

# Fact sheet

## Business loans

### Key steps in the business loan application process

#### When to use a business loan

You may need a business loan to finance the following:

- business purchase
- wages, leasing costs or advertising expenses during the early life of a business
- new equipment and inventory
- purchasing an office or storefront
- an expansion such as upgrading business equipment or software

### Types of loans

#### Line of credit or business overdraft

Depending on your needs, you may be able to simply arrange a line of credit or an overdraft. These are typically used to meet cash flow requirements or for small purchases (e.g. computers). They can be secured against your residential or commercial property.

#### Secured loan

A secured business loan requires you to use an asset, such as a property or another business, as security against the loan. Lenders will typically lend up to 80% of a residential property, 65% of a commercial property and 70% of a rural property; however this also depends on your business circumstances. Your interest rate may be lower if you secure the loan against your residential property.

#### Unsecured loan

In some cases, lenders will consider an unsecured loan. This typically requires a detailed business plan and, as it is unsecured, more questions from the lender.

#### Unconditional approval

Your lender should then be in a position to tell your Adviser that your loan has been unconditionally approved. Your Adviser will let you know immediately. At this stage you should organise your building insurance, which will be needed for settlement.

#### Fees

Business loans typically have an upfront fee, ongoing fees, interest repayments and a risk margin (which can increase or decrease your interest rate). Most business loans attract a higher interest rate and shorter loan terms than residential loans.

An extra interest rate margin (risk margin) may be applied on top of the advertised interest rate depending on the loan amount, the security offered and overall business proposal.

#### What lenders need to see

Lenders will need to see all your financial information, both business and personal, presented in a clear, professional manner. They will usually need information such as: profit and loss, balance sheet, cash flow, trading position figures, your experience, history of the business, customer demographics, tangible assets, debtors, debts paid and so on. They may also want to meet the borrower in person.

### How your Smartline Adviser can help

Business loan transactions are typically pretty complicated and can vary from one loan to the next since choosing the right loan and loan approval will depend on many different variables. For this reason, it is highly recommended you use an adviser who is experienced in this area.

- Your Smartline Adviser can assist you with the information required by lenders and how to present it to give you the best chance of approval.
- Advisers have existing relationships with lenders. They will review your needs and determine which lending options suit your circumstances. They can also negotiate a great deal on your behalf.
- Your Adviser can assist you with identifying which loan features would suit your particular business.
- Your Adviser will have the experience and knowledge of the business loan process and can ensure it goes smoothly.

This sheet provides general information only and is correct as at the document date (28/11/2018). Please refer to your Smartline Adviser for full details.