

A woman with glasses, wearing a black and white striped shirt, is sitting at a desk. She is holding a white smartphone to her ear with her right hand. On the desk in front of her is a silver laptop, several papers, and a white folder. The background shows a wooden desk and a chair.

## The Ultimate SBA 7(a) LOAN CHECKLIST

### Getting Ready to Apply for a Small Business Administration Loan

Now's the time. You're ready to take the next step to anchor your passion in reality. There is no minimum loan amount. According to the SBA website, the average SBA 7(a) loan is around \$340,000 and the maximum 7(a) amount is \$5 million. You'll be approved for a flexible sum of money to use for anything from daily operations to product purchasing to real estate – or even restructuring high-interest debt. With so much flexibility, SBA funding just might give you the boost you need to increase your growth as another successful small business in the U.S.

### About the SBA 7(a) Loan

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SBA 7(a) loans are part of SBA's flagship guarantee loan program, and no wonder: they make it easier for banks to give out loans. The SBA offers generous guarantees so that the banks (and even some nonbank lenders) who actually handle the loans don't take on as much risk. The guarantee is a fee attached to your loan, initially paid by the lender and may be passed along to you as the borrower.

Less risk means less worry, meaning a better chance of success all around. You've got a chance to grow without taking on huge amounts of debt. Because the guarantee makes it less risky for local lenders to finance your growth, you'll usually be able to find 7(a) loans with flexible terms and low interest rates. Plus, everyone who holds at least a 20% ownership stake in your business must personally guarantee the loan, so you've got even more support on board to "go the distance."

### Getting Ready to Apply

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With it being such a popular option, it can be tough to get a loan from the SBA. Think about trying to catch the bouncer's eye while waiting to get into a popular nightclub – you want to groom yourself to be appealing! That's why we're here to help you dress for success.

There's a decent amount of paperwork required when you're applying for an SBA 7(a) loan. A simple way to reduce your stress is by giving yourself enough time to pull everything together. Banks usually require two to three years' worth of financial documentation, as well as the contribution of additional owners in your business. Some banks will allow you to use relatives' contributions as part of your equity, but you're required to formalize any family contributions with repayment plans not included in the loan.



## The Checklist

Use the following checklist chronologically to make sure you don't miss a step in the application process.

### Be Sure You Qualify

Applying for an SBA 7(a) loan isn't for the faint of heart, so you'll want to make sure you're eligible for the 7(a) before spending a lot of time and effort on your loan proposal. You'll need to answer "yes" to all of the following in order to qualify for the SBA 7(a) loan.

	Am I...	Notes
<input type="checkbox"/>	A small business? (Business size is determined by the average number of employees over the last 12 months, or the average annual receipts from the previous three years.)	
<input type="checkbox"/>	In business for more than two years? (For best success, have two to three years' worth of financial statements and some owner's equity in the business.)	
<input type="checkbox"/>	In an "approved industry?" (Industries such as gambling, real estate, and politics are generally not approved, for example.)	
<input type="checkbox"/>	Independently owned and operated?	
<input type="checkbox"/>	Primarily operating in the U.S.?	
<input type="checkbox"/>	Creditworthy? Is your FICO score strong? (It's recommended to have a score of at least 650 and also earn \$50,000 or more per year.)	
<input type="checkbox"/>	A permanent resident over 21 years old?	
<input type="checkbox"/>	Current on all government-related loans?	
<input type="checkbox"/>	Bankruptcy- and foreclosure-free over the past 3 years?	
<input type="checkbox"/>	Free from recent charge-offs or settlements?	

## Explain Your Business and Purpose

Lenders want to know you have a “sound business purpose” for your SBA 7(a) loan. Use these questions to start brainstorming these core components of your loan proposal related to your business’s purpose.

Question	Answer
Why the heck are you doing this (the work you do)?	
What type of business is it?	
What are you offering?	
How long have you been in business, or if you’re a startup, when do you plan to launch?	
How is your business managed and operated?	
How are you planning to market and sell?	
What are you going to use the funds for? Provide documents to confirm the exact amounts you’re requesting for the loan. This can include quotes for equipment purchases, payroll documentation, etc.	

## Order and Correct Credit History Reports

You’re going to need copies of your personal and business credit histories. Be aware that low credit scores (under 650) may make approval less likely.

To-Do	Notes
<input type="checkbox"/> Order and review copies of personal and business credit reports from TransUnion, Experian, or Equifax.	
<input type="checkbox"/> Correct errors (if applicable). It will take at least 90 days to correct any errors you see; you’ll need to write to the reporting agency and document the error, then order a new report in 90 days to confirm the change.	

## Introduce Yourself and Your Supporters

Character is important. So important, in fact, that the SBA requires biographies and criminal history reports.

To-Do	Notes
<input type="checkbox"/> Fill out SBA Form 912, “Statement of Personal History,” to show the SBA that you and your business partners have “good character.” Be ready for questions about your criminal history.	

Fill out SBA Form 1919 for each team member, including yourself -- anyone with a stake of 20 percent or more. For example: proprietors, partners, directors, officers, managing members, and hired by the applicant to manage day-to-day operations. In this form, you will answer a series of “yes or no” and “true or false” questions.

Prepare a brief biography for each person along with their prior business experiences and how they've contributed to your business so far.



## Gather Financial Statements for Yourself and Your Team

You're going to be evaluated based on your own net worth, so that your lender can decide if you're worth the risk.

	To-Do	Notes
<input type="checkbox"/>	Request and gather your personal income tax returns.	
<input type="checkbox"/>	Collect paperwork to show your assets and liabilities for the last full month, including any joint assets and liabilities with your spouse.	
<input type="checkbox"/>	<b>1</b> Checking and savings accounts	
<input type="checkbox"/>	<b>2</b> Retirement and IRA accounts	
<input type="checkbox"/>	<b>3</b> Stocks, bonds, or other investments	
<input type="checkbox"/>	<b>4</b> Salaries, disability, SSI, or pensions	
<input type="checkbox"/>	<b>5</b> Existing credit cards or loans	
<input type="checkbox"/>	Create a balance sheet to show your lender that includes all of the items above.	
<input type="checkbox"/>	Fill out a Personal Financial Statement (SBA Form 413) for everyone who's participating at least 20%, as well as your spouse and each proposed guarantor. Date these within 90 days of SBA submission.	

## Gather Historical Business Documents

Now's the time to get ready to prove that your business is what you say it is. You'll also need to be able to prove you have at least a 20% stake in your business. You'll need to submit the following:

	Item	Notes
<input type="checkbox"/>	Business Current Income Statement and Balance Sheet, dated on the same date within 180 days of submission	
<input type="checkbox"/>	Business FYE Income Statements and Balance Sheets or Federal Income Tax Returns for the most recent past 3 years.	
<input type="checkbox"/>	Cash Flow Projection, month by month, for one year (if you're a new business)	
<input type="checkbox"/>	Affiliate Current Income Statement and Balance Sheet, dated on the same date within 180 days of submission	
<input type="checkbox"/>	Affiliate FYE Income Statements and Balance Sheets, or complete tax returns for the business for the most recent last 3 year end periods.	
<input type="checkbox"/>	Copies of all Notes & Leases to be Refinanced, explaining any reported late payments or charges	

## Gather All Legal Documents

Your lender will want to see and evaluate any other commitments you have. Contracts and agreements can influence the amount of pressure you're under as well as your likelihood of success.

	Item	Notes
<input type="checkbox"/>	Business licenses and registrations	
<input type="checkbox"/>	Articles of Incorporation or Organization	
<input type="checkbox"/>	Third party contracts	
<input type="checkbox"/>	Franchise agreements	
<input type="checkbox"/>	Commercial lease agreements	
<input type="checkbox"/>	Lawsuit documentation	
<input type="checkbox"/>	Judgments or bankruptcies	
<input type="checkbox"/>	Business / Stock / Asset Purchase	

<input type="checkbox"/>	Agreements for any businesses you plan to buy	
<input type="checkbox"/>	Real Estate Purchase Agreements for any real estate you plan to buy with your loan	
<input type="checkbox"/>	Franchise, Dealership & Licensee Agreement and a fully completed Franchise Certification signed by an authorized agent for any franchise.	

### Offer Collateral

The SBA will only honor their guarantee if you're willing to show you're shouldering some of the risk, as well. As a result, your lender must take a blanket lien on all available collateral. Gather documentation on all assets you're willing to put up as security.

	Item	Notes
<input type="checkbox"/>	Any recent appraisals or valuation statements	
<input type="checkbox"/>	Any other creditors with claims against each asset	
<input type="checkbox"/>	Lawsuit documentation	
<input type="checkbox"/>	Submit Real Estate Appraisals	
<input type="checkbox"/>	Submit any Environmental Investigation Reports	
<input type="checkbox"/>	Submit any Lease Agreements for the term of the loan	



### Know Your Ideal Repayment Terms

When you look for a lender, they'll want to know your expectations for repayment. They'll also want to know you've already thought about what will happen if your circumstances change and you're unable to pay.

	To-Do	Notes
<input type="checkbox"/>	Determine and write down your contingency plan for repayment.	

## Get Insured

You may need to secure various types of insurance in order to reduce your lender's risk and instill more confidence in your venture.

	To-Do	Notes
<input type="checkbox"/>	Depending on your industry, lenders might want to see proof of workers' compensation insurance, flood insurance, real estate insurance or life insurance.	
<input type="checkbox"/>	Check with your state for any state-specific insurance requirements, such as malpractice.	
<input type="checkbox"/>	Secure any liability or product liability insurance you might need.	

## Fill Out Your Cover Sheet

You're ready to get covered!

	To-Do	Notes
<input type="checkbox"/>	Complete a 7(a) LGPC Submission Cover Sheet	

## Find Your Lender

Once you have all of your documentation ready, you'll need to find an experienced, local SBA lender to take you through the official process.

	To-Do	Notes
<input type="checkbox"/>	Ask an SBA District Office for a list of approved lenders.	
<input type="checkbox"/>	Look for banks and lenders who've already been processing SBA 7(a) loans. Do they already know the program and the process? How often do they fund SBA 7(a) loans? How experienced is their staff?	
<input type="checkbox"/>	Your bank will need to submit SBA Form 1920.	



## Get Help

If you're having trouble putting together a proposal, we at SBA7a.Loans would love to help. We've been involved in capital markets for years, and can answer your questions and match you with the best lender (even if we have to look outside of the SBA). We have a deep love of American small businesses, and we believe it shows in our customer-first attitude.

Learn more at [sba7a.loans](https://sba7a.loans) today.