

Entrepreneur

Loan-Packaging Help

How do you show lenders you mean business? A professionally prepared loan package may help.

By Crystal Detamore-Rodman | [Entrepreneur Magazine - October 2008](#)

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For a decade, entrepreneur Jared Heyman steered clear of commercial lenders in favor of self-financing his Atlanta-based online market research firm, Infosurv Inc.; however, his company's rapid growth intensified his need for outside funds. Ready for expansion, Heyman recently set out to obtain financing at a time when many companies are feeling the pain of a tightening credit market. With lenders treading more cautiously in the uncertain economy, Heyman decided to enlist a local Small Business Development Center to help him assemble his loan package--which experts agree can make or break a financing deal.

Heyman's loan package effectively told the story of his company through financial statements, detailed projections and a thorough explanation of how the loan would be used. "The banks care less about the pitch and more about the numbers," says Heyman, 30. "It's a risk-averse [lending] climate right now, and banks want to see very strong numbers."

The extra planning paid off: Heyman's firm, whose client roster includes Fortune 500 companies and government agencies, successfully made its case for financing and was awarded a \$240,000 line of credit. The company projects 2008 revenue will hit \$3 million.

Even with the credit stakes so high, many business owners don't take the time to prepare a complete loan package to present to lenders, choosing instead to make their cases verbally--often with disappointing results. Getting help from a loan-packager, whether it's a paid consultant or a nonprofit SBDC, can be the difference between maintaining the status quo and having fresh funds for growth. "[Having a professionally prepared loan package] is critical in today's market," says Darrel Hulsey, a business consultant for the Georgia SBDC Network.

Beyond helping you with loan documents, a loan-packager can also share valuable insight into specific banks' underwriting practices and get your financing request to creditors inclined to lend to a business like yours. "There are banks lending, [but] it's about getting to the right bank. And that's part of what a loan-packager does," says Donna Upson, managing member of Loan Packaging LLC.

Loan-packagers can also help you sidestep one of the most common pitfalls for businesses seeking credit: not knowing how much you need to borrow. Says Upson, "A lot of business owners do themselves a disservice by pulling a number out and saying, 'I think I need \$400,000.'"

Fortunately for small businesses, loan-packaging assistance is often within reach. SBDCs typically offer their services for free but require that the borrower take an active role. For those who would rather take a back seat in the planning, Hulsey recommends hiring a paid packager.

Before hiring a packager, however, you need to understand how they charge for their services. Do they charge a percentage of the loan amount or a flat fee? "And what else do they do other than get those numbers together?" Hulsey asks. "Do they counsel you on who's lending at this time, who's not, [and] which sources you need to be looking at?"

Because loan packaging is largely an unregulated industry, carefully vet any third-party provider. "[You] want names and addresses of borrowers who have successfully used these packagers," Hulsey says. Then follow up with those borrowers to see how the process went and whether they'd recommend the packager.

Most of Upson's clients find her through referrals from accountants, attorneys, real estate brokers and former clients--all good places to start your search for a reputable packager. Says Upson, "It's actually somewhat rare that someone just cold-calls me."

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