

## Preparing to Apply for a Business Loan

### **What do I need to do and what do I need to know before applying for a loan for my business?**

Before completing a loan application or setting up a time to meet with your business lender, it is important to have all financial information on your business organized and up to date. Be ready to tell your business's story. You need to be prepared to talk about where your business has been and where you want your business to go.

What are your goals for your business, both short term and long term? The lender is going to be a partner in your business, and as such, will want to have a very good understanding of your business and its goals.

The key is to be prepared to answer questions about your business and again, be sure your business's financial information is up to date and organized. How well organized you are when you meet with your lender goes a long way towards giving the lender a comfort as to your ability to know and manager your business.

It is also imperative for you to have a lender who is interested in learning about your business. You do not want a lender who is not engaged in learning about what you do, because by not learning, the lender is not prepared to help you meet your needs properly. It truly needs to be a partnership for the business to grow the way you and the lender want to see it grow.

### **What type of loan does my business need?**

Borrowing money for your business is not about just going to your lender and asking for a loan. This is part of being organized when you approach your lender, in that you know exactly what the need is for and why there is a need.

There are different types of business loans, each designed to meet a specific need. Most often business loans that are for more than 12 months are to assist in the purchase or refinance of equipment or vehicles for your business. These are long term or fixed assets, which mean they will most likely be used in your business for a long period, or more than 12 months.

Most often, business loans that are for less than 12 months are to assist in financing of short term assets in your business, most likely accounts receivable or inventory. Accounts receivable and inventory usually will be turned into cash within 12 months. Most often this type of short term business loan would be set up as a business line of credit.

It is important to match the life of the asset being financed to the length of the loan. You do not want to be paying on a loan for an asset that no longer has a useful life in your business. In other words, you don't want a loan for 10 years on a vehicle or piece of equipment that you will need to replace in 5 years. Your lender will assist you in setting up the proper loan structure to meet your needs, either with a longer term loan, which is a loan for over 12 months, or a short term loan that will mature within 12 months.