

# Financing Application Do's and Don'ts

*How to prepare for a financing application*



MAINE SMALL BUSINESS  
DEVELOPMENT CENTERS

# Financing Application Do's and Don'ts

Presented By:

Christina Dodge  
Ann McAlhany



MAINE SMALL BUSINESS  
DEVELOPMENT CENTERS



Funded in part through a cooperative agreement with the U.S. Small Business Administration

# Housekeeping

- This is being recorded and will be emailed to you after the presentation.
- Please keep yourself on mute.
- Submit any questions in the chat.



# What does the Maine SBDC do?

Provides no-cost and confidential business advising to current and aspiring Maine business owners!

- Business Planning and Startups
- Business Transitions and Exits
- Assistance with Credit and Financing
- Financial Analysis
- Marketing and Sales
- Operations Management
- Much More!

[www.mainesbdc.org](http://www.mainesbdc.org)



# DISCLAIMER

## THE SBDC DOES NOT PROVIDE

- Tax, legal or accounting advice
- Material is for informational purposes only
- Not to be relied on for tax, legal or accounting advice
- Consult your own tax, legal and accounting advisors before engaging in any transaction

Christina Dodge

Certified Business Adviser

Maine SBDC - Waterville

(207)504-5895

[christina.dodge@ceimaine.org](mailto:christina.dodge@ceimaine.org)



Ann McAlhany

Certified Business Adviser

Maine SBDC - Bangor

(207) 573.5070

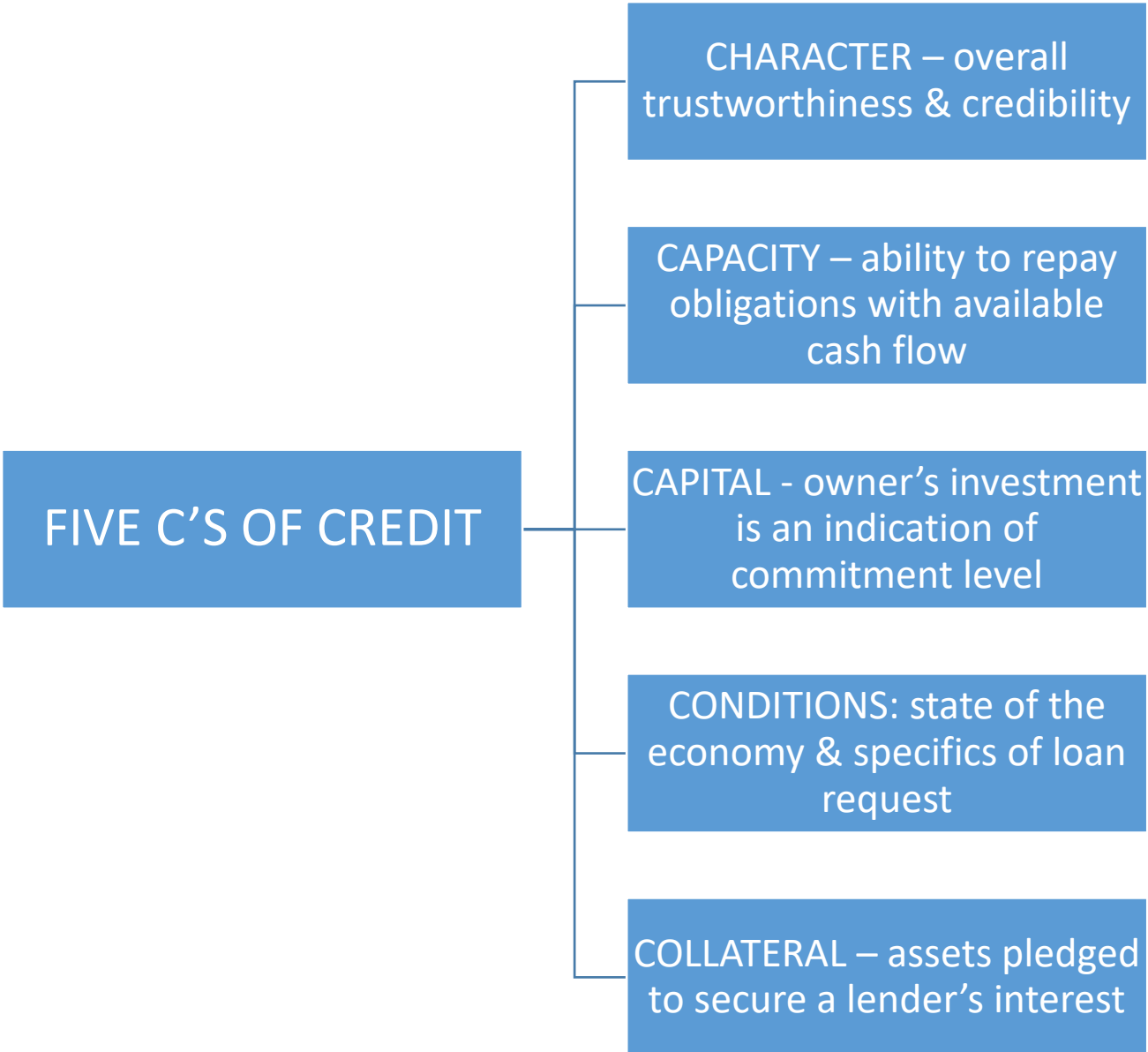
[ann.mcalhany@ceimaine.org](mailto:ann.mcalhany@ceimaine.org)



# TODAY'S AGENDA

- 'Lender Lingo' - The Five C's of Credit
- Documents needed for financing applications
- Loan application best practices
- Summary of Do's and Don'ts







AND A FEW MORE!  
C'S OF CREDIT

CASH IN – your contribution to the  
project/business

CASH OUT – does this make sense?  
Does it cash flow?

CREDIT SCORE - your borrowing  
history


# DOCUMENTS NEEDED FOR A FINANCING APPLICATION

- Personal tax returns for the past 3 years
- Business tax returns (if already in business or buying a business)
- Personal Financial Statement
- Business Plan
- Cash Flow Projections

# Personal Financial Statement (PFS) Household Balance Sheet

1. Value of All Assets (even if there is debt on them)
2. Amount of all Liabilities
3. Income
4. Debt service (loan payments)

# Loan Application Documents



OMB APPROVAL NO.: 3245-0188  
EXPIRATION DATE: 03/31/2021

**PERSONAL FINANCIAL STATEMENT**  
**7(a) / 504 LOANS AND SURETY BONDS**

U.S. SMALL BUSINESS ADMINISTRATION  
As of \_\_\_\_\_

SBA uses the information required by this Form 413 as one of a number of data sources in analyzing the repayment ability and creditworthiness of an applicant for an SBA guaranteed 7(a) or 504 loan or, with respect to a surety bond, to assist in recovery in the event that the contractor defaults on the contract. Submission of this information is required as part of your application for assistance. Failure to provide the information would impact the agency's decision on your application.

Complete this form for: (1) each proprietor; (2) general partner; (3) managing member of a limited liability company (LLC); (4) each owner of 20% or more of the equity of the Applicant (including the assets of the owner's spouse and any minor children); and (5) any person providing a guaranty on the loan.

Return completed form to:  
For 7(a) loans: the Lender processing the application for SBA guaranty  
For 504 loans: the Certified Development Company (CDC) processing the application for SBA guaranty  
For Surety Bonds: the Surety Company or Agent processing the application for surety bond guarantee

<b>Name</b>		<b>Business Phone</b>	
<b>Home Address</b>		<b>Home Phone</b>	
<b>City, State, &amp; Zip Code</b>			
<b>Business Name of Applicant</b>			
<b>ASSETS</b> (Omit Cents)		<b>LIABILITIES</b> (Omit Cents)	
Cash on Hand & in banks.....	\$ _____	Accounts Payable.....	\$ _____
Savings Accounts.....	\$ _____	Notes Payable to Banks and Others.....	\$ _____
IRA or Other Retirement Account.....	\$ _____	(Describe in Section 2)	
(Describe in Section 5)		Installment Account (Auto).....	\$ _____
Accounts & Notes Receivable.....	\$ _____	Mo. Payments.....	\$ _____
(Describe in Section 5)		Installment Account (Other).....	\$ _____
Life Insurance - Cash Surrender Value Only.....	\$ _____	Mo. Payments.....	\$ _____
(Describe in Section 8)		Loan(s) Against Life Insurance.....	\$ _____
Stocks and Bonds.....	\$ _____	Mortgages on Real Estate.....	\$ _____
(Describe in Section 3)		(Describe in Section 4)	
Real Estate.....	\$ _____	Unpaid Taxes.....	\$ _____
(Describe in Section 4)		(Describe in Section 6)	
Automobiles.....	\$ _____	Other Liabilities.....	\$ _____
(Describe in Section 5, and include Year/Make/Model)		(Describe in Section 7)	
Other Personal Property.....	\$ _____	Total Liabilities.....	\$ _____
(Describe in Section 5)		Net Worth.....	\$ _____
Other Assets.....	\$ _____		
(Describe in Section 5)		Total	\$ _____
Total	\$ _____	*Must equal total in assets column.	
<b>Section 1. Source of Income.</b>		<b>Contingent Liabilities</b>	
Salary.....	\$ _____	As Endorser or Co-Maker.....	\$ _____
Net Investment Income.....	\$ _____	Legal Claims & Judgments.....	\$ _____
Real Estate Income.....	\$ _____	Provision for Federal Income Tax.....	\$ _____
Other Income (Describe below)*.....	\$ _____	Other Special Debt.....	\$ _____
<b>Description of Other Income in Section 1.</b>			

\*Alimony or child support payments should not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

SBA Form 413 (7a/504-SBG) (01-18) Previous Editions Obsolete Page 1

- Personal Financial Statement (PFS) – page 1

# Loan Application Documents

- Personal Financial Statement (PFS) – page 2

**Section 2. Notes Payable to Banks and Others.** (Use attachments if necessary. Each attachment must be identified as part of this statement and signed.)

Names and Addresses of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

**Section 3. Stocks and Bonds.** (Use attachments if necessary. Each attachment must be identified as part of this statement and signed.)

Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

**Section 4. Real Estate Owned.** (List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)

	Property A	Property B	Property C
Type of Real Estate (e.g. Primary Residence, Other Residence, Rental Property, Land, etc.)			
Address			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Account Number			
Mortgage Balance			
Amount of Payment per Month/Year			
Status of Mortgage			

**Section 5. Other Personal Property and Other Assets.** (Describe, and, if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and, if delinquent, describe delinquency.)

**Section 6. Unpaid Taxes.** (Describe in detail as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)

# The Business Plan

- Why is the business plan important?

It is one of the most important and valuable tools for any business, small or large.

It is a working tool that gauges the efficiency of your business, the accuracy of your projections, changing market conditions, and an evaluation of both the industry and the market.

Used most effectively, it is reviewed on a regular basis to measure progress and provide an opportunity to make adjustments.

# Business Plan Components

1. Description of the business – tells what you will sell, where you will be located, when you will be open for business and how you will deliver your product and/or service
2. A marketing plan – this should explain who your target customers are, how you will reach them, and who your competition is
3. An organizational plan – introduces the owner/manager with credentials and experience, and the number of employees, their hours and compensation. Also identifies the legal entity and whether licenses or permits are required
4. Financial plans – discusses the sources and uses of funding, assets and liabilities of the business, and projections showing how income will be generated



	PRE-START	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	TOTAL
<b>CASH RECEIPTS</b>														
Cash Sales														\$0
Loans/Other														\$0
<b>TOTAL CASH RECEIPTS</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>CASH PAID OUT</b>														
Gross Wages (Ex. withdrawals)														\$0
Payroll Taxes & Benefits														\$0
Outside Services														\$0
Supplies														\$0
Repairs														\$0
Advertising														\$0
Professional Fees														\$0
Rent														\$0
Telephone														\$0
Utilities														\$0
Other														\$0
<b>Subtotal EXPENSES</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Payment														\$0
Owner's Withdrawal														\$0
<b>TOTAL CASH PAID OUT</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>CASH POSITION</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

This spread sheet is used in conjunction with Maine SBDC workshops and counseling and is freely distributed.

**Cash Flow from Operations Projections**

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Totals
<b>Cash In</b>													
Sales													\$ -
Sales													\$ -
													\$ -
													\$ -
<b>TOTAL CASH</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COGS													\$ -
COGS													\$ -
													\$ -
<b>TOTAL COGS (Cost of Goods)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Gross Profit: Cash minus COGS</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Cash Out: Expenses</b>													
Gross Wages (Employees)													\$ -
Salaries of Owners													\$ -
Payroll Taxes and Benefits													\$ -
Worker's compensation Ins.													\$ -
Accounting/Legal Expenses													\$ -
Advertising and Promotion													\$ -
Insurance - Property													\$ -
Licenses													\$ -
Merchant fees													\$ -
Rent/Lease													\$ -
Repairs/Maintenance													\$ -
Taxes (R/E,)													\$ -
Telephone, Cell, Internet													\$ -
Travel													\$ -
UTILITIES - Heat & electric													\$ -
UTILITIES - Propane													\$ -
Vehicle expenses													\$ -
													\$ -
													\$ -
<b>SubTotal Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Profit (EBITDA)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Finance and Misc. Expenses</b>													
Bank Payment													\$ -
Bank Payment													\$ -
Owner Financing													\$ -
Capital Purchases													\$ -
													\$ -
<b>Sub Total Fin. &amp; Misc. Exp.</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL EXPENSES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Cash (monthly)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Cumulative Cash Flow (YTD)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Cash Flow (Multiple years)</b>													
Cash on Hand at Start of Month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cash In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less Total Cash Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash on Hand at End of Month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



# Financing BEST Practices

- Read application thoroughly and ask your questions BEFORE signing and submitting
- Have all tax returns assembled, including attachments
- Work with an adviser to write a thorough business plan
- Make sure your financial projections include assumptions
- When completing your PFS, don't exaggerate!!

# What if I'm an existing business?

- All the same best practices apply....but wait, there's more!
- Historical tax returns for the business must be included
- Year-to-date financials are also required
- Look at your trends and be prepared to explain them
- If you're losing money, understand why and have a plan to improve your trends

# Elevator Pitch

Be prepared to discuss your business at a high level, addressing the:

- WHAT (your product or service)
- WHERE (you do business)
- HOW (you make money)

Be fluent in explaining your financial history and projections and be prepared to answer questions about the assumptions you have made to generate the pro-forma

# THE DO's

Do research	Do research all sources for funding and apply for the 'cheapest money' first
Do interview	Do interview potential lenders
Do be	Do be organized and concise
Do provide	Do provide all supporting documentation
Do be	Do be honest and transparent
Do know	Do know your credit score before you start

# THE DON'TS

Don't sign any contracts without careful review

Don't withhold any information that could impact receipt of funds

Don't accept terms that you aren't comfortable with

Don't assume! Don't Duck!



# Need Help – Contact Us:

## Maine Small Business Development Centers (Maine SBDC)

Email: [mainesbdc@maine.edu](mailto:mainesbdc@maine.edu)

Website: [www.mainesbdc.org](http://www.mainesbdc.org)

[Christina.Dodge@ceimaine.org](mailto:Christina.Dodge@ceimaine.org)

[Ann.McAlhany@ceimaine.org](mailto:Ann.McAlhany@ceimaine.org)





**Questions?**

---

