



## Building Your Small Business

by Christopher Johnson, [M&T Bank](#)

Small business owners don't need to be afraid to walk into a bank and ask for a loan. Despite the troubles with the nation's largest banks, the regional and community banks operating in Virginia are open for business and always looking to develop new small business relationships. Now is the time to look forward with your banker to meet the challenges of your small business in 2009.

We have a saying in the business-banking department that goes something like this, "every one of our bank's biggest customers was once a start-up." Small business customers are essential to the future of banks in Virginia.

However, just because banks are eager to add small businesses to their client roles, does not mean every loan application will be approved. Extending credit irresponsibly creates problems, as we have seen over the last two years. The bank's responsibility is to extend loans to credit-worthy borrowers.

Here are a few things small business owners can do to be more prepared before walking into a local bank for a loan.

**Polish Your Personal Credit:** The personal credit score of the business owner can be a big factor in the underwriting process. Make sure you pay all of your personal bills on time and check your credit reports for inaccurate information. Under federal law, you are entitled to one free credit report a year from each of the three major credit reporting agencies and can order them at [AnnualCreditReport.com](http://AnnualCreditReport.com). You can buy additional copies of your credit reports as often as you want.

Understand the credit scoring process. Having too much personal debt, relative to your total credit, is one thing that can drag down your credit score. And that credit score could adversely impact your business loan application. A sudden drop in your personal credit score could also prompt your banker to raise rates on a business line of credit. Maintaining a good personal credit rating is one of the most important things a small business owner can do to improve the borrowing ability of his or her business.

**Understand Relationship Banking:** When you bundle your business together, and bring it all to the same bank, you become a more valuable customer. This means you can get better terms and conditions on bank products, such as a lower line of credit annual fee. This is the same concept as getting better insurance premiums by taking multiple policies from the same company or getting a package deal on a bundle of telecommunication products.

Again, even though you are approaching the bank for your small business, your personal business also matters. Banking is a relationship business. When you extend your business relationship with the bank, to also include personal deposit and loan accounts, you become a more valuable customer to the bank and can ultimately benefit through lower fees and better loan terms.

**Leverage Your Advisors:** Here's another inside tip from the banker's office, your choice of professional advisor matters. When you walk in the door carrying the advice of an experienced business attorney and Certified Public Accountant, the bank's level of confidence rises. Think twice before throwing your accounting business to your inexperienced brother-in-law. In this economy, now is a good time to walk into the bank with your best foot forward.

Utilize the services of small business advisors, such as Rochester SCORE and the Small Business Development Center at SUNY Brockport. The mission of these organizations is to help small business owners like you. The services of these centers can be particularly helpful to existing small businesses looking to grow through an acquisition or a building addition. A bank may look favorably on the fact a small business owner has received guidance from an experienced business counselor. Also, consider your bank's branch manager or small business relationship manager as an additional counselor. They understand the local marketplace and have seen how other small business owners solve certain problems, so don't be afraid to walk into your bank and ask questions. Leverage the skills and experience your local bank can bring to the table.

**Walk Tall:** Small business is the backbone of the nation's economy, that's not a cliché, it's a fact. Small business is responsible for much of the job growth in the U.S. and Virginia. As our corporate employers have downsized locally, small businesses have been started by individuals leaving those organizations to create jobs and new products. My point is to be proud of what you do. Small businesses are like fingerprints, no two of them are alike. Only you can tell the story of your business, so tell it proudly.

Explain your business to the bank, particularly if you work in an industry that has been adversely affected by the recession. This includes anybody in the building trades, such as plumbers and carpenters, and the retail sector. Be prepared to talk about your customer base and how the recession may affect your business. Be prepared to discuss how your business will make it through this recession. Be prepared to explain your 2008 income statement. If the numbers don't look good, be ready with answers. What are you prepared to do in 2009 to either cut expenses or increase revenue?

Check your exaggerations at the bank door. Do not walk in with massively over-estimated sales projections or underestimate expense projections. Do your homework and keep your business plan updated to the changing economic climate.

Being well prepared and maintaining good personal credit can help any small business owner build their banking relationship. Banks across Virginia are actively making new small business loans and renewing or increasing lines of credit every business day. The credit window remains open. If you are well prepared, don't be afraid to approach that window.