

Tips for Securing Small Business Financing

As a business coach for new entrepreneurs and micro businesses, discussions with my clients often focus on their challenges and frustration identifying and securing appropriate financing to support their business start-ups. According to my clients, the financial sector promotes how interested they are in assisting and working with small business; yet these same clients report back to me stories of unmet expectations and disappointment.

To find out what the real issues were, I decided to go out and interview several colleagues in the financial sector to get a better understanding of what their expectations of potential new clients are.

Individuals working in the financial sector reported that a good proportion of potential clients coming in to see them were just not prepared or had not done their "homework" before exploring sources of financing. New entrepreneurs, on the other hand, had the expectation of the financial sector that all they had to do was go in and see a banker and securing financing would be as easy as 1,2,3!

Based on my research, I have developed some useful suggestions for new entrepreneurs to "cover off" before approaching a lender for financing.

- **Check your personal and/or business credit history.** A credit history is one of the first pieces of information that a lender will review in their assessment process. It gives them a snapshot of your repayment history - the good and the bad. However, information on your credit history could be outdated or even wrong. It is your responsibility to correct the inaccuracies and discrepancies. The main thing to remember is to be aware of what is on your credit history and be willing to discuss openly and honestly, any "issues" related to your record, with a potential lender.
- **Complete a business plan.** Yes, many financial institutions will tell you all you have to do is fill out their forms and they will have a response to you in 24 hours. As a new entrepreneur, however, it is your job to sell yourself and your business to the lender. A factual, well-presented business plan will separate you from the rest of the crowd who are looking for funding. Your business plan will position you as a professional and an expert, who takes himself or herself, and your business, seriously.
- **Have a thorough, detailed and realistic understanding of your assets.** You will require this information so you can assess what you are willing to offer as security towards loans, lines of credit, or other financial services. Remember to discuss these issues with your spouse, partners or anyone else involved in your business.
- **Have a list of professional and personal references.** Yes, it sounds like you are putting together a resume, however you are an unknown entity to the lender. Provide them with as much information as possible to assist them in making a favorable decision. Remember to make sure your references know you are offering their names as a reference and also make sure they will give you a "positive" reference. Don't just assume they will.
- **Brush up on your financial terminology.** It is your responsibility to learn as much as you can before you approach the lender. Ask questions if you do not understand something presented to you. Every banking branch has literature available to you. Find literature with a glossary and review the terminology to familiarize yourself with commonly used phrases and words. When meeting with the lender, ask them to explain things clearly so you understand. Do not tolerate "jargon".

- **Have a clear understanding of your business**, your experience, your competitors, your market and your goals to discuss with potential funders. You should be able to discuss your business plans upside down, inside out and backwards. The written business plan you present is for the lenders' reference; but you also need to be able to answer most questions posed to you.

Many industry sectors change quickly because of new technologies, trends, and economics. Keep up with this information and supply copies of articles and statistics as addenda to your business plan. Again, you will position yourself as an informed expert in your field.

- **Know in advance how much money you require**, what it is for and when you anticipate repaying it. Lenders always want to know when they will get their money back and if your business has the capacity to pay it back. Make sure you have documentation to support your estimates, but also remember to be willing to negotiate.

Have a plan A, plan B and plan C. If you are not able to secure the amount of money you require, make sure you have an alternate plan to launch your business with less. That's where plans B and C come in.

- **Build a relationship with your banker.** Yes, I know lenders have created all kinds of tools so we do not have to visit their offices, however, a good rapport between you and your lender can take you a long way. This relationship will be the basis for open communication and dialogue so when times get tough (and they will), your lender will be on your side.

Relationships can be developed any number of ways. Make an appointment with the appropriate person in a lending institution before you actually need the financing. Go in and talk to them, tell them what you are doing, ask for suggestions, and keep them posted on your business progress. By the time you need your financing, you will already have a solid rapport with your banker and your chances of securing financing will have increased immensely.

- **Last but not least - Keep a positive attitude!** You may experience frustration and rejection in your quest for financing, however, surround yourself with people who support you and your business idea. Potential lenders are looking for winners, clients who believe in themselves and their chances of success.

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