

**Balance Sheet**

# Business borrowing is modern fact of life

By JOHN KANE  
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Almost every business needs to borrow money at some point in its existence. Debt, whether for startup, expansion, or simply carrying on daily operations, is a fact of life for the vast majority of companies.

However, simply needing a loan isn't the same thing as getting one, as many business owners have found out to their dismay. Although access to financing is more crucial than ever in today's business climate, it's not at all easy to get a business loan, even when the need is great and the purpose seems worthwhile.

Nevertheless, obtaining the money you require isn't an impossible task — if you approach it in the right way. What's necessary is a good measure of financing know-

how. To be successful in your search for funds, you need above all to be able to speak the language of your lender, and for this reason you should have a reasonable good knowledge of the lending market and loan requirements, as well as the presentation skills to prepare an application that will gain the lender's trust.

The following suggestions can go a long way towards making your quest for financing a successful one:

- **Match the lender to the loan:** Very often, the type of lender you approach for a loan will depend on the kind of loan you need, and what you want it for. If you need a long-term loan for plant expansion, for example your best bet is often the trust companies, who specialize in this type of financing. Short-term inventory loans, on the other hand, are more often handled by the chartered banks.

- **Choose your branch carefully:** Not all bank branches are created equal from a business borrower's viewpoint. Branch managers have a lot of discretion over the loans they approve, and the terms and conditions they set, and some are more likely to be helpful than others. Look for a senior person with a lot of experience in commercial lending, who has the knowledge to evaluate your company on its own merits. Where possible, do business at a specialized commercial branch. Get suggestions from your lawyer and accountant about which manager and branch is best for you.
- **Consider the lender's needs:** Lender's don't enjoy refusing loan applications, but they have no choice if they feel that the business in question presents an unacceptable risk. Thus, be prepared to show that you are a good risk, by presenting complete financial information, and being spe-

- **Be specific about what you want the loan for and why it will improve your business.**
- **Increase your equity:** If there's a single magic figure that lenders use in deciding whether or not to grant a business loan, it's the owner's equity. This figure, which represents the amount of money that the owner has invested in the business, is a strong indicator of the firm's profitability, flexibility, and growth potential. It's a good idea to increase your equity if at all possible before applying for a loan — liquidate some personal assets, perhaps, or ask a relative or friend to invest.
- **Pay attention to cash flow:** It's vital to demonstrate to the lender that your company can generate the cash it needs to handle the loan payments. Many seemingly successful businesses get into a lot of trouble because of cash problems. Lenders know this, and they usually want to see a

cash flow projection for the loan period (with payments included) to make sure you won't miss payments or default because of cash shortages.

- **Don't forget the government:** Private sector lenders are not the only source of business financing. Both the federal and provincial governments have a wide range of loan and grant programs that are of interest to many companies. Most of these programs have special procedures and requirements, so it's vital to research them thoroughly, well before you need the funds. But in any case, don't neglect this very substantial source of financial aid.

For a free copy of a brochure entitled Presenting Your Case for a Loan, which gives more information about business loans, lenders, and financing proposals, contact your local Thorne Riddell office, or write to the Balance Sheet, % this newspaper.



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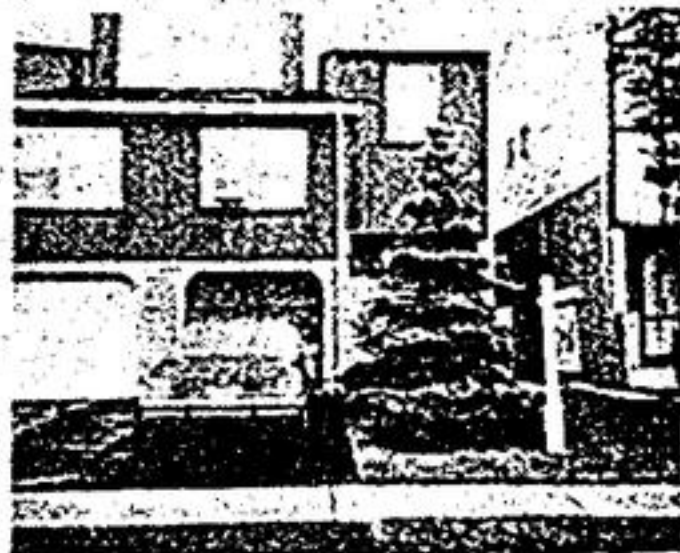
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