
5 Essential Steps To Obtaining Business Funding

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Credit Entourage, LLC

844-867-2709

www.creditentourage.com

Over 95% of businesses fail within their first 5 years in business. Surveys have shown the main reason for their failure is a lack of capital to help sustain and grow the business. Many of those businesses were producing good revenue. But the revenue wasn't enough to keep the business running, help the business grow, and to leave enough money for the business owner to be paid.

If you have ever tried to secure money at a bank you already know how hard it can be to be approved. If you ask most business owners you meet you will find that only a very small percentage has even been successful with obtaining conventional bank funding for their business.

Most conventional lenders offer only SBA financing. This means to be approved you must work with the lender and SBA to secure money. To be approved you would need to supply business and personal financials, tax returns for the last 3 years, evidence of all collateral and assets the business owns, a resume for you and all other business owners, a business plan, personal and business bank statements for the last year, and much more.

Most businesses can't supply these documents, or there is an issue with one or more of the documents preventing approval. Once the business owner is turned down at their main bank studies have shown that they rarely look anywhere else for funding. The business owner isn't lazy, they just don't know where to look, outside of their bank, for money for their business.

Don't be one of the 95% of businesses that end in financial ruin. There are 5 essential steps you can take for your business to ensure you will be approved for money for your business and be a business success story, not an epic failure. Take a look at these 5 essential steps to obtaining business funding.

Essential Step 5 - Insure Your Business Has a Credible Foundation

One of the most important things you can do to insure you are approved for money for your business is to insure your business is set up credibly. There is a secret set of requirements that all lenders have to determine your approval. Although lenders don't want you to know about these secret requirements, they are there and insuring you meet them will be crucial to insuring your business can be approved for business credit and funding.

Firstly insure your business name and EIN number is correct on all your licensing, tax documents, bills, and other pertinent documents. If this information is even a little off, you can be denied. Also insure you have all the proper state, county, city, and Federal licensing required for your profession. If you are a contractor for example, but don't have your contractor's license, you won't be approved. You must be properly licensed to be approved for money for your business.

Your business will need a website and a professional email address. You won't be approved for funding if you don't list a website on your application. You also won't be approved with an email like partydude@yahoo.com, instead you must have a professional email

address like info@yourcompany.com. Having a professional email address and website goes a long way to establishing your business credibility and is crucial to you being approved for business funding.

Your business also needs a toll-free phone number and fax number for a lender to approve you. And your main office phone number must be listed with 411 to be approved. Checking to insure your number is listed in 411 is one of the most common steps a lender will take to determine your approval. If you don't have a toll free number, fax number, or if your number isn't listed in 411, you won't be approved.

Your business will need to be a real physical location to be approved. Most lenders won't approve your business for funding if they see that you work from home. If you don't have a physical office now you can investigate companies who offer you a "virtual address". This is an address you can rent from them and get your mail at. You can also use this address for your loan applications. You don't really have an office there, but you can have the perception that your office is in a big physical office, even when it really isn't. On business funding applications you must list a real, physical, business address to be approved.

Insure your business is setup credibly to stand the best chance of being approved for funding.

Essential Step 4 - Know What Lenders Want

It is much easier to get approved for funding for your business if you know exactly what the lender is looking for before you apply. When you know this, you can insure you meet the requirements before you even apply helping insure a greater chance of being approved.

Lenders are typically looking at 5 main points of your business to determine your approval. These 5 points are commonly known in the lending industry as the 5 "C"s of lending. Some sources can approve you for funding if you have only one of these C's while most conventional lenders will want to see all five are present in your business before approving you.

The first "C" is cash-flow. Lenders want to lend money to a business that has already proven it can succeed. If your business has regular money coming in, or cash-flow, you have one of the main components lenders want to see to approve you. This will be tracked based on your bank statements, so when a lender requests your bank statements now you know precisely what they are looking for.

The second "C" is collateral. Lenders truly want to see your business has collateral equal to or more than the money you are asking to borrow. Your business can have many types of collateral including equipment, credit card sales, inventory, account receivables, purchase orders, commercial real estate, or other types of collateral that a lender will find acceptable.

The third “C” lenders are looking for to determine your approval is good personal Credit. Lenders will review your personal credit in many cases to determine your approval. They are looking at your credit profile itself to see if you have paid your bills as agreed and to insure that you don’t have any large outstanding debts outstanding where a lawsuit might be filed against you.

If you do have credit issues they review your credit to see how bad and how recent those issues are. Many lenders will still approve you if you had credit issues in the past, as long as they were not within the last 12-24 months. Many lenders will approve you if you have collections, but not when they are recent collections, or tax liens, or judgments.

The fourth “C” is business Credit. Lenders will check with the business credit reporting agencies to see what information they have on you. They would like to see that you have good business credit scores and profiles built that show paid-as-agreed tradelines. Right now the business credit reporting agencies might have information on you that you don’t even know about. So review your reports with Dun & Bradstreet, Experian, and Equifax so you know what lenders will see.

The fifth “C” is a co-signer, or commonly called a personal guarantor. If your business or personal credit isn’t strong enough, some lenders will want to see another signer. This personal will be liable for the debt in many cases, so they will be personal guaranteeing it. If the loan defaults, that person who is the personal guarantor will be liable and pursued for that debt. Having access to a good personal guarantor goes a long way to helping you

make up for a lack of business credit or having challenged personal credit now.

Some lenders will want to see that you have some of these 5 “C”s of Lending. Many conventional banks will actually see that you have 4-5. Work on building your 5 “C”s so you stand the best chance of being approved.

Essential Step 3 - Establishing a Good Bank Rating

Most business owners never know that their business has its own bank credit. This credit is how banks rate your business. This rating will determine how much money the business is approved for when applying for credit and loans. To be approved for financing your business will typically need a bank rating of “low 5” or better.

This rating is the average minimum balance maintained in the business bank account over a three (3) month period. A \$10,000 balance will rate as “Low 5”, \$5,000 rates as “Mid 4”, \$999 rates as “High 3”, and so on. The main goal should be to maintain a minimum “Low 5” bank rating (\$10,000) for at least 3 months. Unfortunately, without at least a “low 5” rating, most banks will assume the business has little ability to repay a loan or a line of credit.

To get the best rating you will need to insure you don’t have regular or common NSF’s on your bank account, and try to keep your bank balance as high as possible over a 3 month time period. Banks really want to see that you have an average daily account balance of \$10,000 or higher over the last 3 months.

Keeping an average balance of \$10,000 or higher is really crucial to securing the highest bank rating. So keep as much funds in your account as possible to increase your chances of obtaining bank financing approval.

It is also very important that a business show a positive cash flow. The cash coming in and going out of a company's bank account should reflect a positive free cash flow. Positive free cash flow is the amount of revenue left over after the company has paid all its expenses. When the account shows a positive cash flow it indicates that the business is generating more revenue than is used to run the company. It's important to also recognize that banks are motivated to lend to a business that has consistent deposits.

A business owner must also make regular deposits to maintain a positive bank rating. Consistent deposits coming into the business bank account are looked upon very favorably. So it is vital that a business owner make a lot of consistent deposits, more than the withdrawals they are making.

Bank credit is not only based on monthly deposits, balance rating, and check history, but also includes the age of the account, the bank products the business uses, and any savings account or investments the business has.

A seasoned bank account shows stability and longevity in the eyes of lenders. Keeping a healthy and long standing relationship with a bank is also crucial for all companies. A good, stable, relationship with a bank that reflect longevity will be highly appreciated by lenders considering lending that business money.

Work on building the best bank rating to radically increase your chances of being approved.

Essential Step 2 - Build your Business Credit to Secure More Money

Lenders will review your business credit to determine approval. If you have a strong business credit profile and score you stand a much better chance of being approved. If you have no to little business credit, you might not be approved or might be approved for only smaller amounts.

You want to insure you focus on building a business credit profile and score for your business. This will help you get approved, and help you get approved for even more money. With business credit built you can have double the borrowing power as you can obtain credit personally, and for your business.

Plus you can easily build a solid business credit profile and score within only a year. And once built you can qualify for \$100,000 or more in credit with no liability.

Start by visiting Equifax, Experian, and Dun & Bradstreet to get copies of your business credit report. Next search out 5 "vendors" who will give you credit and report to the business credit reporting agencies. Once you use those accounts, pay them as agreed, and they are reported, you will then have a good business credit profile and score built and can start being approved for larger amounts of credit.

Get started on building your business credit today so you can be on your way to over \$100,000 in credit and funding into next year.

Essential Step 1 - Obtain Money Based on Your Business Strengths

When you apply at a conventional lender they want to review everything. They look at your business P&L statement, balance sheet, tax returns, business and personal financials, business and personal credit, revenue, collateral, and on, and on, and on. It's hard to believe anyone gets approved considering they scrutinize so much information.

What most business owners don't know is that you can secure money for your business based on the strengths of your business, without having all these items reviewed.

Every business has its strength, and weaknesses. When a lender requires all this extensive documentation, they typically will find the businesses weakness. Once they find the weakness they then use it as an excuse to deny the application, and not lend the business owner the much needed funding.

But when a lender only looks at the businesses strengths, then it has the best chance of being approved for the most amount of money.

Some businesses have collateral as their strengths including purchase orders, account receivables, credit card sales, equipment, inventory, commercial real estate, cash flow, or other business assets. Some business owners have 401ks, IRAs, or other securities they can use as their strength to secure funding.

Most types of legitimate business collateral can qualify a business for money. And this money can be secured more quickly than conventional financing, with less headaches, and a much greater chance of approval. Plus most of this type of financing is okay with you having no business credit built and challenged personal credit.

Work with a company who can offer you multitudes of financing options. And insure those options include collateral and asset based lending that lends you money based on your business strengths so you stand the best chance of being approved.



Always remember what lenders want to you can structure your business for approval.

Make sure you establish a good bank rating by managing your bank account responsibly. Spend some time building your business credit so you can double your borrowing power. And work with a financial company who can offer you multiple funding options that lend you money based on your business strengths so you stand the best chance of approval.

You can secure money for your business. Follow the 5 essential steps listed in this free report to be fast on your way to being approved.