

**Take
Action
Series**

Dealing With Your Banker

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Overview

Frustration, disappointment and downright disgust are common emotions witnessed by everyone who has had the opportunity to deal with a business banker. There are also those who have been elated, content and simply pleased with their interaction. What determines the difference? The secret is preparation. The objective of this manual is to improve the working relationship between business owners and managers; and their business bankers. To accomplish this objective it is important for business owners and managers to have a better understanding of how the business model works for commercial banks and credit unions.

WHETHER YOUR BUSINESS BANKS at a credit union, a community bank or a large regional or national financial institution, banking is no different than any other business, it's a people to people business. We believe your business should be banking with a banker, not banking with an institution. To understand your banker, it's important to understand who he/she works for and what's their motivation. You need to understand the financial services provider; i.e. the bank/credit union market.

The Financials Services Market

The financial services market is ever changing; consolidations, mergers and outright failures are constantly changing the financial services landscape. Banks and credit unions serve as the primary source of capital for businesses; as well as the primary providers of a wide range of cash management and employee benefits products. Businesses need both services to operate efficiently.

Most, if not all, financial institutions require prospective borrowers as a condition for credit consideration to submit detailed commercial loan applications. Business owners often ask, "Why do financial institutions need such detailed information to make a credit decision?"

The structure of the financial services' business model demands every loan application must be carefully scrutinized and evaluated before it can be approved for funding. Most of the capital financial institutions utilize to fund loans is provided by their depositors; it does not belong to the owners of the financial institution.

To financial institutions, deposits represent liabilities. Liabilities which financial institutions must pay for their usage and be capable of repaying them on demand or when they come due. The on demand, short-term nature of a financial institution's liabilities (deposits) puts huge demands on their balance sheet management.

Life Cycle Characteristics & Common Financial Services Needs

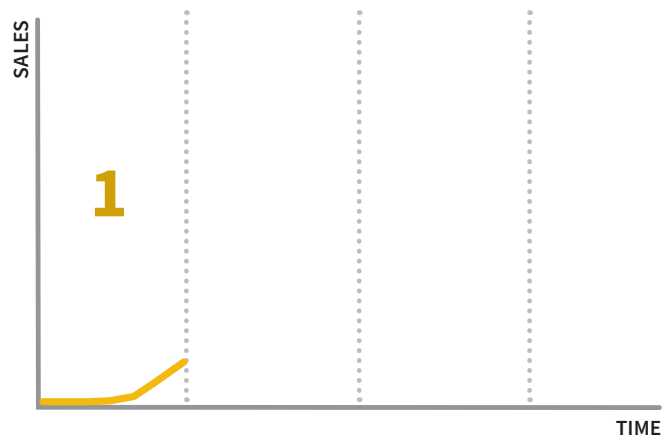
STAGE 1: STARTUP (HBRC CALLS IT CREATE)

Generally characterized by:

- 0 to 3, maybe 5 years in business
- No to little sales
- No to little capital
- Inexperienced management, never been in business owner's shoes before
- No extra cash
- None to very basic (inadequate) operating systems

Potential financial services' needs:

- Checking/Savings accounts
- Merchant card services
- Government Loan programs; SBA, USDA, etc.
- Leasing services
- Home Equity financing
- Education



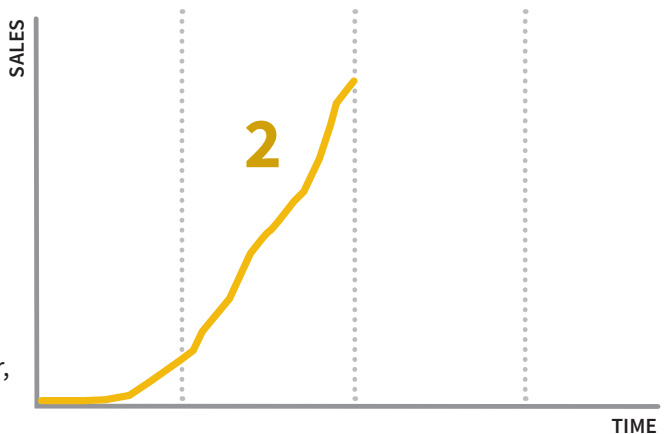
STAGE 2: GROWTH STAGE (HBRC CALLS IT ACCELERATE)

Generally characterized by:

- 3-10-years in business, occasionally longer
- Ever increasing sales, on a continual growth path; high rate of Sales growth
- SAF Law kicks in; business relies on debt to fund asset growth
- No extra cash
- Still inexperienced management, never managed growth before
- Start to organize systems, hire a bookkeeper, CPA, reporting still historically focused
- Business generates a profit, but operating cash flow can be negative

Potential financial services' needs:

- Lines of credit; Letters of credit
- Term financing, Government loan programs: SBA, USDA, CDC, etc.
- Payroll processing
- Employee benefits
- Cash Management services
- Business Insurance services
- Remote deposit capture



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