

BUSINESS FINANCING



Top Tips To Help You Land A Small Business Loan

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Forbes magazine reports that a whopping 543,000 small businesses are launched in the United States every 30 days. That is a staggering figure. Depending on the statistics you believe, somewhere between 50% and 80% of those businesses are going to fail between year 1 and year 5. Those are some sobering numbers to be sure. Regardless the type of business you are starting or the field you are trying to enter, a lack of funds is almost always cited as the number one cause for small business failure.

This means if you can land a small business loan, you may be able to keep your business from becoming a dire statistic. There are things you should do and things you definitely should not do to improve the odds that your loan is approved. Whether you are borrowing from the Small Business Administration (SBA) branch of the United States government, your uncle Bob, or a bank, keep the following best practices in mind to help you get the money you need to start your business.

Be Patient

The SBA processes tens of thousands of loan applications each year. If you are one of the fortunate few to make it past the first stage of SBA approval, congratulations. Your reward is 3 to 6 months before you find out if you are going to receive funding. The same is true for many other federal and local government loan processes, in the United States and other nations. Convincing a bank or a relative that your business is a safe risk can also take time. Impatience is not going to impress anyone when you are trying to borrow money.

Be Fickle

Don't just expect one or two of your loan applications to pay off. You should use a shotgun approach to applying for a loan rather than relying on one or two targets to get you the money you need. This is true whether you are submitting a loan proposal to a venture capitalist firm, an international bank, a local government review board, or a wealthy family member. The more lines you have in the water, the more fish you are going to catch.

Borrowing Money from a Friend or Family Member? Get a Third Party Involved

LoanKin, TrustLeaf, and ZimpleMoney are lifesavers if you are turning to a private party for a small business loan. Not everyone is good at keeping records. You may not be able to amortize loan payments properly. There are plenty of reasons to get an arbitrary third-party in between your private investor and yourself. For a little to no money up front and small monthly fees these and other companies will handle organizing and monitoring your loan.

Look at Rejection As One Step Closer to a "Yes"

Whenever you fail at something, there are learning opportunities there. You have no doubt heard the stories about famous authors who were rejected by dozens of publishing houses before their bestsellers were published. Albert Einstein was a successful serial inventor because he understood that every unsuccessful experiment moved him closer to a successful outcome.

There is a very good chance your first loan application will not be successful. This could be true for your first 5 or 10 attempts at securing a loan. Remind yourself that each loan that is not approved presents you with a learning opportunity. Ask the lender who refused your loan what

you can do to look more attractive to investors in the future. Make the changes needed, be patient, and you will eventually get the funding you're looking for.