

# Business Banking in the U.S. and How it Differs From Canada

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By Ross Comaratta, M&T Bank Vice President of Commercial Banking

When considering expanding your business into the United States, you will find that there are many differences between the way you manage finances in Canada and the banking methods observed in the U.S. This is true for consumers and businesses, alike. As a Canadian business owner expanding into the U.S., there are some important things to know when it comes to financing options for your U.S. operation.

One of the first lending services we see cross-border companies request is a corporate credit card. This is a convenient way to finance U.S. travel and entertainment expenses, and it can help establish credit for employees who end up staying in the U.S. and eventually look to finance a home or car. Many banks offer card programs that provide on-line access and cardholder controls (e.g., custom cardholder spending limits, merchant restrictions, and daily/monthly transaction limits).

We also see many cross-border companies look to accept credit card payments from U.S. customers. While there is a cost to receiving payments this way, it can help cash flow and may attract more customers. With this, and with most credit products, the company will undergo a credit approval process with its bank or third-party merchant processor. The company must demonstrate it has the ability to manage the risks of merchant processing, including covering any charge-backs.

Other lending services that may be beneficial to a company expanding into the U.S. include: lines of credit to support short-term working capital needs, term loans or leases for new equipment, and commercial mortgages for property purchases. Based on the risk profile of a business or project, or because a company has limited credit history in the U.S., a U.S. bank may look for a personal or corporate guaranty (from a Canadian parent or affiliate) to support a U.S. loan. Getting approval for financing will depend on the complexity of the request, the size of the loan and the planned use of the proceeds. With that being the case, companies expanding into the States should expect approval to take a reasonable amount of time as a bank needs to conduct due diligence on the U.S. company and the Canadian operation.

We recently assisted a Canadian-based client in the hand-tool distribution business that was purchasing the assets of a U.S. company in a similar industry. The Canadian company was smart to start its financing discussions with us two months before the transaction was scheduled to



close. This gave us sufficient time to conduct our due diligence on both sides of the border and allowed us to prepare a financing package in advance of the acquisition.

*M&T Bank, headquartered in Buffalo, NY, has provided banking services to Canadian companies with US operations for many years. M&T has the experience and ability to support the credit and treasury management needs of cross-border businesses. If you have any questions about the above-mentioned services, or any other banking services, please contact:*

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