# **A blue and green background  Description automatically generatedSmall Business Loan Readiness Checklist**

Instructions

Use this checklist to assess your business's readiness to take on debt financing. Check off items as you confirm them. 

## **Financial Health Indicators**

### **Cash Flow**

[ ] Business has consistent positive cash flow for at least the past 6 months

[ ] Monthly cash flow is sufficient to cover proposed loan payments

[ ] Business maintains an emergency cash reserve of at least 3 months of expenses

[ ] Seasonal fluctuations in revenue are documented and accounted for

### **Credit & Debt**

[ ] Personal credit score is 680 or higher

[ ] Business credit score is established and in good standing

[ ] Current debt-to-income ratio is below 40%

[ ] Debt service coverage ratio (DSCR) is 1.25 or higher

[ ] All existing loans and credit accounts are current

[ ] No recent bankruptcies or defaults (past 7 years)

### **Financial Records**

[ ] Business tax returns for past 2-3 years are organized and available

[ ] Personal tax returns for past 2-3 years are organized and available

[ ] Current financial statements are prepared and up-to-date:

[ ] Balance sheet

[ ] Income statement

[ ] Cash flow statement

[ ] Financial projections for next 2-3 years are prepared

[ ] Business maintains separate bank accounts from personal accounts

[ ] Last 12 months of bank statements are available

[ ] Current accounts receivable/payable aging reports are available

## **Business Documentation**

### **Basic Business Documents**

[ ] Business plan is current and complete

[ ] Business registration/licenses are current

[ ] EIN and other tax registration documents are available

[ ] Organization documents (articles, operating agreement, etc.) are available

[ ] Ownership structure is clearly documented

### **Collateral & Assets**

[ ] List of business assets is current and documented

[ ] Asset valuations are recent and documented

[ ] Real estate ownership/lease documentation is available

[ ] Insurance policies are current and documented

## **Loan Preparation**

### **Purpose & Amount**

[ ] Loan purpose is clearly defined and documented

[ ] Loan amount is calculated based on specific needs

[ ] ROI projections for loan use are prepared

[ ] Alternative funding sources have been considered

### **Documentation**

[ ] List of all business debts is current (debt schedule)

[ ] Current contracts or leases are organized

[ ] Accounts receivable documentation is organized

[ ] Supplier/vendor agreements are documented

[ ] Key customer contracts are documented

### **Management & Operations**

[ ] Management team's resumes/bios are prepared

[ ] Business has clear succession plan

[ ] Key employee information is documented

[ ] Industry and market analysis is prepared

[ ] Business processes are documented

## **Professional Support**

### **Advisory Team**

[ ] Accountant has reviewed financials

[ ] Attorney is available to review loan documents

[ ] Insurance agent has reviewed coverage needs

[ ] Business advisor/mentor has been consulted

## **Research & Planning**

### **Lender Research**

[ ] Multiple lender options have been identified

[ ] Different loan types have been compared

[ ] Understanding of lender requirements is clear

[ ] Preferred lender(s) have been selected

### **Contingency Planning**

[ ] Multiple repayment scenarios have been modeled

[ ] Risk mitigation strategies are documented

[ ] Emergency/backup plans are in place

[ ] Exit strategies are documented if needed

## **Red Flags to Address**

Check if any of these apply - they may need to be addressed before proceeding:

[ ] Negative cash flow in past 6 months

[ ] Credit score below 680

[ ] More than 3 late payments in past year

[ ] Tax returns not filed or up to date

[ ] Existing loans in default

[ ] Pending legal actions

[ ] Insufficient collateral for loan amount

[ ] Incomplete financial records

## **Notes**

* Remember that not all items may be required for every loan type
* Different lenders may have different requirements
* Consider consulting with financial professionals for specific guidance
* Keep all documentation current and organized
* Update this checklist regularly as circumstances change

*Last reviewed/updated: [Date]*