

APPLICATION PROCESS 101

PURCHASE AREA DEVELOPMENT DISTRICT (PADD)
1002 Medical Drive
Mayfield, KY 42066

Step 1: Prequalification

Ask yourself the following questions:



1. Do I have a personal credit score of 550 or higher? A lower score does not necessarily disqualify you for a loan if there is sufficient collateral, equity/cash injection and positive business outlook.
2. Do I have sufficient personal or business assets equal in value (after discounts) to the amount of the loan that I can offer as collateral?
3. Do I have adequate cash flow to repay the loan obligation each month?
4. Do I have the knowledge, experience, and dedication to make my business successful?

Please consider these tips regarding the small business loan application process:

- Consider your proposed small business project. Does the project and the business loan make sense? In doing so, give a prudent consideration to how the funds will be used. Typical uses for most small businesses often include:
 - Land acquisition
 - Building acquisition
 - Equipment purchases
 - Working capital
 - Inventory purchases
 - Refinancing of other debts
- Consult with outside resources which may assist you with preparing your financing request.
- Use PADD as a resource as well, especially for help regarding the financial operations of your business and proper use of the funds to be borrowed; we have many years of experience and love to help small businesses succeed.
- Check any financial projections and supporting financial data to ensure that they are realistic and attainable.
- Ensure that your company's balance sheet is structured properly. In particular, note short term loans for working capital and longer term loans for debt refinancing and purchase of fixed assets (land, buildings, and equipment).

If you answered "Yes" in response to all of the questions above and have considered the helpful tips above then please proceed to Step 2: Proposal.

Step 2: Proposal / Evaluation

In this phase, PADD will need certain information from you to get the loan application process rolling.

Please provide us with the following general info depending on whether your small business is a Start-Up / New Business (less than 2 years operating) or an Existing Business (2 years or longer in operation).

Start-Up / New Businesses	Existing Businesses
<input type="checkbox"/> Signed authorization for credit and background inquiry for each business owner <input type="checkbox"/> \$20 Payment to obtain Credit Report <input type="checkbox"/> Signed current personal financial statement for each business owner <input type="checkbox"/> Brief description of use of loan proceeds and collateral to be offered <input type="checkbox"/> A completed Business Plan (including financial projections for 3 years)	<input type="checkbox"/> Signed authorization for credit and background inquiry for each business owner <input type="checkbox"/> \$20 Payment to obtain Credit Report <input type="checkbox"/> Signed current personal financial statement for each business owner <input type="checkbox"/> Brief description of use of loan proceeds and collateral to be offered <input type="checkbox"/> Latest fiscal year-end business financial statements <input type="checkbox"/> Latest interim business financial statement (less than 60 days old) <input type="checkbox"/> Debt Schedule for business

Upon receiving the information:

After your information has been received, our staff will move quickly to evaluate your application and provide you with an assessment. Typically, you will receive a reply concerning PADD's interest in your loan request within 5-7 days. A positive response from PADD regarding your loan request means that you can move on to the next phase of the small business loan process, Final Qualification, where you will be asked to provide more information.

To expedite the loan process, please ensure that you have avoided these common mistakes when preparing your information:

Personal Financial Statements

- Include all liabilities that you owe on your personal financial statement. Remember that PADD will obtain personal credit reports to verify outstanding personal debt of all the parties involved in the transaction.
- List all debts that you have co-signed or guaranteed.
- Accurately state your gross income. PADD will compare your stated income with personal income tax returns.
- Realistically assess the market value of the real estate that you own.

Business Financial Statements

- Ensure that the financial statements balance.
- Always send both a balance sheet and corresponding income (profit and loss) statement to PADD for each period required.

Step 3: Final Qualification

Welcome to the final stage of qualification! If you have made it this far in the small business loan process then things are looking good. There are just a few more pieces of information that PADD needs from you before we can issue a commitment letter.

Finishing the Loan Process

- A detailed breakdown of total project costs, including:
 - Acquisition of real property or equipment
 - Building construction / Improvements to Property
 - Professional Fees
 - Working Capital Needs
 - Closing Costs

- Three (3) years of historical financial statements on your small business, including:
 - Income statements
 - Balance sheets

- Interim financial statements on your small business dated within 60 days of your business loan application (if not provided in Step 1 already).

- Projected financial statements for your small business (if not provided in Step 1 already):
 - Operating projections for three (3) years, to include: monthly spreads of *income* and *cash flow* for the first year and annual spreads of *income* and *cash flow* for the second and third years.
 - Include projections for repayment of the proposed loan and any other debt to be incurred.
 - Start-up balance sheet showing the proposed distribution of assets, liabilities, and equity.

- Last three (3) years of personal tax returns

- Personal resumé for each business owner

- Application Form

- Possibly other forms and materials as determined by program regulations and/or individual circumstances

Once we receive all necessary documentation and if no other problems arise, we will call on the Loan Review Committee (LRC) that will make the final decision about your loan application. After approval from the LRC, we will issue you a commitment letter which will outline the necessary steps and requirements to close the loan.



All forms in this package (covering Step 2) and the forms necessary for Step 3 can be found in an electronic version on our website:
http://www.purchaseadd.org/Business_Lending/Forms_Loans.html

Our website also offers various tools (loan calculator, depreciation calculator, etc.) that can assist you in preparing the information necessary to complete an application.