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Applying for a small business loan or line of credit can be a critical step in opening or expanding a business. To ensure a successful relationship, prospective lenders will request documents and ask questions about you, your business, and your goals. Being well-prepared can help you demonstrate the creditworthiness of your business. Most community banks are committed to helping you expand your business.

Here are five ways to get ready:

### **1. Create a Business Plan**

Lenders like careful planners. Be sure to have a clear, detailed explanation of your business and its goals. Be ready to discuss your products or services, your industry, and the steps you are taking to build long-term success. Also, be prepared to outline the purpose of the loan, whether it's to open a new business, finance an expansion, secure equipment, or start a new service line. You will also need to document your ownership structure: LLC, Sub S, sole proprietorship, etc. Your business plan should include a careful market analysis and information about your competitors.

### **2. Prepare Your Financial Statements**

Your lender will want to review your financial documents too. Bring both personal and financial statements. The balance sheet will summarize assets, liabilities, and shareholder's equity; and the profit and loss statement will show your financial results over a period of time (cash or accrual). And make sure you prepare projections for the business's future revenue and expenses in order to demonstrate long-term stability.

### 3. List Your Collateral

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Business term loans to meet one-time financing needs, such as renovating your facility or purchasing equipment Business lines of credit to provide flexibility for short-term cash flow Commercial mortgages to give your business room to grow

### 5. Have the 6 Cs

A lender will often discuss the following factors, also known as the “6 C’s” when determining your creditworthiness.

- Capacity
- Capital
- Collateral
- Conditions
- Character
- Communication

Small Business

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