

Thinking Like a Lender: Insights for Your Loan Application

Understanding your audience is helpful regardless of the situation.

If you're considering applying for a loan, insights into how a lender thinks can give you an advantage.

While lenders are not all the same, here are a few common concerns:

Lenders want to be repaid

This may border on the obvious, but it's worth keeping in mind. A lender will want to see a clear path to repayment and to understand the assumptions this depends on. Typically, loans are repaid out of a business' profits. As with a home mortgage or a car loan, a business lender will want to see an adequate margin so that if things don't go exactly to plan, there is still a path to repayment.

Lenders are interested in how invested you are in your business

How has your business been financed so far? Have you put cash or other equity into your business? When applying for a loan, are you willing to pledge personal assets?

Lenders want to understand how your experiences, skills and temperament will help you succeed

What have you done previously? What skills have you gained and what obstacles have you overcome? They will want to see that you are persistent and resilient. A lender will also want to know about your capacity and experience in running a business. Can you manage people, cash flows, and systems? If needed, how do you plan to learn new skills?

Lenders want to understand credit challenges in context

Credit challenges can make it harder or even impossible for an entrepreneur to qualify for a loan. At Craft3 we don't assume poor credit is a sign of poor character. We know it's often the result of circumstances beyond a business owner's control and not the result of poor choices. A lender will, however, want to understand the context behind credit challenges. Is there a good explanation? Is there a lack of credit history?

Craft3 can do deals with little collateral, but a willingness to offer personal assets as collateral indicates a confidence in your business that will likely instill confidence in a lender.



“As a banker, I often found myself saying, “No,” to good people with good ideas. Craft3, a mission-driven community development financial institution, can take more risks and make loans banks can't. For example, we're often able to finance good businesses with “bad” credit, so long as there's strong business opportunity and plausible explanations for any credit blemishes.”

-Turner Waskom SVP, Director of Commercial Lending

PRACTICE

Practice how you will address the common lender concerns listed in the table below. Add your answers or notes.

How can you demonstrate that you'll be able to repay the loan?	
How invested are you in your business?	
What about experiences, skills, and temperament will help you succeed?	
If you have experienced credit challenges, is there any context that can help explain those challenges?	