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How to Write a Loan Proposal

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How to Write a Loan Proposal

Alvin Wade, Associate Professor

Approval of your loan request depends on how well you present yourself, your business and your financial needs to a lender. Remember, lenders want to make loans, but they must make loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written proposal.

A good loan proposal will contain the following key elements:

General Information

- Business name, names of principals, Social Security number of each principal, and the business address.
- Purpose of the loan - exactly what the loan will be used for and why it is needed.
- Amount required - the exact amount you need to achieve your purpose.

Business Description

- History and nature of the business – details of what kind of business it is, its age, number of employees and current business assets.
- Ownership structure – details on your company's legal structure.

Management Profile

- Develop a short statement on each principal in your business; provide background, education, experience, skills and accomplishments.

Market Information

- Clearly define your company's products as well as your markets.
- Identify your competition and explain how your business competes in the marketplace.
- Profile your customers and explain how your business can satisfy their needs.

Dr. Surendra Singh, TSU Professor of Agricultural Sciences, and Alvin Wade, TSU Extension Associate Professor for Community Resource Development, are working collaboratively on an entrepreneurship program that extends beyond the Tennessee border. Participants in Tennessee, as well as Mississippi, are making progress in developing business plans and starting their own businesses.



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Financial Information

- Financial statements — balance sheets and income statements for the past three years. If you are starting out, provide a projected balance sheet and income statement sheet for three years.



- Personal financial statements on yourself and other principal owners of the business.
- Collateral you would pledge as security for the loan.

How do I Hire a Consultant?

Consultants can develop plans, solve problems, or provide expertise. Before hiring one:

- **Determine the outcome first.** Define business goals and desired deliverables before talking to a consultant.
- **Gather Information.** Check references, asking about a consultant's work experience, timeliness, and expertise. Ask consultants to develop a project proposal.
- **Establish expectations.** Manage a consultant like any employee. Sign a written agreement that covers fees, objectives, and progress reports.

This *Community Resource Development* Fact Sheet is part of a series prepared by the Cooperative Extension Program at Tennessee State University.

For more information, contact your local county Agricultural Extension agent (See your telephone blue pages). Printable copies of this fact sheet can be found on our website.

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