

LENDING I

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

CHECKLIST OF QUESTIONS TO ANSWER:

I. 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?
 - Ask others
- Is your loan offer 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. don't got to football game or dinner but can 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 decision in your town? In your state?
- Do they make the decision based on personal factors or solely on numbers?

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 (note: these are/will be addressed in other riskbusters but we will need to show integration and cross-references)

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



Key Terms & Acronyms	Definition/Explanation
GLOSSARY	From Financial Guidelines for Agricultural Producers Download at www.farm-credit.com

Special thanks for their contributions:

- Bill Shibley, Northwest Farm Credit Services, Pasco, Washington
- Cindy Phillips, Bank of America, Kennewick, Washington
- Reed McKinlay, Coventry Vale Winery, Grandview, Washington



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 12,400-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	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		



Washington Guide to Sustainable Viticulture

This document provided by the Washington Wine Industry Foundation's "Risk Management Education Program for the Northwest Grape Industry" — a USDA-RMA Partnership. For questions about VineWise, please contact the Washington Association of Wine Grape Growers at 1-877-88WAWGG (1-877-8892994) or email vinewise@wawgg.org.