

# Loan Request

Flight Deck Restaurant	
	
<b>Loan Request</b>	
• Amount Requested	140,000
• Owner's Investment	20,000
• Other Investors	<u>20,000</u>
Total	\$180,000
<b>Use of Funds</b>	
• Working Capital	25,000
• Equipment & Machinery	100,000
• Furniture & Fixtures	25,000
• Office Equipment & Computer	<u>30,000</u>
Total	\$180,000
<b>Repayment</b>	
• Period: Five years	
• Source: Business Cash Flow	
• Collateral:	
– Equipment & Machinery	100,000
– Furniture & Fixtures	25,000
– Office Equipment & Computer	30,000
– Equity in Real Estate	<u>70,000</u>
Total	\$225,000

## How much will you need?

20-25% of your money must be invested. (How much [if any] you have borrowed from investors, and the amount you are requesting from the lender.)

## How long are you asking for repayment?

- **Short term** (less than a year): Short-term loans are called "Lines of Credit" (LOC) or "Revolvers" and work like a credit card, with a pre-determined limit. When you need money, you call the bank. LOC's can be used for Working Capital (start-up costs) and time notes of 30, 60, or 90 days.
- **Intermediate Term** (1-10 years): Like a car loan, payments are monthly. Use these loans for buying the business, equipment, or for long-term working capital.
- **Long Term** (10 years or more): Like a mortgage, these loans are used to buy commercial real estate, commercial boats, and heavy equipments.
- **Note: *Small Business Administration (SBA)***  
These loans may be for any term. Money is supplied by the lender, but a percentage is guaranteed by the SBA. Look in your phonebook for the nearest SBA office.

# Loan Request (cont.)

## How will the money be used?

Uses include working capital, inventory, equipment or machinery, furniture and fixtures, construction, repairs, expansion, or improvements. Also, for paying off loans or buying a business. Give amounts for each category, and a grand total.

## How will the loan be repaid?

Pay the loan with money from selling an asset, an outside investor, or from business revenue/cash flow. This information should be detailed in your Financial section.

## What collateral do you have to offer?

Collateral consists of assets the bank will take if you cannot repay the loan. It can be personal (savings, stocks, or real estate), or business (receivables, inventory, equipment, or real estate). Be aware that lenders require appraisals, and they discount values. Inventory is discounted 20-30%. Fixed assets are usually 50%. Be sure the total collateral equals the total loan request.

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### **SBANC Pointer: Include:**

- ➡ **detailed collateral/assets information**

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## Financials

### Accounting Methods: Cash vs. Accrual

There are two ways to handle your accounting -- **cash** and **accrual**.

1. The **cash** method means you do not record a sale until you collect money and you do not record an expense until you pay for it.
2. The **accrual** method, the one lenders want, means: Sales are made, but payments are not immediately collected. Your customers pay later, which creates "accounts receivable."

Business purchases are made, but paid for later, creating "accounts payable."