

MIDAMERICA

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How to Apply for an SBA Loan

While the standards for SBA-qualifying loans are more flexible than those for other types of loans, lenders still require extensive documentation to evaluate your loan request. You should strive to make the best possible presentation in your initial loan submission, since you may not get a second opportunity.

Applying for an SBA Loan

There are many different formats you can use for a loan proposal. You may want to contact the lender you are approaching to determine which format is best for you. When writing your proposal, don't assume the lender is familiar with your industry or your individual business. Always include industry-specific details so the lender can understand how your particular business is run and what industry trends affect it.

Loan Documents

While you need to check the specific requirements of your lender, a loan application usually includes these elements:

Executive Summary

Begin your proposal with a simple and direct cover letter or executive summary. Clearly and briefly explain who you are, your business background, the nature of your business, the amount and purpose of your loan request, your requested terms of repayment, how the funds will benefit your business, and how you will repay the loan.

Business Profile

Provide a written description of the history of your business, including:

- Type of business
- Location
- Product or service
- Brief history (including length of time in business and ownership)
- Annual sales
- Number of employees
- Proposed future operation
- Competition
- Customers
- Suppliers
- Date of information

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Management Experience

Include resumes of each owner and key member of management.

Loan Request: SBA Form 4

This description of how the loan funds will be used should include purpose, amount and type of loan.

Loan Repayment

Provide a brief statement indicating how the loan will be repaid, including repayment sources and time requirements. Cash-flow schedules, budgets, and other appropriate information should support this statement.

Collateral: SBA Form 4-a

List real property and other assets to be held as collateral. Few financial institutions will provide non-collateral-based loans. All loans should have at least two identifiable sources of repayment. The first source is ordinarily cash flow generated from profitable operations of the business. The second source is usually collateral pledged to secure the loan.

Personal Financial Statement: SBA Form 413

SBA requires financial statements for all owners, partners, officers and stockholders owning 20 percent or more of the business. These statements (listing all personal assets, liabilities and monthly payments) should not be more than 90 days old. Federal income tax returns for the past three years must also be submitted.

Business Financial Statements

Provide complete financial statements for the last three years (including balance sheets, income statements, and a reconciliation of net worth) plus a current (no more than 90 days old) interim financial statement. Also include a schedule of term debt and aging of accounts payable and accounts receivable (broken into 30-, 60-, 90-, and past-90-day-old categories). If you are just starting out, provide a projected balance sheet and income statement. The strength and accuracy of your financial statements will be the primary basis for the lending decision, so be sure that yours are carefully prepared and up-to-date.

Proposed Business

Provide a pro-forma balance sheet reflecting sources and uses of both equity and borrowed funds.

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Projections

Provide a projection of future operations for at least one year or until positive cash flow can be shown. Include earnings, expenses, and reasoning for these estimates. The projections should be in profit and loss format. Explain the assumptions you use if they are different from trend or industry standards and support your projected figures with clear, documentable explanations.

Other Items (as they apply)

- Lease (copies of proposal)
- Franchise agreement
- Purchase agreement
- Articles of incorporation
- Plans / specifications
- Copies of licenses
- Letters of reference
- Letters of intent
- Contracts
- Partnership agreement