

DO'S AND DON'T'S OF SBA FINANCING

SBA financing can be a tough road to travel if you are not properly equipped. The goal, today, is to be proactive in educating you on all the do's and do not's in the SBA adventure. Lets dive in and see if we can make this of great value to you.

DO NOT!!!

1. **Do not expect that this will be easy.** One of the biggest mistakes we see, with borrowers, is a false expectation of what the process will look like. You will have to fill out a lot of forms, provide more documentation than you want to and answer a lot of questions. Remember this is a government institution and they naturally have a lot of red tape.
2. **Do not try to hide anything.** Be honest about all your goods, and your baggage. This is a very thorough process and they will find out everything that you have done in the past. Get everything prepared, in advance, to show them what happened, and why it happened.
3. **Do not go in unprepared.** Remember the old adage, you only have one shot to make a first impression. Engage a commercial mortgage broker to walk through all the checklists, forms and questions to put your best foot forward.
4. **Do not shop to too many lenders.** A lot of times small businesses have a mentality of, lets just put it out to tons of lenders. First off, not all lenders are created equal. Each lender has their own set of standards, likes and dislikes. Knowing this in advance will help before wasting a lot of time. Secondly, the lending world is very small, and lenders talk....a lender might not give your loan the time of day if they are being shopped.
5. **Do not have too high view of your loan.** Trust me, we all think we have the best looking baby in town, but lets be sober. All of us have blemishes, challenging years and some baggage. Be honest about what you have done well, and not so good...the lenders will figure this out. The point of this is to help set the right expectation, as you might not get primo terms.

DO!!!!

1. **Do spend time getting your financial statements in order.** This is probably one of the greatest areas of contention. If your books are not well prepared, then expect to have major problems getting a loan. Pay a CPA money to get your financial house in order. Sloppy books, mean sloppy looks....want the best, have the best books.
2. **Do hire great consultants.** This might sound self serving, but it is because we believe strongly in the value of wisdom. Good commercial mortgage brokers save you tons of time, headaches and honestly money. They know the ropes and have the expertise to help you. Pay the money, and pay well, to get the best deal. With many counselors, plans don't fail.
3. **Do start early.** Give yourself plenty of time in advance. SBA loans can take up to 120 days sometimes....it shouldn't, but it can. Be wise and talk with the

- lender before structuring the contract to buy. Ask them how much time they need and then add 25%. Margin helps you make better decisions and not be under the gun.
4. **Do be able to communicate your business well.** Many times people just dive into their day to day operations without understanding what business they are in. What is your business model? How do you go about finding clients (marketing)? How are you better than your competition? What is your price point for people to buy your product/service? What risks are involved in running your business, i.e. govt regulations, technology interruption, market shift, etc? Think through the details of your business, and write it down so you can communicate the message to a lender.
 5. **Do be honest.** Seems pretty “leave it to beaverish”, but believe it pays off. Lenders want to trust you, and reputation matters. Go out of your way to show what you do really well, and where you have failed. Be honest about your failures, and then show them how you grew from them. Everyone falls short of the perfect standard, so be authentic and forward thinking about your improvements.

Hopefully this helps you navigate some of the challenges that SBA can bring. If you want to hash out an idea further, which you read, please contact us at 480-219-1205.