

*A quick synopsis to help small business owners as you prepare to apply for a loan.*

### **1) Get to know the bankers in your community.**



Not all banks specialize in business loans. Before requesting a loan, find out which financial institutions in your market make loans to firms like yours. Some specialize certain industries, others lend only to those in certain stages of the business cycle (no startups, for example). Work with bankers who understand your industry and find out how the current financial climate has affected credit availability in your community.

Seek a banker who can give financial advice that will help you survive and thrive in today's economy. Many times the advice a banker gives is far more important than the product or service they sell. Bankers who work with other businesses facing the same industry-related challenges are in a better position to provide helpful advice and financial products tailored to your needs.

### **2) Articulate your “value proposition” and your plan to reach target markets.**

If you can't clearly articulate why customers should do business with you and how you'll effectively compete in your chosen target market, the chances of getting a loan may decrease.

Develop a business plan that has three different scenarios: best case, most likely case, and worst case. Help your banker understand all three since you're asking for support through good times and bad. Also, be prepared to discuss in detail how you came to each assumption. Understanding the risks of operating in your industry is important, it is even more important to develop a plan to mitigate those risks.

### **3) Develop at least two ways to repay the loan.**

Bankers look for primary and secondary loan repayment sources. You are in the best position to determine possible repayment alternatives. Be sure to discuss these options with your banker before the loan is made. Secondary repayment resources could include the pledging of business or personal collateral as well as the addition of a loan guarantee by the firm's owners, suppliers, or customers.

The more certainty your banker has that the loan will be paid, the more likely that you may receive a favorable loan decision, and possibly a better interest rate. Smart business owners understand that it is wise to think about alternative repayment sources before their business gets into trouble.