7 Tips
Getting Your
SBA Loan Approved

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Today’s Topics

About Great Biz Plans
- Who we are, our philosophy, our results, how we help franchises.

About the Lending Environment
- Types of loans and lenders, what they look for.

7 Tips to Getting Your SBA Loan Approved
1) Be Their Ideal Prospect: Banks lend to people, not ideas.
2) Start Early: Choosing a lender, or two, or nine.
3) Be Prepared: Know what to expect, how they evaluate you.
4) Play To Win: Position your financials for an easier win: win.
5) Cash Is King: Manage up front cash, cash flow over time.
6) Lender Concerns = Your Concerns: Identify risks, overcome objections.
7) Good Cop/Bad Cop: Don’t go it alone.
Great Biz Plans offers expert business plans, support, and strategies to get your business funded and doors opened. Our clients can launch faster and grow with greater success.

- We’ve developed business plans for more than 1,150 franchise locations and over 36 brands since 2005.
- Plans for franchisees, franchisors, multi-unit operators, and franchise development companies.

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Results Matter.

During the worst economic conditions, Great Biz Plans has maintained proven performance:

- 100% Success Rate in 2011 and 2010
- 93% Success Rate over the past 5 years

Clients get coached from the first call through loan funding.

At the client’s option, Growth Coaching can continue in 90 day increments, for example, from Grand Opening for at least 90 days.
Guaranteed Support.
About the Lending Environment

Types of loans and lenders, what they look for.

How Lenders View You

- Character
- Capacity
- Capital
- Collateral
- Conditions
- Confidence

Fort Knox
From the SBA About Business Plans

★ Extensive Financials
★ Specific & Organized Information
★ Shows How You’ll Manage and Grow
★ Proves How You’ll Repay Debt

“A good business plan precisely defines your business, identifies your goals, and serves as your firm’s resume. It’s a crucial part of any loan application.”
Franchise Financing: The Good News

• 3 Government Programs Administered by the SBA
  1. Basic 7(a) Loan Guaranty
  2. 504 Loan Program
  3. 7(m) Micro Loan Program
• Commercial Lenders
• Private Lenders
• Franchisor Financing
• Self-Funding
Tip #1

Have your personal life and financials in order.

- Personal and business tax returns up to date.
- Know your net worth statement, have it ready.
- Know your credit score, implications.
- Clean background, notes, lien records, loan records.
- This applies to your TEAM – each of the owners, and often spouses.

NO SURPRISES.
Tip #2

Start early.
Choose a lender. Or two, or nine.

- Local and Community Banks
- National Lenders
- Referrals from others in the business community
- Be willing to shift assets, open business accounts, establish long term relationships
- Know when to fish and when to cut bait
Be prepared.
Know what to expect and how they evaluate you.

Understand/respect their motivations, time, and timing. They’re in no hurry, 60+ days is normal.

- The one with the money sets the rules. And can change them.
- Mountains of paperwork and terms/terminology that are onerous. Confusion in status and decision making.

Everything is fair game.

- Personal financials
- Professional expertise
- They’ll want to secure it all. And expect you to comply with high stakes requests.
Be prepared. 
Know what to expect and how they evaluate you.

Inspire confidence so they want to - and can - convince their loan committee to do business with you.

- **Sell them** on yourself and your team first, then your plan and need for funds.
- **On Sources & Uses**: Know how you’ll fund and grow your business. Tell why they should lend to you.
Play to win.

Position your financials for an easier win: win.

Owner’s Income

- Monthly household income and earnings, credit and fixed expenses ratios
- Lenders are wary of lending you a paycheck or of borrowers that are ‘buying themselves a job’

Know How They’re Keeping Score

- Ask what ratios they’ll use, the sources for these
- Show your ratios and trends in text, spreadsheets, charts.
- Don’t let them un-fund Franchise Fees and ramp down revenues below your break even points.
Detailed Financial Proformas

- Revenue ramp-up: Year 1 vs. Year 2 vs. Year 3
- **3 Years** of monthly projections prove your business cash flow, well beyond when you break even
- Monthly and seasonal changes, staffing/management plan, let it all normalize over time.
- Document everything. Write our your assumptions in plain English. And show them on the spreadsheets.
- Break Even Analysis – How low can you go?
Cash is king.
Manage up front cash, and cash flow over time.

**Capital Needs: Sources and Uses of Funds**
- **FDD (Item 7, etc.)** - Justify your loan request per ranges shown. Explain deviations, TI concessions, rents and deposits, pre-opening staffing.
- Keep detailed buildout sheets. Map spending back to the plan.
- Working Capital – At least 3 months per your break even analysis

**Initial Funding**
- Expect to put down 25%, as low as 10% and as high as 35%.
- Have your cash ready. Expect them to take 60+ days to fund you.
- Understand your options if funding from retirement accounts.

**Cash Flow Management in Years 1, 2, and 3**
- This is the single biggest source of business failure.
- Be sure the business can fund taxes and loan payments from cash.
- Display or explain your income from cash flow vs. salary, if possible.
How Much Money Will You Need?

**Initial Investment**
- Franchise Fees, $10k to $200k
- Opening Expenses
  - FF&E, Rent, Fees & Services, Training, Travel, Inventory, Site Upgrades, Marketing and Signage, Salaries, Insurance, etc.
- Initial Cash Investment
- First Year’s Living Expenses

**Ongoing Investment**
- Franchisor Royalties, 4% to 8% of revenue
- Advertising/Co-op fees
  - 2% to 5% revenue to franchisor, plus 1% to 3% on local marketing
- Equipment upgrades and maintenance, employees, insurance, inventory, etc.
Job #1: Know Your Financials

- Budget
- Break Even Point
- Cash Flow
- Projections
  - 4 Years
  - Trend Analysis
- Balance Sheet
- Income Statement
- Uses/Sources of Funds, Credit
- Plan Alternatives
Lender concerns = your concerns. 
Identify risks, overcome objections.

The methods to their madness can save your bacon.
- Accept their concerns as valid ways to lower your risk.
- Risks that put off lenders must be proactively addressed.
- This is a sales game. Identify the risks (objections) in your plan and in your discussions with the lender.
- Address each issue, one by one.

Examples:
- No industry experience
- Emerging brand, unknown, heavy competition
- Growth rates in the plan are higher than industry norms
- Insufficient cash flow for you personally, or the business
- High risk market segment (restaurants, etc.)
SWOT: Identify Risks & Advantages

- Strengths
- Weaknesses
- Opportunities
- Threats

Points of Difference:

- Strategic Advantage

Key Issues:

- Business Implications
Tip #7

You are establishing a long term relationship.

- All new relationships falter and take time.
- Have a strategy to manage the lending & the loan officer.
- Manage the flow of information, the tone of the communications, the timing of connections.
- Follow up in writing – quick email, notes, etc.

Have someone you trust to back you up.

- Discuss your strategy and interactions. Get input. Have them act as a sounding board when it gets rough.

Don’t accept being delegated or disrespected.

- Don’t hesitate to fire your lender if they’re underperforming.
- Have and use your Plan B. And your Bad Cop.
Thanks for listening.

We’re Here To Help

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