

# Securing A Business Loan

How To Obtain Business Finance Without Using Your Home Equity



Australian business owners understand all too well the time-honoured adage of 'It takes money to make money'.

These moneys may be expended in a variety of means from purchasing a competitor's business, investment in new products or inventory, research and development, to other growth opportunities.

However, most businesses don't have a war chest of cash set aside to fund these endeavours, so a loan is required. While securing a loan using the equity in a home may seem the most obvious and easiest option, it is not always a preference for business owners.

That's where unsecured business loans come in.

In Australia, lenders have over \$40 billion worth of business loans and advances on the books, but for many, obtaining approval for a business loan can seem like a daunting task. However, with consideration and preparation, you can secure funding for your business goals.

## Quality application

In some ways, taking out a business loan is a competition where you are up against other businesses looking for funding. A well-considered application will improve your chances of approval by showing your business has value and potential.

## Core requirements

Most business loans have strict eligibility criteria. Check you meet all the requirements before applying to avoid wasting time and resources on a loan that will not be approved and also to avoid multiple enquiries on your business credit report.

## Have a plan

Your application needs to show the lender that the money they loan you will help your company become more profitable. In applying for your loan, you will need to include a detailed business plan with cash flow projections and spending intentions. Before submitting your business plan, have it checked by your financial adviser to ensure it is viable and viewed as sustainable by the lender.

## Know how much you need

The amount you borrow will determine your risk to the lender and capacity to repay the loan. Larger loans carry greater risks and are therefore more difficult to have approved. Ensure the amount you wish to borrow is manageable for your business.

## Detailed documents

Ensure all the financial information the lender requires is well documented. In addition to this, ensure all your company's records are accurate, up to date and well kept. Not only will this help you meet the application requirements, it will show the lender good business practices, thereby increasing their confidence in your ability as a responsible business owner.

## Maintain good company credit

Good credit is essential for obtaining finance, especially in business. Defaulting on loans, having outstanding debt and lacking consistent income and payments will work against you when applying for a business loan. Applying for a loan with any of these issues will seriously impact your chances, so it is best to address them before applying.



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## Tax arrangement tolls

While entering into an arrangement with the Australian Tax Office (ATO) may seem like a good short-term solution to your business's tax debt, many businesses are unaware that such payment arrangements with the ATO or other government agencies can affect their current and future financing arrangements. Simply put, a lender may not lend to a business currently in a payment arrangement. Before entering into any payment arrangement with the ATO, you should discuss it with current or future lenders or your financial adviser.

## Seek help

A business loan can be a make or break for your business. Gaining approval and avoiding multiple applications is important for the future of your business, so do not try to 'wing it'. Seek quality, professional advice from your broker or financial adviser before applying for any business loan.



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