

## **Become a Prepared Borrower**

Are you considering a business loan? Lenders look for certain characteristics when considering a business loan application. For example, you will want to present a clear plan about how you will use the money you borrow. You will want to be familiar with the financial condition of your business and have all your financial information ready to share with the lender. You should also weigh the pros and cons of each of the various financing options against your business goals.

The loan process can seem quite daunting. This list of questions will ease the process and help you become a prepared borrower.

### Characteristics

#### 1. Business Model/Plan

- a. Do you have a clear understanding of the management structure and each employee's roles and responsibilities?
- b. Have you established a market for your products, or have you thoroughly researched markets for new ones?
- c. Have you identified potential risks to production or operations and do you have clear contingency plans that address these risks?
- d. Has your business operated for fewer than three years? If yes, do you have:
  - (1) a business plan supported by three years of projected financial statements (balance sheet, income statement and cash flow statement), and
  - (2) a detailed narrative that explains how the assumptions were derived, especially those for revenue and expenses, and a succession plan, if applicable? The narrative should clearly address the 5 C's of Credit (**C**ash flow, **C**ollateral, **I**ndustry & Geographical **C**onditions, **C**haracter, and **B**usiness **C**apacity)
- e. Has your business operated over three years? If yes, provide three years of financial history addressing the 5C's of Credit (see previous bullet)

#### 2. Financials

- a. Have you researched and do you understand the full range of capital options available and how to access the right type and source of capital for your business goals?
- b. Do you maintain quality financial statements (monthly profit-and-loss, balance sheet and cash flow projections) and how do you use them?

*New Hampshire Ag Financiers is a working group to foster ongoing collaboration and learning among traditional and non-traditional lenders in order to greater assist agricultural business' success. Represented by on-going participation from the New Hampshire Community Loan Fund, Farm Credit East, Yankee Farm Credit, Farm Service Agency, TD Bank, CO Bank, Land for Good, NH Department of Agriculture, Small Business Administration, UNH Cooperative Extension, and USDA Rural Development*

- c. If the loan is for a specific project, have you considered the length of the project with the time to pay off the loan?
  - d. Do you have a plan for raising the additional revenue you will need to cover the interest on the loan?
  - e. Are you familiar with what the business has available for equity, assets, investments and funding?
3. Outside Assistance
- a. Do you have key advisors to help guide your business decisions?
  - b. Are you open and willing to accept input from people outside your business?
  - c. Are you willing to build a working relationship with your lender?
4. Owner's Attributes
- a. How deep are your business experience and your understanding of the industry?
  - b. Are you willing to be transparent about your personal and business financial condition?
  - c. What opportunities exist for your business and how do you plan to capture them?
  - d. Can you articulate your own strengths and weaknesses as a business owner?
5. Legal Issues
- a. What is your business's legal structure? Have you considered whether it affects the type of financing you are seeking?
  - b. Are you leasing land for your business? If yes, are there written agreements and terms in effect over the length of the loan?
  - c. Can you provide evidence of sufficient insurance (property, casualty, liability, workers compensation)?
  - d. Is the business in compliance with state and federal laws regarding labor, pesticides, runoff, food safety, etc.?
  - e. Is the business in compliance with current market rules and regulations?