

GUIDE TO WORKING WITH BANKERS

One of the most difficult steps for the aspiring builder is getting that first project under his belt. Most are equally nervous and excited about that first project, which provides no small amount of humor for the veterans. If you have not been blessed with the finances that allow you to build the project with cash on hand, then you will need to make a trip to the bank in an attempt to secure financing for that first project. This short article will help guide you through the process of dealing with a banker.

The first thing you need to know is that the banker is always seeking as much security and safety as possible. They need you to make them feel as though you are a safe investment. Even if you have a great idea that, in your mind, will undoubtedly make a profit, the banker needs to feel that you are a good investment. So your entire presentation to the banker is centered on making him feel safe. To do this, you and all your presentation materials need to be prepared in a thorough and professional manner.

First, we will focus on you. When you go to see the banker, you want to dress appropriately. This doesn't mean you need to pull out that suit reserved for wedding and funerals, but you do need to look professional and clean. A nice pair of slacks and a button down shirt is typically appropriate, at the least. Using clear and precise language during your meeting will also help the interview process, and you need to realize that it is an interview process. In a sense, the bank is hiring you to manage their investment, and they are expecting you to provide a return on that investment (the interest).

And just as you would prepare for a job interview, you need to prepare for this meeting. Have someone you trust play the devil's advocate as a banker regarding your project. Have them

ask tough and direct questions so that you can practice giving responses. This will allow you to have prepared statements ready when the banker asks you questions. You will seem as though a well-informed individual who is both knowledgeable and prepared. Even if you know the banker, it is important to maintain an air of professionalism when you are seeking financing. Do not play on your friendship or familiarity with the banker.

As part of selling yourself, you will want to provide a detailed resume that shows the banker that you have the background, knowledge, education, and the like to accomplish your proposed project. If you have experience in the construction industry or with other large projects, focus on showing how that experience will translate into success on this project. Remember, that you need to sell yourself and your accomplishments. This does not mean that you need to do nothing but talk about yourself, but I do mean that you need to tie your knowledge and experience to the challenges of your proposed project so that the banker can see that you are qualified.

The last more personal part of your presentation should include a statement of net worth or personal balance sheet that shows the banker your present financial information. You will have to provide this when you make a formal application for the loan, but by providing it early, the banker will be better informed about your situation.

The second focus of your meeting is the presentation of your plan. The overall theme of your presentation should be to show the banker why you and your project is a good investment. The market research guidelines outlined in Chapter Two of the book provide the bulk of your presentation. As you may recall, the market research guide included gathering the following information:

1. Perform market research
 - a. A building plan & key feature list
 - b. A list of acceptable locations
 - c. A financial needs analysis
 - d. A projected sales price
2. Create a summary of proposed work
3. Preliminary cost estimate
4. List key stakeholders
5. Preliminary risks & rewards analysis
6. Preliminary scope statement

We will not go through all this information again in detail, as it is in the book, but it is a good idea to include all this information with the addition of a few items.

The first item you may want to include in addition to that listed above is a recent report on new construction sales. This information can be provided by a local real estate agent. This report should focus on homes that are similar to the one you are planning to build. Include how many have sold in the last six months, how many are currently on the market, how long they took to sale, and how you are differentiating your home from others homes currently available. This coupled with the information listed above will provide the banker with the basic ins and outs of your project.

Hopefully, the above information will show the banker why you are seeking to build a home, where you are seeking to build it, and the like. But in addition to this, you will need a marketing plan to show the banker that you have a plan for selling the home. Most likely, the budget that you have prepared for the construction project deals with direct labor and materials only, which is typically the case. But you need to remember that there is a cost to selling this

home, as well. Now if you hire a real estate firm, they will pay to market the home according to one of their marketing plans for an agreed upon fee that is typically paid at closing in the form of a commission. If this is the case, then have the firm that you are planning to use put together a marketing plan for you that outlines how they will market the property and what their sales success rate is.

If you plan on attempting to market the home yourself, which I do not recommend unless you are a real estate agent, then you will need to develop the plan. In addition to a sign on the property and some flyers, consider taking a page ad in the local real estate book or locate message boards on the internet where you can post information (Craigslist). You can also check rates for the local newspaper, but these are typically cost prohibitive for selling only one home. The best plan is to hire an agent. This allows you to take advantage of their economies of scale, and you will appreciate the help later if you are unfamiliar with how to complete the necessary sales paperwork that your state requires.

Between your professional presentation of yourself, a detailed market research analysis, and a marketing plan, you will be steps ahead of most people seeking a construction loan. Throughout all of this remember that you are trying to present yourself as a good and safe investment for the banker.