

Getting The Most From Your Local Bank

If you're a small business owner or entrepreneur looking for a way to get start-up funding or money to grow your business – you've no doubt already sought out your local banker. But, did you know that your local banker can help with more than funding?

He or she can point you to other helpful small business resources, help hone in on your product and market, serve as your business's financial advisor and form a relationship with you to drive your business's future success.

"It's a matter of building a relationship, confidence and trust with your banker," said David Neff, Vice President of Business Development at Iowa State Bank and Trust in Fairfield.

However, it's crucial that business owners and entrepreneurs come prepared to meet with their banker. Iowa's bankers say they want to see a business plan, financial statements, tax returns and some proof of capital or equity to support the business.

"They need to have a good business plan and show me what they are going to do," said Rick Schreier, Senior Vice President at Randall-Story State Bank. "We're a financial partner – we don't expect them to come in with this beautiful presentation, they just need an idea and some information and we can help them do the rest."

Sid Jones, Executive Vice President of Home State Bank in Jefferson, also said the business plan is the first step, followed by a careful assessment of their product and the market trends. He said entrepreneurs also need to assess the uniqueness of their product and ask themselves who their market is and what they'll have to do to compete within that market.

"A lot of people think the first thing they have to do is the financial end of it and that's something they'll get to three to four steps later," Jones said.

The need to have capital or equity upfront poses a challenge for many entrepreneurs – but Neff said the local banker can point business owners to many sources.

"There are several resources to tap to get that initial capital ... names can be gotten from accountants and investors," Neff said.

For example in Fairfield, he said, they have an entrepreneurial association where investors sit on a round-table panel. This can serve as a great way for an entrepreneur to get hooked up with an investor who is willing to put forth the necessary start-up money.

There are also small business loans and grants available- specifically to those in a niche market, Neff said. A key to competing in the market, he said, is to connect with other similar business owners and assess whether you compete directly or if there's a small tweak you can do to make your product and market stand out.

Lenders also caution small business owners and entrepreneurs not to be in a rush and expect miracles over night.

"When I meet with somebody, especially somebody just starting out – I like to tell people that it does take time and it takes a lot of work," said Dennis Flanery, Guthrie Center Market President at People's Trust and Savings Bank. "There are a lot of pieces to the puzzle and they really need to do their homework."

Economy still good for entrepreneurs with a niche

The economy may not be as strong as it was a decade ago, but Iowa's lenders still feel it's a good time to be an entrepreneur in this state.

"There is a lot of negative news about the economy," said Flanery, "I think Iowa is probably better than most of the nation. Even in negative economies – there are always businesses doing well...just because some segment of the economy is not working well doesn't mean yours can't be."

In fact, those with a unique product shouldn't feel much of the effects of the economy.

"Just because we're in a slower economic time right now, I still think it's a good time for entrepreneurs," said Jones. "(Those with) unique products have a niche and they won't be sensitive to the economy."

Lenders say that the economy does force them to more carefully assess where they lend their money.

"In general, things have tightened up a little bit," said Schreier. "The economy isn't as strong as it was say two to three years ago and because of that banks are tightening down and taking a closer look at things. It makes you take a step back and get back to basics."

And Iowa's lenders say often – the plainest truth is that small business owners with large amounts of debt, namely credit card debt, are not getting funded from banks.

"We're looking a little harder as far as our standards on credit scores," said Barry Monaghan, President and CEO of Guthrie County State Bank in Panora. "We've taken a harder look at those who've accumulated a lot of credit card debt."

Monaghan said there are so many avenues for small business owners to walk down to find funding, and credit cards, he says are a "terribly expensive way of getting financing."

Perhaps the most useful advice Monaghan can provide to entrepreneurs, and frankly consumers alike, is to come to your local banker first. Don't get into a credit card nightmare and then try to work your way out. Instead, find funding for your business within your local banks and communities first.

Other sources of funding

Dave Sengpiel with Iowa Farm Bureau's Rural Vitality Investment Fund says the most important thing for entrepreneurs to keep in mind when searching for funding is that investors are looking for a return on their investment too.

"I look for an inherent enterprise value," Sengpiel said. "What I mean by that is at the end of the day – are you creating value in your business?"

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