

Securing a Loan: Self-Assessment Checklist

Do you have a good personal credit history?

☐ Yes ☐ No

Research indicates that 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.

Have you filed all income tax returns?

☐ Yes ☐ No

Lenders and government loan programs alike want to see that an individual has met his/her tax obligations for both filing and paying taxes. For SBA loans, tax verification is obtained from the IRS before a loan is closed.

Are your income taxes paid?

☐ Yes ☐ No

Many of the loan programs are in partnership with government agencies. These loan programs do not look favorably on individuals who have unpaid income taxes.

Does the business have the ability to repay a loan?

☐ Yes ☐ No

(For existing businesses) If the business is profitable, there are demonstrated profits to repay some amount of 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.

(For startup businesses) It is very important that you find as much data on comparable business or industry statistics as possible in order to “prove” the revenues you intend to generate and the expenses you anticipate incurring.

Does your business have positive net worth?

☐ Yes ☐ No

(For existing businesses) The net worth of the business should be positive. If there are loans from shareholders on the balance sheet that you are able to subordinate (not pay the shareholders) while you pay the bank loan back, you may consider these loans from shareholders as equity.

Is your business carrying too much debt?

☐ Yes ☐ No

(For existing businesses) Businesses that have too much debt will find that their profits are directed at paying back loans and not building retained earnings in the business that can fund future growth. Consequently, banks and government loan programs look more favorably at loan requests that do not add too much debt to the business. Banks often look for a debt-to-net-worth ratio of 4 or less (total liabilities divided by equity).

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Do you have enough of your own money in the business?

☐ Yes ☐ No

(For startup businesses) All loan programs require that the business owner put his/her own money into the business. This owner equity injection shows that the owner believes in the business enough to risk his/her own money. Some microloan programs require only 10% owner equity; other programs require at least 30% and will look more favorably on a loan request the more equity is in the business.

Do you have collateral to secure a business loan?

☐ Yes ☐ No

Business and personal assets can be considered collateral, or a way to repay the loan if the business defaults on a loan. Most collateral is valued at an amount less than face value based on a variety of factors.

Are you willing to personally guarantee a loan?

☐ Yes ☐ No

Most business owners are asked for a personal guarantee in order to obtain their first business loans.

Does your business have qualified managers and advisors?

☐ Yes ☐ No

(For existing businesses) As businesses expand, they need more sophisticated management as it relates to strategic planning, marketing, record keeping, inventory control, personnel, etc. When you apply for a loan, your banker will consider the qualifications of your management team and advisors in order to determine if they are capable of leading your business to the next level of growth.

If there are sectors of your business that you need assistance with, we strongly recommend that you attend entrepreneurial training classes, visit a Small Business Development Center in your area or contact your regional SBA office for information on local resources.

Do you have experience in running your own business?

☐ Yes ☐ No

(For start-up businesses) When launching a business in a new specialty, it is important for the business owner to demonstrate that he/she has experience in the industry and/or entrepreneurial experience in general. If you have never owned or operated a small business before, we strongly recommend that you attend entrepreneurial classes.



If you cannot answer “yes” to all applicable questions above, then you may have difficulties obtaining financing at this time. We suggest that you evaluate the needs of your business and take advantage of local business assistance centers.



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