

BUSINESS INSIGHTS

HOW TO GET A BANK LOAN

Essential Tips for Small Businesses



Explore the best practices for how to get a loan from your bank. Learn about business bank loan requirements and tips for finding the right lender.

When your business is ready to grow, securing funding can be the key to your success.

Choosing a bank over an online lender may allow you to access lower rates, higher loan amounts and better customer service. However, the application process can be challenging if you're not prepared.

Whether you need funds for expansion, equipment or working capital, understanding how to get a bank loan helps avoid unnecessary delays and complications. The following strategies can help streamline the application process and may improve your chances of getting a business loan from the bank.

How to Prepare for a Small Business Bank Loan: 10 Keys to Success

1. Get to know your banker

And keep them in the loop when it comes to your business successes and challenges.

2. Your local bank is the easiest place to look for credit early on.

Take out a small loan before you need it, just to establish credit. As your business grows, you may need to look outside your local bank for specialized lenders who understand the particulars of your business and have a wider credit box.

3. Be very leery of getting short-term, high-interest, quick credit or hard money loans.

Banks don't look favorably on these loans and don't want to lend money to a business to pay off operating losses. If you are losing

money, more debt is very rarely the answer. Instead, look for ways to fix what's going wrong with your business operations.

4. DO sweat the small stuff.

Don't leave important details to chance. If something is confusing or unclear in your application, the bank will assume the worst. Your job is to make it easy for the bank to say, "Yes!"

5. Never underestimate the power of self-confidence, preparation and passion.

When combined with a clear and well-thought-out business plan, these traits can help you get approved.

6. A business plan doesn't have to be fancy.

But it should address what you intend to do with the money, why taking out a loan makes economic and strategic sense for your business, and how you plan to pay it back.

If you are an established business, the plan may be limited to a projection and cash flow analysis showing the tangible benefits of taking out the loan. If you're a startup, meeting business bank loan requirements can be a challenge. In this case, you'll need a clear, detailed business plan.

7. Keep your business books and financial reports clean and up to date.

Present your business in the best possible light! The more money you want, the more sophisticated your records and financials need to be.

- Use a bookkeeper or quality software to maintain accurate financials and generate reports. At a minimum, make sure you have a balance sheet, P&L, cash flow and accounts receivable/payable.

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ESSENTIAL TIPS FOR SMALL BUSINESSES

- Tax returns should be filed and available for the banker to review. You should also have your current period internal financials prepared.
- Corporate documents should be professional and up to date.
- If you have investors, clearly outline the agreements and ownership arrangement.
- Prepare your landlord leases, equipment leases, purchase agreements, customer contracts and other pertinent items associated with your business.
- Flag one-time unusual expenses so they can be removed from your recurring operating expenses
- Keep personal and business funds separate. While it's better to have a credit card in your business name, it's okay to use a personal credit card for your business. Just be sure you only use that card for business expenses. Keep receipts and careful records of personal funds used for the business. This is the only way to get reimbursed for them when you get a loan.

8. Pay your bills on time (especially taxes), and collect your accounts receivable on time.

Banks want a borrower to demonstrate that the business is well run. If you won't — or can't — collect money customers owe you, you may have trouble getting a business loan from the bank.

9. Keep your personal financials in order and up to date.

Pay your bills on time and keep up with your credit score. Your FICO Score is a huge predictor of repayment and significantly influences the bank's lending decision. Review it for accuracy and correct any errors.

10. Banks will find the information you think you can hide from them.

They will check your background, so it's better to proactively bring up any skeletons in the closet and fix any that you can.

Potential red flags include:

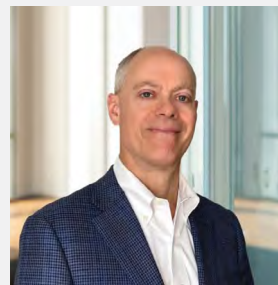
- Late payments
- Outstanding taxes owed
- Unexplained lawsuits
- Litigation and judgments
- High personal spending on cars, boats or houses
- Recent bankruptcy (within the past seven years)
- Foreclosures or short sales
- Lawsuits, judgments and litigation

Your Business Loan Partners

Learning how to qualify for a bank loan before you start the process can help you set yourself up for approval. You'll also want to choose a lending partner with the expertise to offer the support your small business needs, whether it is a conventional loan or an SBA loan.

At Banc of California, we understand that a simplified path to funding is key to your business growth. We offer a range of business loans and lending programs. As an SBA Preferred Lender, we can make business loan decisions quickly. Explore our [small business lending services](#) today.

About the Author



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George Harrop is the managing director of Banc of California Small Business Lending. The small business lending team at Banc of California has originated over \$6 billion of small business loans. Lending capabilities include: 1) loans ranging in size from \$500K to \$8 million; 2) SBA 7(a), 504 and conventional loans anywhere in the U.S.; 3) higher loan to value than traditional loan products; and 4) lending to dozens of industries, including franchises, physicians, veterinarians, pet boarding and grooming facilities, professional offices, insurance agencies and many more. We are a designated SBA Preferred Lender.

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