

“Dealing With Bankers”



I will tell you straightaway my 3 main points:

- 1) I compliment the bankers. There is no group that shows physicians the respect they deserve more than bankers. If you are a 26-year-old intern just out of med school, even the president of the largest bank will always address you as “Doctor.”
- 2) Ask any (good) banker what is their primary business. It’s not making loans, or taking deposits, or earning fees from your checking account, or renting you a safe deposit box, it is relationships. My point is that this relationship must be on your terms, not theirs. If you drive to the bank in your leased sports car asking for (another) loan, you are at a disadvantage. If you are in a strong financial position, I assure you the bank president is aware, and they want your business even more. They need your deposits, and they know if you take a loan, you will pay it back.
- 3) Just as at one time in everyone’s life they will need a physician, at one time in your life you will be in a pickle and need the help of a banker.

In the (now) good old days, the defining characteristic of relationships with your banker (or with anyone) was character. I’ve heard first-hand stories of people who lost their job, or didn’t have collateral, but were loaned money because they were good, honest people, and the lender knew they would do everything within their power to make good on their commitment. The regulatory environment has changed, but character still defines relationships. You can have a foot-high, million word contract, but if the other person can’t, or won’t, live up to their end of the deal, it means nothing.

It had previously been my impression that a bank loaned you money because they thought the investment for which it was loaned was sound. I admit: I was so naïve. A bank loans you money for one and only one reason: because they believe you can pay it back. Some time ago I asked several bankers “If I were borrowing for an investment you thought might not be sound, would you still loan me the money if

you knew I could repay it.” Three gave an unequivocal “Yes” with no further explanation. The other said “I would try to talk you out of it, but in the end I would make the loan because I know someone else would.” This is the man or woman you want for your banker. Also understand that the banker can advise you, but they can’t make up your mind, can’t make your decision, for you.

As a corollary, if a bank won’t make a loan, it is a big red flag that you have some serious problems. Don’t pursue other avenues until you find someone who will make the loan. It’s like a patient doctor-shopping until they find someone who tells them what they want to hear. The person who finally makes you a loan on this project is not doing you a favor.

A physician is a preferred customer. You are a professional with a high cash flow of \$20,000 or \$30,000 or more a month. The banks want your business. Use this to your advantage to minimize fees and obtain other perks, such as an invitation to parties, ball games and dinners, where you will have fun and meet the kind of people you want to meet. If your practice does business with this bank, it provides even more leverage. Fees are a financial 4-letter word; they are either money in your pocket or someone else’s. Which do you prefer?

Every word in a loan document is there for a reason. Never let the lender tell you it’s not important, because it is. Don’t sign the document, and find another banker.

I prefer dealing with people. For every 10 things done on-line that might save you a little time or money, there will be one mess where you need to deal with someone face to face who knows you and respects you.

Disclosures

The author has no conflicts of interest to disclose.

Robert M. Doroghazi, MD*
*The Physician Investor Newsletter, 115 Bingham Road,
Columbia, MO 65203*

* Corresponding author: Tel: 573-443-0893.
(rdoroghazi@yahoo.com).