

Myth and facts

How to get an SBA loan approved and closed quickly

By Jim Frey

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Getting a loan from the SBA to finance your franchise may be easier than you think.

There is a myth that SBA (Small Business Administration) financing requires tons of paperwork and the process is tedious. Not to worry, the following tips will help you take advantage of SBA loan programs and get that “open” sign on your door quickly. And if you are a franchisor, knowing the process, and possibly helping your franchisees through it, will help them get their new locations open faster.

The SBA program can finance up to \$2 million of the project and depending on the use of proceeds, the loan can be for up to 90 percent of the total project cost. The longer loan term features and lower down payment requirements help business owners keep capital on hand when just starting out.

Step 1: Getting started

If you are interested in acquiring a business for sale or to purchase commercial real estate, you may want to work with a reputable real estate or business broker in your market. A broker can match you up with a business for sale that is strong and viable or find you a building that is perfect for your needs. Brokers not only help business owners get qualified for financing, they most likely have all of the seller’s information that is needed for credit approval.

Business brokers or commercial realtors work closely with a few financial lenders that they feel can match your financial information up with their loan programs. *Tip No. 1: Sometimes working with a broker will help eliminate the process of matching up your financing needs with a lender who can structure your transaction properly.*

If you go directly to a lender, be sure to work with a lender who has a “Preferred Lender Status” or “PLP” (Preferred Lender Participant) status. This way the lender can expedite the approval process. *Tip No. 2: You want to make sure your lender has a Preferred Lender Status with the SBA. This way the lender has the authority to approve the loan without having to go through the SBA for a second approval.*

For all SBA loan requests like business acquisition financing, business startups or commercial real estate purchases, you will be asked for the following documents up front:

- Three years of tax returns for all parties who are going to invest in 20 percent or more of the business
- List of assets
- Collateral available to support the loan
- Resume or history of business

- A business plan
- Business projections
- Personal financial statements

Tip No. 3: Copy your financial statements and those of other partners who will be involved in 20 percent or more of the business three times prior to the meeting with the business broker. Believe it or not, copying is very time consuming.

Step 2: Getting the loan approved

Once your business development officer establishes your loan as pre-approved, they will work with you to fill out a loan application and gather documents needed to send the application into underwriting. *Tip No. 4: The quicker you provide the lender with all documents needed, the faster your loan decision will be made. Most lenders do not underwrite a loan application until all documents are received.*

Step 3: Underwriting

Typically a loan decision is made within seven to 10 working days after all documents are received. Most likely, other supporting documents will be requested while your loan is in credit review—be prepared to get them quickly. If you are working with an experienced lender, he or she should know, based on the loan type, what additional documents will be needed prior to underwriting asking for the request. *Tip No. 5: Ask your lender what other documents may be needed in the underwriting process. This way you can retrieve and provide any supporting documents quickly.*

Step 4: Closing

If your application is approved and you sign the commitment letter, your loan then goes through the closing process. At this time you will be asked to gather the final set of information you will need to go to closing. Some typical items requested for the closing process are: verification of citizenship, entity filing's (corporation, LLC, partnership, etc...), in the case of a real estate purchase, you will be required to obtain an appraisal and, possibly, an environmental inspection. Experienced SBA teams usually have a team of dedicated closers who will work *closely with a borrower after the loan is approved to guide you through the closing process.* *Tip No. 6: Working with a lender who has dedicated closers is a benefit to a borrower. The closers know exactly how to gather all documents needed to get you to the closing table.*

SBA financing is an excellent financing alternative when you seek to take advantage of longer terms and lower down payments. And, it is important to take steps to get your business loan approved and closed quickly. Most importantly, work with a lender who has been granted a "Preferred Lender" status through the SBA. And assist in the process by having all your documentation prepared in advance knowing that your lender may need them. And finally, get that "open" sign ready.

Jim Frey is the franchise manager for PNC Bank, a preferred national lender for SBA-guaranteed loans. You can reach him at 724-837-5514 or by e-mail at james.frey@pnc.com.