

GETTING A LOAN FOR YOUR BUSINESS

By Steven Huston, President and CEO, BANKWEST

Is your business growing, changing locations, anticipating ownership changes, or even management succession planning that could require a need for a loan?

Now could be a very good time to discuss loan options with your banker for several reasons:

- Banks have money to lend especially since loan demand has been lower in the past couple of years due to economic conditions;
- Interest rates are very low with the Prime Rate and other indexes predicted to stay low for the foreseeable future;
- Real Estate values have likely hit bottom following the recent recession, so cost per square foot of space, especially on existing space, is relatively low;
- Building your business capacity on the front part of a growing business cycle will enable you to take advantage of opportunities that your competitors may not be positioned for.

Here are some tips that will help you prepare for discussion with your banker:

Loan Proposal – prepare a written loan proposal with summary information supporting documentation related to the loan request, financial information based on your current performance as well as projections that include performance (assuming the new request is approved).

Legal Documents – provide copies of legal documents related to your business entity including Articles of Incorporation, Partnership Agreements, Tax ID information, Corporate Resolutions, etc., that show ownership percentages and who is authorized to perform various functions on behalf of the company.

Financial Information – complete and accurate financial information is essential. Depending on the size and complexity of your business, CPA or accountant prepared information will be helpful and may be required. Complete copies of income tax returns, aged accounts receivable and payables, inventory description and values will also be needed for most business loan requests.

Personal Financial Information – most small business lenders will require a personal guarantee from the owners of the business. If this is the case, you will need to provide a personal financial statement and tax returns. The lender will also normally run a credit report as a part of the approval process.

Collateral Information – any collateral that you plan to offer to secure the loan will need to be identified. Supporting information can be helpful and outside independent appraisals may be required to determine collateral values.

Working with an experienced lender that is willing to take the time to understand your business and your expectations in a banking relationship is imperative. Remember that is a partnership and for the partnership to work long term, both parties have to be transparent and understanding of the other's needs and expectations. Your personal character is the most important nonfinancial part of your loan transaction.