Think like an Underwriter. Act like a Seller. Speak like an Advisor.

Understanding the Relationship Manager's Role in Business Lending Success
The Back and Forth of Business Lending

It's a scenario that's all too familiar.

Having met with a prospective customer several times, your relationship manager has prepared and tendered a loan submission. Your underwriters have begun their review, but quickly find that it's lacking the information they need to complete their analysis. They reach out to the relationship manager, seeking clarification. The relationship manager reaches back out to the customer. A back-and-forth ensues, and the sales cycle begins to drag . . . and drag . . . and drag.

The underwriter is frustrated.

The relationship manager is frustrated.

The customer is frustrated—and worse still, beginning to question the relationship manager’s abilities.

What if there were a better way? What if your relationship managers had the skills—and tools—they needed to better collaborate with customers, so that their initial submission included all of the information your underwriters needed to efficiently evaluate the loan?
Though the exact numbers vary by financial institution, it’s no secret that a high percentage of business loans are initially declined. Oftentimes, these declines are the result of inadequate or incomplete loan submissions, meaning that qualified borrowers could be slipping through the cracks. Planning for and having robust conversations is perhaps the most important precursor to a successful loan submission, but it requires know-how—and the ability to tackle the job from different angles.

One Job, Many Hats

The frenetic pace of business lending requires relationship managers to wear the hats of an underwriter, a salesperson, and an advisor—often all at once—just about every day.

Consider the attributes of underwriters. They’re curious, detail-oriented, and methodical. They must possess these characteristics, along with robust credit knowledge, in order to determine whether a loan approval is feasible. They evaluate trends in both financial performance and the industry, and determine the best value-added solutions based on financial statements and other data. They are the defenders of the financial institution’s loan portfolio.

And what are the qualities of an effective salesperson? Most managers look for confidence, credibility, and the ability to uncover a customer’s needs and priorities. In addition, relationship managers need to be able to identify the best solution for the customer, and present the proposed solution as a “win-win” for both the customer and the financial institution.

Relationship managers should think like an underwriter when preparing for and executing calls, while simultaneously using their sales skills to remain customer-focused.

How does a lender make that happen? That’s where the role of the advisor comes in. Most small business owners do not have the knowledge, skills, or experience to evaluate their businesses objectively. By using their credit analysis skills, relationship managers can provide a great deal of value to their customers. By asking the right types of questions, they can gain the information needed for a successful first-time submission while providing the business owner with valuable financial insights.

At Moody’s Analytics, we often conclude our skills application labs by asking learners what they’ll do differently going forward. The response we most often hear from salespeople?

“I have to think more like an underwriter.”
Telling “The Story”

At many financial institutions, the underwriter never speaks to the customer, placing the onus of telling the business’s story on the relationship manager, who must be able to describe the customer’s strategies, goals, strengths, and weaknesses (financial and otherwise). If the story is incomplete, the relationship manager may be asked to reach back out to the customer, or the request may simply be declined altogether.

The ability to tell a business’s story is not a skill that can be learned overnight. It takes training and practice to know how to gather the right information without “grilling” the customer.

To master this skill, relationship managers must develop both their sales skills and their overall business acumen, which requires training, quality coaching, and exposure to many different types of businesses. In the fast-paced world of small business lending, where relationship managers’ activity goals may include two or more face-to-face calls a day, the more effective the relationship manager’s calling skills, the better they are able to paint a complete picture for the loan approver.

Effective calling, which is key to meeting sales goals and improving approval rates, begins with pre-call planning.

Embracing Pre-call Planning

Pre-call planning is essential. Many relationship managers skip this step, however, because they think it takes too long, or because their organization doesn’t provide them with quality planning tools. Skipping pre-call planning or using the wrong tools can set lenders up for failure before they even speak with the customer.

The right tools will prompt relationship managers to prepare the best open-ended questions to ask.

Planning thoughtful questions ensures that the customer knows the lender prepared for the call, and that your organization cares about the business. Pre-call planning should prompt the relationship manager to reflect on how a potential customer competes in the marketplace and what it needs to do to continue to be successful. This builds credibility and helps the lender begin to understand the story behind the financials.

“I've seen pre-call planners that are so complex, relationship managers feel that they simply don't have the time to complete them. The simpler, the better.”

Laura Beaver
Business lending expert and Moody's Analytics facilitator
By preparing just a few thoughtful questions, the relationship manager encourages the customer to open up about their goals, concerns, needs, and progress. If the relationship manager actively listens, they will be able to formulate specific follow-up questions based on the customer’s answers. Active listening is crucial to understanding the business’s story and relaying it to underwriters.

Financial institutions should resist developing a pre-call planning tool that is too complex and time-consuming. The over-engineering of a pre-call plan lowers the utility of the tool, meaning relationship managers won't use it—and may form bad habits in its place. Pre-call planning tools must be user-friendly and readily accessible.

“I've seen many pre-call planners that are so complex, relationship managers feel that they simply don't have the time to complete them. The simpler, the better,” said Laura Beaver, business lending expert and Moody's Analytics facilitator.

Relationship managers need to customize just two to three questions to incorporate the industry, economic, and business outlook and have a robust conversation with a prospect. From the customer’s perspective, the first call should feel like the beginning of a relationship, not the beginning of a product-pushing expedition.

Encourage your relationship managers to set goals and to identify a customer-focused business purpose for every call. Some examples of calling goals include obtaining additional information and setting a follow-up appointment.

An effective pre-call planning tool will help the relationship manager gather essential information about a prospect’s:

1. History and mission
2. Short-term and long-term goals
3. Strategies for differentiating itself from competitors
4. Plans for the future, given the industry and economic outlooks
5. Financial results, including what’s driving them and the implications for future performance
6. Resources needed or concerns
Ask, Listen, and Follow up

To generate successful loans, relationship managers must be able to efficiently and effectively tell the business’s story to the underwriter, and simultaneously build credibility with the customer.

Asking smart questions about the business and its financial performance builds the relationship manager’s credibility, because it positions them as an advisor. People do business with those they like and trust.

Knowing which questions to ask depends on where in the sales cycle the relationship manager is. When meeting with a prospect, asking questions about the business’s operating cycle and cash flow will help the relationship manager get to know the business and will naturally lead to more questions about what the customer does well—and perhaps not so well. Questions should be straightforward and easy for the customer to answer. It is important not to use “bank speak,” which could intimidate the customer. A skilled relationship manager recognizes the customer’s level of financial sophistication and maneuvers the conversation accordingly. Even a business owner with low financial acumen can tell you the “whys” behind the numbers if the conversation is conducted properly.

A skilled relationship manager possesses an awareness of the customer’s level of financial sophistication and maneuvers the conversation accordingly.
Business owners can likely speak to the trends in their sales and profits, but they may not be able to fluently answer questions about margins. So it’s important to ask questions they can answer, such as:

1. “How do you know what price to set for your products?”
2. “How do you grow sales and also achieve the profits you’re seeking?”
3. “How do you manage your operating expenses?”

By framing questions in a way that’s easy for the business owner to understand, the relationship manager is able to uncover more—and better quality—information, which in turn helps them better understand the business’s financial performance and explain it to the underwriter. Actively listening and asking pertinent follow-up questions helps relationship managers assess the strengths and weaknesses of the potential borrower. It also resonates with customers when lenders share stories of similar companies they have worked with in the past.

Asking effective, smart questions is a critical skill that requires a disciplined approach, using repeatable strategies and tools. It is a skill that needs to be developed and honed with time, coaching, and the desire to improve.
Providing Financial Insights

Relationship managers are the most successful when they are able to develop high-level financial insights about a business's ability to sustain its cash flow, so that its loans can be repaid as agreed.

They must be able to apply their technical knowledge to both their customer conversations and their loan submissions. They must also be able to draw high-level conclusions about a business’s financial performance and advocate for the customer in an objective and credible way.

In our experience, relationship managers' biggest skill gap is the inability to have an informative financial conversation with the customer and convey that information to underwriters. Relationship managers should be able to perform simple calculations based on financial statements or tax returns and use them to develop insightful questions for the customer. A best practice is to use the operating cycle to ask about the changes in the financial ratios. Understanding why the trends occurred will help determine if they will continue in the future. Past performance is often the best indicator of future performance.

The most important jobs that relationship managers can perform when handling credit requests are demonstrating their knowledge during conversations with the customer and underwriter, and being able to understand, defend, and help predict ability to repay. It’s also important to be able to explain those assumptions and beliefs to the underwriter, who will be approving the loan, and the customer.

Relationship managers must have certain credit skills, including:

- A basic understanding of business and personal tax returns
- The ability to determine if a business will be able to repay debt in a timely manner
- The ability to assess a business's debt level
- The ability to assess how efficiently the business owner handles cash needed for the business and for personal living expenses and debt
Growing the Relationship

Relationship managers must regularly contact their customers to maintain ongoing relationships. The most vulnerable relationships are those that are being targeted by your competitors.

Often one of the first questions a relationship manager asks a prospect is, "When was the last time your banker reached out to you to discuss your needs?" Encourage your relationship managers to protect their relationships with regular touchpoints, so that your customers won't be able to say, "Actually, it's been a long time."

It’s also important to treat difficult conversations—and even declines—as opportunities to further build relationships (or, at the very least, to preserve the potential for a future relationship).

Oftentimes, the approved solution is different from the one the customer requested—perhaps it’s a smaller loan with stricter repayment terms. Because the customer may not have qualified for the loan requested, the ensuing conversation can be difficult. The lender must know how to acknowledge the customer’s disappointment, acknowledge and explore the customer’s objections to the approved solution, and work to overcome the objection and move forward.

Relationship managers also need to be able to share adverse decisions without alienating the customer or closing the door on a future relationship. When a loan is denied, relationship managers must be able to recommend steps that the customer can take to improve the odds of an approval in the future, and, if appropriate, offer other solutions. If the decline is delivered professionally and consultatively, many customers may even be thankful for the sound advice.

Sharing the decision

- Describe how the solution meets the customer's specific needs
- Check for understanding
- Resolve objections
- Foster a consultative relationship
Improvement is a Continuous Process

Relationship management is a challenging role that requires training, perseverance, and experience. A solid understanding of the ways in which credit and sales skills intersect during customer conversations will benefit both the relationship manager and the financial institution, resulting in more efficient lending processes and higher approval rates.

These skills take time to build, though. Continuous improvement begins with an effective, consistent training program that includes learnable and repeatable strategies and tools. Keep in mind, however, that the strategies and tools required to successfully provide credit solutions aren't taught in traditional sales training courses, so it's important to consider training partners that recognize the unique skills required of lenders.

And remember, training is just the starting point! Following training, relationship managers need practical experience and quality coaching to master their skills.

The Moody’s Analytics Difference

We understand that your business operates in a highly competitive marketplace where the skill level of your associates correlates directly with enterprise success. We leverage the expertise of our own credit, banking, and training experts to ensure that our learning solutions provide your organization with targeted content in multiple delivery formats.

Get in touch for more information about our learning solutions.