



THE DEVIL IS IN THE DETAIL



While bank lending to small firms has dropped significantly, banks are insisting that they are still lending to small businesses and open for business. Obtaining funding nowadays is all down to the detail.

Going through a commercial bank for a business loan may still be the best way to obtain the funding required for a business but it is important to know what the process will require.

BUILDING UP A CREDIT SCORE

No matter what the purpose for funding is, a commercial bank will only consider a loan if the business has good credit, especially with little in the way of collateral. If the credit score is less than perfect, it will be necessary to improve it by making all payments on time, lowering the balances on all credit cards, and only opening new credit accounts when truly necessary. It may take time but will make the application process easier.

SHOP AROUND

It is important to shop around among commercial bank lenders to understand all the options and compare loan rates and terms. In a prosperous economy there is plenty of room to negotiate rates but even in a down market it is always advantageous to research all the offerings to ascertain the best possible deal.

COLLATE THE DOCUMENTATION

At the beginning of the application process, the bank will provide a list of required documents. Most of them are standard from lender to lender, so the loan application can be speeded up by collecting them ahead of time. These documents typically include recent bank statements, tax returns from the past two years or more, both personal and business and proof of other income sources.

PRESENTING THE PLAN

At the loan application meeting, it is necessary to present all the evidence with conviction which means having a concise business plan which includes the purpose of the loan, the estimated costs of the investment and any other relevant personal or business information. If applying specifically for a business loan it will be necessary to include:

- *a year-to-date business profit and loss account*
- *projections on future cash flow*
- *financial ratios and a proposed business budget.*

NEVER GIVE UP HOPE

Remember, It could take anywhere from two to six weeks before an approval or denial is received. However if the loan application is denied, do not give up hope, simply carry on repeating the process with other commercial lenders until the funding is finally approved.

FINANCIAL DYNAMICS



**For further help and advice
please telephone us on**

0121 321 1700