

## Working with your Lender: Advice during COVID-19

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The novel coronavirus disease (COVID-19) continues to impact communities across the country and the broader economy. “This is just not a crisis that originated in agriculture or in the banking system. Unlike 2008 or the 80’s, it just has a different wrapper on it. I think we are very prepared for dealing with this (virus).”<sup>1</sup>

The coronavirus outbreak will have impacts on farmers and the lenders who loan money to them. Lenders, like most people, are overwhelmed right now as they transitioned to working remotely during the pandemic. There has been an increased demand on lender financing as banks are being asked to be the primary lender to small businesses under the SBA loan program delivery for PPP (Paycheck Protection Program). Deals are being done despite infrastructure disruptions, such as email and signing of paperwork digitally. Here is some advice and steps to consider when communicating with your lender during the COVID-19 outbreak.

### Assess Your Situation

For many farmers with loans and mortgages, there is help, but first you should assess your situation.

- If you **can** pay your loan/mortgage, continue making payments.
  - Don’t call your lender if you aren’t facing an immediate issue. Lenders are getting a lot of calls and need to help those who won’t be able to pay their loan/mortgage first.
- If you **can’t** pay your loan/mortgage, or you can only pay a portion, contact your lender immediately.
  - Check the lender’s website for possible options. It may take a while to connect so reach out via text or email instead.

### Communicate with Your Lender

Be proactive during this crisis. The lender may not know that you or your business is struggling to make payments. Many financial institutions are working with borrowers who may or may not be unable to meet their payments because of the effects of COVID-19.

Be prepared to communicate. Financial information should be current (within 90 days or end of the year) – provide a current balance sheet, property tax bills, income statement/tax return, recent production reports, personal debt (if not listed on balance sheet), and other sources of income. Maintain your integrity – inaccurate information or failure to honor your commitments will jeopardize your relationship, as well as harm your credit ratings.

Here are a few questions that you could ask your lender:

- What options are available to help temporarily reduce or suspend my payments?
- Are there forbearance, loan modification, or other options applicable to my situation?
- Will you waive late fees on my loan or mortgage account?

### From the Lender’s Perspective

Keep in mind that the lender will need to ask themselves these questions to assess your request.

- Is the decision right for the lender? What is the farm operators current risk exposure? Will this impact any future loan requests?
- Is the decision right for the borrower? Will this loan application improve the farm operation now or in future? Is the farm operator able to handle additional risk?

Allow time for the lender to make decisions. They can be a good source of sound advice and council when reviewing credit requests. Be sure your lender provides written documentation that confirms the details of the payment agreement and that you are clear on what the terms are. If you need help working with your lender or understanding your options, you may want to reach out to a professional. Seek advice from credit counselors, lawyers, accountants, Wisconsin’s Farm Center or other trusted agriculture professionals. Ultimately, the decision to accept or reject the lender’s proposal to assist you with payments is your a the borrower.

<sup>1</sup> Bruce Sherrick, Professor and Director of the TIAA Center for Farmland Research