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## Opening the book on borrowing

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Yesterday

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### **How should businesses approach their lender if their business is soft?**

Make your lender part of your business team. Communicate with your lender when your business is soft and communicate with your lender when your business is robust. When business is soft, show your lender that you have your arms around it -- that you have researched the challenges and have initiated a plan that will yield short term relief and long term strength. Be completely honest with your lender. Provide accurate information about your business that can be presented in front of the credit committee. Make your lender look like an expert when it comes to the intricacies of your business.

### **What is the state of banking for closely held businesses in Connecticut?**

When it comes to developing a lending relationship, closely held businesses will be forced to open their financials and their businesses to outsiders. Experienced management teams shouldn't have too much of a problem with this as they've probably been through the exercise of developing banking relationships before. New management teams representing newer businesses will find this process to be an adjustment because they'll be asked to divulge proprietary information about their operations and their financial position. Whether a business is new or just getting started, closely held businesses are likely to see additional loan covenants, and collateral requirements. In addition, they may be asked to share some of the risk associated with making a loan by investing a portion of their own money, or by personally guaranteeing that the note is repaid. The lending covenants, requirements and guarantees will differ from one lending institution to the next. So, I advise my clients to talk to multiple lenders before establishing a relationship.

## **Are there banks lending more than others right now?**

Local, community and smaller regional banks seem to be lending more than the big national banks. Relatively speaking, the smaller banks are better capitalized, and most did not get involved with the sub-prime lending that caused so much grief for the national banks. Depending upon the amount of package, I like the entrepreneurial spirit of the smaller banks. Best if you can develop a solid relationship with an experienced lender from a smaller bank where your lending requirements do not exceed their maximums, By the way, there are several solid smaller bank options in Connecticut -- ask your peers, your accountant, your lawyer for some good references.

## **When do you expect credit to become more readily available to businesses?**

I don't think that predicting an ease to gaining access to credit is as easy as circling a date on a calendar. Gaining more access to credit will be a process that continues to improve over the next few years. Relevant businesses with talented management and a strong balance sheet have access to credit now will continue to have access to credit. Lenders are wary to lend to businesses who don't appear to be well managed, well planned, and well positioned. Can you really blame a lender for being cautious about lending money to an over-leveraged company? Before approaching a lender, I advise my clients to have an intelligent strategic business plan, a complete set of well-prepared financials and the reasons for requesting a lending relationship. Make it easy for the lender to say 'yes.'

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