



# White Paper

## How to Change Banks... Successfully!

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## **Introduction**

Most human beings are highly averse to change. Business owners even more so. In fact, business owners are so averse to change that they will often accept higher costs, poor service, and lack of attention to avoid it.

A year and a half ago, I was experiencing all these things as Chief Financial Officer with the existing bank at our company which I inherited in a 20 plus year old company. The service was so bad that my banker's assistant who was the "go to" person on his voicemail, only once in the 18 months they serviced our account. The service was so bad that it interrupted business and held up decision making in many cases, while waiting on responses and answers integral to that decision.

## **Broaching the Subject**

Our CEO is a very loyal guy, so I knew the discussion about changing banks was going to be a challenging one. After thinking it through I decided that to minimize his time spent on the subject. I would lead the research, gather data, have initial conversations, and create a business case with a proposal for the change with the bank I though had the best mix of rates, fees, culture, and service.

I decided to position the project in terms he would clearly understand... risk. There was none in doing the preliminary work and I was prepared to do it, so I used this as the lever I needed. In addition, he always had the option at the end of deciding to maintain our existing bank if he didn't like any of them, ergo the elimination of risk.

## **Doing the Research**

Given I was new to Chattanooga and had few banking relationships, I would vet 5 banks which was more than I needed to make a decision, but I wanted to be thorough. One name came from my Controller, one from the CEO himself and I selected the others.

To make the best impression and create some leverage, I anticipated what information the bank would need or might want to do their analysis and generate a proposal. So, I put together a very strong package including a comprehensive overview of the business and industry, 3 years financial statements, forecasts, the owners personal net worth statement, and more. I erred on the side of too much information rather than not enough. I built the package to impress! I wanted the bank to want us as a client because then I

was able to make the choice of which bank partner I wanted. I also made sure it was bundled professionally because first impressions matter.

## **Preparation for the Meetings**

To ensure I had a template to compare and measure the banks equally, I prepared a list of features and benefits that was important to me as the CFO and to us as a company. Things like level of service expected, location of bank personnel, ability to finance both business and real estate loans as well as a line of credit, and cultural fit. This made it easy to tick off the boxes of good and bad for each bank as I met them and made the evaluation easy.

I also prepared myself mentally. I had to have the right posture. I was the customer after all and controlled the decision along with the CEO. It was important that our proposed new banking partners felt that. It would create the right atmosphere and mindset from the beginning.

With evaluation template and professionally assembled information packet in hand, I was ready to meet the bankers.

## **Conducting the Meetings**

To maintain something of an upper hand, I conducted all the meetings in my personal office. This allowed me to control the conversation and allowed the chance to show off our facility which is quite attractive.

By design, the CEO was not involved in these initial meetings.

## **Follow Up and Working Through the Process**

As expected, the 5 meetings were all quite different. Some bankers came with a senior manager, their professionally prepared information packet, and prepared talking points. Other relationship managers came by themselves with nothing prepared just to have a talk.

The initial filtering was easy. Those that came unprepared were out. A couple were clearly not a fit for our company culturally. One didn't have the product suite we needed. From 5 we quickly narrowed to 2 after one declined to submit a proposal. But one clearly stood out.

With a prompt response, actual rates and limits for loan facilities, some suggestions to improve the structure of our loans through consolidation, and other value-added components, this bank

made it clear they wanted our business and were already acting as a partner.

## **Making the Transition**

The decision to change banks should not be taken lightly and the time to do this successfully not underestimated.

There is much information to share, papers to sign, logistical and timing considerations with switching loans and accounts. As expected, the collaboration with the person who would be my relationship manager and his team, made it quite seamless. The hard work behind my original package helped greatly and saved both parties a lot of time. A project strategic project plan outline is included as an exhibit to provide some guidelines regarding steps and timing of this process.

## **CEO Approval**

Last step was to finalize my business case and recommendation which I sent to the CEO for review and discussion. Next we invited the bank team back for a second meeting to review their proposal, give the CEO a chance to meet and evaluate them through his eyes, and go over final questions and details. The

thoroughness of my process and business case made the decision easy for him, and an agreement was reached.

## **Implementation**

Like all implementations, this one didn't take place without some hiccups. The difference was that bank personnel with our new banking partner swiftly resolved them. They have held true to their original presentation - they are customer sensitive, extremely responsive, and provided us with much better terms than our previous bank. The time spent by the Finance Team on treasury related issues is minimal compared to our previous bank. Mark this move as a huge success!

## **Debrief 18 Months Later**

Nothing is perfect and our business has been impacted by COVID-19 as has most of the economy around the world. Our customers have supply chain challenges and almost every organization cannot find a full complement of staff they need.

These challenges have impacted our bottom line like many companies. But that early relationship building has allowed my banker and I to work through some issues together!

We have an unwritten agreement that I am transparent about what is happening within the business and provide him with analysis beyond financial statements. In return, he is able to be our advocate and manage internal banking logistics to assist based on the intimate knowledge he has about our company and industry.

## Summary

- Be clear about what isn't working with your existing bank and what you expect from your new one
- Do the work ahead of time. A senior financial person within your organization will easily be able to anticipate what the bank will want to see about your company including non-financial information to help them understand your company and industry. An exhibit is attached with a working checklist of what will be required
- Conduct the initial meetings in your facility, preferably in your office
- More information will be required, and approvals and paperwork will take time. 60-90 days won't be too long to allow to complete the process
- Drive the decision to change in terms that will minimize risk for your CEO and make it easy for him to say yes





## Changing Banks Features Template

Feature	Bank1	Bank2	Bank3	Bank4	Bank5
Line of Credit Terms & Conditions					
Real Estate Loan(s) Terms & Conditions					
Credit Card Facility Terms & Conditions					
Preparedness					
Responsiveness					
Other Product Suite					
Phycial Location					
Support Team					
Cultural Fit					
Relationship Manager Fit					
Ability to Grow with Company					

## Required Documents Checklist

- Non-Disclosure Agreement
- Comprehensive industry outline
- Company history
- Unique Selling Proposition
- Other Competitive Advantages
- Major Client List
- Owner profile
- Owner Personal Net Worth Statement
- Key Executive Profiles
- Key Company Contacts related to bank
- Strategic Plan (if available)
- Basic Corporate Information & Documents
  - EIN Number
  - Articles of Incorporation/Organization
  - Corporate Minutes
- Most recent 3 years financial statements
- Most recent 3 years tax returns
- Most recent 3 years tax returns
- Current Year financial statements
- Forecast through end of fiscal year
- Trailing 12-month profit & loss statement
- Aged Accounts Receivable
- Detailed fixed assets list
- Lease Agreements (if any)
- Major Client Agreements

