs.

#### 4. [Real estate and equipment loans](#)

This is also known as a Certified Development Company (CDC)/504 loan, and is for financing fixed assets such as real estate or equipment, excluding properties that will be used as rentals. Read and review this section if you're planning to buy fixed assets.



## 2. IS AN SBA LOAN RIGHT FOR YOUR BUSINESS? CONT..

### Urgency

SBA will look at how urgently you need the funds, and what you need it for, i.e. business start-up, growth and expansion or re-financing. It's important to review the [loans available](#) and educate yourself on them.

### The state of your business

It's important to evaluate the state of your business when considering an SBA loan, as it's one of the first things they'll look at. Are you in a transitional phase? Might you have difficulty in being approved for a loan by a bank?

## 3. GETTING READY TO APPLY

### Credit rating

If this is the first time you're applying for a loan, an SBA lender will check your credit rating. It's best to get there first and find out how your credit looks with [Equifax](#).

### Put together a document with details on your personal background

It's important to be honest here. If you've had criminal convictions, you need to outline what they are. Include your educational and business background, and your previous addresses going back at least two years.

### Update your resume

It's important to clearly lay out your employment history, both as a business owner and as an employee. Emphasize evidence of management or business experience, especially if you're starting a new business.

### Management structure

Define and write down the management structure of your business. It's important to SBA lenders that you can show your business is being effectively managed and that you're guiding your team properly.

## 4. KNOW YOUR BUSINESS

### Business plan

Review and refine your business plan. It's a vital part of the application process. An SBA lender will want to understand your business and its strategy, reasons for applying for the loan, planned goals and objectives and proposed staff and their roles.

### History of your business

Prepare an overview and history of your business. You'll be asked specific questions about your business and its background, and you want to have all that information at your fingertips.

### Statement of intent

SBA lenders want to know how the funds will be used, in the case of each of their 4 loan options. So, it's a good idea to have a statement handy, one that outlines why you're applying for the loan and how you intend to spend it.

### Debts

Review your debts and make a list of them. SBA lenders will want to know what your liabilities are and it's useful to be able to provide that information immediately.

### Your contribution

SBA lenders will be interested to know how you're contributing to your business before they grant you a loan. Inform them of your assets and liabilities, experience in business, skills and abilities, and income and living expenses – you'll need to show how much you'll be taking out of your business to fund your personal commitments.

## 5. DOCUMENTATION

### **Personal and business credit reports**

Make sure you have these on hand. SBA lenders will double check them, but they'll like to know that you're aware of them yourself and understand your credit ratings. They will be part of your application process.

### **Income tax returns**

You'll need your personal and business tax returns for the last 3 years.

### **Financial statements**

One year of personal and business bank statements is common.

### **Legal documents**

You'll probably be asked for documents like a business license and registration, copies of contracts with any third parties, and commercial leases - depending on what's required.

### **Loan application history**

SBA lenders will want to know if you've applied for and been granted loans in the past, as well as any applications that may have been declined.

### **SBA forms**

There are several forms you'll need to fill out, depending on the loan you're applying for. In most cases, you'll have to fill out:

1. [Borrower Information Form](#)
2. [Statement of personal history](#)
3. [Personal financial statement](#)

## 6. BUYING ANOTHER BUSINESS?

### **Business you're buying**

You'll need to provide the business's current balance sheet, as well as an income statement.

### **Income tax returns**

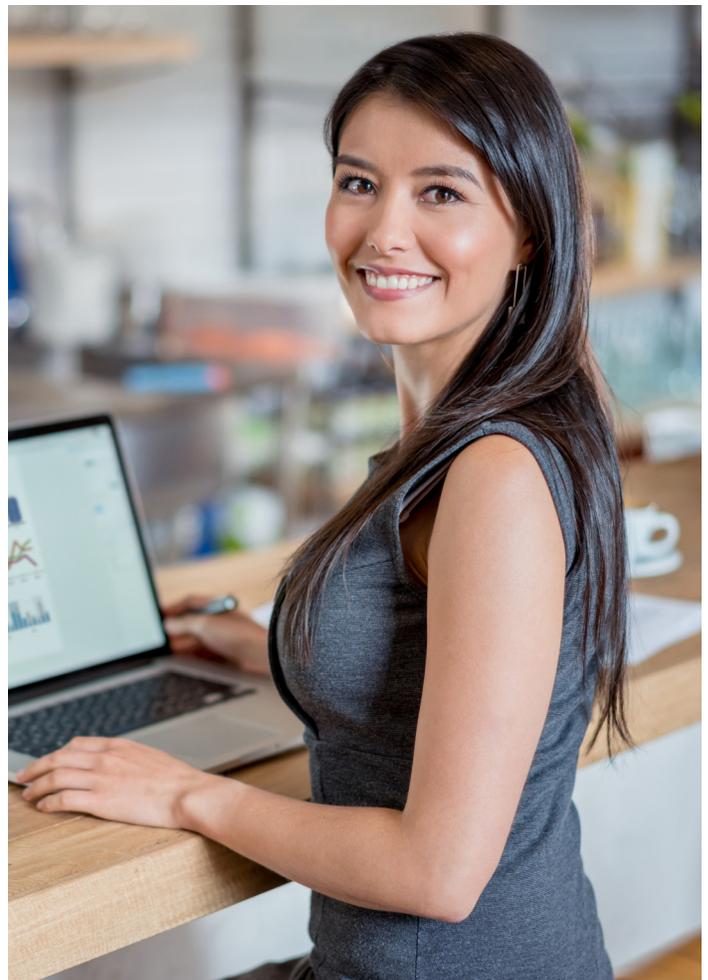
SBA lenders will want to see the previous 2 years of income tax returns for the business you're buying.

### **Terms of sale**

You'll need to provide documentation around the terms of sale, including the asking price.

### **Inventory**

Make a list of everything in the business's inventory, including stock, machinery and other equipment.



Please note that the information provided isn't intended and should not be relied upon as professional or personal financial product advice. You should seek professional advice before making any decision that could affect the financial health of your business.