

EOTv Tip Resources from Bottom Line Up Enterprises Bank Financing in Today's Economic Climate

How to Check the Health of a Bank

Don't forget the four questions you should ask to check up on the bank:

1. Have they posted a profit or loss in the last four quarters?
2. Are their earnings decreasing or increasing?
3. Does the bank have adequate liquidity?
4. Are they in the middle of a merger or have they recently been acquired?

Use these free online resources to check the health of your current bank or any lender that you are considering for a loan:

- **Google News/Local Newspaper** – start here to find recent media coverage about your lender. This is how we realized that a community bank we were considering for a client's loan was in trouble. The FDIC had issued a "cease and desist order" because the bank was engaging in "unsafe and unsound banking practices and violations." (A cease-and-desist order often precedes the step before a bank officially "fails.") If you have a local or regional lender, search your local newspaper and business publications for recent media coverage about the bank.
- **BankTracker** – is a popular tool from msnbc.com and American University's Investigative Reporting Workshop (<http://banktracker.msnbc.msn.com/>). Use it to identify the banks that reported the "most troubled loans" and check the "troubled asset ratio" for each lender on the list. (Read the Q&A section before you use the tool.)
- **TheStreet.com** – assigns letter grades to banks and provides one-page reports that explain the ratings. Visit www.thestreet.com and click on "Banks & Thrifts Ratings" link or use the search box to locate the page.
- **Bankrate.com** – uses its Safe & Sound[®] service to assign star ratings for banks. It also provides reports ("memorandum on findings) on banks. Visit www.bankrate and click on the "Bank ratings" link or use the search box to locate the page.
- **Federal Deposit Insurance Corporation (FDIC)** – provides comprehensive financial details on banks. Visit www.fdic.gov and click on the "Bank Find" or "Institution Directory" links. This AllBusiness.com article (<http://bit.ly/8CGnni>) outlines the process to fully evaluate a bank's health using FDIC data.

In addition, you may want to check out your bank with the local Better Business Bureau to ensure that there are no major (and consistent) complaints logged against the bank, including hidden costs or unfair terms.

E-mail book@BottomLineUpEnterprises.com to be added to the mailing list for our upcoming bank financing book.

10 Questions to Help You Find the Right Bank

1. **Is the bank healthy with strong financials?** *Given today's economic climate and the recent dramatic rise in bank failures, you should check the health of any bank that you seriously are considering. See the questions on page one.*
2. **Do they have a business division focused on lending to small and medium-sized companies?** *What percentage of their business is geared to this market?*
3. **Are they on the SBA's current list of top small business lenders?**
4. **Are they familiar and comfortable with your industry?** *Do they lend to your type of business? What industries does the bank specialize in?*
5. **Do they offer the mix of services and products you want?** *What do you need – traditional loans, lines of credit, SBA loans, credit cards, direct deposit, 401K services, or auto/equipment leasing?*
6. **Does your desired loan amount fit with the bank's lending limits?** *What is the average loan the bank makes to small businesses? Can the bank grow with you as your company's financing needs increase?*
7. **Can you secure a meeting with the right person?** *Can you be introduced or referred to bank officers who make lending decisions?*
8. **Are they willing to meet with you onsite at your company?** *Will the banker take the time to meet with you in person?*
9. **Does the banker have local lending authority?** *Can the banker or other officers onsite at the bank make lending decisions?*
10. **How long has the banker been with the bank?** *What is their expertise and level of experience in working with small and mid-sized businesses?*

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