



Requesting Business Finance

Most businesses require some sort of external finance at some time in their operations. When your business needs funding it is essential to plan your approach to potential lenders carefully:

- To give yourself the best chance of being successful
- So that you gain the funds under the best possible terms

A well prepared application that incorporates the information below is the key to a successful application for a loan.



	DONE?	COMMENT
STEP 1: IDENTIFY THE PURPOSE OF THE FINANCE AND THE APPROPRIATE TYPE OF FINANCIAL PRODUCT TO SUIT IT		
1.1 Determine which type of finance you require		<ul style="list-style-type: none"> ▪ Property finance ▪ Working capital finance ▪ Plant and equipment finance
1.2 Identify the most appropriate arrangement to suit the particular need		<p>Once you have determined the type of finance, it is then important to select the right type of loan to match. Generally speaking, short term finance should be used for managing short term assets (such as stock or debtors) and long term finance should be used for long term assets (such as property). Take advice if necessary on the most appropriate instrument for your need.</p> <p>a. Short term types:</p> <ul style="list-style-type: none"> ▪ Overdraft ▪ Short term commercial bills ▪ Bridging finance ▪ Letter of credit <p>b. Medium to long term types:</p> <ul style="list-style-type: none"> ▪ Commercial loan ▪ Long term commercial bills ▪ Commercial property loan ▪ Fully drawn advance ▪ Business development loan ▪ Debt factoring ▪ Home equity loan ▪ Lease finance ▪ Other?
STEP 2: LOCATE AND ASSESS PROVIDERS OF THE PRODUCT(S) YOU NEED		
2.1 Choose the lending source(s) you intend to approach		<p>Research the market to identify suppliers of funding and determine which offers the most competitive terms for your purposes. If possible list more than one source – you may need to try a number before getting someone to accept your proposal.</p> <p>Typical sources:</p>



		<ul style="list-style-type: none"> ▪ Banks ▪ Venture capital firms ▪ Business Angel investors ▪ Outside third parties – these can include suppliers
2.2 Determine which source offers the product on the best terms		<p>Main issues are (not all apply to all product types):</p> <ul style="list-style-type: none"> ▪ Repayment rates/period ▪ The amount of equity and control that will be relinquished to the third party ▪ Any changes to the business structure that will be required to obtain the finance ▪ How urgently the funds are required and how much time it will take to obtain approval for the loan and secure the funds
2.3 Investigate any tax consequences		Different loan instruments may have different tax consequences.
<p>STEP 3: DOCUMENT THE LOAN PROPOSAL</p> <p>Assemble all the information you need to prepare your proposal. As a guide it needs to contain the details of the loan, details of the borrower, and details about the business including how it is capable of repaying the loan. Write it up as a loan proposal.</p>		
3.1 Outline the loan requirements		<p>Include:</p> <ul style="list-style-type: none"> ▪ The amount you require ▪ The term of the loan you require ▪ The purpose(s) to which the funds will be put ▪ How the loan will be repaid ▪ What security you will offer the lender ▪ Statements of current valuation for the security you offer the lender ▪ Any loan facilities you require
3.2 Outline details of the borrower		<p>Include:</p> <ul style="list-style-type: none"> ▪ Name and description of the legal entity that will borrow the funds ▪ Details of the company's owners and management ▪ Details of the company's accounting firm and legal advisor ▪ The company's bank ▪ Details of any guarantors for the loan
3.3 Outline details of the business		<p>Include:</p> <ul style="list-style-type: none"> ▪ The industry ▪ The company's products/services ▪ Trading history of the business



		<ul style="list-style-type: none"> ▪ Office locations ▪ The market in which the business trades ▪ The company's position in the market ▪ The companies against which the business competes ▪ Lists of key suppliers and customers ▪ Current financial statements ▪ Any current borrowings or other finance facilities
3.4 Outline financial projections for the business		<p>Include:</p> <ul style="list-style-type: none"> ▪ A statement of projected income for at least the next three years ▪ A statement of projected cash flows for at least the next three years ▪ A projected balance sheet showing the loan in place
3.5 Outline the security offered		<p>Include:</p> <ul style="list-style-type: none"> ▪ Real estate ▪ Plant and equipment ▪ Other assets ▪ Details of any guarantees to be offered
3.6 Ensure everything is covered before approaching lenders		<p>At this stage decide if it would be worthwhile checking with your accountant and/or financial advisor to ensure your figures are accurate and all issues have been covered.</p>
STEP 4: MEET WITH PROSPECTIVE LENDERS		
4.1 Collate all the information gathered in the processes above into a professional looking proposal		
4.2 Work from a prepared final list of possible lenders and contact them for an interview		<p>Allow sufficient time before interview for prospective lender to fully assess your proposition.</p>
4.3 Deliver presentations convincingly		<ul style="list-style-type: none"> ▪ Be prepared to make a verbal summary of your proposal ▪ Be prepared to answer all questions accurately – don't guess about financials ▪ Remember to ask for a firm date by which the decision will be made ▪ Present yourself professionally