

Small Business Secrets Bankers Want You to Know

*Tips for Choosing a Banker for Your Business and
What a Banker Wants to Know about Your Business*

By Joe Brannen, president and CEO, Georgia Bankers Association

The message is quite clear out there: Make some loans to support small businesses and economic growth. That's the heart of what Georgia bankers do every day, and that's more important than ever for getting the economic recovery in higher gear.

Our banks and our bankers have every incentive to help you succeed, but they also don't want to put you and your business in a difficult position with a loan that may not be right for you. Here are some secrets to success our members have shared that will help your banker understand your business and key tips for shopping around for the funding you need for your business.

How to choose a banker:

- **Have a plan** – Make sure you've got a thorough, well defined business plan in place.
- **Ask for referrals from other successful businesspeople** – A friend or other reliable source is a good place to start. They may be comfortable recommending someone they do business with and trust.
- **Shop around** – In any community, there are probably multiple banks and financial institutions for you to choose from. Check out several of them to get a feel for which one can best work with you and for you.
- **Ask lots of questions** – You want to get a clear picture of how your prospective bank and banker will approach you and your business relationship.
- **Look for a banker that asks lots of questions** – You want a relationship in which your banker wants to become an expert about you, your business and your goals.
- **Find a specialist in your business** – A lender who has already worked with customers in your line of business can be extremely helpful.

What a banker will want to know:

Here are some things that your banker will probably ask you about as you begin to establish a relationship or work on a request for a loan.

- **Business profile.** A document describing type of business, annual sales, number of employees, length of time in business and ownership.
- **Loan request.** A description of how loan funds will be used. Should include purpose, amount and type of loan.
- **Collateral.** Description of collateral offered to secure the loan, including equity in the business, borrowed funds and available cash.
- **Business financial statements.** Complete financial statements for the past three years and current interim financial statements.

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- **Personal financial statements.** Statements of anyone owning 20% or more of the business. The strength and accuracy of these financial statements will be the primary basis for the lending decision, so be sure that yours are carefully prepared and up-to-date.

Key elements to your financial statement:

- Balance sheets from the last three fiscal year-ends.
- Income statements revealing your business profits or losses for the last three years.
- Cash flow projections indicating how much cash you expect to generate to repay the loan.
- Accounts receivable and “payable aging,” breaking your receivables and payables in to 30-, 60-, 90- and past 90-day old categories.
- Personal financial statements from you and your business partners listing all personal assets, liabilities and monthly payments, as well as your personal tax returns for the past three years.

Key Discussion Topics to Prepare For:

- Ability to Repay/Capacity – Can you prove you can make your monthly payments?
- Credit History – Do you have a good history of managing credit wisely?
- Equity – Are you starting from a position of strength with a good amount of your own assets applied to your venture?
- Collateral – What do you have available to secure the loan? This can include your house, equipment, business inventory, stocks and bonds and other assets.
- Experience – Does your work or personal background instill confidence that you can be successful?

As you can see, a little planning and preparation go a long way. Georgia's banks want your business to succeed. With more than 350 FDIC-insured institutions operating in Georgia, businesses have a healthy variety of choice and access to funding to meet their needs.

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