Dennis L Hayden

Subject: Newsletter 4/04/2011

Hayden Consulting, Inc.

Dennis L. Hayden CPA, Editor

Offices:
Carmel, Indiana

Frankfort, Indiana

Newsletter Dated 4/04/2011 **Volume 2, Number 3**

Contact Us:

http://www.Haydenci.biz

J. Michael Hayden, CFP® CPA
mhayden@Haydenci.biz

Dennis L. Hayden, CPA CVA MST
dhayden@Haydenci.biz

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Last Month:

- When Do I Need and Attorney
- 2011 and Beyond Economic Recovery

Important Links:

Internal Revenue Service

Indiana Department of Revenue

Know someone who would benefit from this Newsletter? Send us an e-mail address.

Small Business Credit

Or How to maximize the chance of a loan

Companies are beginning to expand, and hire again, somewhat. So, as the economy grows sm business borrowing will pick up.

Businesses have held off securing additional capital in the past few years and have been trying to g handle on a clear sense of direction the economy will take. Some businesses are holding off until balance sheet begins to improve, or when the timing to apply for a loan feels right.

But these suggestions should help a business prepare for how a loan prospect is viewed, hopefully place the company in a better position to obtain a favorable decision by a lender.

1. Fiscally responsibility

Lenders are asking for more documentation, and it's not always clear what they are looking fo why. A cash-flow-to-debt-service ratio of 1.25 - 1 is a normal requirement for a commercial l (cash flow = 125% of debt service.) This may be the most important indicator of a company's he in the eyes of a lender, so have the numbers in order to be scrutinized. The records could consis either tax documents or management-prepared financial statements, and possibly both.

Do not assume year-end financials will be enough information to satisfy a banker. Arrive w quarterly and year-to-date income statements and balance sheets, graphs, and P & Ls near the dat the loan application.

Keep in mind lenders are likely to want credit information for a company and also its managem Therefore, clear-up inaccuracies or other irregularities with credit agencies prior to visiting a len Regardless of the feeling about credit scoring, bankers look on these numbers as king, so be prepa for the best score possible.

2. The Full Story

Financial records don't always show what's important about a business. If anticipating rapid gro or significant changes that may change the original business model, consider preparing a deta business plan specifically for the lender that will explain why the funds are needed and the intend t Provide more data rather than less. If the reason for borrowing is to fund equipment purchases, sh specifics, and plausible projections of the revenues expected as a result of the investment.

If your company is like many that suffered during the recession but has bounced back, build a c that shows how the about face was made. Highlight operational changes made to expenses or reve increases. Do not omit indicators that place a business in a bad light. A seasoned lender will kn what to look for and assume a missing piece of information is more significant than it actually is.

1. BRAND NAME garage door installation and repair company - Marion County and surrounding counties.
2. “C” store
3. Beauty shop – Fishers
4. LAUNDROMAT – Indy East Side
5. Dry Cleaner

3. Tax Strategy

We all want to keep our tax bills as small as possible. But keep in mind there is a connection betw paying taxes and a business loan. Make the assumption a lender cannot correlate between tax book accounting, or has the ability to extrapolate one from the other. Make the analysis easy and c for them. An owner may be doing a disservice to a business if the current tax strategy is to sho business is less profitable than it actually is. Businesses must manage taxes with methods to minin what is owed, but also show an accurate representation of profitability. If business expenses det from a business’s income to a significant degree with no explanation, this will affect how a len perceives a business’s viability.

4. Know Your Business.

Demonstrate to a lender you have a complete grasp of the day-to-day profitability as well a business’s strategic direction. Put yourself in a strong position for a loan and anticipate the questi that may be asked. Business owner’s focus on certain aspects of a business and off-the-cuff knowle of the company’s finances may be poor. So, be prepared to spend time with your CPA to underst the numbers and why these may have changed in time.

5. A Loan for the Right Reasons

Over the last couple of years many businesses have had plenty of opportunities to purchase ot companies or properties at rock bottom prices. Taking advantage of a bargain may come bacl haunt the owner if the acquisition isn’t a good strategic fit. So be selective, take stock bef submitting a loan application.

Investment in real estate or involvement in ventures outside the core business may leave a comp overleveraged and without adequate liquidity. In the end this would make a company weaker rat than stronger.

Don’t take out a loan for a purpose other than a direct link to the company. The payment struct should be something a business can accommodate with little or no financial discomfort. Extra c could make you less attractive to a lender in the event a core part of a business needs credit.

THESE ARTICLES MAY NOT BE USED FOR PENALTY PROTECTION