

## Getting a Bank to Deal

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Need help dealing with the bank. Next few months will be tough. Cash flow is already tight and taxes are coming up. If I had a bigger credit line to draw on, I'd be more comfortable, but my bank says there's no point applying.

**Thoughts of the day:** Pay attention when the bank tells you there's a problem. Short on cash - do you know why? Cut out costs, then push on sales to get past breakeven. The economy is turning up, but don't expect gifts.

Money is available for companies that can prove they're a credit worthy risk. Banks have loosened up from the days of 2009-2010. Many banks are focused on what is their best customer. It's worth your while to find a banker who understands your industry.

Banks look for a few things. Three big ones are collateral, profits, and a Quick Ratio. Inability to meet a bank's standards indicates your business isn't as strong as it should be.

What's a Quick Ratio? It compares Current Assets / Current Liabilities. Current assets include cash, checking and savings balances, inventory and accounts receivable. Current liabilities include accounts payable and lines of credit. Banks expect you to have twice as much (200% or better) in current assets as you have in current liabilities.

What can you do to improve your lending profile? Put money into a savings account every week - start small, build up. Don't pay down credit lines too quickly - instead term them out - that pulls all but the current year's portion of the term loan out of Current Liabilities, thereby improving your Quick Ratio. And it gets the loan paid off. Be willing to pay taxes - it's a demonstration that your business is profitable.

If you're short of cash, ask why. Sales down? Costs out of line? Too much overhead? People not paying their bills? Too much spent on upgrading - facilities, equipment, etc. - in too short a period?

Take control! Don't spend a dime more than you have to. Cut back on space, supplies, excess equipment, extra hours of work. Every dollar saved brings you closer to having a profile that the bank will appreciate.

Ready to get creative? With rising gas prices, consider telecommuting, watch your electrical usage, and make sure the office is energy efficient. Go through vendor bills with a fine tooth comb. Don't be afraid to question things.

Make sure that you get paid every cent that you're owed. Some customers play the game of negotiating discounts at the end of a job. Stand firm.

Cleaning up accounts receivable is like finding money. Charge interest. If older customers delay payments check their credit rating. New customers - always check their credit before extending terms. If anyone is a poor credit risk demand significant upfront deposit and final payment before you deliver, or be willing to walk away.

Send out invoices weekly, or even daily if they're big enough. Use email instead of snail mail. Call customers to confirm receipt and get a payment date.

Raise prices. It's time! Shift marketing dollars to internet based strategies - they're often less costly, and much more efficient to implement. Whatever you do, don't cut out marketing - it's the key to future business opportunities.

Go after new sales, but be strategic. Target profitable accounts. Ask for more upfront - if you're used to getting 10% down, ask for 25%; if you get 30% down, ask for 40%.

Having cash available will let you sleep better at night. Use cash reserves to free yourself from time wasting activities. No more time spent figuring out how to pay today's bills. No more running around to collect payments because you can't wait for someone to mail the check in.

Prove to the bank you've cleaned up your act. Ask your banker for suggestions of what they look at. Then build it for them and for yourself. If you don't understand what they're looking for, or don't know how to get there, don't give up, get help.

Looking for a good book? Making Cash Flow (Managing Your Money) by Christine Thompson-Wells.

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