

## Planning, preparation key to securing credit

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By **Bill Rodgers**

After listening to the testimony of Goldman Sachs officials before Congress last week, I couldn't help but ask, "What happened to our relatively simple, local, service-based financial system?" In recent years, our nation's banking system has evolved to a financial services industry so complex very few people can grasp it.

Everyone is waiting to see how Congress will respond to the present financial crisis. Will it enact thoughtful reforms that address the specific issues that got us into this situation, or will it implement sweeping new regulations that will prove costly to Oklahoma banks and their customers? The question in the meantime remains, "Where does the bank customer fit into this unholy mess?"



As almost any business owner can tell you, one of the most crushing aftershocks of a financial crisis always has been its negative impact on the flow of commercial credit to businesses, particularly to the small and medium-sized companies on which our economy depends. Even worse, this tightening of credit hasn't been limited to businesses with wobbly balance sheets or those in struggling industries. Even companies with relatively stable financial statements are finding themselves navigating new territory.

Just because you have a loan now is no guarantee it will be renewed.

What follows is practical advice we at McAfee & Taft are giving our business clients with respect to how they should approach their banks in the days ahead.

First, contact your loan officer ample time before you need your loan funded or extended. Good communications between you and your lender is essential. Keep in mind that the rules of lending, including the time and effort required of both parties to complete the process, have changed. Also, if for some reason your bank is unable to provide you with the credit you need - whether because of your credit qualifications or their own internal issues - you will need the time to explore other options, if available.

Second, be thoroughly prepared to answer any questions your banker might have about your company. Be sure to take a copy of your business plan, and if you haven't updated it recently, now is the time to do so. Do not predicate your loan request on untimely or unsupported information.

Third, be realistic - about your loan request, your company's current financial situation, and the future of your business. Ask your banker how he feels about your credit and his ability to meet your credit expectations. Remember: Your bank most likely has money to lend, but its risk tolerance has been lowered due to the current economic and regulatory environment.

Fourth, if you have an existing loan or line of credit, be sure you are in compliance with even the smallest provisions of your loan agreement. When times were good, banks would often give their customers time to correct any technical defaults. That's not always the case now, and more and more banks are exercising their rights to call loans, as well as not renew loans, based on such technical defaults. And before you sign a new agreement, review it thoroughly. If for any reason your company simply cannot abide with any of its covenants, point that fact out upfront and ask for a modification.

In closing, let me emphasize that we live in a difficult and uncertain economic environment. The borrower simply will have to expect that the lending process will take longer than in the past and that cooperation and communication between parties is essential to success.

Oklahoma has, thankfully, avoided the main brunt of this recession, and thanks to good bank and regulatory leadership, I am most optimistic that our state will return to stable economic growth relatively soon and will avoid the lingering pain suffered during our last downturn in the '80s.

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