

**Looking for a Business Loan?
An “Insiders” Tip Sheet**

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Business financing is definitely a two-way street. Not only do business owners **need** bankers for financing; bankers **need** business people to borrow money – even in today’s economy. It all sounds simple until you factor in the problem that as many as 4 out of 5 young businesses fail – it is no wonder that good bankers are a bit cautious about “backing the wrong horse”.

As a business owner, your job is to help your banker understand that you are the “right horse” in the right race. Following are some basic steps that every business owner can take to greatly increase their odds of securing financing. **The first step is easy...Get to know your banker and help your banker get to know you and your business.** A good banker is eager to learn about you and your company. The more you can share with him or her, the better.

Second, before asking your Banker for financing, ask yourself the following questions:

- How much do you (actually) need?
- How (exactly) do you plan on using the funds?
- How long do you need to repay the loan?
- How will you repay the loan?

Once you have answered all of these questions, move on to step **three** – while it takes a bit more effort than the first two, it is worth the time. **Put your business plan on paper.** If you already have a written business plan, review it. A strong business plan should be well organized and include all of the following information: Your plan should include detailed projections on future financial performance, along with the assumptions used to identify these performance projections. It should describe your business in detail; your marketing strategy, your customers, and your competition as well as a detailed description of your product(s) and/or service(s). Lastly it should detail the ownership of the business and the management team.

Fourth, put together a well thought out financial package that includes:

- Details of past financial performance.
- A description of the loan(s) needed and its purpose.
- Your primary and secondary plan for repayment (including collateral).
- A well organized personal financial package (which should include copies of tax returns (and K1’s when appropriate) for the business and the owner(s), a personal financial statement of the owner(s) and a listing of all debt owed, payment amounts and balances, and collateral.)

Finally, if you have not already done so, prepare to provide your banker a "tour" of your business. When getting organized for your lender’s first tour of your business make a mental plan of the “walk through” start to finish, and as basic as it may sound, make sure to show your facility “in its best light” (clean and well organized). During the tour, make it a point to introduce your lender to other key people in your business.

The better prepared you are when requesting financing – the better your odds are of success. Unfortunately, even after taking all of the steps outlined above, it is possible that you may not succeed in obtaining the financing that you are after. If this is the case, sit down with your lender and discuss with them why they made the decision to decline. A good lender will be happy to review your financials with you in detail. He or she will work to explain what areas may need to be addressed so that you are able to secure the financing you desire.

Your Community Bankers want to lend to qualified borrowers and are eager to assist with the growth and success of local area businesses. Good Bankers not only have a fiduciary responsibility to lend in a prudent manner, qualifying the financing they provide – but a moral one as well. As dramatically demonstrated in recent months, assisting businesses (or individuals) with financing that they cannot afford, helps no one.

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