

**MAKE BANKS COMPETE
To LEND YOU MONEY**

THE COMPLETE GUIDE TO BUSINESS LOANS

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Rich Russakoff
&
Mary Goodman

Next Level Press

"Rich and Mary are masters at helping businesses land the perfect bank loan – a loan structured so it supports the business model, marshaled through the process by the right banker for your business. All too often, business owners approach the loan process in a sloppy and shoot-from-the-hip manner. Instead, it's a process that demands precision. Handled correctly, it can mean the difference between sleepless nights and peace of mind. Without question, they are the best at putting together a loan package that makes banks compete for your business."

—*Verne Harnish, best-selling author of Rockefeller Habits & Founder of Gazelles*

"Working with Mary and Rich made me realize that it doesn't matter how big you grow your business, you can't lose focus of the bottom line or you will most likely be destined to fail."

—*Jorge Partidas, CEO of WAU*

"No matter the economic times, securing access to capital is priority No. 1. When I needed to secure a banking relationship for a new global service delivery model, I turned to Rich Russakoff. Rich and his team were fantastic to work with throughout the process. The bottom line: They delivered results."

—*David J. Galbenski, Esq. Founder & Chairman of Lumen Legal Entrepreneurs' Organization Global Chairman 2008-09 2005 Ernst & Young Entrepreneur of the Year Award winner*

"I have heard that Bottom Line Up was good to help entrepreneurs get bank financing and I called them and said, 'I have a tough situation and I want to know if you can help me ... I am a Mexican national, just moved to the U.S. to start a mortgage company and don't have any credit in the U.S. – and I want to get a \$3 million line of credit to buy houses and finance them to undocumented Hispanics in Texas. Can you help me get the loan?'

They asked me several questions as a loan officer would analyze the loan, and after said, 'If we analyze this as a loan officer and follow ALL the steps needed, I believe we can get the loan. Here is what we will do. First, do a super loan package that surprises any loan officer and answer any question they can possibly have. The loan package has to be done like a loan officer would do it to present it to the loan committee. Shop until we drop. Get 10 banks to come to your office in a week to see our loan package and presentation. Give a detailed follow-up and negotiation with each bank that keeps the door open.

If we follow these steps diligently we have a good chance of getting it.'

Forty-five days later, we had \$2.5 million in lines from two banks!"

—*Daniel A Marcos – Serial Entrepreneur, CEO Braintrust*

"This should be required reading for business owners, who will definitely benefit from the practical tips and excellent suggestions culled from Rich and Mary's years of experience. I've known Rich for 15-plus years. Mary and Rich have done a superb job of offering the effective strategies and tactics for business owners to get a better banking relationship or improve their existing banking relationship."

—*Brett W. Kaplowitz
Senior Vice President & Commercial Loan Officer
Bank of Georgetown, Washington, DC.*

"The loan package you created was so comprehensive that we actually secured a significantly higher line of credit than we were originally seeking because of it. Your experience and guidance has been invaluable. We couldn't have done it without you."

—*Doug Dohring, CEO, The Dohring Company*

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STEP 1:

GET EDUCATED

*ACQUIRING FINANCING FOR YOUR BUSINESS IN
TODAY'S ECONOMIC CLIMATE CAN BE DONE!*

CERTAINLY, CREDIT STANDARDS have tightened, and there may be fewer loans to go around as we ride out this bad economic weather. Bank mergers, acquisitions and, most disturbingly, closures are occurring at an alarming rate. Many companies are afraid to even apply for loans, as the media continues to widely report on small business owners who cannot get bank loans.

According to the National Small Business Association, banks still account for more than half of small-business financing, but companies have been using credit cards and cash flow more often as bank loans have dried up.

However, there are opportunities for creditworthy businesses to obtain bank financing. Lenders are scrutinizing applicants more closely, but the fundamentals remain the same.

So what makes a business creditworthy? In essence, there are four levels of risk that banks will weigh. These represent the foundation for credit decisions:

- 1) The industry. Many banks routinely avoid certain industries, including restaurants, construction, gaming and, in today's economy, real estate speculation. If a bank does not understand or is uncomfortable lending to your industry, you may want to shop elsewhere.

- 2) Quality of collateral. How comfortable is the bank with the liquidity of your collateral? As one bank president shared with us in jest, what could your collateral bring at an auction on the courthouse steps during a blizzard in January?
- 3) The transaction itself. The bank needs to see your loan package as a good loan based on their lending criteria.
- 4) Borrower's financial position. Lenders will not only assess the health of the business, but your personal financial history as well.

That's just the beginning, however. Even if your company meets all of the above standards, you still might not be able to get the loan. You might get the loan, but not at the rate, terms and conditions you deserve. For that you also need to master the system. These are the four cornerstones of the Bottom Line Up approach and of the 10-step process. That means you must:

- 1) Know your financing needs
- 2) Understand the dynamics of bank lending for businesses of your size
- 3) Target the right banks
- 4) Provide the information banks need, promptly, accurately, and in a usable format

Your loan package content, presentation and follow-up communications with the bank can not only mean the difference between a "yes" or "no," but can yield significant savings over the life of the loan through:

- Lower interest rates
- Better terms
- Less restrictive covenants
- Fewer or no fees

BLU LOAN PACKAGE

- Presents your firm's accomplishments and future potential.
- Defines your market niche.
- Illustrates company strategies and tactics to address potential downturns.
- Shows that you can track your money.
- Identifies the resources you need and states how you will invest the capital.
- Projects where the company will be in three years, and outlines the plan to get there.
- Shows that you are a good credit risk.

Lenders repeatedly tell us that packages must be **complete**, **thorough** and **honest**. They also want businesses to be very responsive to requests for additional information during the process.

WHAT TYPE OF BANK FINANCING IS BEST?

One loan definitely does not fit all. Once you have identified your financing needs, you must determine where and how to get the necessary financing. Lenders offer various types of financing including term loans, lines of credit and lease financing. There are a number of websites that offer online calculators including many large banks, such as Bank of America and Wells Fargo. Just type "business loan calculator" in your favorite search engine. This can be a good starting point to get a feel for the types, terms, and cost of loans currently available.

LINES OF CREDIT

Banks love offering businesses lines of credit. It gives them maximum cash leverage plus the greatest rate flexibility. They even get to charge a fee before putting out a nickel.

A business line of credit, also referred to as a credit line or LOC, provides cash on tap for you to access at any time and up to a certain amount. It is similar to a credit card in that it has no fixed payments terms, a variable balance, and is based on an adjustable market based interest rate. You should expect to pay a Commitment Fee at application and with each annual renewal.

Credit lines are generally used as a vehicle to cover shortfalls in cash flow during off-peak seasons, to stock up on inventory, or for upfront costs of projects. If this is the type of loan you are looking for, make sure that your cash-flow projections clearly demonstrate when you will have enough cash to pay the line down or off.

While normally, there is no collateral required, LOCs are usually tied to short-term assets such as receivables or inventory. As the numbers change, the line will either increase or decrease. In theory,

this means that the value of the assets is always sufficient to cover the loan balance.

Lenders have historically advanced anywhere from 50 to 80% of current receivables (less than 90 days old). Credit lines secured by inventory are not as popular today as in the past. There is an inherent disincentive to sell inventory if a certain level must be maintained to secure the line.

Other considerations for granting credit include:

- Industry, revenue and profitability trends
- Mix of inventory and accounts receivable
- Current analysis of accounts receivable aging reports
- Growth or expansion plans
- Other assets and liabilities
- General credit-worthiness

Lenders require periodic updates on receivable and/or inventory levels. These can be as often as monthly or quarterly. Because of this ongoing administration, some banks are reluctant to issue a credit line for under \$50,000. They see it as just too small to be profitable for them.

Beware: Some banks stipulate that the LOC is paid off at least once each year. They may even require that the zero balance be maintained for a set period (as much as 30 days) before turning the spigot back on. If that isn't going to work for you, address it up front. If you aren't able to negotiate it, consider a different type of loan or a different lender. The point is, don't get caught signing up for something that you will be unable to deliver on

WORKING CAPITAL

If you just ask for a working capital loan, most bankers will be very skeptical. It's kind of like asking your teenage daughter where she's taking the car Saturday night and her response is, "Oh, you

know ... out." It is important to be specific about what you will use the money for and how it will benefit your company. In most cases, when people ask for a working capital loan, what they really want is line of credit or term loan.

TERM LOAN

This is the most common form of intermediate-term financing arranged by commercial banks. Term loans are like mortgages with maturities that range from 1 year to 15 years (a max of ten years is more common). There is a relatively rigorous approval process but, if you qualify, you can have access to the absolute lowest cost outside money for your business.

Fixed interest rates have gone the way of VHS and 8-tracks. Term loans are now offered with adjustable interest rates based on the lender's cost of funds, the federal funds rate, LIBOR* or the Prime** lending rate. Repayment schedules are fixed and the loan is spread out or amortized over a fixed period and sometimes end with a big whopping balloon payment. Term loan agreements normally require businesses to meet minimum working capital and debt to net worth tests, to limit dividends, and to maintain continuity of management.


Businesses generally use term loans for major improvements, working capital, and investments such as equipment, real estate, business acquisitions, or other tangible assets that can be used for collateral. While term loans can be obtained for intangible purposes, such as hiring personnel or launching a marketing program, there generally has to be sufficient collateral to secure the loan.

***LIBOR** - The 'London Interbank Offered Rate' and is a daily reference rate based on the interest rates at which banks borrow unsecured funds.

****Prime rate** - A base rate to which many loans (particularly business loans) are indexed. In the past it was the rate that banks charged their best, most creditworthy customers.

FINDING A SBA LENDER

The best way to find out which banks are offering SBA loans is to go to SBA's Web site at www.sba.gov and click on local resources to find out the district office in your area. Local district offices have Lender Relation Specialists to help small businesses identify local banks that are active in SBA lending.



RESOURCE Free SBA Online Course
 Guide to SBA's Loan Guaranty Programs (This is one of many online courses offered by the SBA for entrepreneurs. Courses are self-paced and take about 30 minutes to complete. Visit www.sba.gov/training for a complete course list.)

HOW DO BANKS MAKE LENDING DECISIONS?

Banks are critical to business survival. Based on a 2009 survey conducted by the National Small Business Association, nearly half of all companies use bank loans to finance their day-to-day operations and expansion efforts.

There has always been a symbiotic relationship between business and banks. Companies need to borrow money and banks want the business' deposits so they have the money to lend. The most profitable customers for a bank will be those that maintain high average daily balances in their checking (and other cash deposit) accounts and also purchase other banking services and products.

Banks will consider all of the following factors:

- Loan structure
- Industry trends
- Financial history
- Collateral value

- Deposit account balances
- Experience/track record/trends
- Interest Rates and fees – current and potential
- Administrative costs
- Fee potential for other services

Different banks will weigh these factors differently. Make note of where you shine and where there may be a little tarnish. Keep this in mind as you prepare your loan package so that you cast the best possible light on both your strengths and weaknesses.

In these extraordinary times, all lenders are asking themselves: How secure is this loan? Is this a solid customer, given the uncertainties in the marketplace?

To answer that, lenders will first evaluate you on five different levels. These are commonly referred to as the 5 Cs.

- 1) **Credit** – What is your personal and business credit history? *Banks will want to see your personal credit report and your company's Dunn & Bradstreet Report.*
- 2) **Capacity** – Can you pay the money back? *Banks will examine the company's cash flow and profitability to help determine if you can repay the loan.*
- 3) **Collateral** – What can you offer to secure the loan? Generally acceptable forms of collateral include equipment, real estate, receivables or inventory. Loan amounts are based on a percentage of the assessed value of the collateral.
- 4) **Character** – It's all about your stability, history, and track record.
- 5) **Conditions** – Which way is the wind blowing? What are the prevailing conditions in your business, industry, and market place? Conditions certainly apply to the banking climate as well.

This is the first level of risk assessment and begins at the initial interview and continues through the underwriting process.

The second risk is in borrowing too much. Surplus cash, like surplus inventory and supplies is subject to “shrinkage.” Excess cash promotes a lack of discipline that can result in “empty calorie” spending. If you’ve ever bought the mega-size bag of cheese puffs — and you found yourself with a mega-size appetite for them, you know what we’re talking about. Finally, debt service is expensive. Would you rather see the interest and fees for the unneeded capital go to your bank or to your bottom line?

BLU Financing Assessment Tool (Abbreviated Version)
OPPORTUNITY: Should you?
<ul style="list-style-type: none"> ▪ How much capital do you need? ▪ How will you use the money? ▪ What is the time frame?
VIABILITY: Can you?
<ul style="list-style-type: none"> ▪ Can you qualify? ▪ What is your credit score? ▪ What do you have for collateral? ▪ Can you pay back the loan?
RISK: Do you want to?
<ul style="list-style-type: none"> ▪ What is the cost of the money? Will the return be greater? ▪ What interest rate can you expect?

The difference between a dream and a goal is ... the plan.

STEP 3:

GET PREPARED

WHY CREATE A BOTTOM LINE UP PACKAGE?

BEFORE WE OUTLINE how to prepare your loan package, let’s discuss how a quality bank loan package can be more than just a loan. In fact, think of it as a sort of financial Swiss Army knife.

If prepared properly, your loan package can be a valuable tool for growing your business. It can “sell” and inspire company stakeholders, including bankers, strategic partners, vendors, current and potential advisory board members, employees and recruits. The right loan package will clearly outline your company’s future plans, current status and history, as well as potential business challenges, opportunities and tactics.

Loan Packages Shared with:	Outcomes for Bottom Line Up Client Companies
Vendors	Received better terms
Employee Recruits	Helped attract and hire the best talent
Investors	Secured capital for the company
Strategic Partners	Developed and strengthened essential relationships that helped them achieve their business objectives.

Surprising as it sounds, most companies rarely submit a complete and thorough loan package for consideration. Typically, a business owner makes a short unrehearsed “speech” to the banker and just

process efficacy and profitability maximization. She designs and helps implement strategies and systems that free business owners, allowing them to shift their focus from operations to opportunity.

When building her first company, Mary learned firsthand that “She who controls the money wins.” This allowed her to develop one of the largest and fastest-growing companies in her marketplace. From there, she has helped scores of companies blaze a path to sustained profitability.

She currently advises high-growth entrepreneurial companies, including some of the Inc. 500’s fastest growing privately held firms. Additionally, Mary has been featured as a business expert on MS-NBC’s “Your Business,” in FOX Business and in “Ask the Expert” questions posted on CNN Money.com, sponsored by Fortune Small Business.

Together they form Bottom Line Up Enterprises, providing extraordinary services to companies around the globe.



Rich Russakoff



Mary Goodman

“Having Bottom Line Up’s process for dealing with bank financing has been invaluable. After narrowing down to my top three banks and having offers from each, I looked over at my new potential banker, told him about the other offers and that they were ½ a point lower. He quickly looked down at the paper and said, ‘Oh, sorry. That must have been a typo.’ Then put in the new rate, saving me thousands of dollars!”

—Chris Canada
CEO of On-Site Computer Solutions

“Thanks for creating this timely tool! This is a landmark book, chock-full of timely tips and rich insight – both thought-provoking and filled with compelling easy-to-implement strategies for obtaining the best financing! As a business consultant, I am thrilled to have this resource to share with clients. It should be required reading for anyone seeking to acquire funds in today’s competitive financial environment.”

—Margie Johnson
President of Shop Talk, Retail Consulting Firm

“I have known and worked with Rich and Mary for 10 years, through all the financial ups and downs of the past decade. In my experience, there are no better experts in the field of advising fast-growth companies on how to accelerate their growth with the right balance of external funding and organic cash generation than Rich Russakoff and Mary Goodman. In their new book, *Make Banks Compete to Loan You Money*, they can help you secure the RIGHT capital, from the RIGHT resources, with the RIGHT timing, at the RIGHT cost - and without giving away your precious dreams and your hard-earned equity stake in your business. Their guidance can make the vision of growing your business on a secure and healthy financial base a more certain reality. While there are never any absolute guarantees of financial success in this world, taking the seasoned advice of Rich and Mary in directing the growth of