

## ALTERNATIVE LENDERS & BUSINESS LOANS IS A LENDER REALLY A LENDER? WHO'S WHO IN THE ZOO?

As a business owner, you're undoubtedly receiving offers for business loans coming in the mail, e-mail (including spam), advertised on-line, or even from telemarketers. You're probably seeing what seems like a long list of alternatives put in front of you. All these people reaching out to you seem to offer somewhat similar things, and they all seem to want your business. Perhaps some of these offers would be of interest to you – after all, sometimes a short-term loan would be useful in helping you meet your business goals, and maybe you don't have the time available or information at hand, or the ability to wait, to deal with your bank or credit union. In such a situation, considering a loan from one of these entities that advertised to you in one way or another may be compelling.

In the advertisements you'll see a lot of promises. Words like **“Fast”** and **“Guaranteed Approval”** and **“Lowest Rate”** will all appear. Anything that sounds too good or too easy to be true probably is. Can you trust these people? How do you know who you're really dealing with?

The first thing you should know when you're looking at these offerings is whether or not the company **is really a lender**. Often they are not, so it's important to know truly who they are and what their motivation is. I like to categorize the players in the market into three general categories:

- 1) **Direct lenders** – firms who actually lend their own money and make the loan direct to you. Usually these lenders offers will be quite forthright. They'll also have a Canadian address and some history that you can research. They'll often have a rating with the Better Business Bureau;
- 2) **Brokers** – people or firms who, as their profession, help coordinate the relationship between clients and potential lenders. Most brokers coordinate financing for a living, and are professionals who will attempt to match clients with the lender that is best for them and their circumstance. Like in any industry, there are good brokers (well connected, and who take the client's interests to heart) and some who don't act with the same professionalism. A good broker can be an asset. If they get to know you and your business, and they have a good history/trusted relationship with the lenders they work with, they can often help convince the lender to take a closer look at a deal they may have otherwise turned down;
- 3) **Aggregators** – people or firms who are solely in the business of lead generation from websites or direct marketing campaigns. Often their only goal is to identify a list of businesses that may have interest in a loan, and selling that list off to lenders willing to purchase it. Usually they market using telemarketing campaigns or send unsolicited emails. Very often, they'll have US – based phone numbers and addresses.

**Aggregators often appear in their advertisements to be lenders.** In fact, they're not lenders at all – they are marketing firms hoping to collect all your personal information as a lead source. These firms then sell your information (the “lead”) to a series of lenders in hope of receiving a referral fee in return.

***Because you're dealing with extremely personal and private information about yourself and your business, we strongly suggest you thoroughly research who you're applying for a loan from.*** Know who you're sharing your information with, and understand what they're going to do with it. Stick to either familiar names, or publicly listed companies, companies affiliated with familiar institutions, and/or those with Better Business Bureau ratings. Look for companies or brokers with a history in, and commitment to, the lending business.

Once you narrow down the options on the screen in front of you (I suggest you dismiss, or minimally, exercise extreme caution with the lead aggregators), you'll find your choices much more manageable. Narrow it down even further by trying to go "local" i.e. choose a lender or broker that appears to originate from and maintains physical offices in Canada.

Always research that you're doing business with. The privacy and protection of your information is important. The tips above will get you started – but they are by no means an exhaustive list of the precautions you should take.

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