

BUSINESS FINANCING: HOW TO FIND MONEY FOR BUSINESS VENTURES OF ALL SIZES

If you've been wanting to get into something that doesn't require all of your time, yet could give you an income of \$100,000 per year or more, a Business Financing Service is definitely something you should consider. This is the kind of business that requires no special education or even a storefront office; won't take much of your time, yet offers more prestige, power and fast earning potential than just about any business opportunity available to the ordinary working person.

The average net profit of people in this kind of business is \$75,000 per year, before taxes. Most began on a part-time basis, operating out of their homes. Within a short period of time, varying with expenditure of time and effort, most have luxurious professional office suites with many clients from all over the country calling and asking for help. Perhaps best of all, this is a business you can operate with nothing more than a part-time secretary/bookkeeper, a telephone, and business cards.

There are many facets of this kind of business, which involve bringing lenders and borrowers together for venture capital, operating capital, expansion capital, and of course, mortgages of all kinds. Concerning mortgages, look at it from this point of view: Almost every building in the country - homes, office buildings, factories, apartments - has a mortgage on it, and somebody is making some really big commissions bringing together the people wanting the money and the people wanting to lend the money.

A business financing or money brokerage is the ideal sideline business for real estate brokers, sales persons involved in business sales, investment brokers, attorneys, accountants, and retirees from almost any occupation. This is definitely one of the truly recession-proof businesses that actually seems to flourish in times of tight money.

YOUR POTENTIAL MARKET

Each year, more than 10 million business loan applications are filed with the banks in the country. It is not uncommon for these banks to be working on more than 250,000 business loans each week, in amounts ranging from \$25,000 to well over a million dollars. About 65 percent of the loan actually granted by the banks are short-term commercial loans; only about 25 percent are for longer terms, with fewer than ten percent granted for construction projects.

It should then be obvious that the banks in this country are neither speedy nor generous in giving loans to the beginning or small business entrepreneur. Such business people usually ask for loans of longer duration than the banks are willing to grant. It is easy to see that in a beginning business, smaller installment payments will reduce pressure on the borrower, and allow him to put more of the profits back into the business. In most cases, these small business owners need much more than the banks are willing to allow without all kinds of guaranteed collateral. And that, of course, is the reason why people needing money for their business success turn to business financing consultants,

which provides you the opportunity for success in this field.

You'll find that beginning or small business persons are always on the lookout for professional business financing services. They always seem to need more money than they have available, and they never seem to get quite the help or satisfaction they seek from the banks. The pressing need for more capital is not something that plagues only the beginning or new business. It is an ongoing need in almost every growing business also. In fact, the need for a continuing input of new money is a necessary part of the growth cycle of every business. Generally, the "little guy" just doesn't have the extra cash from last year; he does not have the money it takes to set up a stock market program; and he doesn't have the time to devote to (or he doesn't want to attempt to "sell" his friends) an investment program in his business.

Sometimes these small business people will talk with their accountants, lawyers or stockbrokers and ask them to help in finding people with money to invest. Most accountants, lawyers and stockbrokers are in touch with clients who have money they are willing to invest in growing businesses, or people with "sure-fire" money-making ideas.

Whether these professional people do or do not have special clients with money to invest in special "deals" is of no consequence. The important thing is that these people are always being asked by someone if they know of a source of money, or if they know of someone who can locate an investor for them. With this in mind, and once you're set up in business, it will behoove you to contact these people - the accountants, lawyers, and stockbrokers in your area - to get to know as many of them as you can, and to leave your business card, so they will be aware of your services.

THE SERVICES YOU'LL PROVIDE

Generally, the money broker or person operating a business financing service will work with his or her clients in putting the loan application package together in such a way that it will receive favorable consideration by the lender. You'll have the names, addresses and telephone numbers of lenders from all over the world, people and firms interested in investing in all kinds of different business ideas and for virtually any amount of money. When you have a complete loan application ready for presentation, you'll select the lenders or firms interested in that kind of business or investment. Either send or present the loan application package to them. One thing is most important: When you present a loan application package to a lender, be sure to have the date and time of your presentation certified by a notary public. When you send a loan application to a lender, be sure to certify the mailing of your package with the Post Office.

Once you "open your doors" for business, there will be no shortage of people coming to you for their money needs. The problem will be selecting just the requests you know, logically, stand a reasonable chance of approval. Everybody wants and needs money; once you announce that you can get loans for people who need them, you will be overwhelmed with requests. It will be up to you to utilize your time, expertise, and effort according to the greatest profit potential.

SETTING UP YOUR BUSINESS

You can start from the kitchen table in your home if necessary. You'll need a telephone and unless you have someone to act as a secretary, you should employ a telephone answering service. You can probably get by with a telephone answering machine, but because you are dealing with money, it is important that you project an image of success (and a telephone answering machine quickly identifies you as being a one-person operation.)

In addition to a telephone, you will also need business cards. These, of course, should be of a fine quality (this is not a very large expenditure). They should simply state your name, followed by the name of your services - Business Financial Services. You may list your phone number in the upper left-hand corner, something such as "Money for Every Need" in the lower right-hand corner, and of course your name and firm name centered in the middle. Assuming you are working out of your home, once you have moved into an office, you would certainly want to make new cards showing your business address.

It wouldn't hurt to have a calculator, a typewriter, and at least a small file cabinet as you set up your business. But just as people got along before without these amenities, you can make do until you can afford this equipment.

Once you are organized in a work area and with the basics for operating your business, the next move will be to get the word out that you are ready to offer your services to people needing money, and for people who are willing to invest. This means advertising, visiting, making contact in some way with both the people needing money, and those wanting to realize a profit in the process of lending their money. And don't forget - often those who do not go with you for one reason or another may supply you with fine referrals.

The more you advertise and talk to people about your services, the more successful your business is going to be. So first of all, we suggest you run an ad in the classified section of your local newspapers. It might read like this:

MONEY AVAILABLE! Business start-ups,
expansion needs, construction loans, cash-flow
problems. Call 123-4567.

You should run such an advertisement in as many of your area papers as you can afford, every day, for at least a month. This means that you'll have an advertising budget, with the money either coming in (or available) to meet these costs before you even contract to run your first ad. (This is part of the necessary planning that has to be done before you actually open for business.)

At the same time you are running the ad inviting people to come to you for their money needs, you should also be running a daily ad such as this one:

\$350,000 NEEDED! Will pay maximym interest.
Growing business, excellent profits and tax
benefits. Call 123-4567.

Now the purpose of the first ad is to build your list of people wanting money - needing loans that you can process. The purpose of the second ad is to build your list of investors in your area with money to put into some of these business proposals you get from the first ad. Obviously, you'll get more people wanting to borrow money than people with money to invest; but once you begin running these two advertisements, you'll be on your way.

When you place your first ads, start checking and following up on similar ads you see running in your area newspapers. Usually, they will be listed under "Financial & Loans Wanted," or "Money to Loan." However, don't neglect to ccheck the "Business Opportunities Wanted" classification as well.

When someone calls in response to your "Money Available" advertisement, whoever is acting as your secretary should get the name of the caller, the name of the business, the telephone number, amount of money needed, kind of business, and most appropriate time for a consultation. This can be handled most efficiently with preprinted telephone message pads. So you simply collect information from all these incoming calls, look it all over and start making your call-backs.

Basically, your call-back conversation should sound something like this: "Hello, John Jones? This is Mr. Money Broker returning your call about money for business financing. I understand that you're looking for about \$100,000 in order to set up an auto tune-up shop. You stated that you are already pretty well organized with a business plan and location, and that you feel you have pretty good collateral. That's very good. Before we talk any further, however, I'd like to tell you a little about our company.

"We represent a number of large lending organizations for business financing, as well as a number of private investors who are looking for new ideas and businesses to invest in. Their primary requirement, of course, is that they be assured of getting their money back, but further that they will make money from such an investment.

"What I do is work with you in preparing your loan or investment package so that it will be attractive when it is presented to prospective lenders. It is very important that your proposal be complete and in the proper order. It is also of the greatest importance that it "look good," and "sell" the people it is taken to. The prospective lender must feel confident in granting you a loan or investing in your business. Once we've got your presentation together, I then take it to some of my lending or investment sources and work toward obtaining you the money you need.

"As I'm sure you're already aware, it's most important that your proposal be prepared properly, and presented to the people who are in a position to give you the money you're asking for. I work with you to see that your proposal is the best my people have ever seen, and then I take it to the people who have the money and are looking for a

take it back to your client and brief him on how to present it to prospective lenders, and generally you would give him the names and addresses of the people you feel will be most likely to listen to his presentation. He makes the presentation to the local prospects, and contacts your other possible sources by mail. If he needs further help from you, you would charge him a per-hour counselling fee, plus consulting charge for any special or extra time spent working with him.

Overall, you should position yourself and your service to the client in order to collect a "finder's fee" of 1/2% of the amount of money actually loaned to or invested in his business. A flat fee of \$100 to \$250 as a broker's retainer fee for helping him with his loan presentation when he does most of the work - an outright fee of 1% for the total preparation of his presentation package - and a consultant's fee of \$50 to \$100 per hour for any additional time expended on the project. These are your "bread & butter" services that will establish you as a professional, and keep you in business until you score with a big commission from perhaps a million dollar loan. You have to involve yourself in this service, because they'll make the difference between your going broke or really succeeding in the money brokering industry.

Indeed, you'll become more efficient with each experience with a client. You'll soon recognize which proposals to concentrate your attention on, and of course, which ones to scan briefly and hand back to a loan seeker. The more you deal with money professionals, too, the sharper you'll become - and consequently, the more money you will make. Money professionals know what types of loans are possible or likely from each of their different funding sources; thus, they'll present only those having the best chances of success. You will quickly be acquainted with the lending rates and requirements of your loan sources. As you review, assist and put together each of the request-for-money proposals, your knowledge will improve your ability to package specific requests, and to "sell" a loan proposal. Just keep in mind that every time a loan is approved, or when one of your sources decides to invest in a client's business, you'll be taking a financial cut right off the top.

Right here I'd like to assure that you don't have to be either a financial genius or a super sales person. All you really have to know is how to put together a proposal properly, and acquire a list of sources interested in lending money or investing in a venture to obtain a profit.

You'll find that most of the borrowers you sign to assist in finding money for are unaware that they will have very little if anything to say about the terms of the loan that may be finally granted. You'll find that most of them are already convinced that they have the ultimate idea for a business that will make everyone involved rich. Almost all of them are trying to get started with little or no money of their own, and they'll think that whatever the prevailing interest rate, it's too much.

Your first chore will be to screen these people. Explain the facts of life to them, and don't waste your time with them if you have the feeling they'll reject or refuse to accept a loan you line up for them because of interest rates. If they've been to most of the regular loan sources in your areas, they'll know that when they want or need money, it's

the lender who dictates the terms of the loan. A prospective borrower soon learns the prime rate that is published is almost never used. Actually, the prevailing prime rate plus two percent is generally a good rate of interest for most small businesses. In most cases, such loans have to be well secured with collateral not associated with the business.

Most of your would-be borrowers will not qualify for the prime plus two percent rate. Business experience, coupled with the type of business involved, will almost always put them in the "high risk" loan category. After you have your retainer fee, you have to educate your would-be borrowers in this regard. For those who cannot face the facts of life about interest rates, you have to just forget.

Something else you'll have to convince your clients of: If he says he'll give up a share of his business in exchange for the use of your investor's money. He'll have to give up a very large share. Most small business investment corporations or private investors will want at least 25 percent, and more often than not, up to 49 percent. In some cases, where a half million dollars or more is provided by the investor, he may (reasonably) ask for as much as 70 to 80 percent. Thus it's absolutely essential that you learn to qualify your would-be borrower before you get too deeply involved or waste too much of your time.

For those who can't or don't want to pay your retainer fee - I say skip them. And those who can't or don't want to pay the high risk interest rates when you let them in on the real facts of life - forget them too. And those that have been turned down by practically every lending institution in the country, I would advise you - let some beginner gain practice on them. And these are the ones you need to learn to spot while you are a beginner.

You should determine exactly how much cash and other assets your client can or is willing to put into his proposed business. You'll have to be satisfied with the character of your client as a borrower; his record of paying his bills, how he gets along with people, and his overall chances of success. You'll have to do the checking of his references and credit record. You'll have to judge how he'll make good on the loan if the business goes sour. When these questions are answered to your satisfaction, you can go on with helping him put together a proper loan proposal and work toward getting him the money he wants.

Most successful money broker money brokers charge according to the size and type of loan being requested. This is based on the amount of work they have to put in to place the loan. If it looks like a pretty solid business with a good record on the part of the borrower, and good collateral, the fees are usually lower. On the other hand, if it's a high risk proposal or if the borrower has very little business experience and you are going to end up doing a lot of selling to get the loan approved, your fee should be accordingly higher.

Remember that not all loans are approved, even though they might have looked good to you in the beginning. With this in mind, you have to charge for your services and make up for the time you spend with those proposals that don't get approved by charging

and collecting on those that do get approved. An example of the typical commission charges is shown below.

Loan Amount	Your Fee	Commission
\$5,000,000+	1/2%	\$25,000
\$2,000,000	1%	\$20,000
\$1,000,000	1.5%	\$15,000
\$500,000	2%	\$10,000
\$100,000	3%	\$3,000
\$50,000	4%	\$2,000
\$30,000	5% to 10%	\$1,500 to \$3,000
Under \$30,000	10%	\$750 minimum

As we stated earlier, you can start this kind of business from the comfort of your own home or apartment, and do very well. However, just as soon as you can possible afford to, it would be to your benefit to set up an office with access to the general public. Your success and gross income will definitely benefit with an office.

You should set up your operation in a prestigious location within or fairly close to the business and financial district in your area. Basically, this will be for impressing your clients, but at the same time, by locating in or near your local loan sources, you will quickly come to know the important people on a first name basis. Perhaps the best idea would be to sublet space in a suite of offices used by an insurance company, accounting firm, or a group of lawyers. An arrangement can often be made for their receptionist to answer your phone calls and receive your clients. With a little bit of finesse, you might even be able to have one of their secretaries handle your typing and filing.

Your office should be neat and functional, but still impressive. A large desk, comfortable chair and a credenza; perhaps a four-drawer file cabinet also. The image you project is of great importance, and being associated with a big name firm, even if only on the basis of sharing their suite of offices, will definitely be to your advantage in gaining ultimate success.

You should try to cover the walls of your office with certificates of awards, extra curricular courses completed, association memberships and seminar courses completed over the years. Documents of affiliation with civic groups or even reproductions of national write-ups should be framed and displayed on your office walls.

Don't forget: when planning and furnishing your office, you should also include at least one, and preferable two, visitor's chairs. A small sofa would be desirable, but really isn't necessary until you are really firmly established. The thing is, you want to project the impression of affluence and professionalism to anyone coming into your office.

The ideal situation is to have a two-person team - someone to be on the outside doing the selling, and someone on the inside handling all the processing. If you have the marketing skills, and enjoy selling, you might look for a sharp and impressive appearing

person to handle the processing for you. Or if you have got the processing know-how, you might keep your eyes open for a professional appearing person who could be your "outside arm" and do most of the selling for you. Basically, and excepting for the actual preparation and selling of the loan packages, most of the inside work can be handled by clerical personnel.

As you know however, you will find it in your best interest to have a full-time secretary. You would train her to field incoming telephone calls, take care of filing, and do our personal typing for you. A typical loan proposal usually requires about eight hours of typing.

Regardless of how you get started, and even after you have moved into a suite of plush offices, you will have to advertise to keep new business coming in. Besides running regular advertising in your local newspapers, you should also advertise in the local financial publications as often as you can afford it. Once you get your business rolling, you should expand your advertising coverage to include such national publications as the Wall Street Journal and the business opportunity publications.

Regarding the type of advertisement to run in these publications, we recommend that you look at money brokerage ads in these publications. Clip out some of those you especially like and have your local typesetter make one up for you, using those you have clipped as patterns.

In addition to your local newspapers, business publications and nationally distributed papers, newsletters and magazines, it will be to your advantage to run an advertisement in the yellow pages of your telephone book and in area business directories.

Besides "regular" advertising, you should be sending out direct mail letters, letting people know that you can help them with their money problems. Some money brokers have a combination letter-display and made up and printed on the back of postcards. This is quite a bit less expensive than sending out letters, and could possibly downgrade your image somewhat, but on the other hand, those money brokers using postcards say they are very effective because the recipients are more likely to save a postcard than a letter.

A general description of the way the direct mail system works is: You mail out your letters or postcards to the real estate brokers and small businesses in your area. Then a couple of days later, you follow up with a phone call to these people. You identify yourself, ask if the card or letter had been received, and then ask how things are going - if perhaps you can be of any help to them. Finally, you ask them to keep you in mind, and be sure to let you know if something comes up that you can handle.

About one-third of the people you talk to will say that they don't immediately need money, but they know of individuals or business looking for help. When you do get a referral, be sure to elicit as much information as possible, then make a contact with them.

When you have put a loan or an investment proposal together, and you intend to

sell it to a lender, you should first call the lending officer or the head of that lending organization. If you want to present your package to a private investor, you will more than likely have to call his attorney, broker or investment counselor.

The purpose of your telephone call is to set up an appointment in order to present your package in person. Thus, during the course of this telephone call, you should brief the lender on the highlights of your client's loan proposal. If he is interested, he will probably want you to send him a written summary. After he has received the summary and decided he is interested, he will get back to you and set up an interview with you, and then with you and your client.

You and the borrower should rehearse the entire loan proposal and have all examples, charts and graphic illustrations ready to go for a winning presentation.. Any lender willing to listen at all wants to hear the full story, and when they have a question, they want the answer without hesitation. So be sure you are ready when you show up for that loan-selling interview - with a complete presentation.

Once you start processing loan applications, you will find that about 80 percent of the loans granted to small businesses are made by commercial banks. A few more than ten percent are made by friends or relatives or the borrower, and about three percent by finance companies. Another three percent will be granted by insurance companies.. This will give you an idea of possible money sources for your clients.

You must remember, when a prospective borrower tells you how much money he needs, and what he wants to use it for, it is your job to evaluate his proposal and match his particular proposal with sources likely to be interested. As you build your list of money sources, you will find those that specialize in specific categories of loans - for apartment buildings, medical facilities, recreation setups, and a myriad of others.

Most money brokers cultivate the savings and loan companies, union pension funds, life insurance trust companies, credit unions, private investor groups, and even the small loan companies. The important thing to remember is that if you are going to bring together people needing money and people with money to lend, you have to continually develop contacts in order to build your list of money sources. It is very helpful to get to know your local bank officials because sometimes they can refer you to a person you can really serve, because he doesn't qualify for a bank loan.

You will also learn that most sources of venture capital - money for business start-ups - want an equity share of the business. They generally don't require that the money they put up be repaid, because they are hoping to make their profit from a share of the business as it grows and becomes more and more profitable. They especially like to get in on the "ground floor" of small companies who plan to issue public shares of stock when they begin to grow.

Still another angle that money brokers should develop is contact with a number of people who might be interested in investing as silent partners in new or growing business ventures. Silent partners invest in a business without assuming any liability relative to

debts the business may incur, while still sharing in the total profits of the business. In most areas of the country, there are always a number of wealthy people around who are interested in investing small amounts of money in any number of business ventures - sometimes as many as they can get in on.

Until you have actually placed a few loans, you are undoubtedly going to occasionally spend a lot of time attempting to sell a loan that just can't be sold. You will have to develop your skill in evaluating from the facts your borrower gives you, the possibility of obtaining a loan, how long, the terms (time period and interest rate), his past business experience, and the feasibility of his plan for success in the planned business. While it does take some time and concentration to differentiate the "winners" from the "losers". Be aware from the beginning, and you will be less likely to be caught up in efforts to place a loan that just can't be placed.

Of primary importance to your lenders is your client's collateral, which would assure repayment of the loan in the event of failure of the business. Lenders won't even listen to, or bother to look at a proposal that is not backed up with realistic collateral to support the loan. And you may count on this: They will call you on any profit projections based only of your borrower's glowing predictions. These are the things you as a money broker must evaluate before getting too deeply involved. If the loan doesn't have the look of at least an even chance of being approved, better to give it to your client straight. It will save him grief in the long run, and will allow you to go on to another proposal with better chances of success.

When you go into the matter of collateral with a client, by all means be thorough and inquisitive in working with him. Many borrowers have collateral they have never thought of in terms of security. For instance, antiques, coin or stamp collections, life insurance policies, even a wealthy friend or so who would sign a guarantor(s) of a loan. Remember, also any accounts receivable, promissory notes, machinery and equipment, and any real estate equity.

When you've listed all the collateral that can be dug up, you have to demonstrate very clearly just how the loan is going to be repaid - and particularly if the business fails. Collateral is a necessary part of any loan transactions, but is usually is not enough to satisfy the entire face value of the loan. Thus, in addition to collateral, the borrower has to have a clear and provable plan for repaying the money he borrows.

So long as you work through the commercial banks, you shouldn't need any kind of brokers license. But to be sure, you will want to check with your local licensing authorities. In the end, you will probably want to get a real estate broker's license, because in many cases, real estate will figure into the loan in one way or another. However, you can get started without one. If you run into an immediate need for a real estate broker's license, you can always make an arrangement with someone who has one and let him be the "licensee of record."

Finally - and possibly the Number One requisite for success in your Business Financing Service venture is this: You are going to need, and really must have, enough

money available or coming in from some outside source(s), to sustain your daily living for at least the first three months before you open for business.

It will probably take you two to three weeks to put together each of your first loan proposals. You're working (investing your time) but the money won't be coming in until you finish the job. But even when everything is ready and you begin trying to place a loan, it could take you anywhere from three weeks to three months to get the final approval.

So the best way to get started as a money broker is, as we discussed earlier in this report, to start on a part-time basis while you are still holding down a regular job. Remember, you can work out of your home; do some careful planning and become efficient with your time; concentrate on getting those "retainer fees" and proceed with packaging the loan proposals.

There is no effortless way to start this or any other business. You have to start small, do all or most of the work yourself, and in addition to investing your time, you'll have to "prime the pump" with money of your own. However, it can be done, and most assuredly this particular kind of business can take you from pauper to wealth in a short time.

Businesses in every city and town in this country would like to have more money than they currently have available. You can become rich beyond your wildest dreams by helping them. You identify those with money needs and bring them together with the people or organizations with money to invest.

All it takes is the know-how we've passed along within this business start-up manual, and ACTION on your part - it's up to you!

REFERENCE ASSOCIATIONS:

American Finance Association
Graduate School of Business Administration
New York University
100 Trinity Place
New York, NY 10006

American Institute of Financial Brokers
21 N. LaSalle Street
Chicago, IL 60601

American Institute of Professional Consultants
American Professional Center
201 S. Lake St., Suite 500
Pasadena, CA 91109