

What to know before you borrow: a worksheet

There are many ways to spend a dollar (or thousands of dollars). Use this worksheet — along with the information in the article [4 questions to ask yourself before asking for money](#) — to get an idea of your current financial situation, the costs of various improvements, and where to look for funding.

1 DECIDE WHAT YOU WANT TO ACCOMPLISH

Use this section to help you prioritize, based on business needs and potential benefits to your workflow or profits. Here, you'll capture a cost estimate for various improvements. (Fill in only those that apply.)

Item/expense	Cost estimate
Extra inventory	\$
Equipment	\$
Vehicle	\$
Technology	\$
Hiring/raises/training	\$
New/added location	\$
Renovations	\$
Other:	\$

Tip: To narrow down which of the above goals to finance now, also consider what's most important to your bottom line, as well as the time and energy it would take to accomplish it — and whether you can tackle it right now.

2 ASSESS YOUR OBLIGATIONS

Next, figure out your overall debts and liabilities:

Type of business debt/liability	Monthly payment
Business loans (mortgage, vehicle, etc.)	\$
Credit card	\$
Accounts payable	\$
Taxes	\$
Wages/benefits	\$
Total	\$



Tip: Find out your personal credit score and business credit score. Lenders will use these to determine what you qualify for in terms of loans or credit products. Learn more in [How to Develop a Strong Credit Application](#).

3 DETERMINE YOUR DEBT-TO-INCOME RATIO

First, fill out this chart, using the information above, as well as your projected monthly income.

	Monthly
Projected income	\$
Debts/liabilities	\$

Next, calculate your monthly and annual debt-to-income (DTI) ratios, using the formula below. This is one of the criteria lenders will use to determine how much you can apply for. A DTI of 50 or lower is usually required, but mid-30s is better.

Projected Income [divided by] Debts/Liabilities [equals] Debt-to-Income Ratio

_____ ÷ _____ = _____



Tip: If you decide now's not a good time to take on more debt, make a plan to pay down debt, reduce expenses, and get yourself in a position to borrow and grow.

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4 PLAN YOUR NEXT STEPS

Finally, share this information with a trusted financial advisor and other business team members. You can discuss what's a reasonable amount of debt you can take on, as well as start looking at credit vehicles and amounts that may work for you.

If you decide to apply for a loan or credit, find out what the lender requires in terms of documents. Usually this is listed on their website, or you can check with your local branch if you decide to go with a bank. Gathering these documents is a good start:

Personal & business

Bank account statements

Credit reports

Outstanding loans/debt documents

Revenue/income/balance statement

Tax returns (past 3 years)

Business

Bank account statements

Credit reports

Outstanding loans/debt documents

Revenue/income/balance statement

Personal

Photocopy of your driver's license

Resume (highlighting management/business experience)

For more actionable tips and advice to help you manage your money, build your network, and run your business, visit our [Small Business Resources](#) page.

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