



COMMUNICATE IN "BANKER-SPEAK"

Most farmers rank visits with lenders right up there with visits to their dentist. Small wonder since most lenders find that getting the right financial information from their farmer-borrowers is about as easy as pulling teeth. Communicating successfully with your lender is key to obtaining the investment and operating capital your farm business needs to operate efficiently.

"Banker-Speak" is the language your loan officer uses within his organization to make decisions and get the necessary approvals for your financing needs. Getting the money you need *when* you need it requires you to invest time and effort to meet the needs of your farm loan officer. When you communicate with your lender in "Banker-Speak," you have taken a giant step in meeting his needs.

As with other languages, Banker-Speak is both verbal and nonverbal. Verbal refers to both your written and oral presentation. Non-verbal communication includes your attitude toward your financial condition and confidence in your abilities. Successful communication requires that you be good in both areas.

Non-Verbal Tools

Your lender needs to know that you are serious about your business. After all, he usually has a significant stake in it. Businessmen are people who are serious about their business. If you are meeting in your lender's office and he wears a tie, make sure you wear a tie. Businessmen wear ties. Bankers want to lend to businessmen. Farmers who try to prove they are farmers by showing up at the bank with mud on their boots or smelling like a barn weaken their position.

Carry financial information in a brief case and make it look as neat as possible. Grease smudges, fly specs and wrinkles detract from the message being communicated. Let the banker be aware that you realize the importance of these documents. Remember, bankers want to lend to businessmen.

Finally, take time to review and rehearse the presentation. No matter what the numbers say, you need to be confident and organized when speaking with a lender. He or she will be judging your ability to organize and manage a complex farm business by your ability to organize and present a sound business plan. As in other situations, *how* things are said is just as important as *what* is said.

Verbal Tools

"Banker-Speak" includes an endless array of forms. The importance of correctly completed forms in the communication process with lenders is greatly misunderstood. The forms loan officers hand out at the beginning of the loan application process, or for year-end reviews are actually the Rosetta Stone of "Banker-Speak". They are a lender's first tool in translating raw data into a language bankers use to make decisions concerning your loans. Borrowers that provide incomplete forms to loan officers are doing one of two things: crippling the loan officer's ability to help obtain credit or, providing the excuse the loan officer needs to deny a credit request.

Providing a lender with requested information is the minimum requirement for successful communication. Loan officers, like the rest of us are busy people. Translating raw data into "Banker-Speak" is a chore for them. Given a choice, they would rather analyze credits over translating financial information. For bankers, speaking "Banker-Speak" is more fun than translating. Herein lies the key to improving communication with your lender. Learn to communicate at your lender's level and you will be rewarded

many times over.

The first step in learning any new language is to develop a vocabulary. In "Banker-Speak", the vocabulary includes terms such as balance sheet, accrual income statement, cash flow coverage, percent equity, return on assets, collateral coverage, fair market value, asset turnover, loan-to-value ratio, break-even price, and so on.

Grammar defines how vocabulary is structured in a way that makes sense. Most farmers have a grasp of "Banker-Speak" vocabulary, but fall short where grammar is concerned. For example, explaining how cash flow coverage will be improved to 1.3 as a result of lower operating costs associated with new equipment or facilities, has never been a strong point with most farmers.

Most of us learn "Banker-Speak" in the school of life, and there are many sources of information for this home-study program. Bankers, accountants, financial advisors and consultants are usually willing to help you learn more about your business. Courses at Community Colleges, Cooperative Extension or farm oriented seminars are available. An excellent reference to start with is the *Recommendations of the Farm Financial Standards Task Force* available through the American Bankers Association.

Imagine yourself dressed as a businessperson sitting across from a loan officer pulling out financial statements and analyses from folders in your briefcase. As you describe your current financial situation, you offer reasons why your financial performance was not what you had anticipated a year ago. You present your business plan for the coming year, indicating historical yields, prices and reasonable assumptions. The plan you present includes changes in management practices you plan to adopt based on

your documented research. Finally, using a cash flow spreadsheet, you discuss how much money you need to borrow and how you intend to repay it. As you leave the room you notice the loan officer's next appointment in the waiting room. Mud clods fall as he heads towards the office. Clutched in his hand is a crumpled tax return and scribbling on some barn paper. Your financial situation and his are exactly the same. The loan officer has enough time and energy to take on one new customer. Is there any doubt that your ability to communicate in "Banker-Speak" will make you the choice?