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You are in what industry? Oh, never mind

We are often asked what are the most important factors in getting a business loan approved. In other words, what are the key elements to a successful loan request? While there are an awful lot of details to a complete answer, none may be more important than if you are talking to the right lender for your industry.

Depending on the industry you are in, your request may be “Dead On Arrival” with certain lenders for no other reason than those lenders have had a bad experience, or a couple of bad ones, with other participants in your industry. To make matters worse, these soured positions held by lenders towards your industry are not always fully communicated to the loan officers calling on your business. Instead, a lack of comfort with your industry manifests itself in underwriting standards that only your strongest competitors can meet, or with terms that are less than market best.

We know of several situations where the loan officer is just as surprised as the borrower to learn at the end of the dance that the bank does not want to make the loan because of industry concerns, when this should have been known and disclosed before the full underwriting took place. Reasons for this lack of transparency between bank management and their loan salespeople may include the desire to leave the door open to still doing business with the “best of the best” within a certain industry, to the desire to at least gather your information for the slim chance of approval, to not wanting to go public with negative sentiment towards an industry, as one large bank famously did with contractors more than a decade ago.

Either way, it leads to a lot of unnecessary frustration on the part of borrowers and lenders alike, when after weeks or months pursuing loan terms, a decline is issued due to “industry concerns”.

So what should you do about it?

Do some investigating before you approach lenders on what if any exposure they have to your industry. Your investigation may be a mosaic of sources, from published media, to your industry contacts sharing their experiences, to your loan advisor, your CPA, and others. All can help you locate those lenders that have a track record in your industry, and those that are still actively seeking opportunities in your industry.

Ask potential lenders to give your industry the “green light” before you share any of your financial information with them. Make sure you remove “wrong industry” as a possible reason for a decline before you get started.

We make it a priority at Capital Solutions to put our clients only in front of those lenders known to have lent to their industry, and know to be looking to lend more. Don’t waste countless hours working with the wrong lender for your industry.