

Tips for Getting Your Business Funded

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They say that the three worst fears of life are death, taxes and public speaking but most individuals that have ever had to go to a money lender and apply for a loan would admit that this experience rates right up there in fear factor. It probably is due to the fear of being turned down or rejected which is no fun. I would compare it to asking the pretty girl at your first junior high mixer for a dance. A terrifying experience, right? But anyone considering starting or creating a small business will in most cases eventually need financing along the way and that means sitting down with a lender and asking them for money. To overcome the fear of this event, I have always suggested six words to assist potential borrowers prior to requesting money from a lender, "Be prepared, be prepared, be prepared." By being prepared and having proper documentation, you will have many of the answers a lender will typically ask and demonstrate to them that you are knowledgeable and confidence in the need for funding and that the lender will be repaid.

Here are few suggestions for being prepared:

1. Develop a business plan. This is a good tool to organize your thoughts of who you are and what your goals are for success. A business plan and a marketing plan will outline your product or service, your experience, your need for funding, how you will use it and how you intend to generate money.
2. Provide current financial information. Financial statements and tax returns for your business and for you personally provides historical data and illustrate your current financial position.
3. Referral. It is helpful to have someone the lender is familiar with to provide a personal or business referral as an introduction tool.
4. Cover the 5 'Cs' of lending:
 - a. Collateral. What can be offered to support loan.

- b. Capital. How much cash do you have to operate the business.
- c. Conditions. What are the economic conditions that will affect the business.
- d. Credit/Character. How you have handled credit in the past generally demonstrates how you will in the future. With character, honesty and moral qualities are just as important.
- e. Cash Flow. This is one of the most important documents to provide a lender. A cash flow statement is a listing of the flows of cash into and out of the business or project. Generally a one to three year projection based upon details outlined in the business plan is the norm. This document illustrates how a term loan will be repaid.

Now you have done your homework and are prepared to meet the lender. When meeting with the lender, don't be afraid to ask how they make and who makes their credit decisions and how long it will take. Timing is important to you and your plans. Be honest and upfront with the lender, they do not like surprises. And finally, remember, everything is negotiable and you may need to be flexible.

Congratulations, you have now conquered that fear. Now you can get back to fearing death, taxes and public speaking.