

# ***Lending - The Basic Criteria***

Anybody who lends money always considers (to a various degree) the following factors:

1. Repayment Ability    What evidence exists to convince me I'm going to get paid back?
2. Management            What evidence exists that indicates that this person can manage his/her affairs well enough to allow the opportunity for payback?
3. Investment              What evidence exists that this person has enough of a commitment to the business so that I'll be sure he/she wants to work hard to protect it? (If they protect theirs, they will be protecting mine!)
4. Security                 If all else (above) fails, what protection do I have to get my money back? What will it be worth when the business fails?
5. Equity                  Most lending institutions will require at least 25 percent cash/equity contributed to the total capital cost of the project.

Remember it is quite unusual for all of the above factors to be completely satisfied. One or two points will most likely be stronger than the rest. Do not be discouraged if this is the case. Make sure that you focus on the strong points and are aware of the weak ones. All projects have them.

## ***Some Tips for the Presentation***

1. Be absolutely familiar with all the data in the proposal.
2. Do a trial run presentation with a confidant. (Try some questions from left field!)
3. Never just "drop-in"—be sure to arrange a definite appointment with the manager. Confirm it a day in advance. Do not accept a "Come in any time" appointment.

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4. Unfortunately, managers have difficulty with their appointment schedules (there always seems to be someone in there). Decide whether or not you wish to wait. If not, reschedule your appointment. Never leave your proposal for the lender to review it.
5. Attempt to find out if the manager has formal authority to make the size (amount) of loan requested. If not, make sure that he/she understands your proposal, as he/she now has to represent you to his/her superiors.
6. If you do not feel confident with the manager's understanding of your proposal, you are better off to shop around (even within the same bank if you wish).
7. As one of your conditions for the loan, advise your manager that she should visit your business. Pick her up and return her if necessary (it is a good idea to take your manager out for a friendly business lunch at least once every 12 months).
8. Often business owners start their business accounts with the branches they deal with personally. Many banks are now formally dividing up their operations between branches that specialize in business (commercial) and those that handle personal accounts. Whatever the case, make sure that you deal with a trained commercial lender.
9. As in any business, banks often put their best people where the action is. Large branches frequently have the better commercial lenders. Their interests are focused on the best money making accounts (which may not be yours). Smaller branches offer generally more personalized service. You have to decide which is the best lending institution for your needs.
10. Good lending officers are frequently transferred and often their clients are not encouraged to follow them. If this happens to you, insist on following your lending officer to his/her new posting. It is important to continue doing business with a representative who understands your business. Even though the bank may not like you following him/her, they would rather keep your business than lose you to a competitor.
11. Bankers are, almost by nature, cautious and conservative. Any misleading information, once determined, will destroy the all important mutual trust required.
12. Experience clearly shows that business owners who keep their banker informed of their successes and lack of same get the best co-operation when having difficulties. Your banker should expect your business to have financial peaks and valleys. So should you!

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13. Banking is basically "You give me what I need and I'll give you what you need." Just be sure of what you need and what you are prepared to pay for it.
14. Try to plan your financing so that your proposal does not appear "urgent". Planning is a management quality. It is also a significant criteria for loan proposals. "Urgent" proposals show a weakness in management.

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