As a banker, I come across a lot of business owners who have been denied a loan request from their bank because of insufficient documentation. In a state of confusion and not really understanding what banks really need from them, they commonly ask this question, **What do banks want to see when I am applying for a business loan?**

Although the answer can’t be black or white because each bank has its own credit policy which will mandate the documentation required for them based on specifics such as the type of loan, amount, your credit, type of property if there is real estate, etc.

However, there are a few items that are standard within the financing community that a business owner should be prepared to present. One word of caution, make sure they are accurate! If you present documents to a financial institution and there are inaccuracies, this will cause a great deal of concern for the bank and will make the authenticity of your information questionable.

So here are the top items that banks will want to see from you:

**Personal & Corporate Tax Returns:** You will normally need to submit three years of these
returns, but there are some banks that will accept two years. You need to make sure that you provide all the pages, including all the schedules. Omitting any of these will delay the credit review process. Along with these, the bank may also ask you to sign the IRS Form 4506T. This form provides the bank the authorization to ask the IRS for a transcript of your taxes. Therefore, make sure that the taxes you are providing to the bank are the same ones that were filed, but just as important, make sure that your taxes were actually filed before providing them to the bank.

**Company Financial Statements**: These are accounting reports that are generated from the information that you, your bookkeeper or accountant, enter into accounting software. These reports reflect the movement of the incoming and outgoing transactions that are associated with your revenues, expenses, costs, depreciation, assets, and liabilities, etc.

The most common financial reports are:

- Balance Sheet
- Profit & Loss Statement
- Accounts Receivable and Accounts Payable Aging Report

These reports provide the bank with a consolidation of all the financial data on your business. It is extremely important that a professional that understands your business and proper accounting principles maintains this data at least on a quarterly basis. The data from these reports is also utilized to put your taxes together.

Banks will normally request a full year of financial statements, such as the previous year’s, plus a year-to-date report showing the figures for the current year.

**Personal Financial Statement**: Also known as the PFS, this statement means exactly what its title states. This is a summary of your personal financial data that summarizes your assets and liabilities and establishes your net worth. You will find that each bank has its own PFS model, but in the case of a Small Business Administration (SBA) loan, there is a specific model that the SBA requires.
Debt Schedule: This is a document that is self-created and its style will be dependent on the financial institution. Basically, this document will request information about the debt that your company currently has. If your company has no debt under its name then you simply write on the document: “None”. If you do have any type of debt, such as a commercial real estate loan, equipment loan, auto loan, line of credit, etc., then you need to list them accordingly. This provides the bank a clear picture as to the existing debt for the business.

As pointed out previously, keeping your companies financial date updated at least on a quarterly basis will make providing this information a breeze.

Keep in mind that the ultimate goal of all of this financial information is to give the bank, and its credit officers, the opportunity to learn about your business and its financial capabilities. Their main objective is to make sure that your business has the ability to repay the loan requested and mitigate any risks associated with your loan. They will get to you know through your paperwork.

In closing, my recommendation is that you know where your company stands financially by getting your company’s books organized and review them with your accountant. Then know how the funds that you are requesting will be specifically utilized and how they will impact your company’s future.

Best of luck!

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