



FINANCIAL FLEXIBILITY FOR SMEs

If you're facing challenges securing a loan from traditional banks and are ready to give up, it may be worthwhile to explore **private lending** sources.

Private lending involves borrowing money from nontraditional lenders, often wealthy individuals or companies with surplus funds from their primary business seeking higher returns. This avenue provides an opportunity for individuals to pursue their business goals and financial aspirations.

In the majority of cases, private lenders will say yes when banks and second tier lending specialists refuse to approve the loan.

Why opt for a loan from a private lender?

There are several reasons you may explore finance from a private lender instead of a traditional lending institution.

These include:

- Ineligibility for a loan from a financial institution.
- Complexity and extensive requirements of the bank loan application process.
- Urgent need for funds, with some private lenders capable of providing financing on the same day or within 24 hours.
- Asset based loans, focusing on collateral rather than personal qualifications.
- A viable option for those in the real estate development sector.

Who benefits from private lending?

Typically, businesspersons owning substantial assets but facing short term cash shortages. These loans are often sought for immediate funding needs, such as capitalising on unique opportunities or bridging financial gaps.



Private lending proves valuable in various scenarios, including:

- business bridging loans
- caveat/second mortgage
- development finance
- mezzanine/distressed construction loans
- notice to complete loans
- receivership finance
- refinance/cash out
- tax debt loans
- trade finance
- stock purchase

Can private lenders be utilised for personal loans?

According to the guidelines of the National Consumer Credit Protection Act, the majority of private loans must be for business purposes. Borrowers often need to sign a document affirming that the funds received will be used for business related activities. Accepted business uses include purchasing commercial property, starting or acquiring a business, paying off business or tax debts, securing working capital and financing property development activities.

Is private lending secured or unsecured?

Private lending is predominantly secured with lenders often requiring assets such as property or equipment.

What is the term of a loan from a private lender?

The terms of privately funded loans are more flexible compared to those from large financial institutions. Generally, a loan will have a term of six months to two years. However, it is not unheard of for terms to be as short as three months and as long as five to seven years. Private lenders will dictate the terms based on a variety of factors.

Do private lenders charge high interest rates?

Private lending sources commonly impose higher interest rates than banks or tier two specialists. Interest rates for these loans may start at 5-7% and can go up to 12-15%, particularly for higher risk borrowers.

Flexibility in approval criteria

Traditional banks typically adhere to strict lending criteria and often require extensive documentation and rigorous credit assessments. Private lenders, however, can adopt a more flexible approach by considering a broader range of factors beyond traditional credit scores.

Speed of funding

Private lending is renowned for its agility in processing loans. While traditional banks may take weeks or even months to approve and disburse funds, private lenders can expedite the process and provide quicker access to capital.

Customised terms

Private lenders have the flexibility to negotiate loan terms directly with borrowers. This allows for the creation of customised agreements that cater to the specific needs and circumstances of the borrower.

Risk and reward

While private lending offers unique advantages, it is not without risks. Investors assume a higher level of risk compared to traditional banking as the loans are often unsecured or backed by non traditional collateral. To mitigate this risk, private lenders may charge higher interest rates to reflect the increased uncertainty associated with these loans.

The role of finance brokers

Our finance broking team serves as your essential intermediary in the private lending landscape. Our expertise lies in connecting you with suitable private lenders based on your individual needs and the lenders' preferences. As your specialist finance broker we navigate the intricate web of private lending options to ensure you secure financing that aligns with your business goals and financial circumstances.



With our connections in the finance industry and our extensive knowledge about small business, we are most likely to help you acquire a private lending solution more efficiently and faster than you can by yourself.

Exit strategy

Due to the higher costs associated with private lending, it is not intended to be a long term finance solution. Preparing an **exit strategy** to a lower interest finance product would be part of our recommended finance strategy.

Our expertise in preparing your application for approval is sometimes the difference in securing your finance OR NOT.

If you are a small business owner in search of a reliable private lender, we are here to facilitate your finance needs. Our commitment to understanding our clients' distinctive situations and offering flexible, rapid finance solutions sets us apart in the world of banking and finance.

By working together it allows us to help you find borrowing solutions from private lenders who not only understand your needs but are also dedicated to assisting you in achieving your financial goals swiftly and efficiently.

We look forward to hearing from you for all your business finance needs.

Contact us to read
'The pros and cons of private lending'

