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How Do I Prepare a Loan Proposal?

You should prepare before you discuss your loan needs with a financial institution. Remember that lenders are willing to loan you money only if they know you will be able to repay the money. Lenders may also want to see a current business plan, for information on how to write a business plan please refer to Business Development Journal #1.

The following information will help you to define what type of loan you will apply for:

Types of Business Loans:

- **Short-term: (**maturity one year) working capital loans, accounts receivable loans, and lines of credit
- **Long-term**: (maturity greater than one year, but less than seven years) furniture and fixtures, vehicles, large computers, etc.
    - **Real Estate and Equipment**: (maturity up to 25 years) construction loans, durable equipment such as a factory, etc.

The following loan proposal from the SBA outlines what your loan proposal should include:

General Information

- ✔ Business name, names of principals, Social Security number for each principal, and the business address.
- ✔ Purpose of the loan: exactly what the loan will be used for and why it is needed.
- ✔ Amount required: the exact amount you need to achieve your purpose.

Business Description

- ✔ History and nature of the business details of what kind of business it is, its age, number of employees and current business assets.
- ✔ Ownership structure details on your company's legal structure.

Management Profile

- ✔ Develop a short statement on each principal in your business; provide background, education, experience, skills and accomplishments.

Market Information

- ✔ Clearly define your company's products as well as your markets.
- ✔ Identify your competition and explain how your business competes in the marketplace.
- ✔ Profile your customers and explain how your business can satisfy their needs.

Financial Information

- ✔ Financial statements, balance sheets, and income statements for the past three years. If you are starting out, provide a projected balance sheet and income statement.
- ✔ Personal financial statements on yourself and other principal owners of the business.
- ✔ Collateral you would be willing to pledge as security for the loan.

Other Resources:

https://www.sba.gov/sites/default/files/How%20To%20Prepare%20a%20Loan%20Package_Transcript_0.pdf
This is a link to SBA's training on how to write a loan proposal.

https://www.sba7a.loans/sba-7a-loans-small-business-blog/writing-a-proposal-for-the-sba-7a-loan/
Writing a Proposal for the SBA 7(a) Loan Program

https://www.fundera.com/business-loans/guides/business-loan-proposal
This is a link to Fundra's, "How to Write the Perfect Business Loan Proposal" article.

https://www.nationalbusinesscapital.com/blog/loan-package-101-everything-you-need/
Loan Package 101: What You Need to Prepare.

Please send comments or questions directly to robert.johnson@freeport.tx.us