

Tips for your First Loan Application

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General Basics to Expect

- Application Information
 - Name
 - Address / Phone Number / Email Address
 - SS# - Date of Birth
 - Drivers License (Un-expired)
 - Spouse Information
- Legal Entity
 - By Laws (Corporations)
 - Operating Agreement (LLC)
 - Articles of Incorporation - Both

Financial Statements

Defined : Formal record of financial activities and position of a business/person

Tax Returns – Complete

Defined : Form on which a tax payer makes an annual statement of income/expenses used by tax authority to assess liability of Tax

- Complete – Include Depreciation
 - Include State Return
- Depending on Age/Stage of Life typically we need 3 to 5 years.
 - Why do we need historical earning
 - Historical performance helps provide guidance on where earnings have gone in the strength of financials.
 - Historical trends help establish future expectations as we look at business strategies

Balance Sheet

Defined : Reports Assets to Liabilities at given time

- Big Chief Tablet or Online
- Get a good baseline established
- What have I done with past earnings to develop assets.
- Realistic with conservative valuations – Identify Shared Interest
- Debt – Full Disclosure always best, why/payment/expectation

Financial Statements II

Pay Stubs

- Identifies payment cycle
- Identifies Retirement Contribution
- Identifies Typical Hour Worked

Business Plan

- Big Chief Tablet or Excel/Word
- Next Slide!

Business Plan / Cash Flow

- Be Prepared to talk about your operation
 - Management Decisions – How/When/Why
 - What you Grow/Raise – Traditional / Specialty / Service Provider
 - Marketing Products – How/When/Why
 - Scope – Rented/Shares/Owned
 - How integrated is your operation to partners (Family/In-Laws)
 - Supportive Equipment – Arranged costs – Written/Relaxed
 - Family Living – Be in Agreement with Spouse on Expectation
 - Plan for future / Spouse / Children / Education

What Should I Ask My Lender

- How do I compare to peers of various size/age
 - Don't compare \$ - Compare Ratio's
 - How do I improve my various set of ratio's
- What Programs can help me be better prepared financially
 - FCS Connect
 - FSA Youth Loans
 - FFA Ag Curriculum
- Help determine Goals/Aspiration – Long Range/Short Term
 - Achievable Financial Goals
- How does your lender/institution help the community outside of loans
 - Commodity Groups
 - Policy Understanding
 - Where do they attain current information about agriculture/trends
 - Farm Financial Standards Council
- Payment Structure
 - Run Amortization Schedule
 - i.e. 25 Yr term significantly less interest costs than 30 Yr slightly higher payment
 - Semi-Annual or Quarterly Payments will pay less interest over life of loan.
 - Timing of payment to expectation of net income
 - Don't focus on rate; at today's terms, principal needs to be focus.
 - Fixed or Adjustable – Pro/Cons. Future Conversion opportunity

How can I start to plan

- Written Budget for Family Living
- Establish Needs/Wants Checklist
- Communicate with Stakeholders
- Plan to Save Capital – Part of Budget
- Be timely with rent/utilities
 - Communicate if late
 - Communicate early if challenges arise
- Communicate with Spouse on Life Goals
 - Short Term – 3-5 Years
 - Employment
 - Family Size
 - Scope – Herd – Specialty (Direct)
 - Long Term – 20-30 Years
 - Retirement Expectations
 - Succession Planning
 - Write them down and review Semi-Annually