

COMMERCIAL LENDERS ASSESS APPLICANT STRATEGY AND FIND WAYS TO MAKE NEW LOANS.

Preparing for Economic Success

Story by Kevin Lusk
Photography by David Andrews

IN TIMES OF ECONOMIC CRISIS, IT'S NATURAL FOR CONSUMERS TO PULL BACK ON THEIR SPENDING HABITS. Business owners too, tighten belts and push back expansion projects. However, according to area bankers, current record-low interest rates can translate into an advantage for business owners looking to reinvest—or for prospective businesses to get up and running.

Robert and Audery Hart were looking for financing to help purchase the Chanticleer Inn on Lookout Mountain. The small bed and breakfast was a perfect fit for the couple. It allowed them to work together and be around to raise their family. Gas prices were back down, too, and people were taking road trips again. The Harts had been through the process before when they financed a health club a few years earlier, but still were nervous going through the process this time.

"We were amazed at how quickly and easily things came together," Robert Hart says, after financing with Cornerstone Community Bank. "Everyone is concerned about the economy. However, with interest rates...this was the best time for us to buy another small business."

Building consumer confidence in troubled economic times can be difficult. Some of that apprehension can be put at ease, however, according to bank officials.

"Many seem quite surprised when they realize that as bankers, we will work hard to find ways to make a new loan versus trying to find reasons to turn it down," says Craig

Holley, chairman, president and CEO of CapitalMark Bank and Trust. "We want to give them access to the dollars they need to run a successful business; when this occurs it helps the business thrive, provides profits for the banks and ensures the community prospers."

The routine is a bit different than not long ago when small business borrowers could walk into some of the larger financial institutions, fill out a one-page application and get as much as \$100,000 in 24 hours. Many of these loans were made without assessing the company's strategy or finances, relying solely on the personal credit scores of the borrower. Most banks have reverted to more traditional underwriting practices. The availability of credit doesn't come without significant commitments and requirements on the part of the small business owner.

Adequate preparation is the best way to ensure success when applying for a loan, experts say. When making a decision, lenders will primarily look at credit history, business plan, education and experience operating the kind of business you want to get a loan for, as well as the feasibility of the business.



Cornerstone Community Bank CEO Greg Jones

"It [the plan] doesn't have to be elegant or flashy, it has to have just enough to tell the story of the business —what it does, where it does it, how it does it, who does it, its origin and development, and its plan for the future."—Greg Jones

"Bring prepared is very important in applying for a business loan," says Sam Jones, city president for FirstBank in Chattanooga.

To help prepare for the process, bankers recommend getting financial records in order before applying for a loan. These include balance sheets, income statements and the debt-to-equity ratio, which is the amount of money you owe compared to the amount of money you have invested in the business. The more equity you have the more likely to be approved for financing.

Additional financial items that may be needed include:

- Personal financial background—This includes payment records, tax returns, debt/liabilities and credit score.
- Work history/experience and training.
- Collateral that can be used to help guarantee the loan.
- Anything else that can be used to prove that a potential candidate will excel at making the business profitable.

It is also important for the borrowers to prepare projections

for the upcoming year of what they expect to achieve in sales and expenses.

"This will help the bank work with them to see what their borrowing needs may be for the upcoming year," Jones adds.

If the borrower doesn't have a business plan, one will need to be written. The plan is a detailed analysis of all aspects of the company and its goals. It will show potential lenders how the company will make money, thus assuring them the ability to repay the loan. The plan should include the following: business history (if an existing business); future expectations of the owners; management and owners resumes; and some type of competitive market analysis.

"It doesn't have to be elegant or flashy," says Greg Jones, CEO of Cornerstone Community Bank. "It has to have just enough to tell the story of the business—what it does, where it does it, how it does it, who does it, its origin and development, and its plan for the future."

continued on page 20

continued from page 19



Craig Holly, CEO of CapitalMark Bank & Trust works to find ways for businesses to access the funds they need for success.

There are several local organizations available to assist in the development of the plan, including the Small Business Development Center, the Service Corps of Retired Executives (SCORE), and numerous accountants.

"It's always a good idea to seek counsel from these experts before initiating formal communication with the financial institutions," Jones says.

"A loan relationship is a partnership between the bank and the business. It requires responsibility on both parts. If expectations and obligations on both sides are met, that partnership is virtually guaranteed to succeed."

It is also important for the borrower to look for the right lender. There are a myriad of lenders who can finance the venture. By doing the homework to look

for low rates and the services needed, it will help make the process easier. The Small Business Administration (sba.gov) is a good resource for loan information. In addition, the borrower may be eligible for the SBA guaranteed lending program, which helps lenders make long-term loans to small firms. The lender selected is a personal choice based on the needs of the business.



There are two basic types of small business loans to choose from—short-term, which usually matures within a year, and long-term, which has a maturity of much longer than a year. The short-term type is usually used for working capital, accounts receivable and lines of credit. Long-term loans are used for major business expenses such as purchasing equipment, real estate, facilities and more.

A commercial line of credit can also be considered, which is designed to give a business the short-term fund to help it stay cash-flow positive. Getting a commercial line of credit has many of the same rules as getting a loan.

"I'm bullish on Chattanooga and believe we will be among the first to emerge from this downturn."

—Sam Jones

Regardless of the type of small business loan, local banks are ready to lend money to potential borrowers. The Chattanooga area has been fortunate in the current economic climate, experts say.

"Chattanooga doesn't seem to experience the real highs or real lows. It remains somewhat steady.

While Chattanooga hasn't been completely immune to the ills of the current economy, the area has fared better than most markets around the country and in the South. Unlike Detroit and other cities with ties to one industry, Chattanooga's economic base is much more diversified and stable, allowing banks to absorb the economic downturn.

continued on page 22

www.rivercanyonadventures.com

Camping & Kayak Adventures
Flatwater Kayak Eco-Tours
and Hourly Kayak Rentals
10 Mins. from Downtown Chattanooga

Grand Canyon of the East!
 Featuring 1,500 ft. cliffs, rope swings, waterfalls & wildlife!

*Call for details
 Rates start at \$35/pp*

Reservation Line:
(423) 290-8628

Photo: Jeff Hunter®

att.com

We are developing tomorrow's Internet. Today.

As a leader in technological innovation, we know what it takes to build the next generation of the Internet.

That's why we are investing billions of dollars to upgrade and expand our network. We are working to bring fiber optics deeper into America's neighborhoods and to offer faster Internet connections for homes and businesses.

We have brought together the world's best scientists and engineers to develop a smarter, faster, and more secure network - a network that will bring the true promise of the Internet to America.

Our first name was always American. But you know us as AT&T.

© 2009 AT&T Intellectual Property. All rights reserved. AT&T and the AT&T logo are trademarks of AT&T Intellectual Property.

A Subtle Reminder.



WINE
WATER

9.26.09

to purchase tickets visit,
www.wineoverwater.org

continued from page 21



FirstBank City President Sam Jones.

"A city like Chattanooga generally doesn't have 'boom times,' but doesn't suffer the share of declines as markets that have had such dramatic growth in the last ten years," Jones says. "I'm bullish on Chattanooga and believe we will be among the first to emerge from this downturn."

In the meantime, borrowers can expect banks to continue approving loans to qualified borrowers who are prepared.

"It is so very important that all of our banks continue to play the crucial role of understanding and meeting the credit needs of the communities we serve," Holley says. "The banks play a critical role in fueling economic growth and job creation."



TENNESSEE
**CAREER
CENTER**

Where people and jobs connect

Athens
(423) 745-2028

Chattanooga
(423) 894-5354

www.secareercenter.org

WE BRING CAREER RESOURCES TO

JOB SEEKERS

& EMPLOYERS

- JOB LISTINGS
- JOB SEARCH TOOLS
- SKILLS UPGRADE ASSISTANCE
- SKILLS CREDENTIALS
- POST JOB OPENINGS
- EMPLOYEE RECRUITMENT
- HIRING INCENTIVES
- JOB PROFILING/ ASSESSMENTS



Career Readiness Certificate

For jobs seekers:
The key to a better future

For employers:
Guaranteeing
quality job
applicants

An affiliate of



This project is funded under an agreement with the Tennessee Department of Labor & Workforce Development. Equal Opportunity Employer/Program. Auxiliary aids and services are available upon request to individuals with disabilities. TDD/TTY: TN Relay 711