

How To Get An SBA Loan In 2011

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If you have tried getting a business loan lately, especially for start-ups, you already know what I am about to tell you. If you haven't lined up the sun, the moon, and the stars, you don't have a chance in heaven of getting financing. You better hope for an angel.

That doesn't mean you don't have any chance. The federal government realizes that the framework of a real recovery will be built by small businesses and the administration is encouraging the SBA to actively lend them money. The SBA has recently extended the waiver of the 3.5% guarantee fee and 90% loan guarantee to encourage lenders to take more risks and have many more programs in the pipeline.

The lenders are still the institutions making the loans and they have become so risk averse that they make Old Man Potter in "A Wonderful Life" look generous. It's the banks' money in the vaults and we have seen for months their reticence to open the hardened-steel doors. The key to unlocking their vaults is the business plan.

The business plan is the bank's first impression and, for so many, the last impression too. The question is how do we get a business plan that will open the coffers? The answer is to take it as seriously as the bank's Business Development Officer (BDO) will. The BDO is the first level of vault security. Make sure your business plan makes them notice you.

The business plan is the tale of how you will take their money and build a wonderful life, and not end up in an icy river. If you are starting a malt shop, you want your audience wishing they were on a stool at your counter before they get to the end of your story. Reaching that goal will require excitement, imagination, and a plan.

Successful SBA insured borrowing really is possible. The best way to achieve your goals is to start with a winning strategy. Know what the lenders you are applying to are looking for and give it to them before they ask.

They will be evaluating your case based on five key criteria: credit score, equity ("skin in the game"), collateral, secondary ability to repay the debt, and management experience. Every lender gives different weight to the variables based on the strength of the borrower and the project. Accentuating your project's positives and minimizing the weaknesses is a crucial stratagem.

Each of these criteria have become more important in the last few years. Know how to protect your credit. Multiple inquiries from lenders while you shop your loan will create questions that you will have to answer. Lenders are also looking for more equity than previously. Identify lenders that will allow you to leverage as much as possible for your business. And they may want to collateralize their loan at a 1:1 ratio. If you don't have enough equity in your real estate any longer (sound familiar?), then find the lender that favors the rest of your package more. If your spouse is employed or you have other secondary income, that goes a long way in giving your

lender comfort that you will be able to service their debt if it takes longer than expected to get started. And finally, your management experience needs to be relevant to your project. If you are opening a restaurant, loving food will not be enough.

Getting an SBA loan today is a challenge, but it may be your only option. Therefore, you need to line up the heavens to get their attention. When you tell your story, identify your audience and tell them the story they want to hear. Make them think you can throw a lasso around the moon and pull it down. Because that is what it will take.

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