

THINK LIKE A BANKER... OBTAIN THAT LOAN!

Robert A. Woods

While there are numerous financing choices for small and medium-sized owner managed business, ranging from asset based financing to factoring, most company owners are going to see their local banks first.

The secret to dealing successfully with banks is to understand their thinking. Business owners and bankers are natural opponents. They are at opposite ends of the risk - reward continuum. Owners are flush with dreams of growth and future riches. Owners just "know" they will be successful, current circumstances notwithstanding. Bankers are professional balloon busters. For them the glass is not half full, it is half empty and likely to go down even further.

A business loan is a risky type of loan for the bank. While the owner's upside to a loan may be a surge in revenue and profit, the bank's upside is getting their money back plus a little interest. Business owners who look at things from the bank's perspective are better prepared to make a solid loan proposal.

Have you ever thought of why you never get a chance to meet with the loan committee? No, it's not because they are too busy. It's because the bank doesn't want non-financial issues like people, personalities and your persuasiveness to cloud the bank's judgment. Your financial information has to stand alone. Bankers judge you on your financial performance. Period.

No matter what bankers may say, the first thing bankers look at is the annual profit shown on your financial statements. This is the benchmark of your success in their mind. Get your profit as high as you can before you meet with the bank. Recast your earnings to show the bank your maximum earning power. Bankers understand that loans have to be repaid with cash generated from profitable operations.

Bankers want to see specifically what you are going to do with additional funds. Show the bank exactly how you are going to use their money. Explain how you are going to use their money to make more money. Demonstrate to the bank why your use of their money makes good business sense.

Bankers like to loan money when they are convinced your use of their cash will generate more cash for you. Unless you can demonstrate that these borrowed funds will ultimately sow the seeds of additional funds in the form of company profit don't bother your banker with a loan request. HBM

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