



### **TIPS FOR UTILIZING SBA FINANCING**

For many franchise retail concepts these days, SBA (Small Business Administration) loans are one of the best available sources of expansion capital. On December 28<sup>th</sup> 2009, the Senate temporarily extended funding for two stimulus provisions that reduced fees and boosted guarantees on SBA Loans. With the new extensions, the government's guarantee on SBA loans was restored to 90%, compared to pre-stimulus level of 75%. Fees that the agency normally charges banks have also been waived.

If you plan to go the SBA route, be prepared for an increased level of scrutiny and more documentation than would normally be found in a conventional loan. Don't shy away from the application process. Rather to heed the Boy Scout motto of "Be Prepared". There are three key factors to consider before heading down to the bank to fill out the paperwork.

The first key to success with the SBA is to make sure that you have all of the required documents ready to present in a timely matter. Your loan application must include certain SBA forms. When your lender asks you for copies of these forms, not providing them does not mean that they are not going to be required. If one or more of these required forms is missing from your loan application, it is likely that your application will be denied. Unfortunately, you may not get a second opportunity to reapply.

Secondly, you want to put your best face on all of your forms and documents. About one-third of the SBA loan applications do not get funded because files are incomplete, unreadable or hastily prepared. Take the time to go through each of your documents. Check for spelling, grammar and make sure all the figures add up. Let a close friend or relative proof read your documents. Treat the loan application like a job interview. As they say, you never get a second chance to make a first impression.

Finally, Lenders are looking for borrowers with direct hands-on retail experience of three to five years. If you don't have that, you need to bring on a partner who does have that experience. Gone are the days when a successful attorney or doctor with cash in the bank could walk in and get a loan to open a franchise retail business. Experience cannot be overstated. Right now that is a big focus of most lenders.

If you don't think that you can handle the stress or scrutiny of the SBA process, there are some small private money groups out there doing conventional lending (especially for national quick service restaurant concepts). These lenders will look heavily toward the experience of the borrower(s), their financial strength and business acumen.

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