

Business Credit — How to Get It

A 'Snapshot' That's in Focus and a Solid Business Plan Are Some of the Keys

By GARY BRETON, Esq.

What, if anything, can a business owner do to position his or her company to obtain the credit availability that it needs to both operate and, in many instances, survive in today's ever-changing and volatile economy?

There are several critical factors that providers of business credit view as vital when considering a company's request for credit, which may involve many different types of credit facilities, such as a working capital line of credit, a fixed asset/equipment non-revolving line of credit, a term loan, or a mortgage loan. Paying close attention to these factors can enhance and, in many cases, provide the key to your company's obtaining the necessary credit availability that you are looking to gain.

The first factor is what many lenders call the 'snapshot' of the company at a specific point in time. This is usually comprised of a company's most recent financial statements and consist, at a minimum, of a balance sheet and a profit-and-loss statement. These financial reports provide a prospective lender with a detailed and comprehensive picture of your company's current business operations and profitability, as well as a reasonable indicator of future growth. It is an effective tool in your company's pursuit of credit. Depending on the lender, an in-depth interview may be conducted with the owner(s) or senior management to allow the lender to become more intimately familiar with both the company's

operations and its decision makers.

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anticipated income and financial needs of the company. Supplying a copy of this plan to your prospective lender will provide a solid indication to the lender that your company possesses smart management, which is generally given substantial weight in any credit decision. It is important to remember that you are asking a prospective lender to effectively become a partner with your company, and knowing that your company has had the foresight to require such a business plan will go a long way toward creating a level of comfort on the part of the lender.

It is also important to consider self-promotion. Clearly demonstrating to a prospective credit provider that your company has

established a proven track record is paramount, and providing a prospective lender with insight into what is transpiring in your particular industry can add credibility to your request for an extension of credit.

Furthermore, something that is often times given a substantial amount of weight in the quest to

ease of liquidation, if required, are all considered in not only whether a particular request for credit will be approved, but also whether the terms of the credit facility are more or less favorable to your company.

One final suggestion: ask for it. Many times business owners are reluctant to initiate a request for credit based on what they perceive are insurmountable obstacles to obtaining a favorable response, when in fact many such perceived obstacles may be able to be satisfactorily addressed and overcome by working in concert with a sophisticated lender who can bring both creative and fiscally responsible alternatives to the table.

Consequently, when your company is seeking business credit, it only makes sense for you to review and consider your company's strengths and weaknesses in the context of each of the foregoing areas. Doing so will provide your company with a solid basis for obtaining the necessary credit facilities you need to operate and grow your company.v

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