

BORROWING AND PAYING BACK

1. **ABOUT BORROWING ... The “3-S’s”**

1.1 **SALES OF THE LOAN OFFICER**

The Loan Officer doesn't do you a favor when he loans you money
to him, it's just “Business,”

to him, it's “Lend or Get Fired!”

1.2 **SIBLINGS**

He gets “graded” comparatively against his “peer loan officers” on those bank customers he loaned money to that Don't Pay by his computer printout;

So his primary worry is how his loans appear and how he looks “comparatively” to the other loan officers ... when viewed by his Superiors ...

he doesn't really worry about what the Truth is.

1.3 **SECURITY**

It's NOT Real Security (ie it's NOT the collateral and the mere Ability to Pay him back that he's looking for) ...

it's Perceived Security.

This means he wants the deal to “Look Good” to others ... it's his Personal Security that he thinks of FIRST ...

and only when that's satisfied does he think of the Bank's Security.

1.3.1. “Perceived Security” means:

1.3.1.1. You must make the presentation paperwork look neat, appropriate and attractive.

1.3.1.2. When you are just learning to borrow, your filling in the bank’s pre-printed form they call a “Financial Statement” may be sufficient.

But later, your “financials” ie your Operating Statement (aka P & L) and your Balance Sheet should be prepared by a CPA (on pretty paper and nicely bound.)

1.3.1.3. Your financials must be signed by you ... that signature is your legal commitment that the statement is “True and Correct.”

So demonstrate that you “know the ropes” by signing your name across the bottom of the Balance Sheet in ink ...

preferably in BLUE ink,

so he won’t question for a second whether a black signature is a foto copy or an original signature.

1.3.1.3.1 **Exception:** Don’t make it look “too Slick”... for “Slick” spells “deception” ...

and DESTROYS the Perception of Security he seeks.

1.3.2 Give ample and apparently “full” information on the entire proposition the loan is based on ... so that:

1.3.2.1 you look to him like you’ve considered

“everything” that needs to be considered; and

1.3.2.2 if later your loan goes bad, his making the original loan to you, will look like it was an appropriate loan to make when he made it to you and be defensible to HIS BOSS and the Bank Examiners.

1.3.3 Dress and Appear physically to him TO BE the person he thinks you’re supposed to “look like”.

Thus, a bulldozer operator should not go into the Bank in a suit ... he ought to go in his dirty blue jeans.

1.3.4 Don’t let him make a Bad Deal

Guard him (if he’s dumb) by being certain that what his Boss sees of him makes your credit worthiness “Beyond Question” in the Boss’s eyes ...

so even if the Loan officer will do a deal (that you want) that will endanger him with the Bank ... don’t let him loan you the money.

1.3.5 Always tell his Boss “How good this guy takes care of me” so as to encourage:

his attention, and

his desire to use your comments to further his personal goals in the Bank organization and his own security fears.

1.4 Continue to Build the Perception of Security ... After you've obtained the Loan

1.4.1 AT LEAST ANNUALLY, go to his office ... on your own Initiative ... and when you are not looking for a loan,

and tell him "I'm here to give you a Report on your Collateral ... that is, Me !"

In this visit, you should give him a "Progress Report"... and tell him about How Your Income is Growing (if it is).

1.4.1.1 If you have an interesting business operation, invite him to come make an inspection tour of the location and show him around personally.

1.4.1.2 Also, introduce him to everyone nearby as "My Banker"... he will enjoy the importance in their eyes that you build and that good feeling will encourage him to later give you what you want.

1.4.1.3 When you have some income or growth real estate, ... give him a Guided Tour (in your auto) and show him how much rental it earns or what Fair Market Value you expect it to reach.

1.4.1.4 If he introduces you to a new "jr." loan officer, (perhaps someone learning the lending business)

Be certain to invite the jr. loan officer to go, too!

1.4.1.5 And explain the operation of real estate to him in great detail (so he'll not be embarrassed because he doesn't know exactly what's going on) and do it in the spirit of trying to help your regular loan officer "teach" the jr. the banking business.

REMEMBER: If your loan officer later leaves the Bank ... that jr. officer is likely to become your new loan officer ...

and you want him to already be secure with you and ready to do what you want.

2. **PAYING BACK**

2.1 **NEVER PAY BY MAIL** ... whenever you can avoid it, (because he won't ever know that you paid).

Instead, use your monthly payment to build Perceived Security in the guy's head,

always in the anticipation of making some new (and probably bigger) loan in the future.

Instead, call him first to see if he's in the office ... then go over to the Bank ...

stride confidently across the lobby to his office ...

hand him the payment, shake his hand, thank him for lending you the money and go.

RESULT

He'll think you're Eccentric (because you don't pay by mail)

but he'll always remember Exactly who you are ... and it will build Perceived Security.

2.2 Don't Pay the Secretary and ask her to tell the officer you made the payment

she'll merely give your check to the Teller

and your loan officer still won't likely learn of the payment and you will get the Perceived Security Reinforcement you intend and need.

2.3 PAY EARLY WHENEVER POSSIBLE ...

and when handing him the check, say this:

“I know it’s EARLY, but I wanted to get the payment here.”

His remembering that you pay “early” builds the Perceived Security which will be so useful to you later.

2.4 The Perceived Security you build by being UNFORGETTABLE and EARLY is designed to cause him to be your salesman in the next L & D meeting when you make your next loan application ...

because to him, you’re perceived to be a “Safe Risk” upon which he can earn interest income for the Bank without risk of bank examiner’s criticism.

2.5 Always ask for more money than you need so you don’t run short ... that means “Never go back to the Well” ie, never ask for more money ... you’ll almost never get it.

You only get “One Drink Per Deal”.

2.6 It’s Easier to borrow “Big Money” than “Small Money” ...

and borrowing lots of money makes you “look a Pro.”

3. WHAT DAY TO BORROW ON

Try to borrow money only on Sunshine-y Mornings ... preferably in the early part of the week.

Avoid borrowing money in the afternoon ... when folks are tired.

And at all costs, avoid borrowing on cloudy days or during periods of national crisis or financial unrest. In my experience you find much increased resistance to lend on these days because they are

temporarily personally uncomfortable or insecure.

4. **ABOUT INTEREST RATES**

Loan officers like to lend money to “Professional Borrowers” and Professional Borrowers are “Interest Rate Conscious.”

Since the loan officer will ALWAYS quote you his “HIGHEST” interest rate, first

your FAILURE TO NEGOTIATE makes you look like an “Amateur Borrower,”

and that makes him uncomfortable.

4.1 Use the technique called “Scream and Smile”... that is, no matter what interest rate he quotes you ... you react by exclaiming:

“X% ? Come on, Joe, you don’t want to Get Rich all in one place, do you ?

It is important that you put on a Big Smile when you do this to demonstrate to him that:

you know he’s quoting his highest rate ... so that he will think you are an Astute Borrower;

and so he won’t think you’re Angry.

5. **IF THE RATE IS TOO HIGH**

Under No Circumstances should you ever tell a lending officer “I can get it cheaper elsewhere” for he will always get mad and tell you to “OK, go ahead and borrow it elsewhere”

and that will seriously damage the very relationship you want and need to build.

If he quotes you a rate that is unacceptably high and you want to

borrow from him for some particular reason (for example perhaps you're trying to establish a borrowing relationship with his bank) ... tell him "Let me think about that"...and then make your loan with another lender.

6. **WHAT TO DO WHEN YOU GET DECLINED**

All bankers and all banks have likes and prejudices about various types of loans ... and if you get declined ...

the reason for your being declined may be that the bank simply doesn't like loans of that variety "Right Now" ...

even though the officer himself thinks the loan type to be "OK", or

the officer personally doesn't like loans of that variety, or

the bank's portfolio for that particular type of loans ...

is, at that time, simply "full".

SUMMARY

If you get declined, it DOESN'T mean that you are an unacceptable credit risk and

it doesn't mean you CAN'T make the loan "at any bank" ... it just means that THAT particular banker can't make THAT particular loan on THAT particular day.

Don't be insulted or angry ...

Being insulted or angry is a "Luxury you Can't Afford" ...

and anger is "The Mark of an Amateur Borrower".

Tomorrow you may need to make another loan ...

and that very same banker may be perfectly willing to make a loan next

time.

7. **HOW TO USE BEING DECLINED TO HELP MAKE THE NEXT LOAN**

No matter whether your loan was declined by the Bank outright or whether you are unable to negotiate an acceptable interest rate,

when you next “bump into” this loan officer at some social function or the like,

you can USE this past inability to reach a deal to encourage him to deal with you next time.

IF YOU CAN GET HIM TO ASK YOU

“WHATEVER HAPPENED TO THAT LOAN

WE TALKED ABOUT SOME TIME AGO ...

DID YOU EVER GET THE MONEY?”

To this you should pleasantly respond, “Oh, I got a better deal at X Bank” ...

and then just change the subject of conversation.

It is important that you only say this to him IN RESPONSE to his question

Never “Rub His Nose In It” by volunteering that

unless he asks “why” you didn’t make the deal with him.

8. **ABOUT LOAN OFFICERS AND THE RISK MANAGEMENT COMMITTEE**

Only officers and directors of the bank can make loans ... that's why they always have titles like "Assistant Vice-President."

It's generally difficult to reach your loan officer on the telephone before 9:30 or 10:00 in the morning in big banks because all the bank's loan officers meet in a Risk Management Committee (formerly known as the "L&D" or Loan and Discount) meeting every morning where a major bank officer (or director) approves all loans prior to funding.

Smaller banks have the meetings less frequently.

This meeting is the "PayOff" for you ...

It is this meeting in which the loan officer will use the Perceived Security you built to convince the major loan officer to approve your loan on your behalf.

In effect he becomes a "salesman" for you in the meeting and with his Perceived Security and "pretty" paperwork ...

9. **WHEN YOUR LOAN OFFICER LEAVES THE BANK'S EMPLOYMENT**

It's a Very Good Thing for you when your loan officer leaves the bank and moves to another bank ...

for the bank where you have been doing business will try to keep your Borrowing Business...

and if you have handled your business there, satisfactorily ... shortly a new loan officer will contact you and try to retain your business ...

At the same time, your old loan officer and friend,

(who is probably now working at some other bank)

will try to "Steal Away" your business from his old place of employment

to his new employer in order to demonstrate that he can make profitable loans for them.

THUS, YOU NOW HAVE 2 BANKERS !

10. **WHEN YOU CAN'T PAY ON TIME**

10.1 Bankers expect some of their borrowers to occasionally be unable to pay ...

to them it's "no Big Deal"

and when that finally happens to you one day ...

you must Minimize the Damage to your Perceived Security by maintaining the best relations with him possible.

Thus, you should distinguish yourself from those who foolishly avoid the Banker's phone calls about making payment ... or are slow to return calls ... or who "Weasel and Squirm" when asked to pay.

If you can't pay, confront the situation ... go to his office ...

and tell him you can't make the payment as promised. He will appreciate your Truthfulness and Straight Forward Behavior ...

and later when you get your finances back in order, the way you handled yourself during these tough times will encourage him to lend to you again.

Warning

NEVER TELL HIM YOU'LL MAKE A PAYMENT ...
UNLESS YOU POSITIVELY KNOW you can absolutely make that payment on a certain date.

NOTHING makes you look more like a real "DeadBeat"
than Failing To Keep Your Word ...

and NOTHING CAN BE MORE DESTRUCTIVE to the
Perceived Security you want him to have.

If you can't make a payment, keep your mouth shut and tell him honestly:

"I just don't know when I can make a payment."

His displeasure in not getting your promise of a payment will be less than the displeasure generated when a promised payment doesn't come.

11. HOW TO MAKE "LEMON JUICE INTO LEMONADE" WHEN YOU BEGIN TO PAY THE LOAN YOU ONCE COULDN'T PAY.

11.1 Build personal relationships with whoever in the bank was difficult to you.

11.1.1 be sure to make payments to him and in person with a handshake.

If he "hides" behind his secretary, call him and jokingly refuse to pay unless he'll let you hand HIM the check.

11.1.2 Tell him jokes, ask about his kids, pass the time of day; warm up to him;

11.1.2.1 Take him new Borrowing Customers, Good customers who will be trouble free to him

11.1.2.2 Take the new customer to the bank and physically introduce him to the guy that gave you trouble,

but before you go, call the banker and say:

"I KNOW my Obligation to the bank, Joe,

I KNOW I have to bring customers to the bank and I want to introduce you to my friend Harry who needs a new banking relationship.

I don't know if you want the kind of deal he needs to do ...

but I'd like to introduce him to you ... then, if

you like his deal ... the bank can do it ... and if you don't like the deal, ... you can "Pass."

11.2 After the Bad Times are "Over", tell others what a good guy he is. At a social gathering, introduce him to your friends ... tell them:

"I'd like to introduce you to Joe Banker ... This is the guy who, when I made some mistakes, ... this guy "stood with me" when I was in trouble ... he helped me work it out ... and I'm Proud to work with him."

GIVE HIM A REPUTATION TO LIVE UP TO!

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