



Part of the **Podcast Series**

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## **Building Banker Relationships:**

Establishing a personal relationship with your bank or lender is one of the most important tasks and a satisfactory relationship for both sides can be developed following this guidance. The banking industry is changing radically and as a borrower you can prosper in this environment. Take a proactive approach to the relationship and develop it as one of your most important business alliances.

The foundation of the banking relationship is based on you needing the banker and they need you – there is a mutual benefit to each party. Bankers and lenders are there to help, not to be in an adversarial relationship.

### **Changes in the banking industry**

It is important to understand some of the key changes in the banking sector and how this affects the relationship you develop with a lender.

- The low interest environment has been **tough** on the banking industry
- Banks have struggled to maintain their **identity** and their **profitability**
- **Staff turnover** of lenders has greatly increased in recent months
- Credit scoring has taken much of the **decision making away from the lenders**

### **Building a relationship**

Business relationships are vital to overall success. It is not hard to establish a relationship with your banker or lender but requires effort and planning. Personal relationships are important – people do business with people they know and trust.

- **Build and maintain** a relationship after the loan has closed not just during the process of gaining a loan – too few borrowers remain in a relationship with their lender after the loan has finished
- It is a mutual relationship based on **trust**. Treat the banker like one of your most valuable customers and establish a personal relationship
- A **successful relationship** will put you in a position to gain assistance from your banker when it is **needed the most**

### Continuing a Relationship

- Invite your banker to your business and make sure they know **how you function** and explain how aspects of the business affect cash flow and capital requirements
- Keep your banker regularly updated by providing **regular and properly prepared** financial statements. Make sure they understand these and they know you review this information regularly
- Meet with your banker **regularly** – typically meet every quarter even if you are doing well or more often if you have any problems
- Keep the lender **well informed** of any critical issues that may affect your company. Make them aware of any problems early – if you anticipate missing payments or will require additional capital let your lender know as **quickly as possible**. Problems are exacerbated if not dealt with quickly and bankers hate surprises

**Summary: Remember to be proactive; this relationship is built on *mutual benefit & trust and that this is one of your most important business alliances.***

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