

# 1. Business Loan Underwriting Checklist

## Documentation Needed for Business Loan Applications

While every loan program has specific forms, you need to fill out and documents you need to submit, you will likely need to submit much of the same information for different loan packages. Before you start applying for loans, you should get some basic documentation together. The following are typical items that will be required for any small business loan application:

\_\_\_\_\_ **Personal Background:** Either as part of the loan application or as a separate document, you will probably be asked to provide some personal background information, including previous addresses, names used, criminal record, educational background, etc.

\_\_\_\_\_ **Resumes:** Some lenders require evidence of management or business experience, particularly for loans that are intended to use to start a new business.

\_\_\_\_\_ **Business Plan:** All loan programs require a sound business plan to be submitted with the loan application for any new start up and or new construction type hotel. The business plan should include a complete set of projected financial statements, including profit and loss, cash flow and a balance sheet. Included with the projected financial statements all loan programs will require assumptions. SBA has now required a feasibility study to be ordered and provided for hospitality loans which is a pretty new requirement. They will also want STR report data which you can get from Choice DFS concerning the competition set and what average ADR, Occupancy Rate, RevPAR and etc. looks like for properties existing in the area that will be considered your competition.

\_\_\_\_\_ **Personal Credit Report:** Your lender will obtain your personal credit report as part of the application process. However, you should obtain a credit report from all three major consumer credit rating agencies before submitting a loan application to the lender. Inaccuracies and blemishes on your credit report can hurt your chances of getting a loan approved. It's critical you try to clear these up before beginning the application process.

\_\_\_\_\_ **Personal Income Tax Returns:** Most loan programs require applicants to submit personal income tax returns for the previous 3 years.

\_\_\_\_\_ **Personal Financial Statements:** Many loan programs require owners with more than a 20 percent stake in the business to submit signed personal financial statements. You may also be required to provide projected financial statements either as part of, or separate from, your business plan. It is a good idea to have these prepared and ready in case a program for which you are applying requires these documents to be submitted individually.

\_\_\_\_\_ **Business Credit Report:** If you are already in business, you should be prepared that the business credit will be pulled by the lender. As with the personal credit report, it is important to review your business' credit report before beginning the application process.

\_\_\_\_\_ **Business Income Tax Returns:** Most loan programs require applicants to submit business income tax returns for the previous 3 years if it is an existing business.

\_\_\_\_\_ **Interim Business Financial Statements:** If this is an existing business in operations, most will require the applicant to provide a balance sheet and income statement dated at least 120 days of their application.

\_\_\_\_\_ **Business Debt Schedule:** A schedule of existing debts should be provided which includes the original date and amount, monthly payment, interest rate, present balance owed, maturity, to whom payable, and collateral securing the loan for each short-term and long-term loans that the business currently has

outstanding or has planned for the next 12 months (current, delinquent, paid in full, or charged off), and collateral securing the loan. (if any).

\_\_\_\_\_ **Affiliate Business Information:** Most loan programs will require loan guarantors to submit the names of all other businesses owned by individual guarantors along with the percentage of ownership in each business. If the individual loan guarantors have more than 20% ownership or have management control of the other businesses, most lenders will require the financial information for each of those subsidiary businesses to include:

- Last three years business tax returns;
- Interim financial statements dated within 120 days of application;
- Debt schedule for each subsidiary business (if any existing debt)

\_\_\_\_\_ **Project/Construction Documentation:** The documentation will be required by most lenders to be able to substantiate the proposed loan request and the documentation that will be requested includes:

- Construction Estimate and or Contract
- Land purchase, either copy of the purchase agreement or if already purchased copy of the settlement statement
- FFM&E estimates, vender quotes and or invoices
- Any other applicable expense documentation

\_\_\_\_\_ **Bank Statements:** Many loan programs require the last two-three months of personal and business bank statements to be submitted as part of a loan package. The bank statements will establish the funds available for owner's equity injection requirements for the proposed loan.

\_\_\_\_\_ **Legal Documents:** Depending on a loan's specific requirements, your lender may require you to submit one or more legal documents. Make sure you have the following items available and or in process, if applicable:

- Business licenses and registrations required for you to conduct business
- EIN
- Articles of Incorporation or if LLC or partnership all organizational documents
- Copies of contracts you have with any third parties, including any management agreements
- Franchise agreements
- Commercial leases

#### Questions Your Lender Will Ask You

You should be prepared to answer the following questions. It's a good idea to have this information prepared before you fill out the application:

- Why are you applying for this loan?
- How will the loan proceeds be used?
- What assets need to be purchased, and who are your suppliers?
- What other business debt do you have, and who are your creditors?
- Who are the members of your management team?

## ***2. Specific SBA Requirements and Documents Checklist***

Below are specific SBA requirements and SBA documents that you will be required to be completed during your application process which will include:

\_\_\_\_\_ **Prior Government Information:** A schedule of any previous government financing received by the applicant small business concern or any affiliated company of the applicant as well as any associate or principal of the applicant. Include the name of the agency, the original date and amount, the outstanding balance, status of the loan (current, delinquent, paid in full, or charged off), and collateral securing the loan.

\_\_\_\_\_ **Documentation of Verification Resident Status:** If any of the personal loan guarantors is not a citizen, SBA will require Legal Permanent Resident documentation which will then have to be cleared by U.S. Citizenship and Immigration Services

\_\_\_\_\_ **SBA Required Documents:** The other required SBA application documents that may need to be completed for application are:

- **SBA form 1919**-personal statement of history (SBA 7a loans only)
- **SBA form 1244**-SBA application form for CDC to complete and borrowers to sign (SBA 504 loans only).
- **SBA form 912-personal statement of history** IF Necessary-note if any of the loan guarantors have been arrested and or been on parole, this form along with details on the arrest/parole will be required.
- **4506 T**- IRS tax return verification document will need to be executed for the loan application.