# **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. A blue square with white lines

Description automatically generated

## **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]*