

# **Building a Relationship You Can Bank On**

**By David Lewis**

Business relationships are important to overall business success, and far too few borrowers continue in a meaningful relationship with their lender after their loan has closed. In many cases, an adversarial type relationship develops over time. A common perception is that bankers only want to assist you when you don't need them. Mark Twain even said, "A banker is a fellow who lends you his umbrella when the sun is shining and wants it back when it starts to rain." Proper relationship management is critical to keeping you and your business in a position to gain assistance from your banker when it is needed the most.

First, some background on changes in the banking industry is critical to understand the importance of relationships. The low interest rate environment we have all enjoyed recently has been tough on the banking industry. According to the Federal Reserve, in 1989 American households stored on average 29 percent of their total assets in banks. Today that total has fallen to less than 16 percent. Banks have struggled to maintain their identity in the financial marketplace as well as their profitability. Diversification,

mergers, and acquisitions have forever changed the banking landscape. Do not be surprised to find your lender working for one bank this month, another one the following month, and a different one six months later. Turnover of lending staff seems to be at an all time high. Finally, credit scoring has taken much of the decision making out of the hands of local lenders.

A responsive banker is a critical element in the success of any business. Managing this relationship is not difficult, but requires a planned effort involving the following steps:

**Establish a Personal Relationship:** The old axiom holds true...people do business with people they know. Invite the banker to your business and make sure he/she understands how your business functions. Let him/her feel and touch your business. Point out how certain aspects of the operations of your business affect your cash flow and capital needs. Treat the banker like you would treat one of your best customers. Familiarity builds trust.

**Impress with Financials & Knowledge:** Provide your banker with regularly prepared financial state-

ments. Discuss these with the lender to make sure he/she interprets them correctly and is aware that you are reviewing such information regularly and have a good idea of what it shows you about your business. Typically, a quarterly visit with your banker when your business is doing well is appropriate, and if your business is experiencing cash flow problems, you may want to visit more often.

**Make Them Aware of Problems Early:** If you anticipate missing payments or need additional capital, let your lender know as quickly as possible. Keep your lender informed of critical issues that may, or are, affecting your business. Problems tend to expand when not addressed quickly, and bankers hate surprises. If you explain your situation and your future prospects for repayment, you may find a positive reaction from the lender.

The foundation of your banking relationships is built on the premise that you need the banker and they need you, and there is a mutual benefit to each party. The banking industry is changing radically, and you as a borrower can prosper in this environment with the formula outlined in this article.

Take a proactive approach to your relationship with your lender and develop it as one of your most important business alliances.

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## *Business Sense*

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