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When You Need Cash for a Small Business, Who You Gonna Call?

Experienced entrepreneurs share what worked for them

By: [Adina Genn](#) | Source: AARP Bulletin Today | February 15, 2010

“We have tons of cash to loan,” said Rick Baca, vice president of business services at New Mexico Educators Federal Credit Union in Albuquerque, N.M. Still, borrowers must “show good performance,” he added, in order to secure financing.

Lenders may look at whether a prospective borrower has an existing relationship with them. That helped Dan Leonard, 61. In December 2008, Leonard and his wife opened two UNITS Mobile Storage franchise territories in Orange County, Calif. After opening a business account at the same bank as their personal accounts, they were offered a business credit line, helping them with start-up costs of nearly \$300,000.

Asset-based lending

Companies emerging from difficulties may find that banks won't meet their needs. Just ask New York-based Powertech Controls Co. Although this 20-year-old firm saw revenue of \$7 million in 2009, Annemarie Leigh Austin, 61, a principal of the company, said it has negative equity and a past bankruptcy. Her accountant recommended she wait until the company becomes fiscally healthy and more appealing to traditional lenders before she approaches a bank for a \$1.5 million credit line.

Meanwhile, Austin works with Asset Enhancement Solutions, a financial consulting firm that previously helped her secure a \$750,000 credit line through asset-based lending. In this type of loan, a business owner uses inventory, accounts receivable, or other balance-sheet assets as collateral for the loan balance.

Although this approach is more costly than traditional bank loans—with potentially

higher interest rates and fees plus required audits—Austin deemed the solution “a lifesaver.”

By 2011, she expects the company will have positive equity and “will be fiscally healthy, so a bank will find us acceptable.”

Other ways to finance a business

- Jean Newell, a 63-year-old entrepreneur and lecturer at the Small Business Development Center in Melbourne, Fla., took on a temporary partner in 2004 when she couldn't secure a bank loan for her company, Newco Enterprises. Such an investor, Newell said, “can participate with a time limit, so you're not stuck long-term with a partner.”
- Another option is bartering—swapping information-technology skills, say, with another owner who has spare warehouse space, saving both entities money.
- Or, use existing skills and interests to raise money. A pet lover might offer dog-walking services, or a music teacher may provide singing lessons to raise interest-free cash.
- Above all, network—at industry meetings, or simply by saying hello regularly to your bank's loan officer. As Newell pointed out, people like doing business with people they know.

Adina Genn is the coauthor of several books, including Everything I Know About Business I Learned at McDonald's. She lives in New York.

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