TRENDING TOPICS

LIFE HACKS FOR BUSINESS

Six Speed Bumps that Can Slow Down your Financing

Trending Topics represents an executive summary compilation of news, information and perspective on matters affecting businesses and business leaders today. This insight is being provided to keep you up to date on the latest developments and trends influencing these topics. These views do not necessarily represent the views and opinions of PNC. For additional research on these topics, please consult the sources cited in this article.

Whether you're buying a book, booking a trip, ordering takeout or choosing a local handyman, many of life's choices today are a speedy click away. But some choices are simply worth taking your time. When it comes to your company, securing funds to keep your business running or growing may be at the top of the list.

HERE ARE SEVERAL COMMON SPEED BUMPS THAT CAN BE AVOIDED WITH SOME ADVANCE PLANNING:

- ***Ancient Mortgages*** — Mortgage liens never expire. Before a new loan is closed, the lender will require a title search on any real estate assets. And, surprise! A mortgage lien is unearthed, a relic from a bank of the past, whose name is now history due to a merger or an acquisition. Tracking down the right department at the right lender to satisfy an old lien may take time. Avoid a last minute setback and check this one off early.
- ***Flood Insurance*** — It's all about location, location, location when real estate — property and buildings — is used to secure a new loan or was used previously as collateral on an existing loan. The lender will need detailed information on the buildings to determine if flood insurance laws apply and if flood insurance is in place. It's not a road block, but a flashing yellow caution light.
- ***Mystery Signers*** — It happens more often than you'd think. A borrower that is not a person needs company authority to borrow money and to sign related documents. Be sure to update the board resolution granting authorization. An outdated resolution can sidetrack the loan process until a new resolution reflecting the current signers is in place.
- ***Reality Check*** — Let's talk assets and liabilities. To facilitate a smoother loan closing, be as accurate as possible in the representation of both. Granted, circumstances can change on both sides of the balance sheet over the course of the due diligence. First things first: What does your company look like on paper? Audited financials are the gold standard. But, for certain types of loans, the lender will be sending out a field auditor to kick the tires, so to speak, and look under the hood to confirm the value of collateral. In addition, due diligence includes review of all assets and liabilities — such as inventory, accounts receivables, accounts payable and outstanding loans. Keep in mind that should circumstances change, so too may the final terms and conditions of your loan.

Don't let the credit approval process get detoured or hung up on one of these speed bumps.

Keep in mind that communication is a two-way street. Honesty and transparency between the lender and the borrower are the best approach to assure a positive outcome for all involved.

- ***All Creditors Are Not Created Equally*** — Over time, you may have accumulated a variety of creditors, or even be adding creditors to the new loan. They all have skin in the game, ranging from equity investors to senior secured lenders and others in between. Do you know the roles and expectations of each and the rules of engagement? It's an important question, because the borrower may be called on to play referee to get all players aligned. Knowing that your new financing will not close until all lenders are in agreement is a good motivator for you. Keep all parties talking to get them across your finish line.
- ***Slow Leaks*** — Not a good idea when it comes to credit. Lenders rarely like surprises. If there is a skeleton in your company's closet, be up front and transparent. Sometimes undesirable tidbits are held back and trickled out on a need-to-know basis, such as shareholder lawsuits, past criminal activity, asset impairment, etc. Your lender **needs to know**! And your skeletons will be discovered during due diligence. Leaking bits and pieces here and there can impact the credibility of you and your management team.

READY TO HELP

At PNC, we combine a wider range of financial resources with a deeper understanding of your business to help you achieve your goals. To learn more about how we can bring ideas, insight and solutions to you, please contact PNC Business Credit or visit **pnc.com/donedeal**.

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