

Can Your Business Still Land a Loan?

Yes, it's still possible; you just have to know where to look.

By Carol Tice | Entrepreneur Magazine - August 2009

Despite what you've heard, banks are still giving business loans. Recently, the SBA increased its loan guarantees, which is encouraging banks to lend more. But be warned: Managers are playing strictly by the rules now, **says Charles H. Green, president of Sunrise Bank of Atlanta** and author of *Streetwise: Financing the Small Business*. A credit score of 660 used to make the grade, but now 690 or 700 is the cutoff at most banks, he says. Even for healthy companies, getting a loan will take some legwork. Expect banks to ask about your business prospects, cash-flow management, and recession survival plans. "If business owners don't know the answers to those questions," says Green, "a bank is not ready to lend them money."

Steve Holt, president/owner of

Texas-based water-treatment company Water & Wastewater Technologies Inc., improved his chances of getting a loan by "turning over a lot of rocks." Though the company did \$4 million in annual sales last year and maintained a \$750,000 balance at its longtime bank, Holt was turned down there for the \$250,000 short-term equipment loan he sought last year. Through a referral, he discovered two-year-old Green Bank, a national institution with a Houston branch. Managers there thoroughly reviewed the company's payment history, credit history and cash flow, but there were two between-the-lines factors that got Holt the money he needed: 1) the loan was for a tangible asset, and 2) Holt had more than 20 years of industry experience. He also personally guaranteed the loan, which his company has since paid off.

Despite Holt's success with a national bank, your business's existing bank should always be your first stop in looking for a loan, says consultant Jim Stoyhoff of Synthesis Solutions. If you strike out there, look to smaller community and regional banks as a second option; these institutions generally made fewer subprime mortgage loans and may be on firmer footing--plus, managers are more community-focused. To give your company the best shot at a loan, Stoyhoff suggests making a strong presentation in four key areas: company leadership, strategic direction and execution, financial performance, and risk management. "Tell banks about problems that are coming up," he says, "and what your strategies are to deal with them."

Top bank lenders

It's an eclectic group, but the following 10 banks just might be your best bets for a loan. Between October 2008 and April of this year, these institutions loaned the most money to small businesses, according to the SBA.

1. Wells Fargo & Co. \$353 million
2. U.S. Bank \$181 million
3. Wachovia Bank \$94.7 million
4. Huntington Bancshares Inc. \$90.4 million
5. TD Banknorth Inc. \$88.5 million
6. PNC Financial Services Group \$85.3 million
7. Compass Bancshares Inc. \$83.7 million
8. Temecula Valley Bank \$76.4 million
9. Live Oak Banking Co. \$69.9 million
10. Banco Popular North America Inc. \$67.8 million

(Source: SBA)