

# Fund Your Future: How to Secure and Strategically Use a Business Loan



# How a Lender Evaluates Your Application



**A lender expects to be paid back!**



# Early-Stage Businesses: Getting Loan Ready

For businesses in their first 1-2 years, focus on these key strategies:



## Build Your Track Record

Maintain consistent business bank account activity and document all revenue, even if small.



## Strengthen Your Business Plan

Include detailed market research, realistic projections, and clear use of funds.



## Separate Personal & Business

Establish clear boundaries between personal and business finances with separate accounts.



## Personal Investment

Cover 10-20% of startup costs with your own funds (savings or documented expenses).



## Additional Income Source

Show ability to repay through other income streams beyond the new business.



## Document Growth Trends

Track and record all positive business metrics, even small improvements show potential.

### Pro Tips:

- Start building business credit separate from personal credit
- Save all receipts for business expenses as proof of investment
- Consider a CDFI like AOF for your first business loan

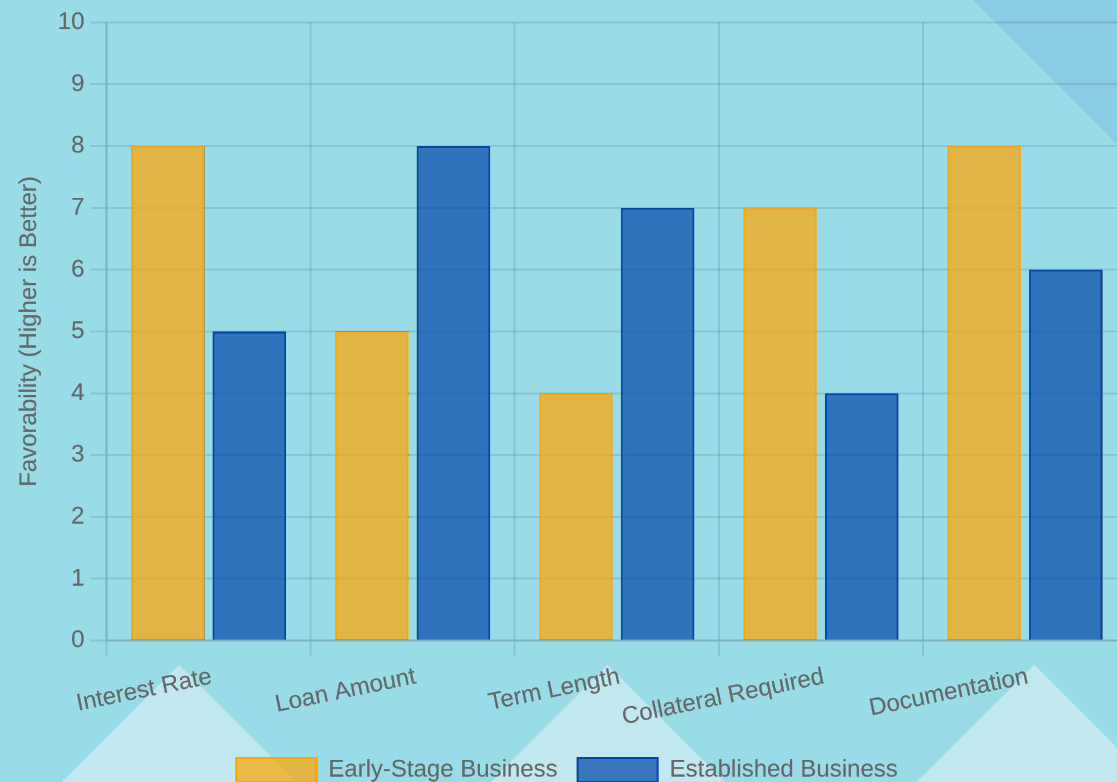
*Early-stage businesses typically rely on different funding sources than established businesses*



# Established Businesses: Leveraging Your Track Record

For businesses with 2+ years of operation, capitalize on these advantages:

-  **Showcase Growth Trends**  
Highlight consistent revenue growth and positive cash flow patterns over multiple years.
-  **Leverage Vendor Relationships**  
Document positive payment history with suppliers and vendors as evidence of reliability.
-  **Demonstrate Business Credit**  
Present established business credit separate from personal credit history.
-  **Highlight Customer Base**  
Showcase stable customer relationships, repeat business, and testimonials.



*Established businesses typically have access to more loan options with better terms*



# Essential Documentation: What Lenders Want to See

Documentation requirements vary by business stage and lender type. Here's what you'll typically need:

| Document Type                               | Early-Stage | Established |
|---------------------------------------------|-------------|-------------|
| Business Plan                               | ✓           | ★           |
| Personal & Business Tax Returns (1-3 years) | ✓           | ✓           |
| Bank Statements (3-12 months)               | ✓           | ✓           |
| Personal Financial Statement                | ✓           | ★           |
| Proof of Identity                           | ✓           | ✓           |
| Profit & Loss Statement                     | ★           | ✓           |
| Balance Sheet                               | ★           | ✓           |
| Business Licenses & Registrations           | ✓           | ✓           |

|                                   |   |   |
|-----------------------------------|---|---|
| Accounts Receivable/Payable Aging | - | ✓ |
|-----------------------------------|---|---|

✓ Required   ★ May be required/beneficial

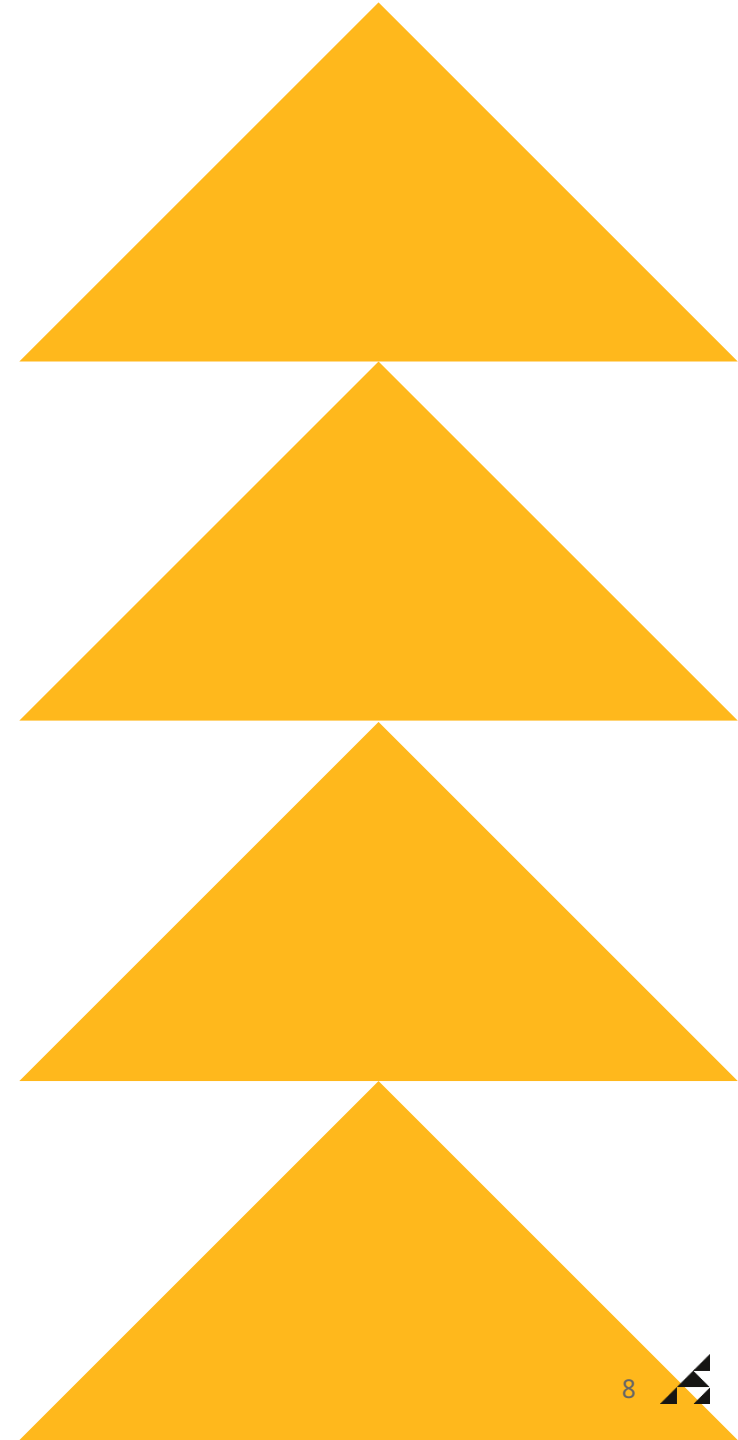
**Pro Tips:**  
Update financial statements monthly  
Explain any unusual items or gaps  
Consider working with an accountant



# Preparation Timeline: Planning Your Approach

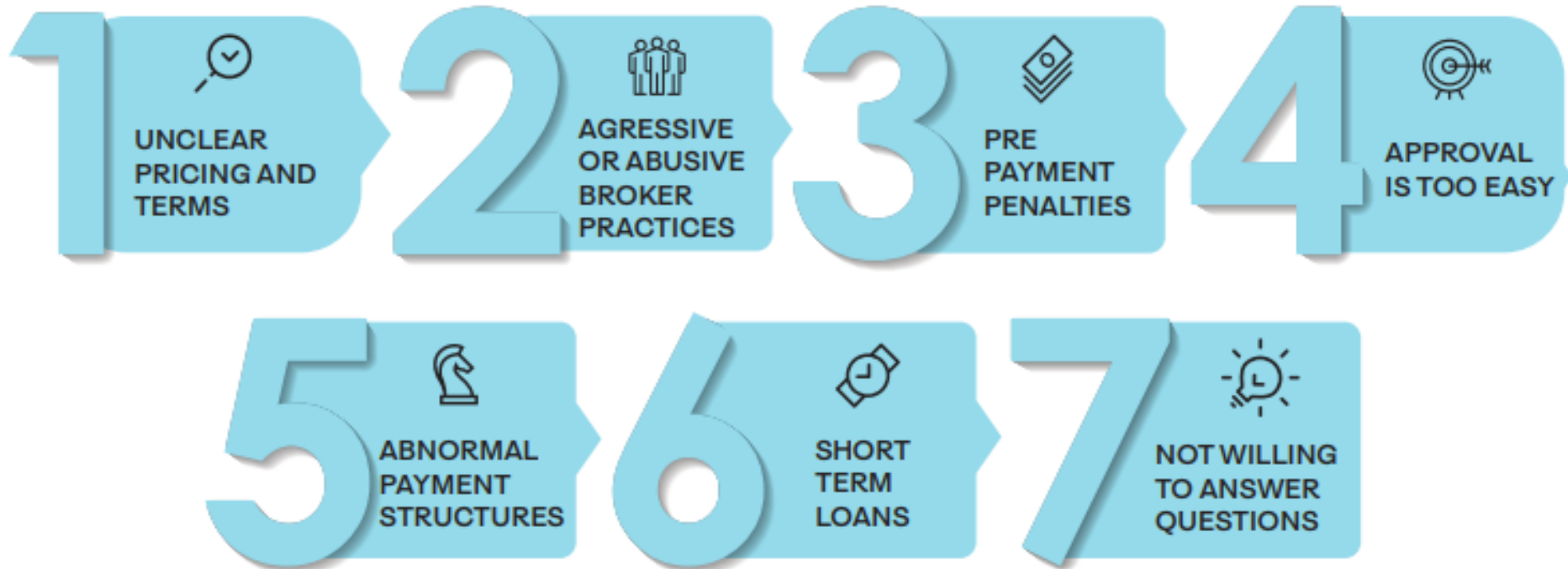
A strategic timeline helps you prepare effectively for loan applications:

- 1**  
**6+ Months Before**  
Review credit reports, address issues, organize financial records, and begin building business banking history.
- 2**  
**3-6 Months Before**  
Prepare business plan, financial projections, and gather documentation. Begin researching lender options.
- 3**  
**1-3 Months Before**  
Finalize loan amount needs, prepare loan use statement, and complete application requirements.
- 4**  
**Application & Follow-up**  
Submit application, respond promptly to information requests, and prepare for potential site visits.





# Avoiding Predatory Lending



To Learn More: [aofund.org/resource/what-predatory-lending/](http://aofund.org/resource/what-predatory-lending/)

# Common Mistakes to Avoid

Avoid these common pitfalls that can derail your loan application:



## **Requesting Too Much (or Too Little)**

Carefully calculate your actual needs based on realistic projections, not wishful thinking or fear.



## **Mixing Personal & Business Finances**

Maintain separate accounts and clear boundaries between personal and business transactions.



## **Applying to Multiple Lenders Without Research**

Understand eligibility requirements before applying; multiple credit inquiries can hurt your score.



## **Failing to Read the Fine Print**

Understand all terms, fees, and prepayment penalties before signing; the wrong financing partner can harm your business.



## **Hiding Challenges or Problems**

Be upfront about past issues; lenders appreciate honesty and explanations about how you've addressed problems.



# Thank you!

Click the link in the chat to connect with a coach

