



Overcome the Hurdles and Get the Business Loan You Deserve

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It's become a cliché, but if you are a business owner it is very much a reality — when you need a loan the most is when lenders seem the most unwilling to give one to you. In spite of the improving economy of the last year or so, even healthy Los Angeles and Southern California businesses still struggle to obtain credit. There are many factors that play into the reluctance of institutions to extend business credit, including the regulatory burdens of new laws like Dodd-Frank that have made underwriting requirements more stringent, as well as uncertainty about the long-term health of the economy. Many small to medium sized businesses have historically borrowed from community and regional banks, the ones most impacted by the downturn and new regulations from Washington.

If Cash is King, Credit is Queen

If a business's lifeblood is cash flow, often coming in the form of loan proceeds, the lack of available credit can ripple through the economy like the water rings of a stone dropped into a glassy smooth pond. Negative impacts can include:

- Postponed capital expenditures creating lost revenue for suppliers and service providers.
- Delayed growth, either organic or through acquisitions, causing lost or delayed revenue opportunities.
- Strained working capital leading to the inability to take advantage of seasonal opportunities or to introduce new products.

Taken together, these hurdles to successful business operations affect us all. Business owners delay hiring, depressed profits lead to lower income for company owners, and lost sales mean lower federal and state tax revenue. In short, the economy does not grow.

These post-financial meltdown challenges call for leadership that is adept at steering through the land mines of today's economy.

Help Your Lender Help You

To maximize the chances of getting a “yes” the next time you need a business loan, you as a business leader need to be skilled in several specialized areas:

Cash flow. Your lender wants to see a track record of meeting current expenses with current cash flow. Expense control, effective tax planning and maximizing profits are important components of strong cash flow.

Policies and procedures. Build credibility with your lender by demonstrating consistent adherence to internal controls. Limit liability by having a social media policy that covers both business and personal posts. Plan distributions and dividends in a way that keeps cash available for current needs and debt service.

Financial forecasting. The more detailed and forward-thinking your business plan is, the more credibility it will have with your lender. Perhaps most important, it will make his or her job easier if you prepare detailed projections supported by a thorough summary of assumptions that show how and when you will repay the loan.

Credit ratings. Most lenders require personal guarantees of company owners, so protecting both business and personal credit scores is critical. Systems need to be in place to make sure bills are paid in a timely manner.

You've Got to Shop Around

It's time and paperwork consuming, but being a business owner or leader in today's environment means you may have to approach multiple lenders, including non-bank lenders, to get the funds you need. The bank you've always borrowed from may be blocked by regulators from making new loans, or otherwise unable to compete for your business. The law of averages is still in effect, and in the world of finance it means the more lenders you approach the better will be your odds of approval. Earn the best deal by making lenders compete for your business.

Concluding Thoughts

Today's business climate is complex and full of distractions that can draw company leaders off course. Access to credit and capital is as important as ever, but your neighborhood banker faces many roadblocks, be it her or his bank's own financial struggles or complying with mounting regulatory pressure. Anything you can do to make your lender's job easier will improve your chances of getting a business loan approved.

Outsourcing has become a popular option for many small to medium size companies. They can deploy resources in a targeted manner for a specific period of time with no long-term commitment of hiring a full time employee. An outsourced CFO services provider may be just the solution you need to help you develop a plan to control expenses, maximize profits, and show your lender your company is here to stay.

About CFO Edge

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 800.276.1750 Ext 101.

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