



FOR MORE INFORMATION

Call Navy Federal's Business Solutions at **1-877-418-1462**, 8 am to 7 pm, Eastern Time (ET), Monday through Friday.

BUSINESS LOANS

What You Need to Know



1-877-418-1462
navyfederal.org/business

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Personal.
Professional.
Perfect for Your Business.

Planning to Apply for a Business Loan?

Your business is important—not just to you, but to us. When you apply for a business loan, we take time to analyze your information using the “Five Cs of Credit.”

UNDERSTANDING THE “FIVE CS OF CREDIT”

To increase the chances of getting approved for a loan, become familiar with the five Cs: capacity, capital, collateral, conditions and character.

CAPACITY

Make sure your business plan demonstrates your business’ ability to repay the loan, as capacity is the most critical of the five Cs. Specifically, we look at revenue, expenses, cash flow and repayment timing. This will include a look at your business and personal credit scores. Statistics show that the way a person handles personal credit generally indicates how he or she will manage business credit.

CAPITAL

It’s unlikely that you’ll be able to finance 100 percent of your startup or acquisition costs, so to get a loan, you’ll need to make an investment in your business first. This may come from deposits or money from other sources.

COLLATERAL

When evaluating a loan application, we’ll generally look at collateral as a secondary source of repayment for the loan. The loan amount will be based on a percentage of the collateral’s value, which is called the loan-to-value ratio (LTV). Different types of collateral have different LTVs.

CONDITIONS

Be prepared to demonstrate that there’s a market for your business. This should be based on the local, regional and national economy; the competitiveness of the business; the type of industry and your experience in it; and your experience managing a business.

CHARACTER

This includes your educational background, business experience and personal credit history. Your personal credit history is important because you may be required to personally guarantee the loan. Any references or other background information you can provide will be considered. It helps if you and your employees have experience and a positive reputation in your business’ industry.

Before applying for a loan, answer the following questions:

- Is my business in compliance with all local, state and federal regulations?
- Have I researched and evaluated my competition?
- Am I providing a viable product or service despite the competition?
- Am I committed to making my business succeed?

BUSINESS PLAN HELP

Before applying for a business loan, create a business plan that demonstrates your knowledge of your market. For help developing a plan, consider turning to the people at your local Service Corps of Retired Executives (SCORE) office or visit them online at score.org. For little to no cost, SCORE will help you formulate your ideas in a business plan.