A business loan can help you buy equipment, cover a seasonal cash gap, or hire people to meet demand. It can also add a fixed bill to a business whose income is anything but fixed. Before you apply, get clear on what the money will do, what it will really cost, and whether your business can make the payments in an ordinary month—not just a great one.

Use the questions below to compare offers and check your assumptions. Free small business calculators can help you make a first-pass estimate, but they are not a substitute for reading the lender's documents or confirming the numbers with a qualified professional.



1. How much do I actually need, and what will the loan fund?

Start with a written use-of-funds plan. Break the amount into specific needs, such as equipment, inventory, payroll, or a renovation. Include related costs—installation, shipping, permits, training, or a cash buffer—so you do not discover after funding that the project needs more money.

Then ask:

- Can the loan be used for every item in my plan, or are there restrictions?
- Will the lender pay vendors directly, or will funds go into my business account?
- When will the money be available, and does that timing match my need?
- How will I measure whether the spending worked?

For example, if you borrow to add a second shift, estimate the additional sales that shift can realistically produce. Compare that with wages, payroll taxes, benefits, materials, and the loan payment. Revenue alone is not the same as cash available to repay debt.

2. What are the full loan terms—not just the advertised rate?

"Low rate" is not enough information to compare financing. Ask the lender to show you the written loan terms and a repayment schedule. You want to understand the amount you receive, the amount you repay, the payment frequency, and every fee.

Ask about Why it matters Interest rates Confirm whether the rate is fixed or variable, how it is calculated, and when it can change. APR or total cost Ask how the lender expresses the cost and whether the quoted figure includes fees. Products may use different pricing methods, so compare the dollars repaid as well as the rate. Fees Check for origination, application, underwriting, closing, draw, servicing, late-payment, and returned-payment fees. Term and payment schedule Find out the payoff date and whether payments are monthly, weekly, daily, or tied to sales. Prepayment Ask whether you can pay early and whether doing so reduces interest or triggers a fee.

Also ask whether the lender can change payment terms, what counts as default, and what happens after a missed payment. If a product uses a factor rate or another pricing method rather than a conventional interest rate, request the total repayment amount and an example schedule. Do not assume you can compare two offers by looking only at their headline numbers.

3. Can my cash flow carry the payments?

Estimate repayment using a conservative cash-flow forecast. Include the new payment alongside existing debt, rent, taxes, supplier bills, owner draws, and payroll. Test a slower month, a delayed customer payment, and a cost increase. A payment that works only when every invoice is paid on time is a warning sign.

Free small business calculators can make this check easier. A loan payment calculator can estimate payments from the amount, rate, and term. A cash-flow forecast or break-even calculator can help you explore how much revenue you need to cover operating costs and debt. QuickBooks offers business tools and calculators that may help with estimates and planning; check the current tool details and assumptions before relying on a result. Calculator outputs are estimates, not lender approvals.

Sanity-check the calculator with simple arithmetic. Suppose you borrow $30,000 and the estimated monthly payment is $1,000. That is about $12,000 in payments over a year, before considering other loan costs or changes to Click for source the payment schedule. Ask whether the business can generate and retain at least that much cash after ordinary expenses. If the offer requires weekly payments, convert them into a monthly cash-flow view so you do not underestimate the strain.

4. What does qualification depend on?

Qualification varies by lender and loan product. A lender may review time in business, revenue, bank activity, credit history, existing debt, collateral, and the purpose of the loan. Ask what standards apply before authorizing a hard credit inquiry or spending time on a full application.

- What minimum time in business and revenue do you require?
- Which personal and business credit records do you review?
- Will you check my credit with a soft inquiry or a hard inquiry?
- What documents should I prepare, and how recent must they be?
- Do you require collateral, a personal guarantee, or both?
- Could an existing loan, tax balance, or recent overdraft affect the decision?

Common documents include tax returns, profit-and-loss statements, balance sheets, bank statements, accounts-receivable details, and information about owners. Make sure your records tell a consistent story. Accounting software such as QuickBooks can help organize business income and expenses, but lenders may still request specific formats or supporting documents. Ask the lender what it accepts.

5. What personal risk am I taking on?

Read carefully for a personal guarantee, lien, or other security requirement. A personal guarantee may make an owner personally responsible for repayment if the business cannot pay. A lien can give the lender rights over specified business assets. Ask exactly which assets are involved, how long the lender's rights last, and what steps are required to release them after repayment.

Also ask what happens if the business is sold, changes ownership, or closes. Understand the consequences of default before you sign, not after your cash flow is already under pressure. If a provision is unclear, ask for a plain-English explanation and have an attorney review the agreement when appropriate.

6. If I'm borrowing to hire, what is the true cost of an employee?

Hiring is often more expensive than the hourly wage or annual salary. Before borrowing for a new role, build a complete first-year estimate. Include wages, employer payroll taxes, paid leave, benefits, workers' compensation, recruiting, equipment, software, training, and the manager time needed to support the employee. Costs and obligations vary by state and sometimes by city, so check the rules where the employee will work.

For an hourly employee, a quick starting point is:

Annual base wages = hourly rate × expected hours per week × paid weeks per year.

Then add employer costs. As a simple example, a 40-hour-per-week employee at $20 per hour earns about $41,600 in base wages over 52 paid weeks ($20 × 40 × 52). That is not the full cost. Employer payroll taxes, workers' compensation, benefits, paid time off, and other expenses can raise the total. The actual amount depends on your payroll setup, location, industry, and benefit choices.

Before you borrow, ask:

- How many weeks or months until this hire can contribute meaningful revenue?
- Can I afford the role during onboarding, when productivity may be lower?
- What happens if sales arrive later than expected?
- Have I included payroll taxes, insurance, and state or local requirements?

Payroll platforms such as Gusto provide payroll and hiring-related tools; available features and pricing can change, so check the current product details. A paycheck estimator can help you discuss an expected paycheck, but it does not calculate the employer's full cost of hiring.



7. Have I estimated paycheck and take-home pay correctly?

Gross pay is not the same as take-home pay. An employee's net paycheck depends on federal, state, and sometimes local income tax withholding, Social Security and Medicare taxes, benefit deductions, retirement contributions, and the employee's Form W-4 and other elections. State rules differ, and some localities impose additional taxes or paid-leave requirements.

Use a paycheck or take-home pay estimate to discuss what an employee might receive, not as a promise of an exact deposit. A Gusto paycheck calculator or another reputable estimator can be useful for a preliminary estimate, but check the inputs, tax year, work location, pay frequency, and deductions. Payroll software must use current information and the employee's actual elections to process payroll. If you are forecasting hiring costs for a loan application, keep employee net pay separate from the employer's total payroll expense.

8. What could turnover cost the business?

A hiring plan should account for the possibility that someone leaves. Turnover can mean recruiting and onboarding again, but it can also mean lost production, overtime for remaining staff, customer delays, and management time. The cost differs widely by role, so use your own assumptions rather than a generic industry claim.

Try this basic estimate:

1. Add recruiting costs, such as job ads, recruiter fees, and interview time.
2. Add separation and onboarding expenses, including administrative work, training, and equipment setup.
3. Estimate lost output during the vacancy and ramp-up period. Use expected gross profit or another defensible measure—not total sales alone.
4. Add temporary coverage, overtime, or service-recovery costs.
5. Multiply the result by the number of departures you think is plausible over the loan period.

For instance, if replacing one employee costs an estimated $4,000 in recruiting and training plus $3,000 in lost contribution during the transition, your working estimate is $7,000 per departure. That is a planning assumption,

not a universal turnover benchmark. Test a lower- and higher-cost scenario. If a loan only works when turnover is zero, the hiring plan may need a larger cash cushion.

9. What should I compare across offers?

Request written terms from more than one lender when practical. Compare the same borrowing amount and repayment period where possible. Put the offers side by side, including fees, payment timing, collateral, guarantees, and total repayment. A shorter term may mean less time in debt but larger payments; a longer term may ease payments while increasing total interest or fees.

Watch for pressure to sign immediately, unclear fee descriptions, verbal promises that do not appear in the agreement, or a payment schedule you cannot explain. Ask for time to review the final documents. Keep a running list of every fee and condition so the most prominent rate does not distract from the full cost.

10. Final questions before you apply

- What exact amount will reach my business account after fees?
- What is the total amount I will repay if I follow the schedule?
- Are the interest rates fixed or variable, and can payments change?
- What are the consequences of late payment, early repayment, or default?
- What personal guarantees, liens, or collateral are required?
- Can the business make payments in a conservative forecast, including payroll and existing debt?
- Have I included the true cost of hiring, take-home pay assumptions, and possible turnover?
- Do I understand every term in the final agreement?

A loan decision is stronger when it is based on the business's cash needs and repayment capacity—not just the amount a lender is willing to offer. Use calculators to test scenarios, organize reliable records, and verify payroll assumptions for each work location. Then compare the complete loan terms and make sure the plan still holds up in a less-than-perfect month.

This article is for general educational purposes, not legal, tax, or financial advice. Loan availability, qualification requirements, payroll obligations, and tax rules vary by lender and location.