

Getting Ready to Borrow

Whether it is the start-up or growth phase, sooner or later most businesses need to borrow money. While every loan process may be different, there are several things you can do to make the loan process easier. Most importantly, remember that loan officers are looking at many things, not just your financial record. There is an old adage – banks lend based on credit and repayment ability not just against collateral.

Consider the type of loan.

Have you investigated all the alternative types of capital sources?

Does the term of the loan you are seeking match up with the purpose for which it is being taken out?

Does the amount of the loan you are seeking match up with your projected cash flow?

Documentation you may need.

Tax returns – company and potentially personal tax returns.

Financial statements – last couple of years and year-to-date.

Cash flow history and projection.

Business plan.

Do you have an overall business plan and is it current?

Does it include important information like major customers, suppliers, and key employees?

Do you have a current marketing plan and are you following it?

Business practices.

Do you have a credit policy and is it enforced?

Does your accounting system adequately show the condition and results of the business?

What is your accounts payable policy? How current are your receivables? Do you take advantage of any discounts for prompt payment?

What type of insurance coverage do you have? Is there adequate insurance for liability and property damage?

Taxes.

Are all your tax filings current (payroll, property, income)?

Are your returns prepared by a qualified professional to help you ensure your tax benefits are maximized?

Summary

Applying for a loan can be a stressful experience. In many cases, the loan officer will not be familiar with your business or perhaps even your industry. The officer's job is to fully investigate you and your company and then make the approval decision or present

your loan to an approval group. Being prepared can help make the process easier, less stressful and hopefully improve your chances of getting your loan approved.