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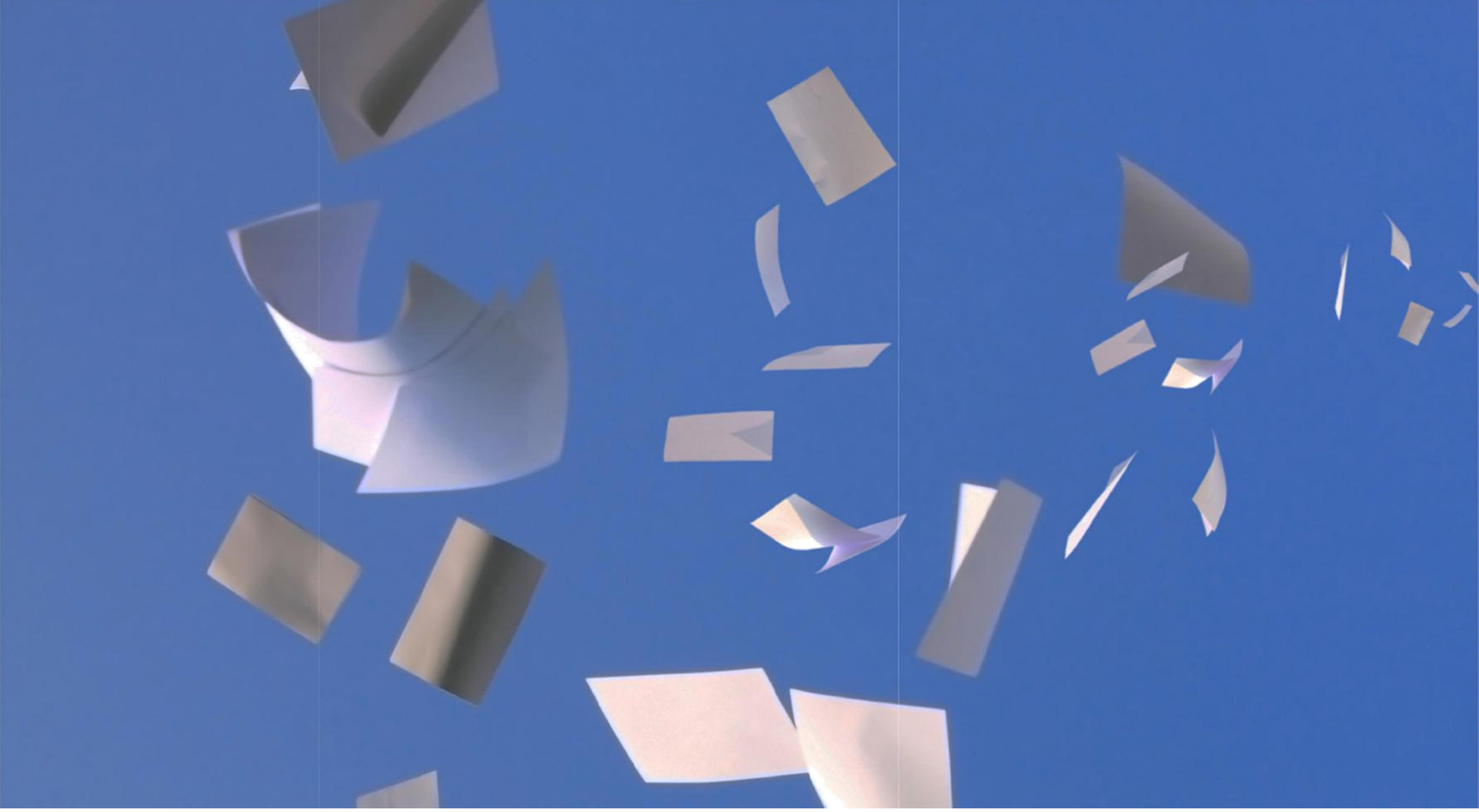
GARRTECH FUNDING – WHAT DOCUMENTATIONS DO I NEED TO APPLY FOR A BUSINESS LOAN



Between 3-6 months of bank statements? Check!

Balance sheet? Check!

Blood sample? Wait a minuteÉ

Okay, so we're exaggerating. But doesn't it sometimes feel like lenders want every piece of paper associated with your business during loan applications?

At Fundera, we understand that getting organized and gathering up all the information you need is often the toughest part of applying for any type of funding. That's why we've put together this quick guide to walk you through the minimum paperwork you'll need for each type of loan. Just scan down to the type of loan you are applying for and you'll find a quick overview and a checklist of the documentation your lender will likely ask for.

Lending Terms Glossary

If you're just starting your business or new to business financing, here are some unfamiliar terms:

Accounts Receivable (A/R) Aging – A report that shows your company's accounts receivable and the period of time each receivable (i.e. invoice or other amount owed to you) has been outstanding. This helps determine the financial health of a company's customers and, thus, your company's health.

Balance Sheet – A financial statement that summarizes your company's assets, liabilities and shareholders' equity at a given point in time. A balance sheet gives a quick overview of what your company owns, what you owe and the amount invested by any shareholders.

Debt Schedule – A list of outstanding loans or other money owed by your business (and, in some cases, by you personally), including interest, monthly payments and when the amounts will be paid off.

ProÞt and Loss (P&L) – This is a financial statement that summarizes a business's revenues, costs and expenses over a given period of time, such as a fiscal year or quarter.

(Financial term definitions from Investopedia)

What Paperwork Do I Need to Gather for Each Type of Loan?

Short-Term Loans

Overview:
Short-term loans are designed to meet short-term financing needs. They can be a versatile financial tool to better manage cash flow, deal with unexpected needs for extra cash, and take advantage of new business opportunities that may come along.

Who QualiÞes:
Most small businesses can qualify for a short-term loan, given they are okay with the higher APR and daily payment structure. The interest rate you'll pay and the amount you can borrow depends on your business revenues, your business history, and your credit rating.

Details:
Amount ($): $2,500 - $250,000
Loan Term: 3 – 18 months

Advantages:
- Quick access to loan funds
- Limited paperwork required
- Use for virtually any business purpose
- Debt is on books for short period of time

Disadvantages:
- Could tie up credit, prevent application to other loans
- Higher APR than longer-term loans
- May require collateral

Required Documents:
- Between 3 and 6 months of bank statements

Medium-Term Loans

Overview:

A medium-term loan is probably the most common form of business loan, so it's pretty easy to understand. You borrow a fixed amount of money – often for a specific purchase you're making for your business – and pay the loan back over a fixed term, most often at a fixed interest rate.

Who QualiÞes:

Most businesses can qualify for a medium-term loan, but the interest rate, length of the term, and maximum loan size depends on your business revenues and credit rating. Since traditional term loans have longer repayment periods than, say, a short-term loan, your credit score will be a more important factor

Details

Amount ($): $25,000 - $500,000

Loan Term: 1 – 5 years

Advantages

- Predictable monthly payments
- Fixed rates
- Helps improve business credit score
- Suitable for a wide range of business purposes

Disadvantages

- Less flexible terms and rates
- Longer applications
- May require collateral
- Potential prepayment penalties

Required Documents:

- 3-6 months of bank statements
- Up to 2 years business tax returns. You will provide 1 year if you haven't been in business for 2 full years
- Personal tax returns (including any W-2's)
- If your annual revenue is greater than $150,000, you will provide year-to-date financials updated within the past 60 days
  - Balance sheet
  - Profit & loss statement

Line of Credit

Overview:

A line of credit gives you capital to draw upon to meet a variety of business needs. Draw on your line of credit to get more working capital, buy inventory, handle seasonal cash flows, pay off other debts, or address almost any other business need.

Who QualiÞes:

Many businesses can qualify for a line of credit but it will be difficult for younger, less-established businesses to qualify, especially if you lack or have poor personal credit. The maximum amount available, duration of the credit line, and the repayment terms depend on your business, revenues, credit rating, and many other factors.

Details:

Amount ($): $10,000 - $1MM+

Loan Term: 6 months – 5 years

Advantages:

- Only pay interest on funds drawn
- Capital is available when needed
- Suitable for wide range of business purposes
- Bad credit is okay for shorter lines
- Excellent way to build business credit score

Disadvantages

- Could tie up credit, preventing application to other loans
- May need to provide documents on each draw
- May require collateral
- Higher interest rate with lower credit scores

Required Documents:

- 3 months of bank statements
- 2 years of business tax returns
- At least 1 year of personal tax returns
- Year-to-date financials within 60 days
- Balance sheet
- Profit & loss statement
- 2 years accounts receivable (A/R) aging

Invoice Financing

Overview:

Invoice financing companies are ready to buy your accounts receivable, giving you an excellent way to put more money into your business right away. With invoice financing, you could get a fast advance of about 85% of the value of your invoices, with most of the other 15% paid to you later.

Who QualiÞes

Any business that operates a B2B business model can qualify for invoice financing, as long as they currently have outstanding receivables. The maximum amount you can qualify for depends on the total amount and quality of your invoices and the creditworthiness of your customers.

Details

Amount ($): 50%-90% of total invoice amount

Loan Term: Either payment of invoice date or 12 weeks, depending on lender

Advantages:

- Fast access to cash
- Outsourced collections may be available
- Invoices serve as collateral
- Bad credit is OK

Disadvantages:

- Higher fees than traditional financing
- Lose a portion of potential profits
- The longer it takes for customer to pay back, the more Merchant owes
- Hard to resolve billing issues if collections are outsourced

Required Documents:

- Current accounts receivable (A/R) aging
- Sample invoice
- Proof of existence
- For some lenders, you will need to be using QuickBooks, Xero, Harvest, Freshbooks, or Wave

Equipment Financing

Overview:

Getting equipment financing can be a short, streamlined way to finance up to 100% of the value of computers, machinery, vehicles or other equipment you need.

Who QualiÞes

Most businesses can qualify for equipment financing. How much you qualify for – and the interest rate you'll pay – depends on the value of the equipment, your business history, and your credit rating. Equipment financing can be a great option if your credit rating is less than perfect, as the equipment collateralizes the loan.

Details

Amount ($): Up to 100% of the value of equipment
Loan Term: Expected life of equipment

Advantages:

- Quick access to cash
- Limited paperwork
- Equipment serves as collateral
- Builds credit
- Potential tax benefits
- Bad credit is OK

Disadvantages:

- Equipment could be obsolete by time loan is repaid
- Could tie up credit, preventing you from applying for other loans
- May need to depreciate equipment, so can't deduct full cost each year
- Requires additional expenses, like insurance and maintenance

Required Documents:

- 3 months bank statement for < $25k requests
- Equipment quote

Merchant Cash Advance

Overview:

Merchant cash advance is a quick, easy way to get a business cash advance with no need for collateral, even if you have bad credit.

Who QualiÞes

If you don't qualify for any other type of financing, MCAs could be an option. Merchant cash advances are a good solution if you have little or no collateral, limited business history, or a poor credit rating.

If you receive a large portion of your revenues through credit card payments (for example, restaurants and retail stores), you can use a merchant cash advance as a short-term financing tool to help with cash flow, purchase inventory, pay other debts, meet unexpected expenses, and more.

Details

Amount ($): $2,500 - $250,000

Loan Term: Automatically deducted through merchant account

Advantages

- Fast Access to Cash
- Easy approval process
- Bad Credit OK
- Pay loan with set percentage of credit card receipts
- No minimum monthly payments
- No restrictions on using your cash

Required Documents:

- 3-4 months of bank statements

Disadvantages

- Higher fees than other alternative loan options
- Less flexibility to change merchant service providers
- Daily deduction of credit card receipts reduces cash flow

SBA Loans

Overview:
Under the US Small Business Administration's various loan programs, you can borrow money for a variety of business purposes, including adding to working capital, purchasing inventory or equipment, refinancing other debts, buying real estate, or even financing the acquisition of other businesses.

Who QualiÞes
Many businesses, including newer ones, can qualify for an SBA loan. However, be prepared that an SBA loan can require significant documentation.

Details
Amount ($): $5,000 - $5MM
Loan Term: 5 – 10 years

Advantages
- Lowest down payments
- Longest payment terms
- Reasonable interest rates
- Suitable for a wide range of business purposes
- Multiple programs available

Disadvantages
- Lengthy paperwork
- Longer approval times
- May require collateral
- Strict acceptance criteria
- May be restricted from taking on another loan

Required Documents:
- 6 months bank statements
- 2 years of business tax returns
- 2 years of personal tax returns
- Year-to-date financials within 60 days
    - Balance sheet
    - Profit & loss statement
- Debt schedule

Startup Loans

Overview:

On the Fundera Marketplace, we have two small business startup loan products that can help you get the capital you need to grow. These two products (business lines of credit and equipment financing) are a more traditional form of capital and a great option if you have a strong personal credit score, and are looking to start building on your business credit, too!

Who QualiÞes

Many young and new businesses can qualify for a small business startup loan. As your business is young and won't have a lot of revenue history, the most important factor is going to be your credit score. The higher your personal credit score, the more chance you have of qualifying for a small business startup loan.

Details

Amount ($): $20,000 - $200,000
Loan Term: 6 months – 4 years

Advantages

- Traditional loan option available
- Limited paperwork
- Lines of credit are initially interest-free

Disadvantages

- Excellent credit is required
- Cannot be used for all working capital needs
- Could tie up credit, preventing application for other loans

Required Documents:

- Equipment quote for equipment loans
- Personal credit report

Pro Tips for Getting Your Loan Paperwork Together

Stay organized (even when you donÕt need a loan) – You'll notice that most loans require quite a bit of up-to-date financial paperwork. Detailed business recordkeeping ensures that you can get your hands on these tax returns, reports and other documents without having to scramble for them when it comes time to apply for your loan.

Consult an expert – If you don't know how to create a balance sheet or you've filed a tax extension and don't have last year's tax records available, don't be afraid to consult an expert. While it may seem counterintuitive to pay an expert when your business needs a loan, having your financial house in order can result in better loan terms and money savings in the long run.

Conclusion

We hope this primer has made the wild world of business loan applications a little less confusing and a whole lot more accessible.