

BizSmarts

10 things to ask before...

Choosing a SBA lender

We asked several experts what new entrepreneurs should think about when selecting a Small Business Administration lender. Next up in our biweekly manual of sorts for startup businesses: how to relocate your office, how to choose a catering service.

1. Do you participate in the SBA loan program?

This is the first question to ask any potential lender. If the bank says no, find another bank. If you need help finding a bank, call the SBA's district office, and the staff there will be able to offer three good lenders that fit the bill.

2. What is your loan process?

Find out the steps in getting a loan and final approval. Small community banks may not have as many constraints as you would find at midsize banks with loan committees. Most large and regional banks require authorization. Knowing the approval process enables you to plan and, perhaps, find a different lender.

3. What's your level of SBA authorization?

Is this bank a preferred lender? Although it is not critical if the bank isn't one, preferred lenders do not need approval from the SBA to give you a loan. "Preferred lender" is the highest rank a bank can receive from the SBA and shows that it has a lot of experience.

4. What has been your SBA loan volume for the past year?

If the number is low, that could be a telltale sign. It means the bank might not have much experience in SBA loans. Also ask the bank for references. Personal testimonies can reveal more than mere figures do.

5. Who is the SBA specialist on your lending team?

Loan officers are responsible for a certain amount of production as it relates to their base salary. The regulations for SBA loans are different from those for other loans, and it's best to work with someone who is paid to understand the process.

6. What is your legal lending limit?

If you are embarking on a large project or opening a franchise, make sure the bank allows for growth in its loan sizes. Otherwise, you might have to find another bank as your business grows. And that means forging yet another relationship and juggling two banks.

7. To what kinds of businesses do you lend?

Just because a bank participates in an SBA program doesn't mean it lends to every type of business. It may have an industry or niche preference – government contractors or restaurants or gas stations, for instance. Research the bank to determine its tendencies.

8. Do you need my credit score?

How deeply will the bank look into your finances and background? Could its minimum score requirements limit consideration of a startup business?

9. What is the collateral policy?

A 7(a) loan, for example, could require up to 100 percent collateral. Some banks might not accept loans that do not have 50 percent or 75 percent collateral. It's important to know whether your property or other assets are on the line if your business fails.

10. Can you introduce me to venture capitalists and mezzanine lenders?

This is helpful if your business begins to take off or your sales jump to the \$5 million category. The bank might not be able to lend you the extra money you need, but it can put you in touch with venture capitalists or other sources of funding.

What matters most is not the size of your business, but the size of your dreams.



Learn more about our SBA loan options such as the 7(a), 504 and 504 Debt Refinance.

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Monument Bank was ranked eighth in SBA loan volume among all Washington area banks in the Washington Business Journal's 2011 Book of Lists.

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