

Business Loans: Frequently Asked Questions

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1. Who Can Apply For A Loan?

Almost any legal business including sole proprietorships, LLCs, Corporations, and partnerships can apply. We support start-ups, established businesses, and businesses from most sectors. Women- and minority-owned businesses are encouraged to apply.

2. What Kinds of Loans Are Available? How Much Can I Borrow?

We offer Term loans that range generally range from \$1,000 to \$250,000. Larger loans of up to possibly \$750,000 are possible by accessing more than one of our lending sources. See our [Microlending information](#) for loans of \$40,000 or less.

3. What Can the Loan Funds Be Used For?

Purchasing new and/or used equipment, purchasing vehicles, remodeling facilities, purchasing inventory, consolidating debt, building construction, purchasing an existing business, starting a new business, refinancing business debt, working capital (this can include salaries, utilities, marketing, advertising, lease payments, etc.), and providing gap financing when a bank will not finance all of a small business project.

4. What Are the Loan Terms, Interest Rates, And Fees?

Loan terms usually range from 3-5 years but can last up to ten years or more. There are no penalties for early repayment of loans. Larger loans are not required to be fully amortized, meaning we can make the payment affordable to the client and have a large balloon payment at the end of the term, assuming the client finds commercial financing prior to the end of the loan. Automatic withdrawal (ACH) is required for all payments.

Loan interest rates are based on US Treasury and often range between 7.5% and 11%.

Loan fees include:

- No application fee!
- Loan fees of **1.5%** of the loan amount
- Client pays for all third-party costs like credit reports and title fees.

5. Do You Use My Credit Score to Qualify Me For A Loan?

No. We look at your credit score, but we rely primarily on your history of handling credit, good or bad, to help determine if you qualify for the requested loan.

But keep in mind, we do **expect you to be current on all debt**. Also, we expect you to provide a **letter of explanation for any derogatory issues**, like late payments and collection accounts.

6. Do You Require Collateral?

Yes. Collateral may include various types of business assets such as accounts receivable, inventory, equipment, business and/or personal real estate. Microloans of \$40,000 and less do not need to be fully collateralized.

7. Do You Require A Personal Guarantee?

We require a personal guarantee from anyone who owns 20% or more of the business. We also check the credit for anyone who owns 20% or more of the business. A guarantor is also required to submit a personal financial statement and tax returns as part of the loan application.

8. What Documents Do You Require, And Why?

[Click here to see our Supporting Documents list](#). The documentation we require is similar to all lending institutions. Missing or incomplete documentation will delay the loan application process, so preparation is key. Before you apply for a loan, you should have the following documents ready:

- **Business tax returns** – Allows us to verify business income and understand the financial performance of your business over time.
- **Profit and Loss Statement and Projections**– Helps us understand financial performance and your estimates for the future. [Click here for a video](#) on how to put together a current P&L statement.
- **Balance sheet** – Helps us understand the assets and liabilities of your business. [Click here for a tutorial video](#) on creating a balance sheet.
- **Business debt schedule** – Informs us of other outstanding debt at your company, if any, and allows us to calculate future monthly debt service payments. [Click here for a free template and instructions](#).
- **Personal tax returns** – Allows us to assess additional income sources. [Click here for info on getting copies of your personal tax returns](#).
- **Personal Financial Statement** – Allows us to assess personal assets and debts. Required for any proprietor, partner, shareholder or personal guarantor. [Click here](#) (link to MCEDD's Personal financial statement) for a free template.
- **List of collateral offered and estimated value** – Allows us to determine how the loan will be secured.
- **Current written Business Plan for Start-up businesses** (considered any business less than 3 years). Work with the [Columbia Gorge SBDC](#) to get help writing your business plan.
- **Bank denial or commitment letter** – Our funding does not compete with banks – it is intended to fund where they cannot, or in partnership with banks. This helps meet our funding requirements.
- **Resumes of owners, partners, key officers, and key personnel** – help us understand the experience of the people involved in the business.

For start-up businesses, three years of financial projections, prepared on a month-to-month basis, including an explanation of how the revenue (income) and expenses were calculated. Your business counselor can assist with these projections.

For expanding businesses, we require a written expansion plan and one year of financial projections prepared on a month-to-month basis. Work with a business counselor if you need help with these items.

9. How Does the Application Process Work?

We break the process down into four steps, including a three-part application. Note that the amount of time needed for each step will vary based on your preparation, and you may be asked for additional documents and information multiple times during the process.

Step 1 – Pre-Application

1. Complete the Business Loan Pre-Application.
2. Our staff will be in touch to discuss your submission.

Step 2 – Application

1. Complete the full Application Form that staff will send to you and compile the required supporting documents.
2. It is likely that staff will reach out with questions or requests for additional information multiple times during the process.

Step 3 – Decision

Staff develops a proposal for review by one of our lending boards, or by the Executive Director for some loans. You will be notified when the presentation to the lending board is in case you would like to attend. Board discussion is held in Executive Session and decisions are made in Public Session.

Step 4 – Notice of Approval or Denial, Conditions of Approval

Staff will contact you to let you know the decision. If approved, you will receive a Letter of Commitment outlining the conditions of approval, most of which must be satisfied before the loan funds are disbursed.

10. How Long Does It Take to Get A Loan?

It depends! The length of time this process takes is directly related to how prepared you are as borrower to apply, based on our requirements stated above.

Once you provide us with a complete loan application package, it can typically take 30-45 days to obtain loan approval and fund your loan.

11. What If I'm Not Approved for A Loan?

MCEDD works hard with each applicant to figure out how to get an approval. Sometimes, however, we must issue a denial, usually with guidance about what would need to change to get to an approval.