



## Applying for a loan

One of the biggest challenges facing an entrepreneur is that of raising capital to start the business. Getting a loan is not that hard if you are properly prepared. This fact sheet will provide you with a guideline. The bottom line however is that whoever lends you money wants to be sure that you will pay them back and therefore it is up to you to convince them that you will. The information that you provide will help lenders decide whether or not you are a good credit risk.

### How much do you need i.e. :

- Draw up a budget based on your business plan
- Identify how much money you need and when you will need it
- Allow for some extra contingency funding
- Plan to arrange for all your financing

### And what types of financing is available:

- Equity
- Overdraft

An Overdraft facility is a fluctuating, short-term, limited credit facility available on cheque accounts. The bank overdraft accommodates withdrawals that exceed the available balance.

### Absa Bank Overdraft Features

- A fluctuating, short-term, limited credit facility available on cheque accounts
- A number of different bank overdraft facilities are available:

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- **Standard Overdraft**  
Granted for a period of 12 months, the overdraft facility is reviewed annually.
- **Reducing Limit Overdraft**  
The limit of the overdraft facility is reduced on a monthly basis until the loan or overdraft amount is settled.
- **Temporary or Bridging Overdraft**  
Granted for a fixed period of time only, the overdraft is to be settled in full upon expiry of the agreed overdraft period.

#### Absa Bank Overdraft Benefits

- Overdraft accommodates withdrawals that exceed the available balance. Interest on overdraft is negotiable and is calculated and payable on the minimum daily balance. This means that the client is only charged on the facility he actually uses or the actual daily debit balance maintained.

The facility is payable on demand from the bank, particularly if banking conditions are contravened.

#### Credit Protection Plan on Overdrafts:

- The Credit Protection Plan will provide you with full peace of mind that your Overdraft is covered in the event of death, disability, retrenchment or you contracting a dread disease. In the event that you become permanently disabled, diagnosed with a dread disease or die, an amount equal to your Overdraft facility becomes payable. In the event that you become temporarily

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disabled or retrenched, 3% of your Overdraft facility amount will be paid for a limited period of time.

What do I need to apply?

- Good credit record and clear on Credit Bureaux
- An Absa Silver, Gold, Medical, Professional or Platinum Cheque Account
- The overdraft facility is subject to negotiation with the branch
- Should earn more than R2 000 per month

Overdraft

- An Overdraft limit is loaded to your current account. This means that you are borrowing on the same account into which your salary is paid every month
- You can use as much of your agreed Overdraft limit as you need. You only pay interest on the portion you use. Your Overdraft amount remains available even when you are not using it.
- You can withdraw up to the limit and repay the outstanding balance as many times as you like without notifying us.
- Your Overdraft is repayable on demand, which means the full amount is repayable on request if any of our conditions are not met. Your facility is reviewed annually.
- An Overdraft is ideal to help manage your cash flow in months when you have high expenditure or for financing small recurring or unforeseen expenses, which you intend paying off over a short period.

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### Amount you could qualify for

- The amount you qualify for depends on your income and your credit risk. Your credit risk is determined by the information held by credit bureaus, the way you maintain any existing Standard Bank accounts and your personal circumstances, for example, stability of job and fixed home address.
- Personal details such as race and gender do not affect our assessment of risk.
- The product has a maximum limit of R100 000 - the amount you borrow depends on what you can afford and how much you require. For large facilities security may be required.

### Minimum monthly repayment

There is no minimum monthly repayment required on your Overdraft as long as you remain within your agreed limit and make at least one deposit (salary) into your current account every month.

### Interest rate

- The interest rate you pay on your Overdraft is based on your credit risk. The rate is linked to prime so that you receive the benefit when prime rates decrease.
- Interest is calculated on your daily outstanding balance but charged to your account once a month.
- Rates charged vary between the prime rate, and the Usury and NCA maximum rates.

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### Monthly service fee

- A monthly service fee is charged on accounts with Overdraft limits in excess of R300. A fee will be levied on all accounts which are overdrawn and do not have an Overdraft limit in place.

### Initiation Fee

This is a once-off fee that is charged for the administration associated with assessing and loading an overdraft facility to your account.

### Who to approach

- Find someone who understands your business
- Friends and family
- Other entrepreneurs
- Venture Capitalists
- Banks
- Suppliers

### What are they looking for

- Friends and family
- Other entrepreneurs
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### Establishing and maintaining rapport

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- Have regular meetings
- Establish a good credit history
- Get to know the bank and its employees
- Provide your bank with adequate records
- Don't surprise your banker

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