

Business Financing Network

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What a Lender Looks for When Considering Loan Applications

By Alan Kenyon

What does a lender look for when he is considering a loan request? There are several key items lenders want to see in borrowers and/or businesses seeking financing:

- Good credit or a reasonable explanation for damaged credit.
- Borrower assets--positive net worth.
- The borrowers experience in operating a business or related industry experience, or a track record for existing companies seeking financing.
- Collateral for the loan. The collateral likely will be calculated at a distress or liquidation value. Lenders do not want—or have experience—in disposing of restaurant equipment, forklifts, and other types of assets that might be pledged as collateral. They do not want to find themselves owning a borrower's home on a loan that has turned out poorly.
- Cash flow--historical and projected. Cash flow must be enough to cover the overhead expenses and make the proposed loan payment each month.
- Location and type of business. The business venture or company must be in the bank's footprint and comfort zone? Borrowing and lending criteria varies between different institutions.

It is important to remember that not all lenders are the same. Lender qualities may include a preference towards full collateral coverage, or perhaps the lender will place more emphasis on the company's cash flow.

Almost all lenders, however, look for one thing: a confident borrower—either an individual who knows the business he is opening is going to be successful because he has experience in the industry, has previously owned a business, or has a strong franchisor as a partner, or an existing company that can demonstrate a proven track record of previous success.

If you would like to learn more about lenders and their requirements or need some coaching on what to say and not to say to a lender, feel free to give Business Financing Network a call. We likely can help you get the capital you need for your business venture.