

Applying to the bank for a business loan

Each financial institution has its own criteria for assessing a loan application. Although their final decision will be based on their assessment of your written financial documents and business plan, your personal presentation of the following aspects is critical to your success.

Your **C**haracter:

The bank manager will consider your past employment or business record, your knowledge, expertise, motivation, skills and abilities. They will assess whether you have the potential to achieve what you are proposing to do in the business.

Your **C**ash flow forecast:

The bank manager will examine the financial performance of the business to date, and ask for a cash flow forecast for the next 12 months, or sometimes the next 2 years. The cash flow forecast shows the cash "*ins*" and "*outs*" of the business and should be realistic. It must show that sufficient funds will be generated to cover business costs, salaries and drawings, plus loan payments.

Your **C**ollateral:

The bank manager will ask for security or collateral against any potential loss the bank may incur. Security is usually property or other negotiable asset.

For assistance with preparing an application for a bank loan, contact the SBDC on Tel: (08) 9220 0234, and book into their workshop *Applying for finance*.