

Exclusive Interview with M&T Bank's Rosa Scharf

As a Senior Business Banker for M&T Bank's Minority and Women Owned Business Banking team in Baltimore, Rosa Scharf is passionate about educating mission-driven business owners and budding entrepreneurs.

Rosa shares in MWMCA's mission to connect large and small businesses to allow them to work together, especially as the economic ripple effects of the pandemic have disproportionately impacted minority contractors.

Read on for Rosa's tips to grow your business and establish a strong, working relationship with your banker.

1. As a business banker for M&T Bank, what are your duties and responsibilities?

My role as a business banker for the Minority and Women Owned Business Banking team is to increase access to capital, make career connections and create opportunity for people of color, women and minority-owned business. This includes fully banking the business and the business owner. Utilizing a holistic approach, I spend time understanding how money gets into and out of the business. From there, my team determines the ideal lending and deposit options to help them thrive.

2. What attributes separate M&T Bank's people, products and services from the many banks in the DMV?

I've worked in banking for many years at both community banks and larger commercial banks. M&T combines the strength, infrastructure, and resources of a large regional bank with the passion and community focus of a smaller bank to help people achieve their goals. Equipped with personalized products and expert knowledge, M&T offers a wide breadth of banking services from small business ventures to supporting large national companies.

One of the reasons I came to work at M&T was the bank's reputation as a longstanding top 10 SBA lender. The bank has the tools to help small businesses get the funding they need to succeed.

A personal highlight for me was helping a minority-owned government contractor grow from less than \$100,000 in revenues to over \$8 million through a line of credit to support working capital, equipment loans and term loans.

3. When underwriting a business line of credit, what are the key concerns to analyze to approve a request and how much one can be approved for?

A line of credit is a flexible loan from a bank with a predetermined amount that a business can borrow, repay and borrow again. This revolving nature makes lines of credit an important tool

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for businesses, especially contractors. The funds from a line of credit can help cover operational expenses, like salaries, that are incurred until the business collects payment for the contract. This working capital means short term uses for a business. The time between putting workers and supplies on a job and getting paid for the contract can be 30 to 90 days. The longer the time frame, the more important the line of credit.

Understanding how a line works and what it should be used for is key in understanding what a bank analyses in underwriting the credit. The tool banks use to underwrite a line of credit and term loan is called the five C's of Credit.

- **Conditions:** What are the loan funds being used for? What are the market and economic conditions where your business will be operating? Understanding the cash flow cycle--the time between paying expenses for a job and collecting payment--is very important.
- **Collateral:** Receivables are the main collateral used to support a line of credit. The bank will look at an aging report to see how many accounts there are, concentrations and if they are current or past due. Other line of credit underwriting considerations include the following:
 - The types of contracts the business has with its clients;
 - The clients the business works with and how long the business has worked with them;
 - The typical payment terms of the contract; and,
 - The business's backlog or pipeline of work.
- **Character:** Refers to borrower's reputation or track record for paying debts. Personal credit history and score will be evaluated.
- **Capacity:** Measures cash flow or ability to repay the loan. Projections and assumptions are critical and should be reasonable. Also, capacity measures the experience of the owners.
- **Capital:** The bank will look to see how much you are investing into the business and how much equity is in the business.

4. How does one know if the business is bankable or not?

I would argue that all businesses are bankable. All businesses need a bank to handle their deposits, credit cards, get paid electronically and/or the ability to send a wire. That being said, being bankable denotes being a business that a bank would lend money to. A few things to help a business put its best foot forward when approaching lenders include:

- **Have a solid business plan:** Whether you are a new or existing business, a solid business plan is important. It tells the bank the who, what, where, when, why and how of your business. This does not have to be a book. Present the details and make sure the financials and projections are supported by solid assumptions and reports.

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- **Clean credit:** Take the time to make sure your credit is clean. Ensure past dues and late fees are taken care of. If there are negative items, be up front about them with the bank. Provide an explanation and share what you are doing to resolve the issue.
 - **Show cash flow:** Make sure the financials show cash flow to repay the debt. Do not rely on collateral alone to get a loan. Cash pays back a loan, not collateral.
 - **Experience:** Take the time to detail your experience in business and in your industry. This is critical to a successful business.
5. **By opening an account or loan with M&T Bank, can one bank at any branch in the bank's system?**

By having an account with M&T, you can use any branch or office in our network.

6. **Why should someone trust M&T Bank with business accounts and financing needs?**

Trust is key in any relationship, especially in banking. A successful relationship requires transparency and trust. M&T takes the time to understand your business and your personal needs. That is what drives our relationships--we're focused on delivering what you need to help your business grow.

The commitment to our customers is reflective in the bank's commitment to our community. Last year in the Greater Baltimore market, the bank contributed \$3.5 million in charitable donations to nonprofit organizations focused on helping residents of the region.

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