

5 Things to Do If You're Thinking About a Business Loan

By Gleba & Associates

You may have seen the occasional business loan ad, often hanging up at the top of an online article that you're reading, promising you a loan of up to \$150,000, or some other pie in the sky number. If you're starting a business or already have a company, especially if it's new, you may well wonder if you should take out a loan. Whether you decide to take out a loan or not, there are a number of steps you should take first.

Shop around.

You know the old adage "don't buy the first house you see?" The same is true for a loan. Maybe it is a great deal, maybe it's not. The only way to know for sure is to shop around.

"Business loans aren't black and white and different situations will have different options," says Eyal Lifshitz, the founder and CEO of BlueVine, a lending company based out of Redwood City, California.

As with all loans, business loans can have wrinkles you may not expect, like hidden fees.

"In addition to upfront fees, it isn't uncommon for lenders to add on fees down the road depending on how quickly you pay your loan back. You don't want to get caught with unexpected fees that could break your business," Lifshitz says.

He also points out that instead of a loan, you might want to get something like a business line of credit.

If you think you may need a loan someday, apply for it now.

"I learned about loans the hard way," says Dylan Gallagher, owner of Orange Sky Adventures in San Francisco.

"I made the mistake of asking for a loan once my original investment was gone. And because the company was so new, only one year of tax returns was not enough for the banks. I tried to go for a personal loan and was rejected, too. My income was too low because I was self-employed."

The moral of the story is to ask for a loan *before* you need it.

That might sound crazy at first, or misguided. After all, if a bank isn't going to give you a loan a year into owning and running a company, why would they *before* you start a business? Indeed, a bank may not, but you may hit that sweet spot where a lender believes in your business model and that it can be a success. If you're open for business, but the business is already struggling, that can be a harder sell for a lender.

You'll need a business plan.

Virtually every traditional lender will want to see that you have a comprehensive plan to make money.

It's also the reason why you ideally ask for a loan *before* you need it and not when your business is struggling. Lenders like seeing a business plan that shows how a company will make money, and how a loan can help the company make even *more* money. If your business is struggling, fair or not, it suggests to the lender that your business plan isn't so hot.

Read the fine print.

That's a good idea for anything in life, but especially when it comes to signing for a loan. Whether it's for your business or your own personal needs, make sure you read the fine print.. You want to make sure you know what you're getting into and not make assumptions that turn out to be way off base.

For instance, it may surprise you to learn that "lenders are not required to provide APRs on business loans. Sometimes the way the cost of financing is presented can be confusing, or even misleading," says Gerri Detweiler, Education Director at Nav.com, a website that helps business owners manage their business credit and get access to funding.

Detweiler also points out that you should see if you can get the business loan in the name of the business, instead of your own.

"This can help protect your personal credit from the activities of your business," she says.

Seek out one-on-one advice.

An article like this can hopefully help prepare you to get a business loan, but talking to a live human being who can answer questions can obviously help even more.

Andrea Roebker, is a regional communications director for the U.S. Small Business Administration, and she suggests heading to the website, Sba.gov, and eventually a local SBA office (which you can find through the website), where you can get free advice and be directed to a mentor. If nothing else, you can get advice on how to get an SBA loan, Roebker says.

That said, Roebker points out that the SBA doesn't actually lend money for SBA loans. Banks do.

"SBA guarantees that these loans will be repaid, which eliminates some of the risk to the lending partners and the loan terms are more favorable for the business owner," she says.

This is the type of information you might miss if you don't talk to a professional who can guide you through the lending process, whether someone at the SBA, your bank or a financial advisor. In any case, being a business owner can be tough going, especially when you need more money, and there are resources out there that can help guide you through the lending process. So why not use those resources?

You may need a loan, but there's no need to be **alone**.