



Banking Relationships in 2009 and Beyond

How are you reacting?

The financial crisis that unfolded beginning in 2008 has shaken literally every banking organization in the U.S. No bank has been spared- from the largest multi-national institutions to the locally owned community bank down the street. Every bank is reeling directly or indirectly from the financial crisis.

The upheaval is requiring banks to rethink their existing business models and risk profiles. Product areas like commercial real estate lending that historically have been profitable and provided acceptable risks have turned into losses and erased significant amounts in equity capital. Banks are shedding entire business lines in an attempt to regain profitability and achieve reasonable business risk. If products are not completely eliminated, then credit underwriting criteria has been tightened to reduce overall risk.

Many businesses are taking the "ostrich" approach by sticking their head in the sand and assuming that no news is good news. Most of these companies are going to be in for a rude awakening when the annual renewal process for credit lines arrives. Most successful companies are being proactive in understanding the issues affecting their bank and ultimately their access to credit. Listed below are some of the actions these successful companies are taking.

Immediate Steps to Take

- **Do you know who is your Relationship Manager?** When was the last time you spoke with them? Banks are going through substantial staff reductions that may have affected your primary (and possibly the only) contact with your bank.
- If you have not already done so, **Talk to your bank, your relationship manager and the local bank senior management now.** Meet in person and have them tell you specifically what they can or can't do. Has their underwriting criteria changed? How? Have the terms and conditions of your credit facility changed? How? Some banks have decided not to lend money to companies and industries like yours but are afraid to make the call to tell you. **Understand that right now - no news is not good news.**
- **Provide your bank with regular financial updates on your business- good or bad.** These updates should include financial statements, forecasts and supporting narrative about how you are addressing your business challenges. These updates should be a minimum of quarterly. Be sure to get bank senior management involved in some of the updates.
- **Are your financial statements in good shape?** If not get them there quickly. If you have to make a banking change, you need to be able to provide quality financial information now and not take weeks to pull it together.
- **Identify and engage a back-up bank.** You should always have at least one bank that is a secondary relationship or at the very least is familiar with your business. Don't just get the bank that calls on you- ask other business owners who they deal with and their experience.
- **Does your bank and/or your relationship manager really understand your business and your industry?** I am always amazed at the business owners that use the local retail branch manager down the street without questioning if they deal regularly with and understand businesses like yours. If they don't find someone that does. There are banks and relationship managers in our community that specialize in your type of company (and usually it is not the branch manager down the street).
- **When was the last time you looked at your banks financial statements?** Some don't look very good right now. Ask the bank for a copy of their last quarter financial statement and their capital ratios (of course, if you can't quickly produce your company's last quarter financial statement you may not want to press this issue to hard).
- **How much money do you have in the bank?** Are you monitoring the new FDIC protection limits? There are banks in North Florida that still have the potential of going under. You don't want to be caught with excess funds in one of those problem banks.

We are a long way from "business as usual". Keep in mind that these are not all the steps to take nor will doing these things guarantee that you won't have problems with your bank. However being proactive will allow you to identify issues now so that you can make better financial decisions for your business success.

Financial Statements

Monthly- Timely and Accurate
Budgeting- Annual and Rolling
Enhanced Management Reporting
Cash Forecasting and Analysis

Profit Improvement

Pricing Analysis
Gross Profit Optimization
Expense Reduction Analysis

Banking Relationships

Assess Level of Credit Needs
Bank Analysis and Selection
Loan Package Preparation
Credit Facility Negotiation

Strategic Planning

Development of Critical Goals
Alignment of Work Systems
Working the Plan
Effective Feedback Systems
Innovate Purposefully
Implement Review Process

Bookkeeping

Bank Reconciliations
Regular Financial Statements
Invoicing & Collections
Bill Processing & Payments
Remote or On-site – 24/7 availability

QuickBooks

Set-up
Training and Consulting
Tune-up
Software and add-on discounts

Placement

Analysis of Existing Position
Interim Assistance Provided
Coordination of Selection Process
Temp to Permanent Alternatives

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