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Home ♦ Trends &amp; Issues

## Recent News

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**AAHOA Southeast Regional Director Jay Patel on getting involved with the association**

## Column: The Necessity of a Professionally-Prepared Loan Package in Today's Environment

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By Paul Darrow, PHD Financial

In today's lending environment, it is more important than ever to have a complete, organized and well-prepared commercial loan package when approaching a lender. The loan package gives the loan officer the necessary information to gauge the viability of your loan request, enabling them to provide you a specific term sheet and commitment. All lenders have different requirements so we customize each loan package to their parameters. Below are the components of a typical business loan package. This is not a complete list of documents that a lender may require but is enough to get an initial review.

Loan packages are voluminous and paper-intensive so it is very important that it be well-organized with a detailed table of contents and alphabetical tabs indicating different sections, correlating to the table of contents. This way the loan officer can easily find the necessary information in the loan package when analyzing and assessing loan qualifications and the resulting terms.

### Executive Summary

The executive summary is the proposal that explains what type of loan you are applying for, how much is the request and why. The executive summary should contain enough information for the lender to understand your request. The executive summary is not a business plan, but a short description of the loan request. The summary should be two to three pages long, which summarizes the important parts of your loan request. The executive summary is the first section of the loan package and can also be used as a stand-alone document to be provided to the lender to determine lender interest.

### Personal Financial Information

In today's market, you will be required to personally guarantee the loan. Good credit is mandatory on conventional and SBA-backed loans. The exception would be a hard money loan. The following personal information will be required for your loan package:

Personal financial statement (PFS): Current within the last 90 days for each applicant/guarantor

Personal tax federal returns: Most recent three years for each applicant/guarantor

Personal credit report for each applicant/guarantor

Lenders will need to have a good understanding of your business and its historical performance. A business plan should be provided.

Business federal tax returns: Most recent three years

Profit and loss statements: Most recent three years

Profit and loss statement: Interim year to date

Balance sheet: Most recent three years Business debt schedule: Current

Business Projections

Real estate purchase and sale agreement (purchase only)

Real estate appraisal Property tax statement with tax ID number

#### **Business Financial Information Transaction Information**

An accurate and complete business loan package will get a quicker decision from the lender, and will lead to a better rate and term upon approval.