

Loan Financing Guide for Small Business Owners **How it all started...**

Before Loan Financing Guide

A few years into my lending career I began to get bored with the mundane routine of looking at one small business loan request after another while being hundreds of miles away from my applicants. I did not see the final results of my work, did not feel a sense of accomplishment, and did not believe that my work had value. Furthermore, I did not have an opportunity to communicate with my borrowers and help them become more financially savvy. My job was to help in the approval or rejection of loan requests, no questions asked.

I felt under-utilized and restless at work, and I began to consider changing industries. When I was almost ready to leave the world of commercial lending, I started to think about what I could do in my current position to satisfy my needs as well as those of my customers. After many different ideas, some of them so ridiculous that I will not mention here, I was intrigued by the idea of becoming a small business owner – just like my customers. An entire year or more was spent exploring a number of business concepts and researching the market about them, but nothing seemed to be the right fit for me.

I met several trainers whose lending careers took them into the field of professional education. They were teaching classes for lenders, and their work took them all across the US offering training that helped people succeed in their jobs. I cannot recall the exact details, but one day I had an “enlightenment” – why can’t I use my professional knowledge and begin helping small business owners? Of course, at that time it seemed like a strange career path. It was almost doing things backwards. I shared my idea with a few co-workers. While no one said anything negative directly, I felt that I was getting strange looks. One colleague did tell me that I did not seem to have focus on my work, and this was the main reason for my “soul searching”. He went to say that some of my ideas were equivalent to non-profit work and there were enough non-profits providing training to small businesses. At the end of the day, I did not meet a single person in my industry who thought this was a promising idea. Well, looking back on my first steps I have learned one thing – let people do the talking, and I will do the walking. The worst thing one can do is to give up even if no one supports his or her efforts and ideas.

Defining small business...

Before I continue with my story, let me try to define the phrase *small business*. Some describe a small business by the number of employees in a company, while others by the size of a business’ annual revenue. Large lenders, such as Bank of America or Citizens Bank have one definition, while smaller commercial banks such as Cambridge Trust or Wainwright Bank have another. Nonetheless, we all tend to agree that the characteristics

of a small business is revenue between \$0 and \$10 or even \$15 million, and a business that has from 0 to about 100 employees. As for small business loans, they are commonly defined as loans from \$100,000 to probably \$3 or even \$5 million; this threshold is constantly being raised by lenders. Loans under \$100,000 are now affectionately referred to as micro loans.

The beginning

The more I thought about training small business owners, the more I began to notice that many small business loan requests either did not have a chance of getting approved or small business entrepreneurs applying for loans were making the same, unnecessary mistakes. I worked with many entrepreneurs; from start-up go-getters trying to launch their first ventures to incredibly wealthy small business owners whose companies could be called, for lack of a better expression, “cash cows” (businesses that generate very strong cash flow). My conclusion was the same – many businessmen and businesswomen did not seem to have the knowledge of fundamentals, let alone more complex things about securing loans on the best possible terms and successfully repaying them.

What do lenders expect? What are they looking for? How can I prepare my loan request the right way in the least amount of time? What are lenders’ pet peeves? What kind of behavior do they appreciate and even reward? These are some of the key questions a small business owner would want answered. Another benefit of such knowledge is that it will help you be successful throughout your small business ownership career. As I look back on my experiences, I begin to understand the reason for the lack of small business education and training when it comes to loan financing. Lenders are not educators and coaches. They are lenders, and this is what they do best. They do not have the time to explain the basics and even more advanced topics. The incredible competition among commercial lenders has led to almost a conveyor-like approach to small business loan review and approval.

So, I decided to fill in the educational gap. It seemed to be a perfect fit for me. I will bridge the knowledge and communication gap between lenders and small business owners and find ways for each group to understand the others’ needs. As overly-ambitious as it may sound, I did not see any reason why I could not do it. Perhaps the scale of my endeavor is what made it particularly exciting for me. Of course, I may fall miserably short of being an Amerigo Vespucci discovering America, but I can at least try to create something unique that will make a difference in people’s lives.

One step at a time

Now that I had a vague idea of what I wanted to do, the next question was how to achieve my goal. Without a clear path in mind, I began writing articles that covered issues that I thought small business owners needed to be educated on. By the time I was done with my third article, it occurred to me that I could write a book that will be a manual for small

business owners, both beginners and experienced ones. I became infected by the book writing bug, just like millions of people in this country. As if there is not enough competition in the publishing world, here comes a banker trying to make his voice heard.

I quickly moved past the initial excitement of feeling almost like a genius (mind you I will never qualify). I had a pretty tough task ahead of me - writing my very first book outline and table of contents. The main challenge was to create a format that would be easy to read. The only way I could develop a successful table of contents is by creating a road map. After struggling for a couple of months, my table of contents ballooned into a 3 page essay. At that point I decided to scrap my efforts, practically delete everything, and start all over.

The second try focused on laying out a path that would mirror the process a small business owner goes through in applying for a loan. This meant that every business owner first needs to realize that he or she needs a loan, try to figure out how much money is needed, apply and secure a loan, and then make sure that the loan is repaid. I wanted to equip the small business owner with the knowledge he or she needs along the way to make the loan financing journey more successful and manageable. My goal was not to look at competing books' tables of contents but to create something that will be unique and most importantly effective for people of various experiences and various levels of familiarity with the world of finance. Now that I finally had a table of contents, things got a lot easier, or so I thought. In reality, this was not even the beginning. Now it was the "dark period", writing page by page something I would some day call a draft.

I think every sizeable undertaking goes through periods of ups and downs. The creation of a draft was one of those moments in my life when I was truly involved in something and at times felt like my *Loan Financing Guide* was my whole life. The learning curve was incredibly steep. Trying to establish my writing style and also trying to stay focused on my audience and my topic was anything but an easy task. As a result, my work was a periodic avalanche of checks and balances to ensure that I stayed on track.

Writing was also extremely challenging because during the day I was a commercial banker. The only time available for writing the book was evenings and weekends, which meant that for a period of about 2 years I had to juggle my job, my book, and my personal life. One moment I was enraptured in a sense of elation and the next moment I was completely exhausted and overextended with the amount of work. Twenty four hours in a day seemed like a very short period of time, particularly since sleep is required. The moment I finally put the last period in my manuscript, it was time to celebrate.

The rise of Loan Financing Guide

After the manuscript was completed, I began the challenging task of editing the book and going through the steps of publishing it. Throughout this process I discovered how tough and competitive book publishing is. I had to find the right people to help me with the

book design, production, printing, and distribution. Some of them were excellent and made my work a lot easier, while others made my project a nightmare.

Despite all the obstacles, the day came and a printed copy of my book arrived in the mail. I was truly speechless (although I did not admit it to anyone at that time). One thing is to write and constantly think about the book you are creating, it is another thing to actually hold it in your hands. I cannot describe the feeling in words, as I will be doing a disservice to that moment. Looking back at the entire process, I realize that I have overcome everything thanks to focusing on the small business owners whom my book will help to get their businesses a step closer to becoming financial successes. Needless to say, the daily support my wife, family, and friends was an unquestionably a key factor that took me to the day when I held a copy of my book. This is almost the moment of triumph. *Almost the moment* because any book, no matter how good it is, needs marketing. Without good marketing readers will not know it exists. As before, my work was far from being over – it was just starting again. This was the time to think about the series of next steps, such as marketing, teaching seminars, and creating other tools that will be useful to small businesses. I also came to realize that *Loan Financing Guide for Small Business Owners* is only the first step in educating small business entrepreneurs on loan financing matters.

What's next?

The word about *Loan Financing Guide for Small Business Owners* is slowly but surely spreading. While I did not write the book for lenders but rather about them, as it turns out lenders are another group of my potential customers. The comments I have been getting tell me that lenders have bought my book as a gift for their small business customers. It seems like a win-win situation. While lenders do not have the time to educate small business entrepreneurs, they can refer them to a good source of information. In addition, the book has proved to be a good resource for people making first steps in the lending career.

As with any useful tool, my book is just the beginning of my path in small business training. For those people who do not feel that my book will benefit them, I have been creating articles and other free educational tools on how to overcome their loan financing obstacles and problems. Over the last couple years I have been gathering questions and providing answers to business owners who reach out to me individually. In addition, I have been encouraging and receiving requests from lenders to cover certain topics that they would like covered.

People frequently ask me why I would want to spend so much of my time writing articles, teaching seminars, and doing other things for free or at nominal charge. The question seems to make sense, as that's what we, lenders, expect our borrowers to do – make money and be profitable so they can repay our loans. For me the answer is quite simple – create good products and show your dedication and the money will come. Besides, while my book and other projects are certainly not the way to become rich (not

exactly the American dream), I feel a lot happier helping people in their lives and feeling a sense of contribution to their successes. Perhaps it is a result of spending some time in Vermont and Cambridge, MA where non-profit work and contribution to your community are still valued. But who really cares about the reasons? The bottom line is to do what brings you a sense of satisfaction and accomplishment. Everything else is secondary.