

Staying in the Fairways

Market Sense and Intelligence for the Golf Course Industry

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Pre-Qualify a Lender Before They Qualify You

By Scott Mannes

Very often the urgency of immediate cash needs does not give golf course owners sufficient time to 'shop' for the right lender or thoroughly evaluate loan type possibilities. But planning ahead, detailing out your financial strategies and researching potential lenders can help ensure that you end up with the most appropriate, practical and safe financing for your operations.

While it might be most convenient to first approach your local banker when seeking a loan, not every commercial bank is equipped to evaluate, value and lend to golf course operations, and many local banks may or may not be able to satisfy your specific financial needs for the long run. Taking the time to learn about the depth of knowledge, background and individual strategies of different lending institutions can pay off in finding the correct long term relationship and mortgage financial arrangement.

Qualify a Lender

Just as banks qualify you as a borrower, it does pay to put in a bit of time 'pre-qualifying' your banker before entering the application process. Becoming a loan shopper involves more than just checking rates and terms, but does not require a year of college studying finance. In order to decide whether an institution will qualify to take on your debt, you will want to know more about their knowledge of the business of golf course operations, the make-up of the bank's loan portfolio, strategies, and track record in lending to golf course owners.

What to Look For

Finding a qualified lender can be fairly easy when you know what to look for and which meaningful questions to ask to help you determine if a particular banker can fit your needs. Most importantly, look for a lender that knows the value of a golf course facility as an ongoing retail business. Many banks do not consider golf courses as business operations, but rather view them as real estate assets, often applying a simple raw land value. Finding a specialized lending institution with a focus on the industry is generally the most preferred route to follow because they understand the revenue streams and debt requirements of a golf operation. Bankers familiar with the business of golf already know the revenue streams of cart rentals, greens fees, membership revenue, potential outing business, pro shop and food and beverage sales as well as having a clear understanding of the general overhead and costs of operating a golf facility.

It is also important to find a lender that has a track record of consistently making loans of all types (acquisition, construction, refinance, debt consolidation, and expansion) to golf courses. In an era of constant bank mergers, acquisitions and sales of loan portfolios, few institutions have been lending to golf course operations continually for over ten years. The consistency of an institution in the marketplace is reinforcement of their knowledge

of the trends in the industry and nuances of a golf course owner's changing debt needs.

Finally, find out whether your lender will hold and service the loan you are seeking. While this attribute may be a little more difficult to flush out, it is important in developing a long range relationship. Having a relationship with an institution that has a vested interest in your success is important when your business can be affected by seasonal shifts or periods of lower revenue streams. In the current banking world many institutions originate loans that are either sold later or serviced by other groups making it difficult to resolve issues as contacts change frequently for the same loan. An institution that holds and services its own loans is more likely to work through a situation with you, finding alternative methodologies to solve an issue rather than jumping to foreclosure and auction.

Local, community and regional banks may appear to be the most convenient because you already have a banking relationship and/or personal relationship with the manager and they are locally accessible. However, they are by nature somewhat restricted to how many loans of one particular type they can make. Community and regional banks trying to maintain a balance in their loan portfolios may only be able to make one or two loans in a particular segment such as the golf business. Despite having a prior customer relationship, an additional request may be declined because it just does not fit their portfolio's profile.

Narrow Down the Field

It pays to do your due diligence on a lender before investing time and energy in the application process. Direct, specialized lenders are generally the most flexible to work with, since they make their own decisions and can generally provide higher valuations and higher loan limits for golf course operations. Finding the right lender is the first step to achieving your business objectives.

Interviewing Lenders:

- Some pointed questions that you can ask a potential lender.
- ◆ What is the institution's past experience with loans to golf course operations?
 - ◆ Do they currently have any loans to golf courses in their portfolio?
 - ◆ How do they evaluate a loan to a golf course property? As a real estate loan, or based upon the merits of a retail business?
 - ◆ Are there any specific constraints in terms of property type or loan threshold?
 - ◆ Does the bank/lender hold the loans, or do they sell them?
 - ◆ Does the lender service their own loans?

Scott Mannes is Managing Director of First National of America, a leading lender to golf course owners. First National may be contacted at 908-604-4700.