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Silsby Offers Small Business Owners Smart Tips on How to Borrow

Five Tips for Getting a Small Business Loan from Your Bank

AUGUSTA, ME – The success of small businesses in Maine is critical to the State’s economy, local communities and families. However, the financial needs of these companies can be complex. While every situation is unique, Kennebec Savings Bank CEO and President Andrew Silsby says there is information available to guide business owners toward their goals and ultimate success.

In a recent Business Journal article, Silsby offered five financial tips to small business owners to help them maneuver through the loan process.

“As someone whose entire career has been in the banking sector, I have seen numerous small business loan applicants come through the doors of Kennebec Savings Bank and I have some advice I’d like to share, because as a banker, I know firsthand that we want to help your business thrive,” Silsby said.

The Business Journal is produced and distributed by the Kennebec Journal and Morning Sentinel newspapers and the article is as follows:

Here in Maine, small businesses are anything but small. Ninety-five percent of Maine employers have fewer than 20 employees, but these small businesses are contributing to our state economy in a big way.

In order to grow and succeed, business owners often need a loan or line of credit and this is where your banker can be the most important person for your business. As someone whose entire career has been in the banking sector, I have seen numerous small business loan applicants come through the doors of Kennebec Savings Bank and I have some advice I’d like to share, because as a banker, I know firsthand that we want to help your business thrive.

Understand the banker’s perspective. You need to know what it is that a bank looks for when they consider giving a loan. All lenders are taught to ask themselves, “Would you give this person the money if it was your own?” Banks are typically risk adverse, so it is

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the applicant's responsibility to thoroughly demonstrate to the bank that they are a good risk; is this a good investment for the bank's money?

You need to show that you have a very clear and actionable plan to be able to pay the bank back. If you want to open your own cupcake bakery in Winthrop, do you know why this will be a success? What is your competition? Why is your product a value to the community? Think of all the questions a banker will ask you well before you come in to ask for loan. Ask another small business owner about their experience with getting a loan. Learning from another person's successes AND mistakes is doing your homework before the test, rather than leaving it to chance.

Consider collateral and cash flow. *In previous times, banks were focused solely on collateral, like homes and equipment, but today it's about collateral and cash flow. Your business's cash flow is the primary source or repayment, while collateral is the secondary source, so both are important to a bank.*

This is where your bookkeeping comes in—you must have good invoicing and collections practices already in place. If you have inventory, managing that inventory is critical. However, when businesses get in financial difficulty, they typically squeeze their accounts receivable and reduce inventory. Remember, the bank is focused on getting paid back and will not lend to a business they view as risky. They are looking at what's going to generate the cash to make the loan payments and if you can't use your accounts receivable or inventory for collateral, you may need to be willing to put your home up as collateral. Many people are hesitant to do that. If you are willing to risk putting your home on the line, it is seen by the banker as a clear sign that you are 100% committed to the success of your company.

Do you manage your money well? *Before you ask for a loan, be prepared to demonstrate that you handle your money well. People need to learn how to manage the following:*

- *Payroll*
- *Invoicing for work performed or products sold*
- *Accounts receivable and collections*
- *Sales tax and income tax*

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- *Red tape/bureaucracy/paperwork*

You must prove to your lender you are worth the risk of a loan and that means showing you can handle your business. Running a company means you have to keep good records, pay people on time and ensure you have proper cash flow to do so, and invoice and then collect in a timely manner. I have had people come in to ask for a loan with a shoebox of random receipts and invoices, expecting me to make head or tails of it and determine their qualification for a loan. Another small business owner hadn't sent out invoices in several years, so basically had done work for free, had not been paid for that work, but was in asking for a loan.

Ensure you have a great team. *The majority of Maine's small businesses have fewer than 20 employees and most are sole proprietors, with these individuals being industrious and able to fill multiple roles. But, most people are not good at all things so you need to have a professional team behind you: your lawyer, accountant, banker and maybe even a business coach. These people might seem expensive on the surface, but it is sometimes more expensive not to have them. If you don't know how to handle bookkeeping, get a bookkeeper. The money spent will save you time and headaches and help you in your loan application.*

When you come into the bank, a judgment will be made by the lender about whether you are someone who can run a successful business or not. It's important to have a leadership team supporting you.

Be objective. *Would you give yourself a loan? At the end of the day, bankers want your business to be successful but it is simple: the bank is in the business of being paid back. They ask themselves, "Does it make sense to make this loan and what's the likelihood of being paid back?" You want to make a good impression so they will invest in you—treat your loan application as you would a job interview. Dress nicely, be professional, and be prepared.*

Andrew Silsby is president and CEO of Kennebec Savings Bank. He has worked in various capacities in the banking sector since 1986 and has been a lending at Kennebec Savings Bank since 1993. FMI: www.KennebecSavings.Bank.



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Kennebec Savings Bank is a \$931 million state-chartered community bank, part of a mutual organization with a team of 129 employees and offices in Augusta, Waterville, Winthrop, Farmingdale and Freeport, as well as “KSB Anytime” 24-hour electronic banking centers in Manchester, Augusta and Farmingdale. The Bank is proud that its involvement in the community as an employer, a business and as a contributor has led to many other successes besides its own. That’s why customers and employees alike say Kennebec Savings Bank “We Make It Easy.” Member FDIC, Equal Housing Lender.

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