

ORANGE COUNTY BUSINESS JOURNAL

BANKING & FINANCE

Obtaining Bank Financing in Difficult Situations

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Obtaining or renewing bank lines of credit or loans isn't always a simple process. A business may be declined credit and not have a clear answer as to why it was refused the financing it needed. Banks consider the "Five C's of Credit" (capacity, capital, collateral, conditions and character) in extending financing, which can be difficult to evaluate from a typical commercial applicant's perspective. On top of those criteria, other factors can play a key role when credit is not approved, such as lack of preparation, poor records, and the bank's level of risk aversion for certain types of loans or industries. It is in these more challenging situations that a qualified CPA firm can prove to be particularly helpful.

Expert Assistance

Smith Dickson offers specialized expertise in obtaining bank financing. Our work typically includes: determining financing requirements; preparing financial statements, projections and plans that lenders request; ascertaining banks' requirements; and negotiating loan fees and terms with bank representatives. For companies that have difficulty in obtaining traditional bank financing, we are often able to help turn their situation around. Here a few examples:

► **Financial statement issues:** A new client came to us recently with severe issues affecting their ability to obtain outside financing. Their underlying records were grossly inaccurate. Our accountants came in, cleaned up the records, and prepared compiled financial statements. With our guidance and assistance, the company was then able to obtain a large working capital line of credit from a highly reputable bank.

► **Financial ratios compliance:** A company may have clean financial statements, but it is not able to meet lenders' financial ratio requirements. Our experts are able to work with the company and provide strategies to make adjustments that will keep the company operating effectively while achieving ratio standards.

► **Covenant violations:** If a covenant violation is imminent, we can work with the bank ahead of time to seek a covenant waiver letter. We have been able to negotiate with banks based on criteria besides ratios that help

companies to achieve their financing needs.

Seek Guidance

Smith Dickson has decades of experience in helping companies of all sizes with their external financing needs. We have strong relationships with numerous banks and understand their specific lending criteria. If your company is experiencing difficulties with bank financing, contact us.



Deborah Dickson

Deborah Dickson, CPA, CFF, MAFF is president of Smith Dickson, An Accountancy Corporation (www.smithdickson.com). Contact her at (949) 553-1020 to learn more about how Smith Dickson can help your company with bank financing.

