

BECOMING MORE BANKABLE – 2011 and BEYOND

What You Should Know/What You Should Be Doing

WHAT YOUR BANKER WANTS TO SEE FROM YOU

- HONESTY AND COMMUNICATIONS
 - Be upfront and honest about your situation
 - More information is always better
 - Always include the bad stuff
 - Be proactive in communication

- FINANCIAL STATEMENTS
 - Personal and Corporate
 - Last three years plus YTD current year
 - Income statement and balance sheet
 - Aged A/R
 - Cash Flow Forecast
 - Should be good (cover debt service and repay debt)
 - Clear explanation of problems
 - Don't forget to include the credit-worthiness of your biggest customers

- CREDIT HISTORY
 - Personal and Corporate
 - Review your business/personal credit profiles for errors, closed accounts that show open, etc.
 - Should be clean or clearly explain blemishes
 - D&B's not normally required; all self reported information for small businesses

- BORROWING HISTORY
 - Go back three years
 - List repayments

- PLANS/FINANCIAL FORECASTS
 - Personal Vision Statements
 - Three Year Plan
 - Annual Operating Plan

- PROFESSIONAL COUNSEL
 - Competent CPA and Lawyer are a must
 - If known to Bank, a big plus
 - Timely and accurate financial reporting
 - Monthly bank reports; including balance sheet, income statement, A/R aging and borrowing base

- OTHER CONSIDERATIONS
 - It helps if your personal or business' deposit accounts are already with the institution (provides history and relationship)
 - The ability and willingness to provide a personal guarantee on a business loan or line

- MANAGEMENT TEAM AND SUCCESSION
 - Short bios on key people
 - Your "If I Get Run Over By a Bus" Plan

WHAT YOU SHOULD KNOW/DO ABOUT YOUR BANKER

- DOES YOUR BANK HAVE FINANCIAL/SOLVENCY PROBLEMS?
 - Not usually public knowledge
 - Look for signs:
 - No annual or quarterly reports available as in the past
 - Offering very high, above-market CD rates
 - Check out the FDIC web site (www.fdic.gov/bank/statistical)
 - Check out “Call Reports” for your bank at FDIC
 - FDIC officer resides in bank
 - Can be very distracting to your banker and limiting to you
 - Takes control out of your banker’s hands

- SENIOR RANK IS ALWAYS BETTER
 - Don’t settle for lower ranking officers
 - Seek out a decision maker if at all possible
 - Establish a personal relationship

- YOUR ACCOUNTS IN THEIR BANK
 - The banker usually likes to see that you bank/will bank with his bank
 - Usually good idea to have some/all business accounts in bank depending on how many banks you deal with
 - Usually not a good idea to have your personal accounts in same bank as your corporate accounts

- NOT ALL EGGS IN ONE BASKET
 - In today’s economy, having a “back-up” banking relationship is essential
 - Your bank may squeeze you even if you have done nothing wrong (e.g. have your corporate real estate in a bank under FDIC pressure to dump real estate)
 - Banks have money to lend and will be competitive, if forced to do so, unless they think they have you completely “wrapped up.”

- PUT IT IN WRITING
 - Bank officers, even senior ones, move frequently in today’s marketplace
 - Use confirming letters/emails after all major conversations with your bankers
 - Build your own “paper” trail for the next bank officer

- COVENANTS SHOULD ADJUST
 - If your company is doing well, restrictive Covenants should be adjusted
 - Oftentimes, you have to remind your bankers
 - Make sure the original Covenants will reflect adjustments based on performance

- BANK STAFFING REDUCTIONS – LONGER TIME TO GET THINGS DONE
 - Just about every bank has cut back on their back-office staffs
 - Do not expect miracles
 - Provide enough time for a loan closing, etc.
 - Do not over-extend yourself based on a bank’s proposed closing dates
 - Provide yourself some “wiggle room”