



## **HOW TO START A BUSINESS STEP 5 SECURE YOUR FINANCING**

The way entrepreneurs secure capital (cash flow) has changed dramatically over the last 10 years. The use of instant online loans, peer-to-peer financing as well as the emergency of other options, has changed the way small business hopefuls and entrepreneurs seek and secure money. Traditional bank financing and commercial bank lending remains a strong and viable option for most start-up and growing businesses in Sand Springs.

According to the Small Business Administration, there are some things you can do to help increase your chances to securing small business capital.

### **1. Borrowers must become credit worthy**

Borrowers should deal with negative financial issues, including poor or inaccurate credit reports, and must resolve all business and personal tax issues. A negative credit report and/or credit score can be a “deal buster” for many lenders. Back taxes, liens, garnishments, multiple bounced checks all show increased risk for a lender. Borrowers should deal with recent bankruptcies by providing an explanation of why it occurred. Address these issues prior to applying for the business loan.

### **2. Build a better business plan**

Lenders stress that a business plan must be well thought out and realistic. The business plan should outline the money, management, and marketing of business. One lender stated, “I need to understand that you understand what you are getting into.” Borrowers must explain how the money will be used, and how it will be repaid. Repayment ability is the critical factor. Without repayment ability, no traditional lender will make the business loan and few will provide 100 percent financing.

### **3. Plan for the worst-case scenario**

Most lenders require borrowers to provide a minimum of 12 months of financial projections. These projections should be broken down into a month to month format. The business owner

must understand how these assumptions were developed, and establish their validity. Lenders agree that the projections must be presented with a best case, mid-case and worst case scenario. How will the business survive if revenues drop by 10 percent, 20 percent, or 30 percent or over the next six to 12 months? This hands-on forecasting will help the borrower become more strategic in their thinking, and help the lender feel more comfortable with repayment ability.

#### **4. Two years of business history in desired**

Loans to established, financially strong, and quality businesses are easy to approve. Loans to start-up businesses can be more difficult to approve without the ability to show long-term repayment ability. Lenders may require an additional cash equity injection by the owner, or even a seller carry back, to reduce the size of the loan. A proven franchise concept may help mitigate any risk.

#### **5. Become a hands-on owner**

Prudent businesses practices include:

- A. Collect accounts receivable in a timely manner – don't allow your customers to drag out the payment terms. If necessary, get in your car and visit the customers that have not paid timely and have large amounts of outstanding money owed to you.
- B. Don't keep all your cash liquidity tied up in inventory. Review your business operations to see what work can be handled in-house and not contracted out.
- C. Review each business expense item and eliminate discretionary items that could help generate additional cash flow.
- D. Eliminating unprofitable account relationships can also help the bottom line. Increase your efforts to market your business.
- E. Cutting new marketing expenditures may be a mistake. Many business owners make the mistake of cutting marketing expenses when business slows down. That may be the wrong to decision to make when new customers are critical.

## **Chamber Recommended Banks and Financial Institutions**

<p><b>American Heritage Bank</b> 220 S. Adams Rd Sand Springs OK 918-245-8288 <a href="https://www.ahb-ok.com/">https://www.ahb-ok.com/</a></p>	<p><b>American Heritage Bank</b> 3801 S 113<sup>th</sup> W Ave Sand Springs OK 918-248-3201 <a href="https://www.ahb-ok.com/">https://www.ahb-ok.com/</a></p>
<p><b>BancFirst</b> 301 E 2<sup>nd</sup> St Sand Springs OK 918-245-2261 <a href="https://www.bancfirst.bank/">https://www.bancfirst.bank/</a></p>	<p><b>BancFirst</b> 102 W 41<sup>st</sup> St Sand Springs OK 918-241-5542 <a href="https://www.bancfirst.bank/">https://www.bancfirst.bank/</a></p>
<p><b>Green Country Federal Credit Union</b> 202 E Morrow Rd Sand Springs OK 918-245-1301 <a href="https://www.greencountryfcu.com/">https://www.greencountryfcu.com/</a></p>	<p><b>Green Country Federal Credit Union</b> 3350 S 113<sup>th</sup> W Ave Sand Springs OK 918-215-0100 <a href="https://www.greencountryfcu.com/">https://www.greencountryfcu.com/</a></p>
<p><b>IBC Bank</b> 3402 Hwy 97 Sand Springs OK 918-497-2457 <a href="https://www.ibc.com">https://www.ibc.com</a></p>	<p><b>Tulsa Federal Credit Union</b> 220 Jefferson St. Sand Springs OK 918-610-0200 <a href="https://tulsafederalcu.org/">https://tulsafederalcu.org/</a></p>

Information within provided by Oklahoma Secretary of State, Small Business Resource Administration and Sand Springs Chamber of Commerce.