



Finance and Credit: What Family Businesses Should Expect from Lenders Today

Harvey Glick, CEO, Insight Bank, Tom Dunson, Vice President, Commerce National Bank, & Bill Mead, President of Golf Car Company

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In this study presented at the Conway Center for Family Business family business leaders were provided with the opportunity to ask questions of two prominent Central Ohio bankers, Harvey Glick – CEO of Insight Bank and Tom Dunson – Vice President of Commerce National Bank, as well as family business owner Bill Mead, president of Golf Car Company as they explored the current state of finance and credit in Central Ohio.

The resounding message was that today's bankers want to build relationships with family businesses not just complete transactions. For both the business and the bank, a long-term relationship offers both the opportunity to build trust, understand one another's needs, and to help realize what both seek a thriving, growing, profitable relationship.

Both Dunson and Glick agreed that when they evaluate a business applying for a loan that the company's status as a long-time family business makes the business a more attractive prospect showing lineage and integrity. Bill Mead agreed that his history as a family business proved to be beneficial in his banking relationships for Golf Car Company.

Bea Wolper, an attorney at Emens & Wolper Law Firm and one of the Center's founders, mediated the program. Below are some of the questions that she and the audience posed along with the answers that were provided:

Is there really money available?

Yes, but you still have to meet guidelines set by the banks. Banks will try to work with you but they are limited by the lending parameters set by the bank, whether it is locally owned or national.

Why are credit lines being reduced?

Credit lines are a function of a company's sales and receivables. Based on the slowdown now being experienced by many businesses, credit lines may be reduced to reflect changes in those line items. In addition, reducing credit lines frees up a bank's reserves for other uses and reduces the banks current liability.

Do my deposits and receivables affect loan opportunities?

Overall company deposits, including 401K accounts, for example, are an important consideration evaluated by any lender. Your deposits also can affect the pricing that you receive because as you utilize more bank services they can be bundled together to reduce bank pricing for services and your costs. Receivables are also a key indicator for banks. If you have

few receivables or are not able to consistently collect your receivables, the bank also recognizes it is less likely to get paid and prices its services and loan products accordingly.

Should I be in constant contact with my bank?

Communication is key so staying in touch with your banker is important. Banks do not like surprises so let them know good news or bad on a regular basis. It will make it easier for them to assist you as challenging situations arise.

Are personal guarantees necessary? Should I sign one?

It can depend on the product or the lender, but yes they are a requirement in most cases. If you don't sign a personal guarantee then family business owners need to be prepared to give other covenants or commitments in its place. As you might expect, personal guarantees are more important now than in the past.

On meeting with your banker?

It is always important to be prepared when you meet with a bank to discuss starting a relationship. One key item is having your financials prepared by an independent organization. This increases your credibility and offers reassurance for the bank that someone outside of your organization has reviewed and verified your numbers.

If you have questions about banking issues that are specific to your family business, we recommend that you contact Harvey Glick, Harvey.Glick@insightbank.com, or Tom Dunson, tdunson@firstmerchants.com.