

10 Tips to Help You Negotiate a Business Loan

1. Long before you need money, even if you believe you will never need a loan, it's a good idea to build a solid relationship with your bank, or other potential sources of funding. Think about it -would you be more likely to lend money to someone you know, or a complete stranger?
2. First things first, write a realistic business plan or update your current one. Lenders like to know you have a good plan. Make it easy for the lender to say yes.
3. Pull together your financials; the key figures lenders want to see include an income statement, balance sheet and most importantly a cash flow spreadsheet. They want proof you will be able to pay them back.
4. Now you have your financial statements ready, make sure you understand them and be able to answer questions. These are your firm's management accounts -you need to be in control.
5. Think long and hard about why you want the money and what you will use it for. Lenders will ask, so be prepared. Bear in mind, it's a lot easier to get money for equipment and other capital assets than for staff, or operating costs, for instance.
6. Know exactly how much you need and what it will be spent on. Lenders want to see the money is going to be spent wisely on things that will improve your bottom line.
7. Consider this. Do you need long-term or short-term cash? Are you looking for a line-of-credit, or a loan which you will pay back at a set amount every month over several years?
8. Check your personal credit rating especially if you are a proprietorship. If it's not so good, be able to explain why when you meet a prospective lender. Get your own financial house in order, not just that of your business but personally too.
9. Ensure you have some skin (as in money or assets) in the game. No lender wants to take all the risk. Do you have any assets you could use as collateral? For instance, do you own a vehicle, equipment or unencumbered assets you can pledge towards the loan? Could you use these to make the lender feel more secure?
10. Finally, put yourself in your lender's shoes. They have a responsibility to their stakeholders to lend responsibly. Ask yourself, would you be prepared to risk betting your house on your business? If it was all your risk, would you lend the money to your business? Be honest.