

# The YEBDC Small Business Information Column

by Sue Gingerich, Business Advisor

## "Approaching Lenders"

Most businesses at one time or another will need a loan or a line of credit for their business. Yet, because they do it so infrequently, many do not know the best way to approach a lender or know what they need to prepare for the lender to review.

The first thing any business should do, is call the lender they are preparing to approach and find out specifically what their lending criteria is. Different lenders may require different amounts of owner equity contribution. Finding this out ahead of time might save a business valuable time. There may be no point in approaching a lender if the owner does not have the required equity contribution. Shop around, as all lenders are not the same.

The second thing to do, is make the appointment with the lender well in advance of needing the funds. Most lenders cannot make a decision on loans quickly, it may take anywhere from two weeks to three months to actually obtain the required financing.

Next, do a thorough business plan, even if the business has been around for years. It should also include the following:

- An Executive Summary: A summary of the business, the product, the business's market, and the money needed to get started.
- The Management Team: Who will be operating this company and why they are the best people to run this company.
- The Product: A detailed section of what is being offered for sale, and especially what is unique about it.
- Marketing: Who is the customer? How will the product get to the customer, how will it be advertised, distributed etc.
- Finance: The most important section to most lenders. It should include:
  - Asset and liability statement
  - Projected income and expenses for 2-3 years
  - Projected monthly cash flows for 2-3 years
  - Loan amount request and what it will be used to purchase
  - What is being offered as security for the loan

A business should review their own financial projections like a lender would, this will help them to see whether or not the bank is likely to lend to them. There may be something a business could do to improve their financial picture before approaching a lender, to increase their odds of securing the financing they need. Most institutions are generally looking for; ability to make payments as they become due, (proven cash flow), security for the loan, and a viable business idea, (enough customers, buying enough of what is being offered for sale).

It is much easier to approach lenders and borrow if you speak the same language as the lender. So get to know your lender, understand what he or she is looking for. Remember, lenders are there to lend money, but like any business, they have to minimize risk and make smart investments. Is your business a good investment?

If you have a small business and have a question or problem that you think The YEBDC could help you with please call or write to: The Yellowhead East Business Development Corporation, Box 249, Sangudo, Alberta, T0E 2A0  
1-800-556-0328 or 1-780-785-2900, e mail: [yebdc@yebdc.ab.ca](mailto:yebdc@yebdc.ab.ca), or access our Website at:  
[www.yebdc.ab.ca](http://www.yebdc.ab.ca)

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