

## The 'Credit Freeze' and Your Capital Project

Jeffrey Byrne, 800.222.9233

While we keep hearing about a credit freeze, it's important for nonprofit executives considering a capital project to understand that banks are still making loans . . . to the right borrowers. According to some lenders we contacted, here are a few things you should know and expect:

1. For many banks, their historically conservative lending practices mean they are faring better these days and are willing to look at lending requests, even in these uncertain times. These banks have typically followed tighter lending standards and, while they do not ride the "highs" in economic boom times, they also do not ride the lows.
2. The "credit freeze" does mean tighter lending standards. Banks may require higher loan-to-asset ratios and stronger evidence of ability to service the debt. You can expect them to more carefully scrutinize your collateral, campaign pledges, your balance sheet and income statements. Valuation of investments that you may wish to use as security for the debt may be an issue.
3. Banks are becoming more thoughtful about pricing. In today's market, banks can't just peg a loan price to an index, but are taking more time to understand the true costs of the loan.
4. You can expect the lending process to be longer and more thorough. Issues of valuation, pricing and verifying your ability to support the loan all mean that the loan process will be lengthier and more detailed.

These factors shouldn't shut down your capital project planning, but underscore the importance of detailed early project planning and an even greater need to bring potential lenders into your planning discussions at the earliest stages.