Entrepreneurs first

DEMYSTIFY YOUR BANKER




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DEMYSTIFY YOUR BANKER!

A guide for entrepreneurs seeking a loan from their bank: what your loan proposal should contain, what your banker looks for, common bank terms and tips to increase your chances of success.

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EXECUTIVE SUMMARY

THIS DOCUMENT EXPLAINS WHAT YOU NEED TO KNOW WHEN APPLYING FOR A LOAN FROM A BANK. IT COVERS THE FOLLOWING TOPICS:

> What bankers look for **(page 4):** an overview of the 4 elements that a banker evaluates when studying your proposal.

> Understanding your banker **(pages 5–7):** a brief explanation of the banker's role and how understanding the psychology of your banker can help you prepare a better proposal.

> Preparing your proposal **(pages 8–15):** what you should include in your proposal.

> Bankerese: a Glossary **(pages 16–25):** a glossary of the terms your banker is likely to use (covering topics such as sources of financing, types of loans and collateral, and what's included in financial statements) together with some common ratios your banker will look at.

> Meeting your banker **(pages 26–31):** tips on how to be better prepared when meeting your banker.

INTRODUCTION
What bankers look for

When you know what your banker is looking for, you can present a solid and persuasive request that will make the loan application process go smoothly. So how do bankers decide to say yes or no to a proposal? In general, they look at 4 elements:

YOUR PROFESSIONAL PROFILE

Bankers try to evaluate your ability to manage the project. You must show that you have the experience, skills, determination, and self-confidence necessary to successfully carry out your project.

YOUR PROJECT'S VIABILITY

Your business plan must be clear, structured, and short, but it must cover all elements of your business idea. You need to present at least 2 years of financial projections as well as an analysis of market size, market potential, and positioning, all supported by solid facts and sources.

YOUR FINANCIAL STRENGTH

Bankers will want to know your personal and business net worth to judge your ability to meet your financial obligations. They will also look at your past credit history–and use it as an indicator for the future.

YOUR INVESTMENTS AND COLLATERAL

Bankers will invariably ask for some investment on your part, as proof of commitment. This consists of an injection of capital and/or security.

Bankers are just like other entrepreneurs: they seek new clients and would not stay in business if they did not lend money. Your job: make it easy for them to lend you money.

I. UNDERSTANDING YOUR BANKER

Understanding how your banker thinks can help you prepare your project and explain your needs in terms that your banker can relate to.

YOUR PERCEPTION OF BANKERS

Many entrepreneurs view the loan request process as appearing in front of a judge who looks for reasons not to lend money. Not so. Bankers are, in fact, looking for clients, just like you are. Bankers are businesspeople who sell a product – money.

To protect his or her investment, your banker uses tools to evaluate your project, the financial strength of your company and your management know-how and experience.

USE PSYCHOLOGY TO ADAPT YOUR APPROACH

When you know how your banker thinks, you can better present your case and facilitate communication.

INTUITIVE OR METHODICAL?

Some people are intuitive – for example, they can visualize and judge a project from only a few or sketchy details. Others are methodical, and rely on facts and analysis more than on feelings.

> Many entrepreneurs are intuitive and rely on their experience, industry knowledge, and gut feelings to tell them whether a project “makes sense”.

> Most bankers are methodical, and won’t draw conclusions quickly – especially if they don’t have all the facts before them. Given that they don’t have your technical knowledge, they will want to see that you have thoroughly analyzed and planned your project.

Understanding the psychology of your banker can help you adapt your presentation and increase your project’s credibility.

DECISION MAKING: LOGICAL OR EMOTIONAL?

When it comes to making a decision – from little ones such as accepting a statement as true up to bigger ones, such as going ahead with the loan – most people fall into one of two categories:

- LOGICAL: will evaluate a project by weighing the pros and cons in an impersonal, detached manner. They are influenced by objective reasoning, and make decisions based on facts rather than feelings. Most bankers fall into this category.
- EMOTIONAL: seek harmony and the often-elusive sense of things being right. While facts are important, they will also use their own values and personal feelings to judge a project's chances of success. They are influenced by the project's likely impact on themselves and others involved – will this be good for everyone involved?

Try to determine how your banker makes decisions: you may then be able to change your tactics during meetings with him or her.

HELP YOUR BANKER REACH A DECISION

Given the tendency of most bankers to rely on logic, conclusions based on emotion, justice, passion, or just plain common sense will have less weight than will hard facts. You can help your banker make better decisions by presenting facts in a methodical manner.

USEFUL TIPS:

> **Prove or qualify every conclusion you make:** If you cite figures or studies to support your project (and you should), include the source. If you mention trends or evaluate your market potential, include research to back your claims.

> **Stick to your project:** Bankers prefer one clear and complete idea to many excellent but vague possibilities.

> **Help your banker understand:** Your banker might not be an expert in your field, so avoid technical details or language unless they're necessary.

> **Show your banker why you'll succeed:** Show that you've thought of everything and that you have a contingency plan. Demonstrate how previous successes or experience will help in this particular case.

> **Show how you'll pay all your obligations back:** Your forecasts (page 14) should prove how the project will be profitable for both you and the bank.

> **Keep it a business proposition** and concentrate on the viability of your project.

You can prepare a better proposal if you understand how your banker will analyze your request.

2. PREPARING YOUR PROPOSAL

In the following scenario, do you think that Paul will get the loan? Although he spent a lot of time preparing his business plan – even including mock-ups of the store design, posters, and various marketing ideas – he didn't concentrate on the things his banker needed to know in order to make a decision.

If his banker does say no, Paul should ask her why. A good banker will tell you where your plan is weak and what needs to be included to permit a positive decision.

Nervous about asking for a loan? Here are some tips:

> Understand your banker's language and what he or she will be looking for.
> Prepare a convincing, complete proposal.
> Test your proposal with colleagues or a mentor before meeting your banker.

"Hmm," said the banker, after a long silence. "So you plan to sell $125,000 worth of CDs in your first year, right?"

"Yes, exactly," Paul answered, somewhat nervously.

"And what percentage of the market share does that represent in your region?" asked the banker.

"Uh …"

The banker looked up from the proposal. "What did you base the $125,000 on? Have you evaluated the potential market and your competition? What about trends? I don't see that information here."

Paul took a deep breath. "Ah, well… I estimated my sales based on my experience and some research on the Internet."

Ok, I'll need to see some sources. And you're proposing to generate these sales with only $6,000 in inventory. That's a turnover rate of more than once a month. Is that realistic? What's the industry standard?"

"Ah… well, I don't know. I just assumed that $6,000 was enough to stock my store. I can find that information for you, however."

"That's great. And one last thing… "

A "no" may be a good thing: your banker can show you the weaknesses in your proposal and help you avoid investing time, effort and money in the wrong places, and adjust it in order to improve it.

WRITING YOUR PROPOSAL

Your proposal will include your business plan (next page) as well as additional documentation such as market research, industry trends or other information supporting your project's viability.

You should also include information that boosts your credibility, such as press clippings about you or members of your management team.

SOME TIPS FOR WRITING AN EFFECTIVE PROPOSAL:

> Put yourself in your reader's shoes. Long, complicated words and sentences won't impress your banker as much as the right information, written simply.

> If writing isn't your forte, work with a professional copywriter or editor.

> Back up any statements with facts. (In-depth research can do wonders.)

> Don't write a novel. It must be complete, but concise.

> Image counts. If you're not particularly talented in page layout, work with a professional to help prepare your pages.

> Most bankers prefer a simple printed document (avoid handwritten). You might consider using colour printing for the cover and some sort of binding for a professional look, but don't go overboard.

Your proposal must show your company at its best and convince the reader that you are uniquely qualified to make your project succeed. Sell yourself!

YOUR BUSINESS PLAN

The most important part of your proposal is your business plan. A business plan can make or break your proposal, so you will want to take the time to prepare it well. You may find it useful to use the BDC Business Plan template, available at bdc.ca.

PROPOSAL SECTIONS

1. EXECUTIVE SUMMARY

A good executive summary is, above all, short. It should briefly describe:

> Your industry
> The products and services you offer or plan to offer
> Your competitive advantage
> The amount of financing required and why
> Your company or your credentials (in 50 words or less)

2. DESCRIPTION OF YOUR COMPANY

This section provides details about your company, including:

> Company name
> Address
> Legal status (sole proprietorship, partnership, corporation, cooperative)
> Date company was founded
> Mission, objectives and vision, industry

3. YOUR MANAGEMENT TEAM

Your project may be great, but your banker needs to know that you are the one who can make it work. This is the section to prove this, so don't hesitate to sell yourself and your management team. Include information such as:

> Your respective roles (such as President, Chief Financial Officer, Marketing and Sales, Research and Development,Technology…)
> Your experience and competence (be sure to highlight similar or related projects)
> Your education

Your goal is to show how each member of the team contributes a specific talent, and how, as a group, you have the collective knowledge and experience to make your project a success.

4. YOUR MARKETING PLAN

A marketing plan will provide answers to the following questions:

> Is there a proven market for your products or services?
> Who are your competitors? How much competition is there? How will they react?
> What is your client profile? Why will they buy from you and not from their established supplier? What will you offer that is better? How will you get them to switch?

INCLUDE THE FOLLOWING SECTIONS:

1. Product or services: A description of what you offer and an explanation of how your clients will benefit (why your products or services will sell).

2. Market potential: Your potential clients, market size, and expected market penetration. Include information about the future of your market or industry.

3. Your competition: Offer proof that you know your competitors well – their strengths and weaknesses, marketing efforts, future prospects. Show your competitive advantage and how you will stand out; analyze the possible reactions of your competitors to your presence and indicate how your plan takes this into account.

4. Your marketing strategy: An overview of your marketing plan, which addresses the previous 3 sections and includes proof of effectiveness as well as information on the media chosen, partners, etc.

5. YOUR PRODUCTION PLAN

Your banker will want to know that you have the production capacity to handle your projected sales.

YOU MUST INCLUDE:

> How your products or services are produced (mention any quality control or lean manufacturing initiatives)

> Your logistics, order fulfillment, inventory control plan (be sure to mention any supply chain management initiatives)

> Your client relationship management plan (including after-sales service, warranties, expected return rate)

> Any patents (procedures, brands or products)

The banker's role is to finance your project, not plan it for you. If you haven't taken the time to plan it properly, your banker is unlikely to want to lend you money.

6. HUMAN RESOURCES PLAN

In many industries, qualified human resources are scarce. Your banker wants to know that you will have the ability to recruit, retain, and develop your human resources.

BE SURE TO MENTION:

- HR policies that prove you will attract qualified employees (especially if there is a shortage in your region or industry)
- Any subcontracting you plan to do
- Outside professionals you plan to use (lawyers, accountants, etc.)
- An overview of your organizational and development plans (your major divisions, training initiatives, career planning, etc.)

7. FINANCIAL PLANNING

This is the section that provides financial forecasts for the next 2 to 3 years.

YOU SHOULD INCLUDE:

- Balance sheet
- Statement of income
- Cash flow budget (if possible, 3 scenarios – best-case, realistic and worst-case)

8. APPENDICES

The appendices are an essential part of your plan. They should contain documents that boost your credibility or explain parts of your plan, such as:

> Brief bios of your management team

> Market studies or other research that supports your conclusions

> Proof of any calculations or hypotheses (e.g. copies of leases, subcontractor estimates, letters of intent)

> Client testimonials

Appendices don't add any new information – their purpose is to show that your proposal is based on facts.

3. BANKERESE
A glossary

Confused by some of the terms your banker uses? Don't be.

Here's a glossary of the terms your banker is likely to slip into the conversation:

- Sources of financing **(next page)**
- Types of loans **(page 18)**
- Collateral required **(page 20)**
- Financial statements **(page 21)**
- Ratios **(page 22)**

Learning "Bankerese" can help you understand what your banker is saying– and make it easier for you to explain your ideas to your banker.

SOURCES OF FINANCING

- **Personal Investment:** You will be required to invest some of your own money – either in the form of cash or collateral on your assets – when borrowing money. The reason is simple: it proves to your banker that you have a long-term commitment to your project.
- **Love Money:** Money loaned by your spouse, parents, family or friends. A banker will consider this as "patient capital" – that is, money that will be repaid later, as your business' profits increase.
- **Investments:** Money you raise from investors. Bankers regard such investments highly – proof that your idea is sound – but are also aware that they can often diminish the degree of control you have over your own company.
- **Loans:** See types of loans, in the following section.
- **Supplier (A/P) Financing:** Businesses will have a policy for paying their suppliers that is based on their payment conditions, often 30 or 60 days after delivery. You will have to check with each supplier, since many offer discounts for quick payment.
- **Grants, Subsidies, Tax Credits:** You may have access to grants, subsidies or, less often, tax credits to help cover such expenses as salaries or equipment. Regardless of whether you actually obtain such assistance, merely proving to your banker that you have looked into this source of financing shows commitment.

Bankers don't see themselves as being your sole source of funds.

In fact, many banks prefer you to have a balanced approach to financing using different financial resources.

TYPES OF LOANS

> **Personal Loan:** Money loaned to you, not your business, and secured by your personal assets. Many banks offer this type of loan to startup businesses or those with few fixed assets (land, building, or equipment).

> **Operating Loan:** Also called a line of credit, this is a short-term, flexible loan that you manage yourself–borrowing as much as you need, up to a determined limit. This loan is often secured by your inventory and accounts receivable, and your bank can require full repayment at any time.

> **Term Loan:** A long-term financing option for fixed assets, such as equipment, land, or buildings. Payment is normally a fixed monthly amount, although some banks, such as BDC, offer special repayment options (e.g. for seasonal businesses).

> **Working Capital Loan:** Offered by many banks, this type of loan provides long-term financing for costs that are traditionally covered by working capital (growth, exports, marketing, e-business, R&D, etc.).

SHORT-TERM, LONG-TERM: WHAT LOANS FINANCE WHAT?

Businesses have both short- and long-term expenses, and thus borrow money according to the need. Here is a handy summary:

	YOUR NEED	YOUR FINANCING
SHORT-TERM	Cash Accounts receivable Inventory (finished goods, raw materials)	Line of credit
MEDIUM-TERM	Short-life equipment (computers, automobiles and other vehicles) Working capital needs	Term loan
LONG-TERM	Land Buildings Heavy equipment Working capital needs	Term loan Mortgages

Your banker expects you to match the appropriate type of financing to your need.

SECURITY (COLLATERAL)

You will need to provide collateral, which the bank will hold as security, in the event you default on your loan. Should this occur, your bank can then go to court to obtain the right to sell the collateral. This is always a last resort solution, as everyone loses in the process: you lose your collateral and the bank loses the money it lent, since the collateral is often sold at a loss.

CATEGORIES OF COLLATERAL

> **Accounts Receivable:** Your clients will pay what they owe you directly to your bank.

> **Pledges and Liens:** Your equipment and other fixed assets can be seized and sold by your bank.

> **Inventory:** Your inventory – both finished products and raw materials – can be seized and sold.

> **Mortgages:** Your bank retains the right to sell your building.

> **Personal Guarantees:** If your business cannot pay its debts, you agree to pay them from your personal assets (based on the value of your house, for example).

> **Third-Party:** Someone else (partner, family, investor…) agrees to be responsible for your debts.

COMMON FINANCIAL STATEMENTS

> **Balance Sheet:** A detailed report of your business' financial situation: basically, what it owns (assets) and what it owes (liabilities), with the difference between the two being your net worth.

> **Personal Balance Sheet:** Details on your personal finances: your house, car, and other assets and debts.

> **Income Statement:** A summary of your business operations – your revenues, your expenses, and your profit or loss.

> **Cash Flow Budget:** The state of your cash flow over a period of months or years – showing inflows (revenues) and outflows (expenses). This helps show how you manage your business in terms of inventory, accounts receivable, etc. (see ratios, next page).

RATIOS

They represent a simple way to understand the multitude of figures included in your financial statements.

You can also benefit from using ratios. By comparing them over time using your past financial statements, you easily spot trends, and you can see how your ratios compare to your industry.

Such comparisons can help you see how you are performing vis-à-vis your past history and your competitors (i.e. the same, better, or worse). Since your banker will undoubtedly carry out similar comparisons, you should calculate your ratios beforehand and be ready to explain any noticeable differences.

Ratios are often expressed in ratio format (2:1, which simply means 2 to 1). They may also be expressed as a number, for example 2.0, which is the result of the first number divided by the second.

Your financial adviser or accountant will have many ratios already calculated; if not, you can do it yourself with your financial statements in hand and access to online ratio calculators, such as those offered on BDC's website at bdc.ca.

Following are the ratios your banker will most likely look at, with a brief explanation of each.

CURRENT RATIO (ALSO WORKING CAPITAL RATIO)

$$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

Measures how well your business can pay its current debts (next 12 months) and take advantage of opportunities requiring quick cash. In general, a ratio of 1.0 or greater is acceptable, but this can vary greatly by industry. A favourable ratio may help you qualify for better credit terms.

Other factors need to be considered before drawing conclusions: how quickly current assets can be converted into cash, suppliers' credit terms, and your own credit terms. Generally, a high ratio (greater than 2.0) indicates excessive use of inventory or underused capital. A low ratio (less than 1.0) indicates that you may have difficulties meeting short-term financial obligations.

You can use ratios to compare yourself to others in your industry and past financial data to uncover trends, using them to your advantage such as to plan and determine your needs.

QUICK RATIO (ALSO ACID TEST OR CASH RATIO)

$$\frac{\text{CURRENT ASSETS - STOCKS}}{\text{CURRENT LIABILITES}}$$

The acid test ratio is similar to the current ratio, except that it does not include stock, pre-paid items and work in progress, given that these can rarely be immediately sold at full value.

Your current assets include cash, cash equivalents (temporary investments and marketable securities) and net receivables.

NET PROFIT MARGIN RATIO (ALSO RETURN ON SALES RATIO)

$$\frac{\text{NET PROFIT AFTER TAXES}}{\text{NET SALES}} \times 100$$

Your banker will want to look at the evolution of this ratio as an indication of your company's long-term performance. If it is in decline or lower than your industry average, you will have to explain why.

AVERAGE COLLECTION PERIOD

$$\frac{\text{DAYS IN PERIOD (NORMALLY 365 OR 360)} \times \text{AVERAGE ACCOUNTS RECEIVABLE}}{\text{NET CREDIT SALES}}$$

Measures the average time it takes for your customers to pay you. This ratio is reflective of your credit and collection policies.

The Average Accounts Receivable is the average of the opening and closing balances of your accounts receivable for the measurement period.

RETURN ON TOTAL ASSETS

$$\frac{\text{NET INCOME}}{\text{AVERAGE TOTAL ASSETS}}$$

How efficiently your business uses its assets, i.e. how much profit is generated compared to how much you must invest in assets. Your banker will compare this to your industry, as an indication of your earning capacity and use of resources.

Average total assets = average current assets + average fixed assets. (The total is used since assets can vary over the year.)

INVENTORY TURNOVER

$$\frac{\text{COST OF GOODS SOLD}}{\text{AVERAGE INVENTORY}}$$

How often you have sold and replaced your inventory over the year. Used to judge inventory obsolescence, efficient buying practices and good inventory management practices. In general, a higher figure is considered better.

This ratio is important because gross profit is earned each time inventory is turned over.

NET SALES PER EMPLOYEE

$$\frac{\text{YEARLY SALES}}{\text{AVERAGE NUMBER OF EMPLOYEES}}$$

Your banker will compare this ratio to your industry, as an overall indication of your company's efficiency. If you vary from the industry norm, you will have to explain why.

Some industries use a variation on this ratio, such as Net Sales Per Unit Sold or even Net Sales Per Square Foot (of sales space).

DEBT-TO-EQUITY RATIO

$$\frac{\text{TOTAL LIABILITIES}}{\text{SHAREHOLDER'S EQUITY}}$$

Measures how much your business relies on creditors for financing, compared to how much is invested by its owners. In general, your banker will look for a lower figure.

Ratios are based on your financial statements. Without adequate knowledge of financial statements, you will find it difficult to understand ratios.

4. MEETING YOUR BANKER

Before your meeting, make sure you've done all your homework. There are 6 steps to cover:

1. **Find out what's available**
2. **Set your objectives for this meeting**
3. **Prepare for your meeting**
4. **Meet your banker and negotiate**
5. **Summarize**
6. **Follow up**

1. FIND OUT WHAT'S AVAILALBLE

You will want to find out what different banks are offering. Look for:

> The types of loans each bank offers (most offer similar loans, but some will favour certain loans or industries or may offer a mix that suits your needs particularly well)

> Loan conditions, fees, and interest rates (be sure to add them up – don't base your decisions on interest rate alone!)

> If possible, loan authorization procedures or policies (for example, who can authorize what amount, whether specialized account managers are available to handle needs such as yours)

> Any "extras" that they can include – reduced fees, low-fee or gold credit cards, for example

> Any restrictions (most banks require a minimum balance for reduced fees; some don't allow inter-branch banking)

Use your network of business contacts. Ask about their experience with their bank, especially if it is one that interests you. It can provide you with first-hand information regarding a bank's strengths and weaknesses, and you can then discuss these during the meeting with your banker.

IN PARTICULAR, ASK ABOUT:

> What their bank was looking for in their proposal

> What was—and what was not—negotiable

> Problems or pleasant surprises they've had since becoming a customer

2. SET YOUR OBJECTIVES

Before you step into the banker's office, make sure you've determined:

> The amount of loan you need

> The type of loan you're looking for (remain open to other suggestions from your banker)

> The interest rate you're expecting to pay

> The repayment schedule you're looking for (remember, some banks are more flexible, offering deferred initial payments or variable repayments based on your seasonal income)

> The security you're willing to offer

> The investment you're willing to make

> The date by which you need an answer, and the date that you expect to receive the funds

Since getting a loan involves negotiating, you should set both ideal objectives—those that are most favourable, and your limits—above or below which the loan would hurt your business more than it would help.

Don't show up at your bank asking how much money they can lend you! For maximum credibility, arrive with clear objectives and figures in hand.

3. PREPARE FOR YOUR MEETING

Here are 21 of the most common questions bankers ask.

Prepare short but accurate answers for each, to show your banker that you've considered all aspects of your project.

1. How do your ratios compare to those of your industry?
2. You quote statistics – where did you find them? What proof do you have that they're accurate?
3. What will you do if, for the first months, your sales are less than what you've forecast?
4. Have you shown your proposal to potential clients? What was their reaction?
5. How will your competition react? What do you, in turn, plan to do?
6. How will your company survive if, say, a founding member were to leave?
7. Have you signed a shareholders' agreement?
8. What are the credit policies common to your industry?
9. Why have you chosen to operate as a <sole proprietorship, partnership, corporation or co-operative> rather than another legal form?
10. What are some of the trends or common commercial practices in your industry? (In other words: how well do you know your industry?)
11. Do you have contacts in your industry? What is your relationship with them; how can or will they help you?
12. What have you done in the past that will help guarantee your success in this venture?
13. Have you submitted your proposal to other professionals, incubators or organizations? What was their reaction?
14. You expect such an increase in sales and or profits with only so many employees. Is this realistic?
15. With all these changes, you'll have to train your employees. How much time is this likely to take? How much will it cost?
16. Have your suppliers offered technical support and training?
17. Is there a prominent businessperson in your region who will act as a reference for you?
18. Do you have any problems getting paid? Any clients in particular?
19. Do you have someone who will endorse your project?
20. Why did you choose to buy this equipment and not rent it (or vice-versa)?
21. Would you be willing to use your house as collateral?

4. USE YOUR NEGOTIATING SKILLS

During the meeting you will want to briefly explain your project and outline your financial needs. Hand your proposal to your banker and allow him or her time to read it. The questions should come quickly enough.

During the meeting, practice these negotiating skills:

> Think of you and your banker as partners. You're not there to ask for charity, nor is the banker required to help you. You are there with a business proposition, and both of you want to ensure that it represents a profitable opportunity.

> Maintain eye contact and use active listening skills (listen, ask for clarification, summarize difficult or important points in your own words).

> Never let the negotiations become personal. If you don't agree with your banker, say so, but stick to the facts or conclusions and don't raise your voice.

> Allow for silence. Wait patiently while your banker consults your proposal, and don't try to explain everything. Some people need quiet in order to make decisions.

> Don't appear nervous or desperate for money, even if you are. This will make the situation more stressful, and may make your banker think you are unprepared or have poor planning skills.

> When your banker suggests a solution, ask if there is any action you can take to improve the conditions – a greater investment, for example.

> If your banker's offer does not meet your minimum objectives, be prepared to decline it and to explain why. Your banker may be able to suggest alternatives or at least provide insight as to why he or she can't make concessions.

If you bring your accountant, remember that you are the one who must sell your project. Your accountant's role is to support you, increase your credibility, and show that you have a solid management team and qualified personnel.

5. SUMMARIZE

At the end of the negotiations, be sure to thank your banker for his or her time, and quickly summarize your understanding of your agreement: the timeline, rate, conditions, and so on.

Be sure to cover what documents you will be required to provide – not only for the loan approval process, but also once the loan is approved (for example, you may have to submit your inventory list, accounts receivable or proof that you maintain a certain ratio, every 3 or 6 months…)

Don't forget to also address the loan process timeframe: what will your banker do next? What do you have to do? Are there any conditions precedent (conditions necessary before the loan can be disbursed)? Do you have to contact a lawyer or hire an appraiser? If so, do you choose these professionals or does your banker? Who pays?

6. FOLLOW UP

A loan is rarely granted at the first meeting – your banker must first analyze your proposal, check your facts and prepare the bank's offer. You may have to provide further documents to support your proposal. A good banker will let you know beforehand what will be required and when, so as to give you time to prepare.

…AND IF YOUR BANKER SAYS NO?

Don't worry–and don't beat yourself up or think that bankers understand nothing and that the system is working against you. Instead, find out exactly why your banker said no.

Some questions to ask yourself and your banker:

> What were the weaknesses in your business plan? The strengths? Why or where did your banker question your credibility?

> Were you well prepared? Nervous?

> How well did you use your negotiating skills? Rate yourself and notice where you went wrong. Did you let it become personal?

> On which points did you and your banker agree? Disagree? Could you have presented things differently to win your banker over?

> What did you think of your banker's negotiating style? Desire to help you? Understanding of your situation?

> What could you do differently if you had an opportunity to repeat the same interview?

Remember: a "no" is the perfect opportunity to find out how you can improve your proposal and your negotiating skills. Get as much information as you can, revise your proposal, and try again.

Chances are, you will succeed!

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