

# 25 Essential Steps to Prepare Your Corporation for Corporate Credit Funding

Accessing corporate credit can be a game-changer for businesses looking to expand, invest, and achieve their goals. However, securing funding requires thorough preparation and a solid understanding of the process. Here's a comprehensive guide to help you get your corporation ready for successful corporate credit funding:



## The Corporate Credit Build Up "Check List" Book: 25 things you can do to get your corporation ready for Funding, Corporate Credit, Business Loans and Corporate Credit Cards by Mark Bittman

★★★★☆ 4.5 out of 5

Language	: English
File size	: 4739 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
Word Wise	: Enabled
Print length	: 57 pages
Lending	: Enabled



### 1. Establish a Strong Business Plan and Financial Projections

A well-defined business plan outlines your company's vision, goals, strategies, and financial projections. It provides lenders with a clear understanding of your business and its future potential.

# BUSINESS PLAN

1. EXECUTIVE SUMMARY.....	P1
2. COMPANY DESCRIPTION.....	P2
3. PRODUCT OR SERVICE DESCRIPTION.....	P3
4. MARKET ANALYSIS.....	P4
5. VALUE PROPOSITION.....	P5
6. OPERATIONS.....	P6
7. MARKETING.....	P7

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## 2. Build a Solid Credit History

Establish a positive credit history for your corporation by paying bills on time, managing debts effectively, and building relationships with creditors. This demonstrates your company's financial responsibility and creditworthiness.



### 3. Maintain Accurate Financial Records

Keep meticulous financial records, including income statements, balance sheets, and cash flow statements. This transparency is crucial for lenders to assess your company's financial health.

**CASH FLOW PROJECTION**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Operating Activities</b>											
Net Income											
Depreciation and Amortization											
Change in Accounts Receivable											
Change in Accounts Payable											
Change in Inventory											
Change in Prepaid Expenses											
Change in Deferred Revenue											
Change in Other Assets											
Change in Other Liabilities											
Net Change in Operating Activities											
<b>Investing Activities</b>											
Capital Expenditures											
Acquisition of Intangible Assets											
Proceeds from Sale of Assets											
Net Change in Investing Activities											
<b>Financing Activities</b>											
Proceeds from Issuance of Debt											
Proceeds from Issuance of Equity											
Repayment of Debt											
Dividend Payments											
Net Change in Financing Activities											
<b>Net Change in Cash</b>											
<b>Free Cash Flow</b>											

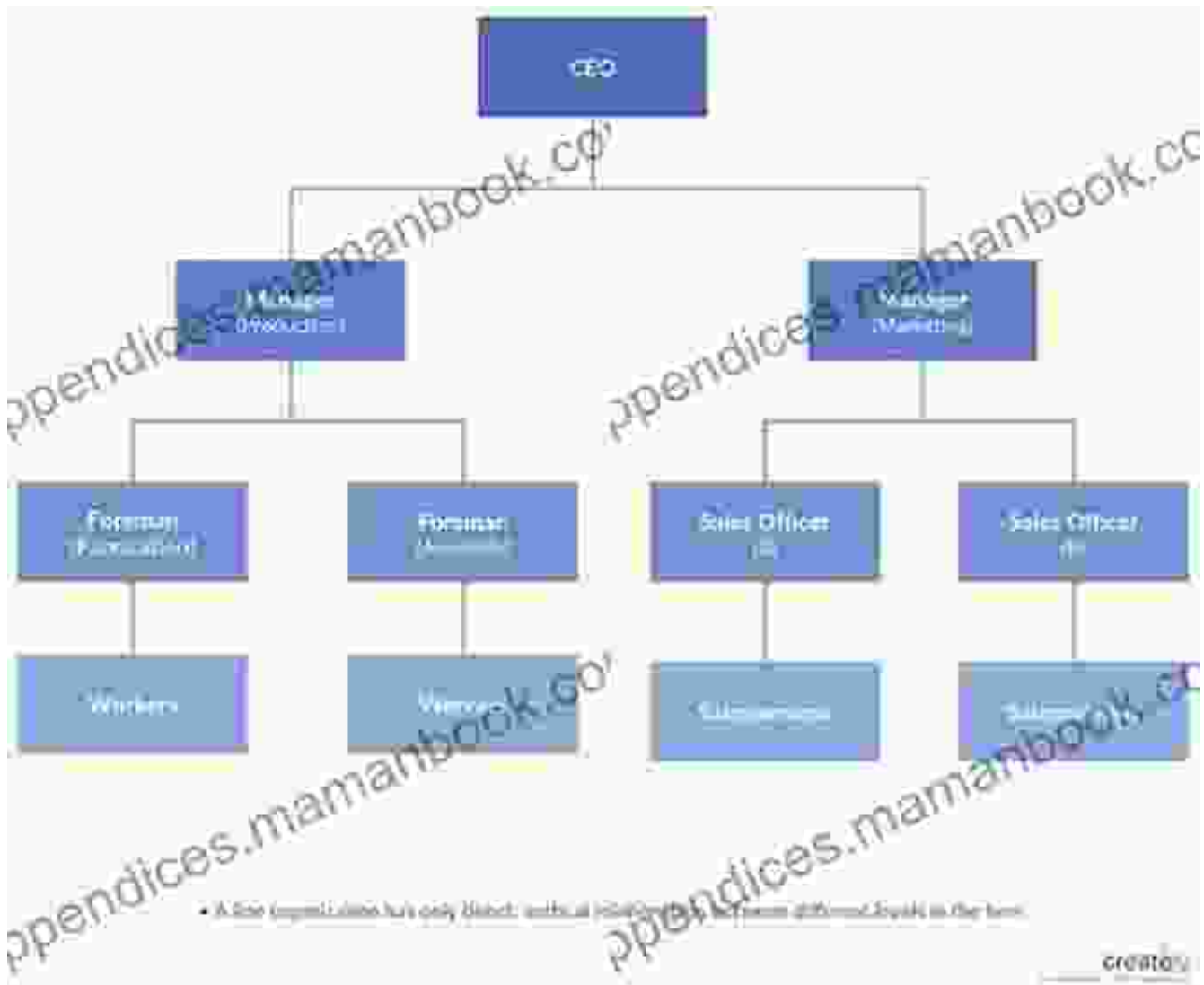
#### 4. Seek Professional Advice from Accountants and Lawyers

Consult with experienced accountants and lawyers to ensure compliance with accounting standards, tax laws, and legal requirements. Their expertise can help you optimize your financial position and minimize potential risks.



## **5. Optimize Your Corporate Structure**

Ensure that your corporation is properly structured for creditworthiness. Consider factors such as the number of shareholders, the distribution of ownership, and the allocation of responsibilities.



## 6. Enhance Your Cash Flow Management

Implement effective cash flow management strategies to maintain a healthy cash position. Track your incoming and outgoing cash flows, optimize accounts receivable, and negotiate favorable payment terms.



## 7. Reduce Reliance on Personal Guarantees

Lenders may require personal guarantees from shareholders or directors. While this can strengthen your application, it's important to balance the risk and consider alternative forms of collateral.







## **9. Secure Collateral and Guarantees**

Offer collateral, such as real estate or equipment, to secure your loan and reduce the risk for lenders. You can also consider obtaining guarantees from parent companies or third parties.



## **10. Prepare a Comprehensive Loan Proposal**

Develop a well-written loan proposal that clearly outlines your funding requirements, business plans, financial projections, and collateral. This document is essential for presenting your case to lenders.

## Sample Loan Proposal

A loan proposal is very similar to a business plan – or at least, it **should** be. Among other similarities, both the business plan and the loan proposal tell you (and your banker) that you've figured out the answers to the five key borrowing questions:

1. **How much** do you need?
2. **What** will you do with it?
3. **When** will you pay it back?
4. **How** will you pay it back? (that is, where will the cash flow come from?)
5. **What if** something goes wrong?

This is a sample of the introductory portions of the proposal. Each section, if applicable to your company, should be included in a complete business plan or loan proposal.

### Loan Proposal for Olympic Flooring

#### Purpose of Loan

Olympic Flooring is seeking to:

- (a) Convert existing short-term notes of \$165,000 to a long-term note to be repaid \$3,000 per month plus interest.
- (b) Establish a credit line of \$250,000 to finance expected seasonal fluctuations in inventory and accounts receivable.

#### Repayment

Repayment on long-term financing will come from continuing net profits. Repayment of the seasonal credit line will come from liquidation of inventory and receivables.

#### Corporate Data

Name: Olympic Flooring  
 Address: 2010 32nd Avenue N.W.,  
 Seattle, Washington 98137  
 Phone: (206) 588-3700  
 Date Established: February 14, 1995  
 Form of Organization: Washington Corporation  
 Incorporated by Bob and Andrea Nelson on June 25, 1995.

#### Description

Olympic Flooring is a Seattle-based corporation that wholesales flooring products to retailers and contractors out of a North Seattle warehouse location. The average customer is a small- or medium-sized retailer of carpets, tile, and window coverings; no one customer is key. Estimated sales for fiscal 2005: \$1,430,000.

## 11. Understand the Different Types of Corporate Credit

Explore the various types of corporate credit available, including term loans, lines of credit, and revolving credit facilities. Each option offers unique advantages and should be carefully considered based on your needs.

# WHAT ARE THE THREE TYPES OF CREDIT?

	 REVOLVING CREDIT	 INSTALLMENT CREDIT	 OPEN CREDIT
<b>CREDIT LIMIT</b>	Set limit	Set limit	Set limit
<b>PAYMENTS</b>	Flexible	Fixed	Flexible
<b>INTEREST FEES</b>	Yes	Yes	No
<b>REPAYMENT TERM</b>	Flexible	Fixed	Flexible

## 12. Identify and Qualify Lenders

Thoroughly research potential lenders and assess their criteria, interest rates, and loan terms. Identify lenders that are a good fit for your business and have a history of providing funding to companies in your industry.



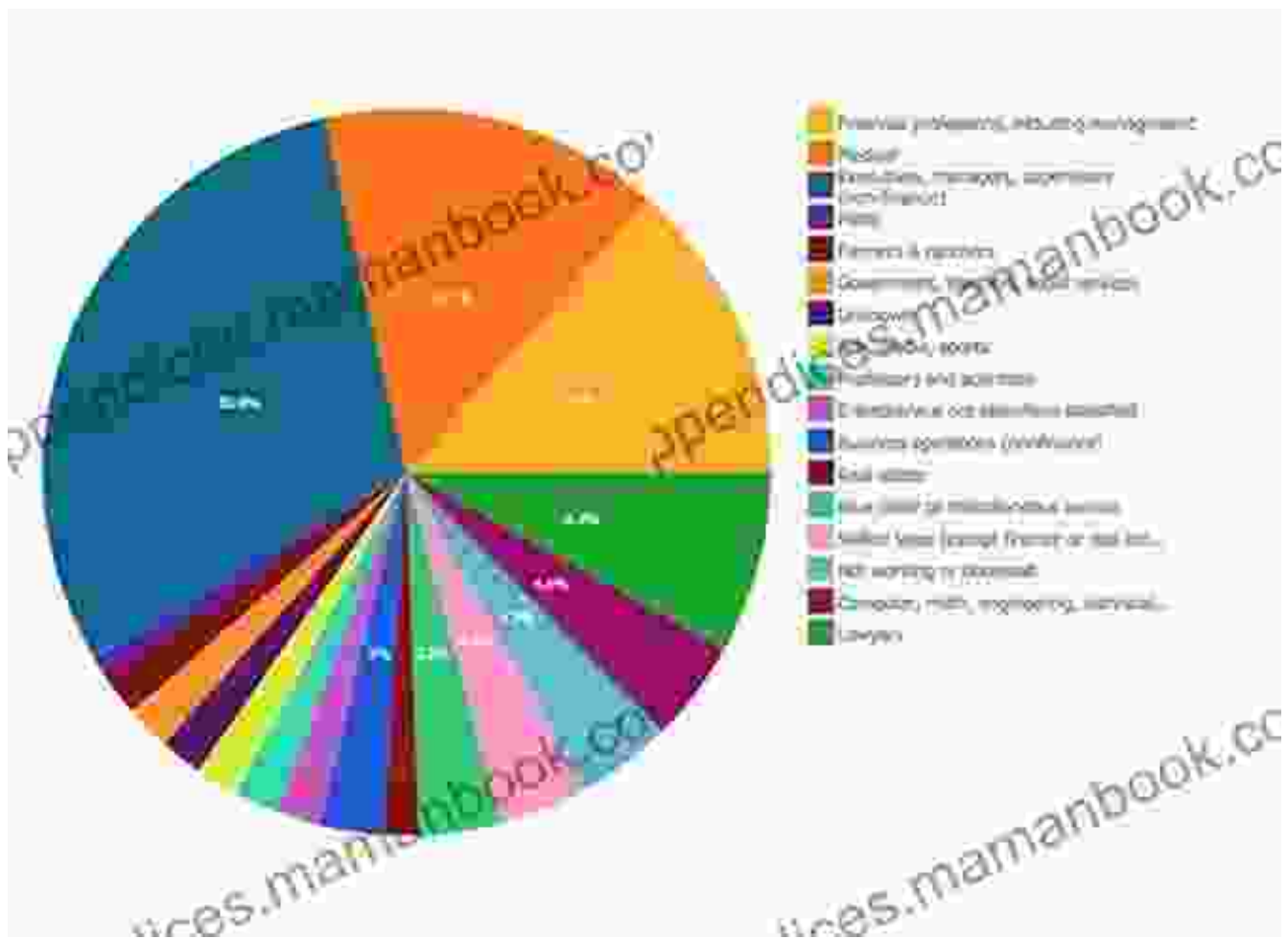
### 13. Negotiate Favorable Loan Terms

Once you have identified a potential lender, negotiate the loan terms that best meet the needs of your business. Consider the interest rate, repayment schedule, and any additional conditions or covenants.



#### **14. Manage Your Credit Effectively**

Once you secure funding, it's crucial to manage your credit responsibly. Make timely payments, monitor your credit reports, and proactively address any potential issues.



## 15. Monitor Your Financial Performance

Regularly monitor your financial performance and track key metrics such as revenue, profitability, and cash flow. This allows you to make informed decisions and adjust your strategies as needed.









## 17. Protect Your Intellectual Property

Register and protect your intellectual property, such as patents, trademarks, and copyrights. This can serve as valuable collateral and increase your company's attractiveness to lenders.



## **18. Establish an Effective Insurance Program**

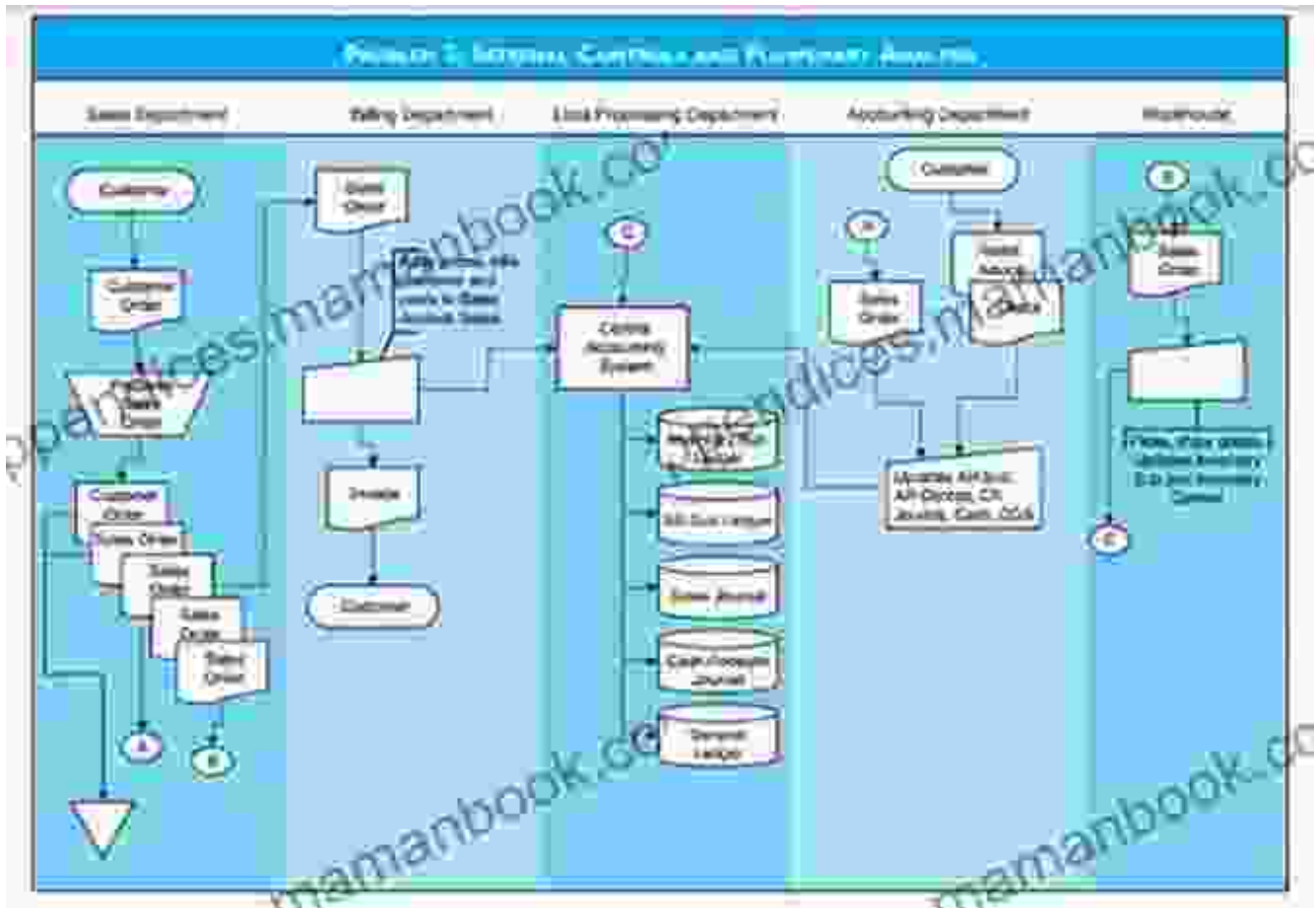
Obtain comprehensive insurance policies to protect your business from potential risks and unforeseen events. This can provide peace of mind and reduce the financial impact of emergencies.

Which factors influence Group Health Insurance Policy Premium?



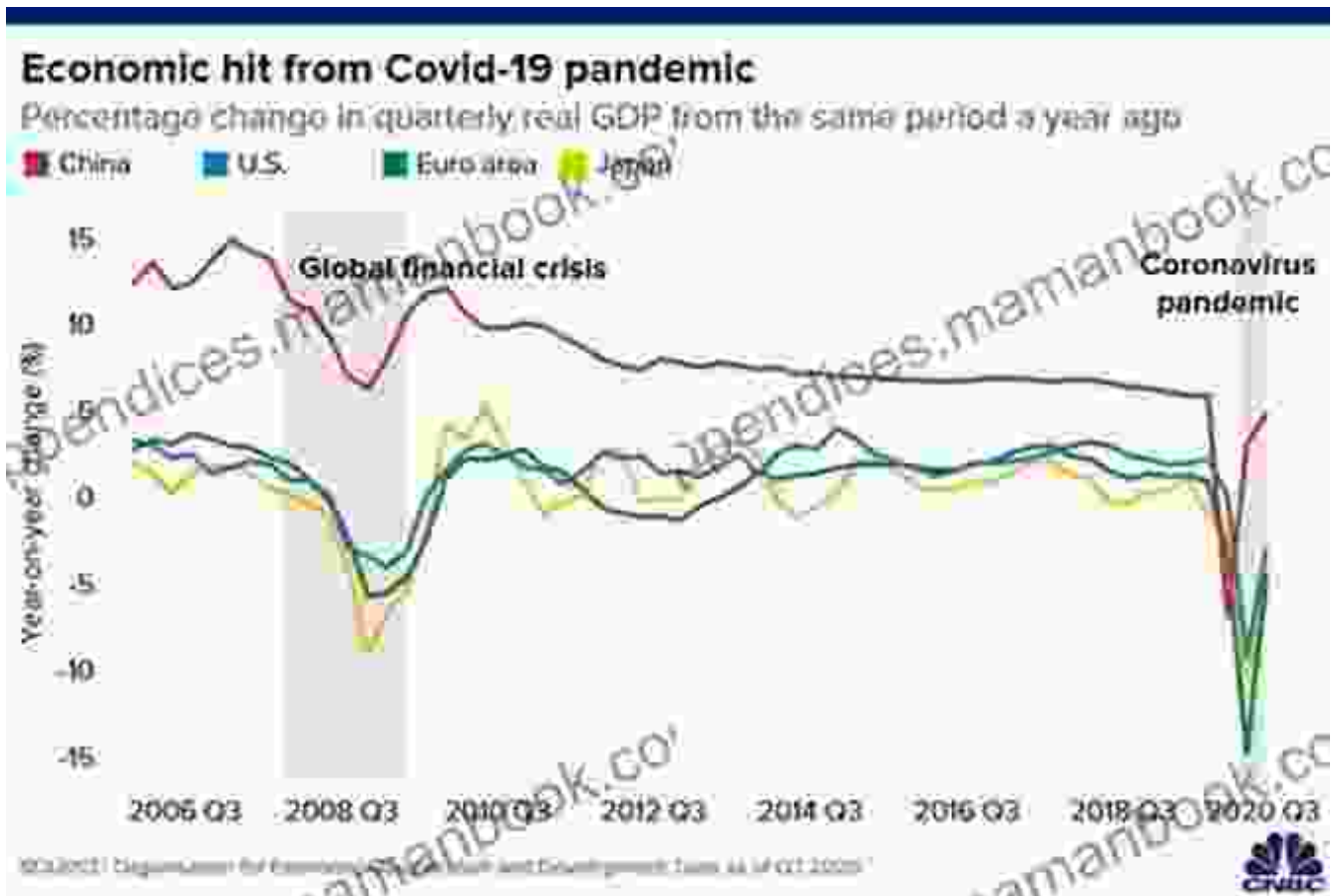
## 19. Implement Internal Controls

Establish robust internal controls to safeguard your company's assets, prevent fraud, and ensure accurate financial reporting. This demonstrates to lenders your commitment to financial integrity.



## 20. Stay Updated on Economic Trends

Keep abreast of economic trends and industry developments that may impact your business. This knowledge can help you anticipate potential challenges and adjust your strategies accordingly.



## 21. Develop a Contingency Plan

Prepare a contingency plan to address potential financial setbacks or emergencies. This plan should outline actions to be taken to minimize the impact on your business.





### **23. Implement Best Business Practices**

Adopt industry best practices for financial management, operational efficiency, and corporate governance. This demonstrates your company's commitment to sound business principles.

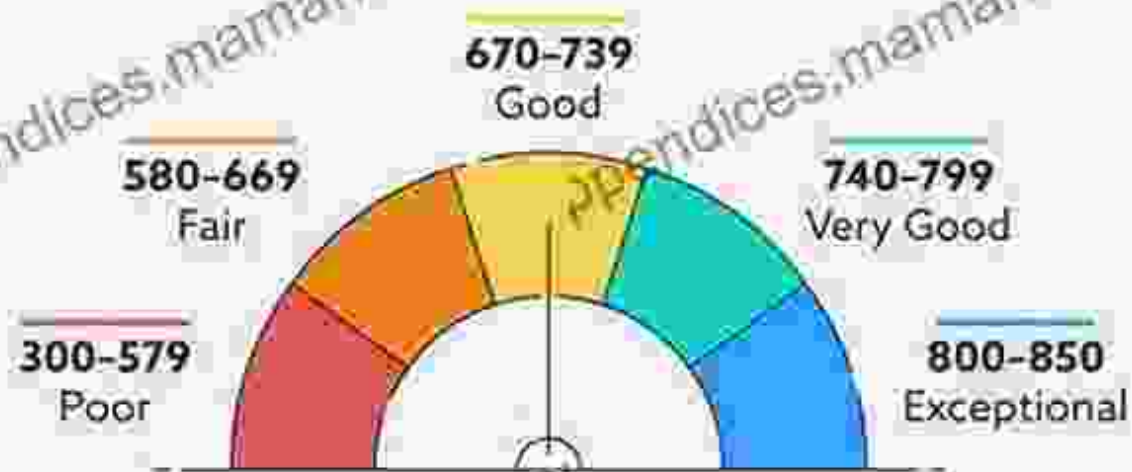


## 24. Seek External Validation

Consider obtaining external validation, such as a credit rating from reputable agencies. This independent assessment can enhance your credibility and attract more favorable funding terms.



# FICO Credit Score Ranges



Source: FICO

## 25. Be Patient and Persistent



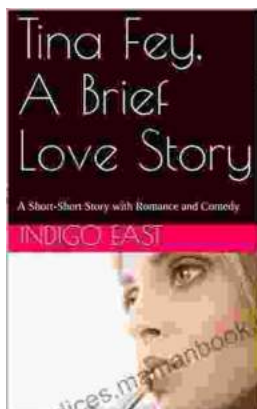
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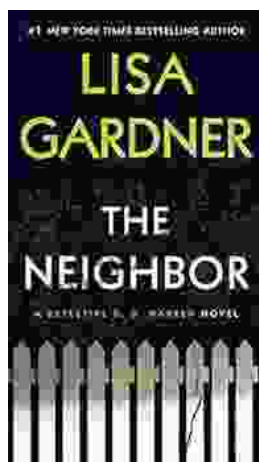
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