

THE RIGHT WAY TO APPLY FOR A BUSINESS LOAN

If you don't already have a business loan, you've probably considered applying for one. Here we'll take a look at the best way to prepare a loan application, to give your small business the best chance of gaining a foothold on the ladder to success.

START PLANNING EARLY

Like personal loans, business loans offer the ability to choose from:

- Fixed interest rates – these have the same repayments for the entire term of the loan. They're great for businesses that need to know the exact amount of each month's repayment.
- Floating interest rates – these enable you to pay off lump sums at any period during the loan term, or change the repayment amount from month to month. They're a better option for businesses that are hoping to pay a loan off quickly but unable to make higher repayments over the long term.
- Remember, business loans usually require some form of security and even if you hold a commercial property, a business owner's residential property may be used as security.

REVIEW YOUR CREDIT RATING

Banks will take a look at your company's credit rating and review your personal credit history if your business is a start up, or less than three years old. This means that any unpaid credit card bills or missed mortgage payments can have a detrimental effect on your application.

Your credit details are held by three main reporters in New Zealand, namely:

- Veda Advantage
- Dunn and Bradstreet
- Centrix

Consider checking your personal and business credit reports from each of these reporters. If you find any discrepancies, it's within your rights to dispute these errors and the Citizens Advice Bureau have a great section explaining this process in full.

PREPARE YOUR BUSINESS PLAN

A good business plan takes time to develop and is an essential part of your application. Until you have your business plan prepared, whether it's for a start up or a growing business, you'll have no real idea of the capital needed to move ahead with your plans.

A great guide is available from New Zealand Trade and Enterprise (NZTE) that clearly outlines exactly what is expected from a business plan and how to go about developing your own.

DETERMINE WHAT FUNDS YOU NEED

Once your business plan is in place you'll have a clear indication of the amount of money you'll need to borrow. Your business plan and presentation will outline your goals for future growth but you'll also need to explain how you're planning to spend each dollar you borrow. Most importantly, you'll need to detail how you plan to make repayments.

If you're investing in new equipment such as company vehicles, it's a good idea to have the exact figures on the purchasing and running costs of each vehicle. You might also want to explain why a particular vehicle is a good fit for your small business. Reliability, size, and value for money are some of the reasons you could list.

Ensure your plans for repayment are reasonable and that you're not over-stretching your budget. Making an application for an outrageously large amount of money will most likely see your business labelled as a time waster.

Plan your presentation

First impressions count – when you meet your loan officer for the first time to present your business plan, there are a few things you can do to make that meeting run smoothly.

- Present your loan officer with a professional presentation package that includes financial projections, previous statements, and an executive summary outlining your business objectives and how the loan can help you achieve those goals.
- Try to predict any possible questions your loan officer may have and prepare your answers. Your calm and confident demeanour will instill a feeling of mutual trust.
- You need to sell your business idea to your loan officer. Show them how confident you are about the future growth and prospects of your business.

RESEARCH YOUR BORROWING OPTIONS

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If you have any questions, please call 0800 CHAMBER (0800 242 623).

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