ARTICLE

OBTAINING CREDIT

OPENNESS IS KEY

Imagine that you run a mid-size company with deep ties to an industry challenged by economic conditions. After decades of solid success, growth has stalled for reasons beyond your control – and your income statement is beginning to show it.

What do you tell your bankers?

Most people don't like sharing bad news. Some managers who find themselves in challenging circumstances may be reluctant to talk with their bankers, fearing that relaying bad news might close off credit options.

The most successful companies we see, on the other hand, are open and transparent with their banks, through good times and bad. By providing a clear picture of their current financial situation and challenges, these companies enable their banker to deliver ideas, insight and solutions to help them achieve their goals. This open communication puts everyone in a better position to structure and negotiate the right credit solutions for the challenges at hand. Often, these companies are able to obtain credit terms and capacity that otherwise might not have been available.

DEVELOP DEEP AND BROAD RELATIONSHIPS WITH YOUR BANK

Even in uncertain times, credit is readily available for companies that have the confidence of their bank. Even those facing financial challenges can position themselves well for a credit request if they have a strong relationship with their bank and a clear action plan.

While banks today still consider traditional criteria like cash flow, leverage, equity and collateral, they also assess the experience and integrity of the management team, the company's position in the industry and other, less tangible factors. You need your banker to believe in your company, it's potential, its business plan – and most importantly, you.

It also helps to have multiple connection points within your bank, your relationship manager, credit officer and the market executive to name just a few. This broadens the bank's awareness of your company and gives it more confidence in supporting your business during inevitable ups and downs.

While banks will always be more cautious about certain industries and financial profiles, for example, a company carrying materially more debt than its peers, credit is still available in those situations. Loan terms and structure will reflect the risk. There may be an increased level of due diligence during the approval process.

BE PREPARED TO PROVIDE TIMELY ANSWERS TO DETAILED QUESTIONS

Don't be surprised by the detailed questions your bank will ask as it seeks to understand your business. Your answers will equip the bank to be a valuable resource as your business grows and changes over time. This understanding becomes the platform for your relationship team to bring you new ideas and solutions that will help you achieve your goals.

It's important to share financial information with your bank on a timely basis. Late or missing information can be a red flag and may suggest that more bad news is coming. Your bankers may make important decisions without the information they need to make the RIGHT decision. Make sure your bankers have all the information they need to assess your situation accurately so they can make fully informed decisions and provide appropriate ideas about how to help you meet your needs.

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YOU AND YOUR BANK HAVE THE SAME OBJECTIVE

So what happened to that company faced with a decline in its core customer base? Management provided the bank with timely, in-depth information that revealed that their business was actually more diversified than it appeared at first glance. And they communicated a detailed strategy to weather the storm. The company was open to a new credit structure that included some additional financial reporting and a new loan covenant in return for more flexible terms, a longer tenor and improved liquidity. As a result, the company got the capital it needed, returned to profitability and remains strong years later.

It's crucial to realize that you and your bank have the same objective: the success of your company. If you think of your banker as a financial resource … rather than simply a lender of money, you can benefit from the deep industry, financial and risk management expertise that your financial institution can provide.

By sharing information about your industry, your company and your strategy, you give your bank the kind of in-depth understanding that will enable you to navigate uncertain times together. Your banking relationship will be solid when you need it most – and your banker will be able to make decisions that help you achieve your goals in a predictable way.

For more information, contact your relationship manager or visit pnc.com/cib