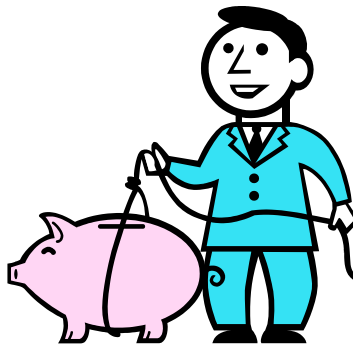


Know Your Banker

I remember the days when my father, a grocery store owner, could call up his banker, tell him he needed a loan and have the funds put into his account very quickly. These loans were the proverbial handshake deal where trust was the driving factor rather than financial ratios and loan application forms. Those days were decades ago, and it would be easy for me to say that those days are long gone. But back then, he was able to make those phone calls based on a long-term banking relationship and established trust that he had built with the bank; and yes, there were loan agreement forms filled out at some point.

I deal with many people each year who would like to get a loan for an early stage business, and many of those will complain that the banks are just not willing to work with them. They do not understand why they can't walk in and request funding for their dream and get that funding as quickly and easily as my father did years ago.

Times have changed and the handshake deal is no longer in practice. However, building a relationship and trust with your banker is still an extremely important element for business success and it should be worked on constantly.



I have said many times that banks are not social service agencies. Neither is the Small Business Administration. They, as financial investors in your business, are looking to make profits. They are taking risks on you and the rest of your management team. They are taking risks on your marketing plan and your financial management. And they are taking risks on the economy as a whole. Fulfilling your dream is not a part of the decision.

So how do you establish a relationship with your banker and establish that trust factor? It begins right with your initial meeting. The first time you meet with a banker may have nothing to do with requesting a loan. You should schedule an appointment to go in and just inquire about how that bank can be a good partner for your business. You should plan on spending 15 to 20 minutes inquiring about their services and getting to know a few of their people. Let them be the sales people at this meeting. Be clean and professional and give them the image of someone who has success at your fingertips. Gather their loan application packet along with information about checking, savings, merchant accounts and other services.

At the next appointment, you can submit your loan application, but again, think professionalism. Have your business plan prepared and understand it well enough to be able to discuss it thoroughly. They are going to be digging through those

financial forecasts in depth. If you don't understand the numbers and have sound assumptions for those numbers, your risk rating goes up significantly.

It is not necessarily recommended that you only bank with one institution, but it is good to use more than one service of a bank. So look to set up a checking account or a merchant account with the same institution that you are requesting a loan from. Actually give them the opportunity to make profits off of you through use of many of their services.

As a young business, you will have very little bargaining power when it comes to interest rates, term of the loan or collateral requirements. You will be expected to personally guarantee the loan and risk your personal assets as collateral. Be willing to do these things! You must believe in this business endeavor if you want the bank to.

Of course, long before that first appointment with the banker, you need to have established yourself as financially competent. Your credit score matters.

As your business is operating, with or without a loan, always build on your banking relationship. Of course, making your payments on time, not overdrawing your checking account and building a nice savings account are all part of establishing a trust factor. Another part is just keeping yourself well known. Talk to your loan officer about how your business is doing. Take your financial statements in and discuss your financial status. Ask for advice on how to improve your financial worth.

The banks actually have many services that can help you with managing your business. Don't hesitate to implement them knowledgeably into your business. For example, downloading your bank

statement into Quickbooks is a nice service, but it is not a complete service. As a business owner, you still want to be reconciling your bank statement and be looking for potential fraud. This is the knowledgeable side of the equation.

Our bankers do not have time to manage your business on your behalf, but they really do want to be aware of how you are doing and build that relationship and trust. Too much of the time, they do not hear from their borrowers until a loan is in default and it is too late to implement turn-around practices. Treat your banker as a valued advisor and one day, you will be able to make that phone call and have the bank jump to meet your needs.

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