

WHAT YOU NEED TO KNOW



LOAN READINESS FOR FIRST TIME BORROWERS

A RESOURCE SHEET FROM A WEBINAR TO PREPARE BUSINESSES FOR FINANCING OPTIONS AND OPPORTUNITIES

Applying for a loan for your farm or food business can be intimidating, but it doesn't have to be. [The Great Lakes Midwest Regional Food Business Center](#) hosted a webinar on June 4, 2025 to break down the steps of the lending process for farm and food business owners who are first-time borrowers. This resource sheet is designed to assist entrepreneurs in preparing for meeting with lenders. [Find the webinar recording here.](#)

LOAN READINESS CHECKLIST

First time borrowers can use the following checklist to prepare before meeting with a lender. Bringing these documents with you will help lenders provide you with accurate information specific to your needs and move the process along.

- A strong business plan
- Business bank account
- Financial documents
 - Tax returns, typically for the past 3 years. (Lenders may ask for personal tax returns.)
 - Financial projections
 - Profit and Loss / Income Statements
- Organizational documents and identification
 - LLC, Sole Proprietorship, Farm #, etc.
 - Valid driver's license or passport
- Equipment quotes and labor estimates you will be purchasing with the loan

FINANCING OPTIONS

Every business is unique and every lender is different. Find out what financing option is right for you.

Ask your local lender about the following options:

- Line of credit
- Short term loan (bridge loan)
- Business term loan
- Equipment loan
- Small Business Administration loans

KEY TERMS FOR FIRST TIME BORROWERS

- **Collateral:** An asset (property, equipment, etc.) that holds value. Lenders may ask you to provide collateral to ensure that the loan can be paid back one way or another. If you fail to repay the loan, lenders can take what you put up for collateral.
- **Financial Projections:** Projections show the expected revenues, expenses, and cash flows of a business over a forecast period.
- **Financial Standing:** Financial projections look at the future of your business, while your financial standing is based on your past financial performance. Your financial standing is impacted by your credit score, active loans, repayment history, savings, and investments.
- **Interest Rate:** The cost of borrowing from a lender, which is a percentage based on the principal of the loan and your financial standing.
- **Personal / Loan Guarantee:** A promise from a bank (or another financial institution) to pay a seller or supplier if a buyer fails to meet their financial obligations.

QUICK TIPS

- **Be prepared!** Keep your business plan and financial records up to date so you are prepared for financing opportunities.
- **Plan ahead!** Don't wait until you need funding to talk to your lender and discuss your options.

HANDY RESOURCES

Michigan State University Center for Regional Food Systems Resources

- [What You Need to Know: Loan Readiness for First Time Borrowers Webinar](#)
- [Loan Readiness Toolbox for Food and Farm Businesses](#)
- [Preparing for Funding: A Self-Guided Learning Journey for Food and Farm Businesses](#)

Federal and State Resources

- [U.S. Small Business Administration Loan Programs](#)
- For help with business planning, market research, financial projections and more visit your local Small Business Development Center or [SCORE](#) offices.
 - [Illinois Small Business Development Center](#)
 - [Indiana Small Business Development Center](#)
 - [Michigan Small Business Development Center](#)
 - [Wisconsin Small Business Development Center](#)

KEY TERMS, cont'd

- **Principal:** The total amount of money borrowed from a lender. This does not include fees and interest that accumulate over time.
- **Profit and Loss Statement:** A profit and loss (P&L) statement, also known as an income statement, is a financial statement that summarizes a company's revenues, costs, expenses, and profits/losses for a specified period.
- **Repayment Schedule:** How a loan will be paid back over time. This details when a borrower will make regular payments, how much of the payments goes to the interest and to the principal, and how long it will take to pay off the loan in its entirety.
- **Secured Loan:** A loan that requires collateral be leveraged to back the loan.
- **Unsecured Loan:** A loan that does not require collateral and is backed by your financial standing.

ABOUT THE GREAT LAKES MIDWEST REGIONAL FOOD BUSINESS CENTER

The Great Lakes Midwest Regional Food Business Center was dedicated to offering coordination, technical assistance, and capacity building opportunities for farmers, producers, and other food business owners, in support of a more resilient and competitive food system.

Michigan State University Center for Regional Food Systems (MI) coordinated the [Great Lakes Midwest Regional Food Business Center](#) that was comprised of network coordinators – [Chicago Food Policy Action Council](#) (IL), [Northwest Indiana Food Council](#) (IN), [Food Finance Institute of the University of Wisconsin System](#) (WI), and the [Menominee Indian Tribe of Wisconsin Department of Agriculture and Food Systems](#) – who seek to take a transformational, rather than transactional, approach. Learn more at glm-rfbc.msu.edu.



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