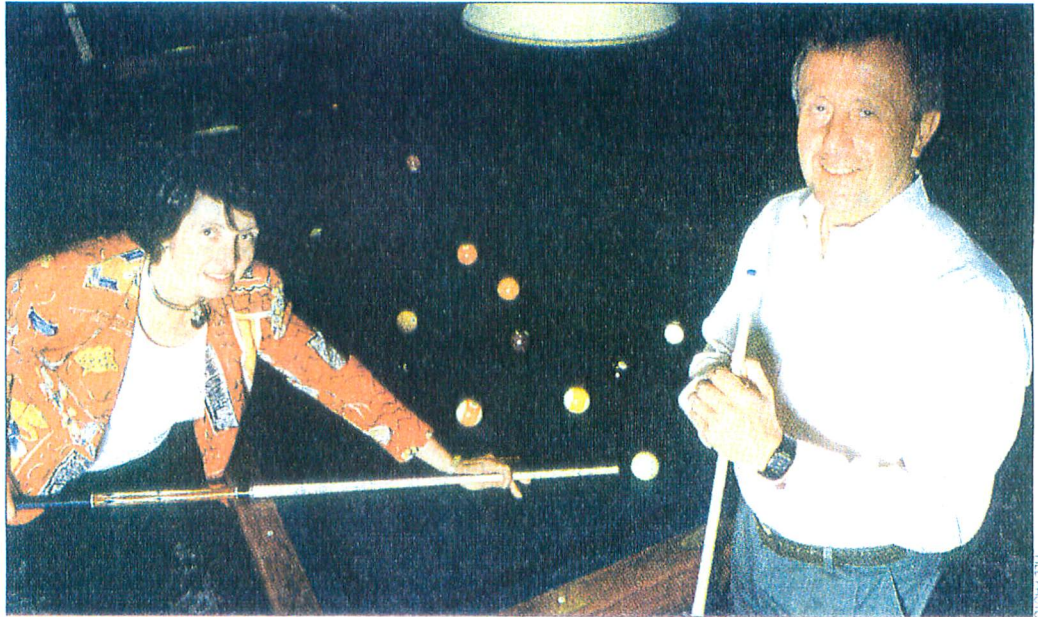


Service matters most



HANGARTER & BECKMAN: Chalkers owners suggest finding a lender who identifies emotionally with your project.

Entrepreneurs seek more than size in banks

BY CHRIS DE BENEDETTI
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It's no surprise that banking is dominated by cold, hard numbers — it's a world with virtually no room for fuzzy sentimentality. Yet, when small business owners look for a lender for financing, many show just that by working with banks that reflect their smaller sizes.

An understandable strategy to be sure, but is it a particularly smart one?

Probably not, says Howard Shwiff, of Shwiff, Levy & Polo, a San Francisco accounting firm. While bigger banks may be more interested in the numbers than the human aspects of the transaction, it would be a mistake to call them uniformly unfriendly to the little guy. "There is no banking relationship at larger banks in the 21st century — loan officers ... they come and go," says Shwiff, whose firm maintains a line of credit with Wells Fargo. "The only relationship is with the bank itself and that's established only by how you handle your accounts."

This doesn't have to be a bad thing, as long as accounts are responsibly handled and credit is kept impeccable. Doug Shin, the vice president of small business loans at a large lender, concurs. Shin says his Minneapolis-based employer, U.S. Bank National Association, is "friendly" to all potential loan applicants, and big banks have inherent advantages over smaller ones. "We offer name value, provide more services and our size doesn't affect the speed of processing loans," he says. U.S. Bank did \$23 million worth of SBA loans in the Bay Area in 2000.

Small business owners don't necessarily agree. Laurence Whiting owns Now We're Cooking, a San Francisco catering firm. "Smaller banks are ultimately more willing

to work with smaller businesses," he says. "They have more empathy and are more flexible since they don't have to answer to stockholders."

While name value of a large and powerful institution may be impressive, the status a big bank brings may vanish as soon as the nuts and bolts of the process begins. "Big banks have huge disadvantages because they're slower in processing loans," says Brian Evans, vice president of small business loans in Bank of the West's San Francisco office. "There are more channels you have to go through." Bank of the West provided \$18 million worth of SBA loans last year to Bay Area businesses.

Yet, too much emphasis may be placed on the size of a bank, Evans adds. "Bank of the West is not a big bank, but we are a big lender. Here, you are one person away from the president of the loan division. Small business owners get to our decision-makers more quickly, which helps unconventional deals, or the bubble-type deals — and a lot of them are on the bubble. That's the nature of SBA loans."

Accessibility is the mantra of Joe Garrett, president of San Francisco's Sequoia National Bank. "Bank of America may have 1,000 services we'll never have, but access is our one huge strength," says Garrett. "I answer my own phone, our loan officers are very accessible ..."

Barbara Morrison, the CEO of TMC Development Corp., which processed \$65 million worth of SBA loans in 2000, says she understands why some small business owners get turned off from big banks. "In general, branches of big banks don't have the staff, time or expertise they used to. There wasn't the need to have a loan officer in each branch, so sometimes the service and friendliness doesn't match a borrower's expectation. The branches do still

give loans, they just aren't the delivery system anymore." Morrison makes it clear, however, that big banks needn't be demonized. "We're happy to work in partnership with the banks, regardless of size."

The real issue for a business owner is finding a loan officer that one can connect with, according to Sue Backman and Peter Hangarter of Chalkers, an upscale billiards bar in downtown San Francisco's Rincon Center. "Find investors who have some ability to identify emotionally with your project," says Hangarter. "As a small business, you can't lit a home run on your first startup. So, look for a lender who empathizes with you. They're not picking you strictly for the money."

In addition, a lender might go for a business idea that has long-term benefits for the bank. "Our loan officer thought we had a great lease and location for Chalkers, sure," Hangarter says. "But, it fit a need for the bank, too. They were looking for clients whose business had pizzazz and a high profile. They could market themselves off of our success."

Sequoia's Garrett agrees that smaller banks sometimes look beyond numbers. "Ideally, we look for a relationship. Anyone can provide a loan," he explains. "We want to add value to the customer, do their second, third loan. We want to improve the borrower's company by giving advice in all financial aspects of their business."

In the end, all banks — regardless of size or customer service — ultimately have the same lending goal. "I've been dealing with banks for 25 years," explains caterer Whiting. "And the one thing I understand about them is they all want their loans repaid and their investment returned."

Chris de Benedetti is a contributing writer for the San Francisco Business Times. ■

LOAN SHOPPING TIPS

- Get the lay of the land. Often, SBA lenders focus on their local area, so find out who the lenders are in your neck of the woods.
- Have a strong business plan with sound projections and budgets. Be prepared to show in detail how you'll successfully run your business and how the bank will get its money back.
- Find investors who can emotionally empathize with your project.
- Schmooze. Personal relationships with loan officers may still make a difference, especially if your numbers are borderline.
- Keep your credit impeccable and your reputation sterling. Also, keep your professional and personal credit separate.
- Be persistent in finding out pertinent loan information, which can be difficult. The information is out there, it's just not readily accessible.
- If you get the loan, use it properly. Borrow for the amount and length of time to match the intended use of the credit.
- Pay off the loan the way the bank wants it paid off. Show them you are regimented with payments, and that will result in more loan offers at better interest rates.