



Loan Preparation Worksheet

Using the 5 C's of Credit

This worksheet will help you feel confident and prepared as you meet with a Dakota Business Lending Loan Officer to discuss getting a business loan.

There are 5 key factors that help you and us build a foundation for your potential business loan application.

We refer to these key factors as the 5 Cs of Credit:



Character



Capacity



Collateral



Capital



Conditions

The better we understand you and your business, the better we can work toward your success!

While these factors are important, they are not rigid barriers. You may not perfectly meet each of the 5 Cs, and that's often okay. These just help us guide on on the journey.

Let's get started!

This worksheet is designed to help you get prepared, but you are welcome to share it with your loan officer if you'd like. Know that if you choose to share it with DBL, it will be kept strictly confidential.

CI: Character



At DBL, we look at your business plan and financials as key indicators of your ability to repay the loan and run a successful business. But we also recognize that numbers alone don't capture the full picture of you - the person behind the loan.

We highly value qualities like integrity, reliability, respectfulness, and self-discipline, as they give us insight into your ability to manage and repay your loan effectively.

Answer the questions below to help us get to know your character.

Personal Background:

Answer the questions below to help us get to know your character.

How long have you lived at your current address?

How long have you owned your business?

How long have you been in your current job or industry?

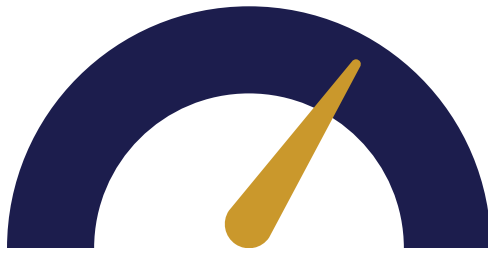
Share any additional professional or educational background relevant to your business.

Credit History:

Dakota Business Lending will pull your official credit history before any loan approval. Knowing your credit score and history helps us understand how you manage your finances.

To the best of your knowledge your credit score is:

You can access your credit score once per year for free at [freecreditreport.com](https://www.freecreditreport.com)



If your credit score is below 650, we understand there may be reasons. Please share your financial history and any steps you've taken to improve your score.

What debt do you currently have?

Type	Amount
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Have you faced any repayment issues in the past? If so, what were they, and how did you resolve them?

Do you currently have debt in collections?

Do you currently have any payments past due?

Can you explain any past bankruptcies, foreclosures, or collections?

Have any major life events significantly affected your credit history?

What changes have you recently made to improve your credit?

What changes do you plan on making to in the future to improve your credit?

Is there a business partner or spouse that will also be on this loan?

If known, can you share details on their credit history?

Responsibility & Reputation

How do you manage your personal and business finances? Do you use a budget or financial plan?

How do you ensure your business maintains a good community reputation?

What motivates your success, and how do you stay committed to your goals?

How have you shown commitment to your business or professional growth over time?

What major challenges has your business faced, and how did you overcome them?

Are you involved in any community organizations or volunteer work? How do you contribute?

C2: Capacity

Capacity refers to your ability to repay the loan from your business's cash flow. We want to ensure the loan terms are best for your success.

Answer the questions below to help us learn about your capacity.

Business Financials

Business Financials are often a challenging hurdle for small business owners. We have a business advisor on staff that is able to help you work through these for free if you need it,

If you are current in business, are you able to access or create current income statements?

What debts and amounts do you currently have for your business such as other business loans, or credit card debt to wholesalers?

Do you have consistent income sources, like a long-term contract or a top-selling product? What are they, and how much do they generate?

Does your business have multiple income streams? If so, what are they?

Having the following ready will help this process move smoothly and quickly:

- Business Financial Statements including Profit and Loss (P&L) statement and Cash Flow Statement

Personal Financials

We may review your personal financial situation, including income, expenses, and existing debts, particularly if the business is a startup or closely tied to your personal finances. This will involve requesting personal financial statements.

What personal debts do you currently have, such as a mortgage, student loans, credit cards, or leases?

Do you have a source of consistent income outside your business such as another job, passive rental income, or extra savings? What and how much?

Business Plan and Financial Projections

We will review your business plan to ensure it is realistic and well-prepared. If needed, your local Small Business Development Center (SBDC) or Women's Business Center (WBC) offers free assistance to help you develop it.

Do you have a business plan?

- Yes, I created it on my own
- Yes, with help from a business advising organization
- No, but I would like assistance with it
- No, I don't plan to create one

Financial projections are estimates of your business's expected income and expenses over the next 1-3 years. Think of them as a forecast predicting future finances. They help plan for growth, identify potential financial challenges, and guide decisions on investments or cost-cutting.

We will request future cash flow projections to assess if the business can generate enough income to cover loan payments. This is especially important for start-ups.

Your local SBDC or WBC provide a free service to help develop your projections.

Do you have projections?

- Yes, I created them on my own
- Yes, with help from a business advising organization
- No, but I would like assistance with them
- No, I don't plan to create them

C3: Collateral



Collateral is an asset a borrower offers as security for a loan, protecting the lender if the borrower can't repay. The type and amount vary by loan and may not be required, depending on credit history and other factors

Common Types of Collateral:

- Real Estate: includes properties like homes, commercial buildings, or land.
- Equipment and Machinery: business assets such as manufacturing tools, vehicles, or technology.
- Inventory: goods or products that a business holds for sale.
- Accounts Receivable: outstanding invoices or money owed to the business by customers.
- Savings Accounts or Certificates of Deposit (CDs): financial assets that can be liquidated.
- Investment Accounts: stocks, bonds, or other securities.
- Personal Assets: small business owners can use items like cars, jewelry, or valuable collectibles as collateral.

Do you have any collateral?

- Yes
- No
- Unsure

Does your business partner, spouse, or co-borrower have collateral?

- Yes
- No
- Unsure

If so, what type(s) of collateral do you have, and what is its estimated value?

Type

Value

*Do note, having or not having collateral may not affect your loan approval.



C4: Capital

Loan Capital refers to the funds a borrower personally invests in their business, along with the business's earnings or equity.

We want to see a personal financial investment in your business, often referred to as having "skin in the game." A strong investment shows your commitment to your business' success.

Capital doesn't always mean money; it can also include time invested, physical labor contributed to the project, or other assets, such as personal funds used for inventory, equipment, or supplies.

Type	Value
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C5: Conditions

Conditions refer to external factors affecting a borrower's ability to repay a loan, including the loan's purpose, economic state, industry trends, market competition, and regulatory environment. Lenders evaluate these conditions to assess the overall risk of the loan and the likelihood of repayment.

This is often assessed in a conversation with the borrower. Be prepared to discuss your business, market conditions, needs, and plan for navigating them.

Purpose of the Loan

Lenders want a clear plan for how you'll use the loan. Be specific about its purpose and the benefits, like increased revenue, cost savings, or market growth. Outline the expected outcomes in detail.

What is the purpose of your loan?

How much money do you plan to borrow?

What specific item(s) will the money be used for?

Cost of item?

In the initial conversation, we'll ask for a general overview of your financing needs. As your loan application progresses, we'll request specific details, including contractor quotes, vendor price lists, or items in your active shopping cart.

Impact on Business

We will evaluate how the loan will enhance the business's cash flow, boost profitability, or strengthen its long-term sustainability.

How will the items/needs funded by this loan enhance your business operations and contribute to its growth?

Do you expect this loan to result in increased revenue for your business?

- Yes
- No
- Unsure

How much?

How soon do you expect the increase?

What long-term benefits will this loan bring to your business?

Economic & Industry Conditions

Lenders consider the business environment and how it will affect your business and the loan.

- **Macroeconomic Environment:** this includes national and global factors like interest rates, inflation, unemployment rates, and economic growth.
- **Regional or Local Economy:** this includes local factors in your geographic area such as your local economy's growth.
- **Industry Trends:** lenders analyze the borrower's industry to understand its current state, growth, prospects, and challenges.
- **Social Trends:** changing social trends, such as shifts in consumer behavior, technological adoption, or sustainability demands, are also evaluated for their potential impact on the borrower's business.
- **Competition and Market Position:** the borrower's position within the market, including competitive advantages, market share, and customer base, is assessed.
- **Legal Risks:** any ongoing or potential legal issues, such as lawsuits, patents, or intellectual property rights, are also considered as they could pose risks to the borrower's business.

What industry trends show your business's demand and potential success?

What challenges might your business face, and how do you plan to address them?

Have you assessed your competition? Yes No

Who is it and why/how is your business poised to make an impact in that same area?

Have you assessed your target market? Yes No

Is it large/strong enough to support your business?

Are there any existing or potential regulatory or legal risks that could impact your business?

Congratulations!

You are now prepared to discuss further with a loan officer!

We appreciate your open and transparent communication about your 5 Cs. It builds trust, reflects your character, and helps us collaborate on effective solutions to grow your small business.

Remember, your business story encompasses much more than just the answers to these questions. We look forward to discussing it all with you!

If you are already working with a DBL loan officer reach out and schedule a meeting to chat more.

Don't have a loan officer yet? Email us info@dakotabusinesslending.com and we will connect with you.