



DUQUESNE UNIVERSITY SMALL BUSINESS DEVELOPMENT CENTER

HELPING BUSINESSES START, GROW, AND PROSPER.

How to Secure a Business Loan Successfully

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Target Audience

Small businesses and startups can successfully secure financing by outlining real lender expectations

- **Early-Stage Entrepreneurs**
- **Existing Small Business Owners**
- **Startups Seeking First-Time Financing**
- **Businesses Seeking Expansion or Working Capital**



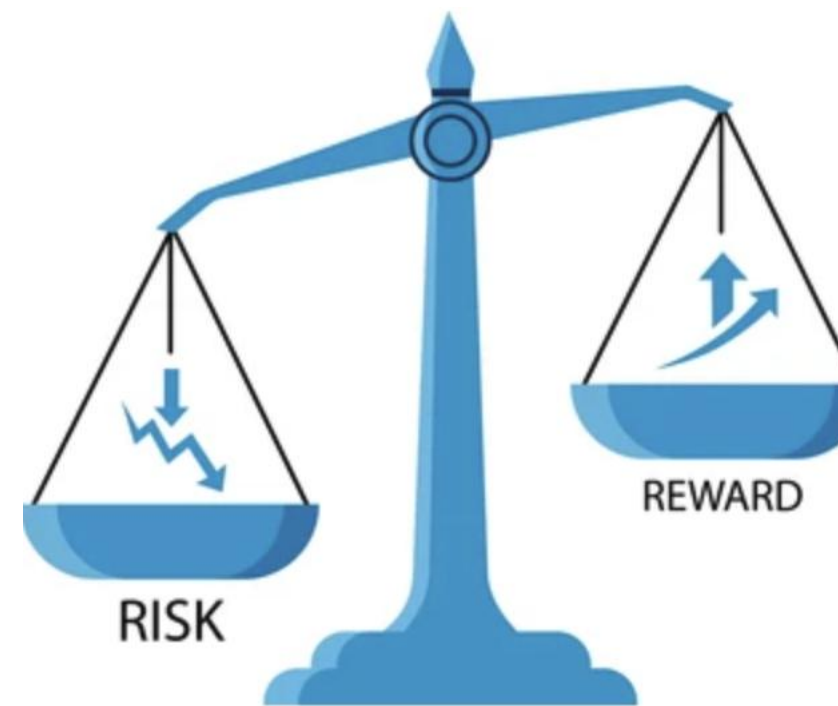
Business Lending

Borrower: person or organization needing a loan

Lender: bank, credit union, non-profit, or an individual

Return: the interest the lender receives

Risk: possibility that the borrower will not return the loan





Types of Loans

Loan Type	Best For	Typical Amount	Repayment Structure	Key Requirements
Term Loan	Expansion, large purchases, real estate	\$25,000 – \$5M+	Fixed payments over set term (years)	Strong credit, steady revenue, financial history
Line of Credit	Short-term cash flow, emergencies	\$10,000 – \$500,000+	Revolving; pay interest only on what is used	Consistent cash flow, good credit
SBA 7(a) Loan	Working capital, general business needs	Up to \$5 million	Long-term, flexible repayment	Detailed documentation, solid business plan
SBA 504 Loan	Real estate, major equipment	Up to \$5.5 million	Long-term, fixed-rate	Strong financials, asset-based use
Equipment Financing	Purchasing machinery or equipment	Varies (based on equipment)	Fixed payments tied to equipment life	Equipment serves as collateral
Microloan	Startups, small funding needs	Up to \$50,000	Shorter-term, fixed payments	Basic credit, smaller scale, often training included



Five Core Lending Criteria

- 1. Creditworthiness:**
 - a. Personal or business credit score

- 2. Cash Flow & Repayment Ability:**
 - a. 2-5 years of financial statements or projections
 - b. Tax returns

- 3. Business Viability & Stability:**
 - a. Business plan, market research

- 4. Collateral & Personal Guarantees:**
 - a. Business or personal assets

- 5. Character & Management Capacity:**
 - a. Resume and industry experience



Required Documentation Checklist

Risk	Cash Flow	Documentation
<ul style="list-style-type: none">• Credit history & trends• Existing debt obligations• Business stability	<ul style="list-style-type: none">• Revenue consistency• Ability to cover expenses• Capacity to repay	<ul style="list-style-type: none">• Financial statements• Supporting materials• Accuracy & completeness

This documentation supports repayment ability and risk validation



What Lenders Require

Established Businesses

- Profit & loss statements
- Balance sheets (assets vs. liabilities)
- Business & personal tax returns
- Year-to-date financials

Startups

- 1–3 year financial projections
- Startup budgets & cost breakdowns
- Market research & benchmarks
- Early traction (contracts/LOIs)
- Personal financial statements

Balances historical data with forward-looking validation



How Documentation is Evaluated

Cash Flow is the #1 Factor:

- Revenue Consistency
- Ability to Cover Expenses
- Capacity to Repay Debts

Business Plans Must Show:

- Clear Business Model and Revenue Streams
 - Defined Use of Funds
 - Realistic Projections
- Repayment Strategies and Contingencies



Application Denial Reasons

Financial Weakness	Documentation Gaps
<ul style="list-style-type: none">• Inconsistent or declining cash flow• High existing debt limiting capacity• Credit issues without clear explanation	<ul style="list-style-type: none">• Missing or incomplete materials• Unrealistic, unsupported projections• Unclear use of funds

Signals inability to repay

Signals lack of preparedness

Lenders do not fund ideas, they fund **CLEAR, REALISTIC, & REPAYABLE BUSINESSES**



How Duquesne University SBDC Supports

Financial Preparation

- Literacy & Strategy
- Cash flow guidance
- Educational Resources

Strategic Loan Packaging

- Documentation Support

Lender Match & Risk Mitigation

- Alternative Funding

Expert Coaching

- Multidisciplinary Expertise

BUSINESS LOAN READINESS CHECKLIST: YOUR PATH TO FUNDING

1 THE DOCUMENTATION AUDIT

- Collect & Sign:** last 3 years of Federal Personal & Business Tax Returns.
- Generate Interim Financials:** P&L and Balance Sheet (dated within 90 days).
- Create Aging Reports:** A/R & A/P.
- Build Debt Schedule:** Current business loans, amounts, payments, balances.

2 THE MATH & MODELING

- Calculate DSCR:** Ensure a Debt Service Coverage Ratio of 1.15 to 1.25. $\frac{\text{DSCR}}{\text{I/F}}$
- Develop Forecasts:** Month-by-month cash flow projections (12-24 months).
- Conduct Break-Even Analysis:** Required sales volume to cover new loan. 
- Detail Proceeds:** Specific, line-item budget for every dollar.
- Get Vendor Quotes:** At least two written estimates for equipment/renovations.

3 CREDIT & PERSONAL STANDING

- Verify Credit Scores:** Personal score 650+.
- Lower Utilization:** Credit card usage below 30% of limits.
- Check Business Credit:** DUNS or Experian reports for errors.
- Ensure Global Standing:** No delinquencies on federal debt/child support.
- Draft Explanations:** Written letters for past bankruptcy or liens (resolved/discharged).

4 PITCH & DEFENSE STRATEGY

- Identify Secondary Repayment:** Document personal assets or income fallback.
- Stress-Test Assumptions:** (Startups) Defend all projection assumptions.
- Define ROI:** Prepare concise explanation of how loan grows revenue.

Pro Tip:



'RIGHT-SIZED REQUESTS build lender trust.
Ask for an exact amount, not "around" \$50,000.



Thank You! Any Questions?

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