



Washington Guide to Sustainable Viticulture

LENDING I

HOW DO I DETERMINE IF MY BANKER/LENDER/FUNDER KNOWS MY BUSINESS?

CHECKLIST OF QUESTIONS TO ANSWER

1. Know Your Industry

Remember decisions made by lenders are driven by what is happening in your industry.

Research current trends and do a regular market analysis.

- What are industry trends?
- What varieties are hot?
- Where do vineyards/wineries stand on the list of risk (preferred industry or high risk)?

2. What to Look for in a Lender (The partnership relationship is a two-way street.)

Understanding of your industry and its people

- Do they have experience in agriculture?
- Are they committed to providing agricultural loans?
- How long have they had a presence in your industry?
- What happens when you have a bad year?
- Will they call a note or will they structure term debt and continue to loan to you?

Capacity to meet your borrowing needs

- How big is the bank?
- If your bank is small, is your loan so big that they cannot help you if you are in trouble (i.e. valid concern: don't be a big fish in a little pond)?

Competitive loan products and quality services

- Are you better off using separate banks for your operating and real estate loans?
If you don't perform on one of them, will the other one get recalled?
- Upon what basis does the bank determine interest rate for loan?

Prime plus

Merits of company

- Do they have alternate forms of financing?

Stable staff with experienced employees

- Does your loan officer understand your business?
- Is your loan officer able to explain your business and what you do to others within his office and other offices?
- Do you have a close, professional relationship with your lender? (e.g. can you chat easily at an industry banquet function)

Access to the decision maker

- Can you meet the one who actually approves your loan?
- Who approves your loan?
- Where and when and how long does it take for loan approval to occur?
- Do they make decisions in your town? In your state?
- Do they make the decision based on personal factors or solely on numbers?

Other banker attributes

- Up-to-date knowledge of credit and how it pertains to your industry.
- The person and the institution value trust, confidentiality and ethics.
- Communicates rates, terms and conditions up front in a clear manner.



LENDING II

HOW DO I BEST PRESENT MY CASE TO MY BANKER/LENDER/FUNDERS?

CHECKLIST OF QUESTIONS TO ANSWER

1. Know Your Financial Profile

- Remember your banker is your last stop, not your first.
- Would you lend to yourself?
- Personal credit history, secondary income, demonstrated ability to repay.
- Complete record keeping:
 - Balance Sheet (December 31 annually)
 - Prior 3 years Income Tax Returns (both personal and for each entity)
 - Income/Expense Summary (current year and for 3-5 years previous)
 - Business Operating Plan (current year and for 3-5 years previous)
 - Operating Budget (current year and for 3-5 years previous)

2. Know Your Industry

- Remember decisions made by lenders are driven by what is happening in your industry.
- What are industry trends?
- What varieties are hot?
- Where do vineyards/wineries stand on the list of risk (preferred industry or high risk)?
- Research current trends and conduct a market analysis on a regular basis.

3. Know the Five C's of Credit

- Character – Are you of sound character and have the management capability to run the operation and repay the loan? Would you lend to you?
- Capital – Refers to your financial position and progress, asset quality, working capital, liquidity, debt structure, how you look on paper.
- Capacity – Your ability to generate sufficient earnings to sustain current obligations, repay any new debt, and provide an adequate margin for family living, capital replacement and accumulation of a reserve for adversity.
- Collateral – If other credit factors are determined to be strong, some short-term and operating loans only require the signature of the customers on the loan agreement. However, collateral must be provided and evaluated as it may be used as repayment.
- Conditions – Relates to the overall purpose of the loan as well as other items over which the lender has direct control.

4. Know Your Own Business

- Historical financial data (past balance sheets, tax returns)
- Business plan
- Marketing plan
- Winery contract
- Current planting plan
- Future planting plan



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Key Knowledge Areas

Financial records required by most lenders:

- Balance sheet
- Prior three years income tax returns (personal and for each entity)
- Income/expense summary (current and for several years prior)
- Business operating plan (current and for several years prior)
- Operating budget (current and for several years prior)

To help communicate your business goals and plans, these should also be presented to your lender when applying for a loan:

- Historical financial data (past balance sheets, tax returns, etc.)
- Business plan
- Marketing plan
- Current and future planting plans
- Winery contract information

The Five C's of Credit:

- Character
- Capital
- Capacity
- Collateral
- Conditions



RESOURCES FOR MORE INFORMATION AND/OR HOW TO DO	ID	OR	WA
U.S. Small Business Administration www.sba.gov SCORE The Service Corps of Retired Executives (SCORE) is a 2,400- member volunteer association sponsored by the SBA. SCORE matches volunteer business-management counselors with present prospective small business owners in need of expert advice. www.score.org	X	X	X
Northwest Farm Credit Services www.farm-credit.com	X	X	X
This site has a search engine for researching banks www.bankrate.com	X	X	X
Good consumer lending information www.practicalmoneyskills.com	X	X	X
Idaho Bankers Association www.idahobankers.org	X		
Washington Bankers Association www.wabankers.com			X
Oregon Bankers Association www.oregonbankers.com		X	
Idaho Society of CPAs www.idcpa.org	X		
Washington Society of CPAs www.wscpa.org			X
Idaho Association of Public Accountants www.iapactt.com	X		

