



## SME BUSINESS SPECIALISTS

### LOAN APPLICATION CHECKLIST

The good news for small business is that credit facilities are available, despite all the negative publicity surrounding the Global Financial Crisis!

However the reality is that lenders are becoming increasingly risk adverse and so you need to present your loan application in the right light.

### EPIK SUGGESTIONS

- Keep your banker well informed about your business activities and about industry trends.
- Ensure your financial information is accurate and provides adequate detail for credit assessment including detailed budgets and forecasts.
- Understanding the lender's requirements before making the application including how much equity will be needed to secure the loan.
- Ask what covenants will be required to secure the loan and check that your business can meet these conditions before you apply.
- Ensure that you have adequate future cash flow to cover possible increases in interest rates and fees,

### CHECKLIST FOR WRITING YOUR LOAN APPLICATION

1. Short written detail on the following:
  - a. What does my business do
  - b. Business history – including information on the business's past successes and depth of experience of the management or if a start-up, of the relevant successes and experience of the individuals behind the business
  - c. Industry information
  - d. Ownership details
2. Personal financial information – such information is relevant as it is likely that a bank will undertake a credit check of the business owners as well as the business. The types of financial information your bank may be looking for includes:
  - a list of personal assets
  - tax returns
  - personal banking details, including loans and deposits

**KNOWLEDGE**

**INTEGRITY**

**PERFORMANCE**

**EXPERTISE**

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### LOAN APPLICATION CHECKLIST *(continued)*

3. Historical financial information - Where a business has been in operation, the bank will want to review historical financial information — typically balance sheets, profit and loss statements and cash flow statements for the past three years. Ideally, this information should be either prepared or reviewed by an accountant. Your bank is also likely to seek other data including BASs, current accounts receivable and payable schedules, bank statements etc.
4. Forecast financial information - The bank will require forecasts: cash flow forecasts, profit and loss forecasts and balance sheet forecasts. The forecasts should:
  - be over the term of the loan you are seeking
  - should state any assumptions you have made
  - be written as if the loan application is successful
  - the forecasts could include best and worst case scenarios.
5. Details on any sensitivity analysis and / or analysis of financial ratios. Your accountant should be able to help you with this.
6. Details on loan required - A detailed description of why the loan is required should be included in the application. This purpose will be critical in determining the type of loan you require. You should state the amount of the loan that you seek, why you need that amount and the term over which you seek that loan for. This will in part be determined by the type of loan you seek.

For most types of loans, banks require security over the loan. As part of your application, you identify the security you are prepared to offer. The value of the security should be greater than the value of the loan, and the value of that security should hold up over the term of the loan.

7. Business plan. Even if your business is already established, include a business plan as part of your loan application. This is the place to include your marketing plan and references to your major clients and suppliers.

## CONCLUSION

At Epik we understand that small business operators have deep concerns regarding the cost and availability of credit. However, correctly managed credit applications and lender relationships can make a big difference to your business.

For further assistance, please contact Robert Storai at Epik on 0450 955 462.

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