Your relationship with your bank should add value to your business. Understanding how banks work and what’s important to them will help you get what’s important to you.

Dentistry has experienced a tsunami of technology changes and unless you are ready to retire now, you need to hop on board or be left behind. Digital X-rays and chairside scanners, instead of elastomeric impressions, will soon go from state-of-the-art to standard of care.

Falling real estate prices may also offer an opportunity for practices to buy buildings at a discount. These and other capital expenditures will need appropriate financing from financial institutions.

The banking world has experienced a well-publicized tsunami of its own. Speculative investing and subprime loans have rocked the financial world. Banks are looking for stability from partners with dependable businesses and a track record of success.

As a third-generation dentist, I know about the financial stability of dentistry. Dental practices have among the lowest failure rates of any business in the United States (less than 1% nationwide).

Dentists by nature are careful, organized, and methodical people. A dentist’s dedication to the well-being of patients earns the community’s trust.

Although no business is recession-proof, dental care is still valued and prioritized by the public. Bankers typically determine the value of a business by its hard assets and cash flow.

Dental practices are unique in that a greater value can be placed on earning potential. A license to practice dentistry has great value in and of itself.

The difficulty in obtaining that license restricts free entry into the field, and gives dentists an inherent advan-
Banks seek credit worthiness

Bankers speak of the “Five Cs” of credit worthiness when they evaluate a customer’s loan request. The first is always character of the borrower. It is considered before capacity, collateral, capital, and conditions. Are they honorable? Who knows this person and how is he or she viewed in the community? A trusted and respected member of the community will receive greater consideration than one who is not.

Bankers look at several key financial documents

In addition to recent tax returns, you will be asked to submit an income statement or profit and loss (“what you make”) and a net worth or a balance sheet (“how much you are worth”). Some of the information you submit on these statements are modified or totally discounted behind the scenes by bankers.

For instance, you may think 25% ownership in a $2 million multigeneration family vacation home adds $500,000 to your net worth. But not in the eyes of a banker. Encumbered real estate and other illiquid assets are not easily accessible if problems occur.

Banks seek a diversified loan portfolio

Individuals are always taught to seek a diversified investment portfolio, in case a particular sector of the economy has a downturn, all your eggs are not in one basket. Similarly, banks seek a diversified loan portfolio. They do not want excessive concentration in any single sector.

A successful dentist may approach his or her long-time bank for a loan to buy a building, only to be turned down. The dentist’s financials may be in order, but the particular bank may already have an excessive amount of business real estate loans in its portfolio. In other words, rejection may not be related to credit worthiness.

If a big bank takes you for granted — go small

Like other businesses, banks have their VIP customers, and just because they put the word “premier or preferred” in front of your account doesn’t mean you are on their “A list.” If your bank is so large that your business flies under its radar, consider switching to a smaller community bank.

There are advantages to being a big fish in a small pond. The response time for requests will be much faster. You will have easier access to decision makers and not to someone near the bottom of the process. A dental office may be a small account to a large national bank but a significant customer to a community bank.

With the growth of remote deposit capture scanners, your daily deposit does not need to be dropped off at a branch, so the advantage that big banks have in number of branch locations is reduced. A dental office account is significant enough to a small bank that it may install a scanner in your office at no charge. The daily deposit drop to the bank has become a thing of the past.

Make sure your bank is giving you the service and products you deserve from the business you give it. Like any relationship, go for the win-win.

Your relationship with your bank should add value to your business. Understanding how banks work and what’s important to them will help you get what’s important to you....Make sure your bank is giving you the service and products you deserve from the business you give it. Like any relationship, go for the win-win.

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