



SEARCHING FOR A BUSINESS BANKING RELATIONSHIP?

The Seven Questions a Business Banker is Never Asked...

The last time you ordered a meal through a drive-through window, did you peek in the bag to see if the order was correct? If something as basic as ordering a drive-through dinner frequently results in mixed outcomes, how much more likely are you to have significant frustrations from something much more complicated like establishing a business banking relationship?

One method to help avoid future complications is to understand a prospective bank's service model through a series of focused questions. These questions can help you uncover what you and your management team can expect from a bank—and your banker—before selecting a new financial institution.

The business bankers at Waukesha State Bank have noted, through hundreds of customer interactions, that prospective clients tend to focus on three elements: interest rate, loan structure and loan covenants.

The implicit assumption is that every facet of banking is the same beyond that. However, banking models vary greatly from institution to institution. For example, almost universally, the regional and national banks have sought internal efficiency by centralizing key processes such as loan underwriting, approval, servicing, and documentation. This efficiency generally comes at the expense of less customization, less personal attention, and generally slower response times after the initial closing. However, these perceived "costs" don't make that model wrong for companies that want the lowest possible interest rate and the fewest bank interactions. It really just depends on your situation and your expectations.

At Waukesha State Bank, our goal is to build a long-standing relationship with our customers. If you value the same, below are a few questions you should consider when interviewing a prospective bank:

- 1** ***"Tell me about your decision making process. Where exactly, and by whom, are the decisions in the approval chain made? Who will structure my loan request, where will this occur, and how long will this process take? Can I customize my request?"***

Usually, it's better if your business is physically near wherever the loan decisions are made. In today's banking climate, for loans of less than \$1 million, your loan proposal may be a one-size-fits-all approach drafted by a processing center in a distant city. This means there is little chance you can customize the loan to your specific circumstances. For loans larger than \$1 million, the approval process is likely to be multi-tiered and require a chain of approvals from people in many different states. So, while perhaps the first decision maker on that chain is local the rest are not. If your business encounters a rough patch or needs a rapid answer, this approval model may not work well.

2 *“Tell me about the strengths and weaknesses of my loan request? In terms of the weaknesses, tell me why you find those weaknesses acceptable and how will you will address these soft spots when my loan request is presented to your decision makers.”*

It's rare to get a loan request that doesn't have any weaknesses. This probing question will help you determine how well this banker knows your business, your industry, and you. Also, any knowledgeable banker will know what proposed terms are likely to be changed during the underwriting and approval process. As such, the loan officer should articulately discuss where this might occur and why. This can help guard against over-promising.

3 *“Beyond providing credit and an attractive interest rate, tell me why I should bank with you?”*

For most small businesses, a tenured business banker should be able to provide fresh insight into their business and act as a sounding board. This question is useful to determine if your service expectations and communication style match those of the bank. Again, service models vary. Some banks employ a pure sales model in which your loan officer will move on after loan closing leaving you with a rotating series of new college graduates to look after you. Other banks employ a hunter/skinner model in which the banker will be with you for the life of the relationship and know your business intimately. Again, it boils down to your expectations: Which do you prefer?

4 *“I keep hearing banks are moving upstream to larger customers or even shedding whole lines of business and customers. Tell me why you want me as a customer.”*

This question can demonstrate how well you and your company fits with the bank. You should be able to determine whether you're going to be a small fish in a big pond (or vice versa), as well as gain additional insight into the bank's management metrics. Also, banks jump in and out of markets. You don't want to find out in five years that your bank abandoned a market it was aggressively pursuing when you first met them.

5 *“In my business, like yours, customer service is important. Please tell me where my loan will be serviced, who will service it, who I will contact regarding servicing issues, and then the process of addressing servicing issues.”*

If you don't enjoy hanging out on the phone for 30 minutes when there are even minor servicing issues, you may want to dig into the loan servicing process. Listen for the names of people to contact rather than 1-800 numbers, centers, or other cities.

6 *“Unfortunately, business is fraught with peril: recessions, slow spells, etc. In the unfortunate case where my business has a loss, breaks a covenant, or needs to discuss its obligations, who will I discuss this with and describe the general process?”*

Remember the Great Recession? This is probably the toughest question, but it's worth asking. You're trying to determine if this a bank that will want to exit your business at the first sign of trouble, or if they will stick with you—and for how long: one quarter, two quarters, a year or two? You're going to need to drill deep with this question, as your banker may avoid a direct answer if he or she is not comfortable with the bank's service model.

7 *“Tell me, what is your personal value-proposition as a banker?”*

This is a question that will help you determine how deeply committed your prospective banker is to you and your business. You'd hope that no matter what career we are in that we would all have a ready-answer to this question! Also, consider the longevity of your banker (ask them or look them up on LinkedIn). Do they move every three years, have they been in this line of work for some period of time, do they have a specialty, etc.?

