

Four tips for fortifying your relationship with your lender

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Any business needs a select group of external colleagues to act as professional resources and allies. The obvious choices are a dependable accountant, lawyer, and investors, but another resource that is just as important (if not more) is a good relationship with your bank. A relationship with your bank is a critical long term engagement for your business - one that will hopefully last long after your first loan is paid off. In fact, having and faithfully paying off that [first loan](#) is a great way to establish initial credibility and trust. Here are some tips to further develop that bond:

Establish a relationship before the need for financing arises

Try to meet with your banker before the need for financing arises. With this introduction behind you, your banker will understand the nature of the business and its challenges. And, if you meet with them prior to applying for a loan, then the introduction will seem less urgent.

Building a sense of familiarity with your banker will also encourage them to become more invested in your success, and they can provide better, more relevant advice for your specific business model and context. Specifically, they can recommend which loan products would best suit your financing needs and expected [cash flows](#).

Recognize that both parties benefit from the relationship

Banks need to make loans to stay in business. Extending loans to businesses is not an act of benevolence for banks but an act of necessity. When building a relationship, your goal should be to prove to your bank that you are a reliable and trustworthy business partner, that you will become a real asset to the bank's operations. The bank will want to hold on to you as a client and continue to do business in the future, and you will benefit by getting more competitive rates and personalized assistance. After all, the bank becomes invested in your success once you become a client. They only benefit if you remain profitable and are able to repay your loan (and maybe take on additional financing as your company grows).

Be honest

The foundation of the relationship with your bank is trust. When a bank gives you a loan, they are taking a risk in lending you money, and they have to trust that you'll be responsible and pay back the loan according to its terms. Being dishonest is the easiest way to break this trust. Realize that your banker has other ways to gather information about your company, and if something is less than perfect, you want them to find out from you rather than another, uncontrolled source.

Explain the nature of your business, how it is affected by fluctuations in the business cycle, and any projections or sensitivity analyses you have previously performed on your financials. The more willingly you help them

understand the business and proactively plan for contingencies, the more compelled they will be to work with you through any future financial distress.

Take honesty one step further, and be forthcoming about challenges your business faces. When things aren't going well, it's easy and instinctive to hide or downplay troubles. But, next to dishonesty, surprises are the easiest way to damage a relationship. Overlooking your challenges may save you credibility in the short term, but it could ruin your relationship in the long term.

Remember that your banker most likely has to report to others who are higher up in the bank but who may not know your specific business. Your banker, then, relies on you to provide them with an accurate pulse of your company's health. Don't compromise their position and standing in the bank by giving them incomplete information. Err on the side of giving your banker too much rather than too little information including current financials, projections, and industry trends and conditions. This will help them understand and appropriately communicate the exact nature of challenges you face. Again, they are invested in seeing you succeed, and sharing your victories and challenges with them increases their investment in your company.

Make efforts to keep in touch

Your relationship with your banker shouldn't be restricted to financial matters. Make it a habit to touch base with your banker on a quarterly or monthly basis even when there are no financial updates to report. Send a holiday card from the company in the winter season. Consider inviting your banker to tour your business, so they have a better feel for how your company works and can meet other employees. While you shouldn't feel compelled to be best friends with your banker, performing small and thoughtful actions outside of banking transactions will show that you value the lender as professional colleague and not just as a source of funding.

About Mike Lubansky: Mike Lubansky is Senior Financial Analyst and Product Manager at [Sageworks](#) where he oversees product development, market research, and implementation in the financial institutions market. Mr. Lubansky has a background in both the financial and consumer industries. Before joining Sageworks in 2009, Mr. Lubansky served as Research Analyst for the Cherry Hills Fund and as Financial Analyst for Humana. Prior to that, Lubansky spent time as Specialty Account Manager for Pfizer and District Manager for consumer products marketing firm, Vector Marketing. Mr. Lubansky received his MBA with concentrations in Finance and Entrepreneurship from the University of North Carolina-Chapel Hill and his BA in American Studies from Yale University. He is also a CFA Level 2 candidate.

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