



### **“Prioritizing Loans and Other Debt”**

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If your business is in trouble, you can negotiate your outstanding commercial debt down to free up capital to keep your business running. If you have a large commercial debt burden and if you do not make payments on the outstanding items, the bank will initiate actions to retrieve the collateral. You can take steps to address these debts, and possibly reduce your overall debt burden.

First consider the loans or debts you have signed for personally. These will be the priority number 1s for this list. The reasoning is as follows: even though you have technically incurred this obligation as a business debt, you are legally on the hook on a personal level, and I want to make sure that you are not setting aside those debts thinking they cannot affect your business.

You will need to take a different approach with those creditors to address these obligations properly. Since you guaranteed them personally, when you are talking with those creditors, different types of questions will arise during the conversation.

First, determine those creditors who hold loans on the equipment you absolutely could not lose and still be able to run your business.

Put these at the top of the priority list. You will discover that it is not necessarily the largest creditor that gets more of your attention during the debt negotiation process.

Next, determine those creditors who hold loans on the equipment you could lose and still be able to run your business?

Put these lower on the priority list. You will discover that it is not neces-



sarily the largest creditor that gets more of your attention during the debt negotiation process.

Again, consider each debt line-by-line, and write remarks down for each one. This will help you define your priorities and determine the best approach to use for each.

After you have set a priority for each debt, merge both lists. This will be the master list of all your debts. For each creditor, put down (1) a phone number, (2) an address, and (3) the name of a contact person for that business.

Assure yourself that the list is complete and that you have the name of all of your creditors. Now go through the list and choose the one that you are going to contact first. After you have done this, you need to make a decision: Do you want to contact them yourself or hire a specialist to do so. It may depend on the makeup of the list. Whatever you decide, you will need to take some form of action on the top priority items or your business cannot continue to operate.