**Everything you need to know about hiring a business loan broker**

A business loan broker is someone you pay to help you apply for a business loan.

They’re used by business owners who need finance, but don’t have the time or expertise to find a loan on their own.

If you’re planning to apply for business finance, you’re probably wondering:

“Should I hire a business loan broker to help me secure my business loan?”

I’m afraid I can’t answer that for you, because it really depends on your needs, and how much time you want to dedicate to finding the business loan that’s right for you.

**But I can (and will!) give you the information you need to decide if hiring a loan broker is the right choice for you.**

I’ll consider questions like…

* What are the benefits of hiring a broker?
* And the disadvantages?
* How much does it cost?
* How can you protect yourself against business loan brokers who aren’t trustworthy?

Want the answers?

Keep reading.

**Six great reasons to hire a business loan broker**

There are definitely advantages to hiring a broker.

1. **They’ll save you time and effort**

Hiring a business loan broker can save you *a lot* of time. If you decide to go it alone, it could take [days of hard work](https://www.newyorkfed.org/smallbusiness/Fall2013/index.html) and diligent research to find the business loan that works for you. And then, you still have to wait for your application to be processed!

That’s assuming, of course, that you decide to research your options rather than pick a lender at random. And I strongly recommend that you do, since costs, terms and conditions can vary so widely between lenders.

Choosing the lender and product that best match your business can:

* Increase your chances of a successful application
* Save you a lot of money in interest
* Spare you the hassle of getting locked into restrictive conditions
* Set you on the road to a successful long-term financing relationship.

So, taking the time to research lenders is well worth it.

But do you have that much time to spare?

If not, it might be better to go ahead and hire a business loan broker.

1. **They’ll help you fully explore your options**

There are so many lenders out there who might be willing to finance your business, and a loan broker should know a lot more about the market than you do.

After all, that’s their job.

They spend all day connecting business owners to lenders, so logically, they’ll have connections and inside knowledge that you don’t – like which lenders prefer to work with businesses just like yours, and are more likely to approve your application. Or which ones to avoid because they’ve just tightened up their lending criteria.

1. **They can help you secure a loan**

As I said, a business loan broker should know which lenders are most likely to accept your application and exactly what they’re looking for. They can also steer you away from lenders that are likely to turn you down for some reason (saving you a black mark on your credit report).

They’ll also help you gather your supporting documents and prepare and submit your application, giving you the best chance of success.

1. **You might get a better rate on your small business loan**

While many lenders will advertise an interest rate, the actual rate you’ll end up paying will depend on lots of things, including how much you need to borrow, the loan term, your credit rating and the risk profile of your business. Most loans have other costs and charges on top of the interest rate, too, and it’s not always easy to find out what those are.

So to find out how much a loan will actually cost you, you’ll need to enquire with the lender, and give all them your details. At best, this will take you a lot of time, and leave you open to the hassle of constant marketing calls. At worst, it could impact your credit rating, because every time a lender checks you out they’ll leave a mark on your record.

A business loan broker can safely make enquiries with a large number of lenders and find out who is offering the most favourable rate for your specific circumstances.

They may also know about special deals and help you cash in on them.

1. **You’ll be working with an expert**

You can assume that most business loan brokers know their stuff. They’ve seen a loan deal or two and know how to navigate the process.

Just like hiring a solicitor to handle your contracts, or an accountant to manage your tax, you’ll be engaging a professional for their expertise. So you can expect them to do a better job than you could do on your own.

1. **They know those irritatingly complex financial terms**

No matter how business savvy you are, financial jargon can sound like a foreign language. But those complicated financial terms can have a big impact your financial future.

The truth is, business loan contracts can be pretty hard to interpret because of their convoluted language. It’s a good idea to hire someone who knows exactly what those terms, acronyms, and phrases mean, before you lock yourself in to any business loan.

Okay, so all that makes business loan brokers sound like a really good idea.

But are there any reasons not to hire one?

Well, yes.

As with almost anything, there are pitfalls to watch out for.

The problem is, the market in which business loan brokers work is fairly [unregulated.](https://www.forbes.com/sites/groupthink/2014/09/17/its-time-to-rein-in-shady-small-business-loan-brokers/#521d723a6454) As much as I wish they’d all operate with your best interests in mind, that isn’t always the case.

Unfortunately, there are a number of small business loan brokers who can, and will, take advantage of small business owners.

**Three reasons NOT to hire a business loan broker**

1. **You might actually get a lower interest rate if you don’t hire a broker**

Some brokers collect fees from lenders based on how much business they send their way. Others will charge you a fee for their services once you’ve successfully applied for a business loan. And others still will hide their fee within the interest rate of your loan.

Well, okay. What’s the issue? You’re still paying the broker either way, right?

Sort of.

The problem with the fee being integrated into the interest rate is that you don’t necessarily know how much you’re paying. It lacks transparency. For example, the actual rate of the loan might be set at 15%, but the lender sets the interest rate at 18% to compensate the broker for choosing them.

Wait, that sounds like bribery! Is that even legal?

Yes. Unfortunately, it is.

This means that rather than getting the loan with the best rate, you might just be getting the loan that offers the best commission to the broker. Which is, with a less than upstanding broker, the worst deal for you.

1. **They might choose only certain lenders**

Some lenders will give the brokers higher rates of commission as an incentive for bringing them highly qualified, reliable borrowers. That means that you could actually end up paying more for a loan just because you’re a great customer (the kind of customer, in fact, who could easily get a business loan without the help of a broker).

Meanwhile, some lenders just offer higher flat commission rates than others. And some less scrupulous brokers will chase those higher commissions, regardless of whether it’s the right loan for you.

1. **They could sell your information**

Don’t you just hate those calls trying to sell you products you don’t need?

Well you might start getting a lot more of those calls after working with a business loan broker. We all know that they shouldn’t be making money from the information you give them in order to secure you a loan. But they can make extra money on that information – and, sometimes, they sell it.

By now you might be thinking that the pitfalls of hiring a business loan broker make the entire thing too risky.

But there are lots of good business loan brokers out there, and plenty of ways to protect yourself against the ones who don’t have your interests at heart.

Ok, so how do you find a reliable, trustworthy broker to work with?

**Eight ways to identify a reliable business loan broker**

1. **They deal with multiple lenders**

If your broker tells you straight away that they know the right lender, you should be a little suspicious. They should be contacting multiple lenders and analysing all your options to find the one that is best for you and your business.

1. **They tell you the cons as well as the pros**

You’re hiring a loan broker to find and evaluate different financing options for your business. For example, one loan might be available to you within 48 hours, but have a higher interest rate. Another might be lower cost but have restrictive conditions, such as not allowing you to offer credit terms to your customers. Your broker should make sure you know exactly what you’re signing up for.

1. **They’re transparent about their fees**

You need to know up front how much you’ll be paying for a broker’s services. Do they charge a flat fee, or a percentage of the amount you borrow?

As I said before, some lenders will receive commission from the lender rather than charging you a fee for their services. This is fine, as long as they’re absolutely transparent about how much they’ll get, and whether they’ll receive higher fees from certain lenders.

Once you have this information you can decide whether they’re acting in your best interests. If they’re not willing to share it, you may have reason to worry.

1. **They provide a business address and phone number**

A reputable broker will have a legitimate business address and phone number where you can reach them – not just a website. If they don’t, and you can’t verify their identity, you might want to look elsewhere.

1. **They have a strong privacy policy**

If they don’t have a clear privacy policy that protects your interests, you might end up with your details sold and your phone ringing off the hook with marketing calls. Nobody wants that.

1. **They pay attention to your credit rating**

Your credit rating is one of the key measures lenders will use to decide whether they’ll lend to you, how much you can borrow and how much interest you’ll pay.

If your rating is low, your broker may still be able to find you a business loan, but you can expect your interest rate to be higher and the terms and conditions to be stricter. A reputable broker will ask questions about your credit rating and discuss your options with you.

1. **They have great references**

You want a reputable business loan broker with expertise and connections. Your personal networks and social media are a great source of information. Look for reviews (ideally recommendations on LinkedIn or similar so you’ll have social proof that it’s a legitimate review, rather than a testimonial on the broker’s website that could be made up). Or best of all, ask other business owners about their experiences and who they recommend (and why).

1. **They give you time to make up your mind**

Above all, you shouldn’t feel pressure to make a decision right away. Your broker might want to close a deal quickly in order to get their commission, but you have every right to make sure that the loan really is right for you. They should encourage you to ask questions and analyse the documents so you’ll know exactly what you’re getting.

**How much will I pay for a business loan broker?**

How much (and how) you pay your loan broker can vary widely, from nothing (they’ll collect their fee direct from the lender) to a percentage of the loan amount.

You need to find out from the outset how much the broker will charge you, and at what point you’ll be expected to pay.

The burning question is:

What happens if you don’t manage to get a loan? Will you still have to pay the broker?

That depends. There are some brokers who’ll charge you *only* if you secure a loan. Others will charge you no matter what, for the services they provide.

Some brokers might even ask for an upfront payment before they’ll even start work – but there’s really no reason you should accept that.

In the end, once you know exactly what they’re going to charge you, you’ll need to decide whether the cost is outweighed by the time and hassle you’ll save – and the better outcome you can hope to get!

**Conclusion**

There can be some real benefits to working with a business loan broker. After all, you’re busy building or growing your business, and your time really is precious.

Do you really want to take the time to track down the right lender?

Do you know what the best loan for you will be, or what all of those tricky financial terms mean?

But, I said, not every business loan broker has your best interests at heart. There are some out there who just want to make as much money as they can from you.

The bottom line is that hiring a business loan broker can certainly be worth it, as long as you find the right one! Get recommendations before you start, and ask all the right questions before you commit.

*Have you worked with a business loan broker? Are you glad you did? Tell us in the comments below?*