

FARMER AND LENDER COMMUNICATIONS

LENDER EXPECTATIONS



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Steps to Success

1. Communication
2. Recognition
3. Engage
4. Incent
5. Results



Step 1: Communication

- Help customer, protect bank and stock holders
- Know your (Bankers) decision-making authority
- Involve and know who are the owners and decision-makers
- Have the facts and as much information about the credit as you can possibly ascertain.
- Understand to the best of your ability, the goals and desires of the customer as well as the bank
- Borrower needs to maintain communication with all creditors, owners, guarantors, managers, family and employees



Step 2: Recognition

Educate and explain the financial challenges, work diligently with the borrower to recognize the issues.

- Bank must first make certain they understand the issues
- By the Numbers: Let the numbers do the talking
- Some things may have to give: Identify what must be changed
- Identify and overcome objections
- Review the ultimate goal: Is it reasonable?
- Agree on a plan of action



Step 3: Engage

- Borrower to take ownership of plan
- Cash flow projection prepared by the borrower(s). IT IS NOT THE LENDER'S RESPONSIBILITY TO PREPARE THE PROJECTION.
- Understand this isn't business as usual
- Changes most likely need to be made quickly
 - Expenses may need to be reduced to match income
 - Borrowers still have to be in control of their destiny
- All loan requirements agreed upon and fully understood by everyone
- Term debt payments may need to be deferred or loan restructured
 - If bank needs to re-amortize its term debt, 3rd party lenders may have to do the same
- Understand mutually, that typically the quicker borrowers can reduce expenses and debt, the quicker their road to improved financial health will begin.



Understand Mutual Benefits

Step 4: Incent

- Point out Borrowers net worth and state goal is to preserve Borrowers wealth
- Provide incentive to Borrower to meet plan
 - More work done by Borrower; Less work by bank
 - Plan needs to be borrowers plan so they are motivated to execute
 - Lower or waive fees / maintain vs. raise interest rate
- Agree upfront if Borrower meets plan:
 - Possible lower interest rate / fees
 - Relax specific hot button terms, loan covenants.
- Both parties absolutely follow loan agreement requirements
- Recognize successes no matter how small

Step 5: Results

- Bank and Borrower to agree on well defined action plan A
Have defined trigger points:
 - Review goals and desires of the customer as well as the bank
 - Monitor progress:
 - Actual vs. projection line balance
 - Actions completed by projected amounts
 - Action completed on time / specific dates
- Discuss and document plan B options acceptable to Borrower if plan A is not achieved
- Start over with Step 1: Communication is critical to success;
 - Communicate when on track and when not; if not, borrower needs to revise plan or move to Plan B



Celebrate Success



Q & A

**Thank you for your time and
attention**