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How to Get a Business Loan

There are three steps you can take to encourage a favorable review of your application:

1. Communicate your business plan clearly.
2. Make it evident that you have a solid plan for using the loan proceeds.
3. Provide high- quality, current financial information, including projections.

Having a detailed, complete application is also important. Many loan officers look for seven basic elements during reviews. These elements are straightforward but often overlooked by potential borrowers:

1. Be specific about how you plan to use the funds. "Working Capital" is not an adequate explanation.
2. Show a well defined primary source of cash repayment, supported by documented performance.
3. Define a couple of alternate sources of repayment that do not involve liquidation of the pledged collateral.
4. Provide an analysis of collateral throughout the term of the loan, in terms of value and liquidity.
5. Include a solid, objective analysis of all risk factors, including a believable "worst-case scenario".
6. Summarize the qualifications of the owners/guarantors, as to personal and financial qualifications to demonstrate that the guarantor is a willing and capable source of repayment.
7. Anticipate questions from the loan officer and provide concise, credible answers.

Finally, take the time to get to know a number of banks and pursue a banking "relationship" even if you are not ready to borrow. Invite your banker to visit your business, let them get comfortable with you and enthused about your product. Try to foster a relationship where your banker is part of your team of "trusted advisors", along with your accountant and legal advisor.