

Raising Capital in a Tight Credit Market

Written by Khalliah Guillory
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Money makes the world go round, as the saying goes. The same can be said for small business ventures—you have to have adequate capital to keep your small business engine running on all cylinders. Raising capital can be an especially challenging proposition in today's tight credit market.

With a little ingenuity and the help of a savvy business banker, however, you can find ways to save and build the capital you need to take your business to the next level. Here are some tips that can make a big difference:

- **Build a Strong Credit Profile.** Developing a solid business and personal credit history is vital even if you have no immediate plans to apply for a loan. When you do apply, a strong credit profile can help facilitate the application process and may help you secure a lower interest rate. When approving loans, lenders increasingly rely on credit history and clear demonstration that you have the ability to repay the loan. Be open and honest about past credit issues and take the necessary steps to resolve any blemishes on your personal and business credit history. One easy way to improve your credit score is to always pay your bills on time. Online bill payment services enable you to automate recurring payments, making it easier to stay current with your liabilities.
- **Maximize Cash Flow Efficiencies.** Identifying and correcting any cash flow problems will help you trim expenses, save for your next big project and improve your ability to secure financing from lenders. Talk with your banker about financial services that can help improve cash flow. A thorough analysis of your business's cash flow will help you identify opportunities for cost savings and pinpoint areas to improve operational efficiencies. By using online banking tools to regularly monitor your accounts, you can simplify processing payables and receivables, pay employees and contractors easily and more effectively manage your finances.
- **Alternative Financing Options.** If you are unable to obtain a conventional loan at this time, ask your lender about the possibility of alternative financing through micro-lenders, the U.S. Small Business Administration (SBA) or state or municipal government agencies. You should

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also check with your local SBA Office to see which lenders are SBA Preferred Lenders (PLP) and which have qualified for SBA Express status – which allows the lender to offer SBA Express loans which are often easier to obtain for small businesses.

- Find New Investors. If you are not able to raise the capital you need through a loan or alternative financing, look into partnering with another investor or establishing a joint venture to inject capital in your business. Consider expanding your network through professional or civic organizations to find these potential opportunities.

If you do pursue a loan, make sure your finances are in order and you've done your homework to determine what financial institutions require for consideration and approval.

In today's economy, keeping a long-term perspective, maintaining prudent money management practices and finding new investors can help your business ride out the economic storm and build a platform for growth.

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