

# Doron F. Eghbali Business Law

## How to Optimize Your Chances of Obtaining SBA Loans

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The Obama administration-in the jobs proposal now before Congress-has asked for relatively significant increases to [Small Business Administration \(SBA\) loans](#). In fact, such loans might be one of the most promising sources of funding for cash-strapped entrepreneurs and businesses in the face of persistent credit market freeze. As such, this behooves SBA loan applicants to optimize their chances of obtaining such loans.

### UPDATE YOUR FINANCIAL RECORDS

To further the application process:

- Prepare your tax returns of at least the last three years.
- Prepare up-to-date financial statements such as [cash flow, balance sheets and sales projections](#).
- Prepare a [business plan](#).

### CONTACT A PREFERRED LENDER

Contact a preferred lender who has worked with the SBA. If your bank does not have such relationship with the SBA, then be prepared to go to a bank that has done business with the SBA. The reasons are:

- SBA procedures are cumbersome and protracted.
- SBA rules and regulations change frequently.

As such, this is imperative to work with lenders knowledgeable about the process to streamline and expedite the process.

### UNDERSTAND THE LENDER

This is integral to understand what the lender's terms, conditions and procedures are. For instance:

- Some lenders do not work with start-ups.
- Some lenders do not work with restaurants or other relatively risky businesses.
- Some lenders do not extend real estate loans beyond 20 years.

### APPLY TO MORE THAN ONE PREFERRED LENDER

To optimize your chances of getting approved, apply to more than several preferred lenders simultaneously. However, applying to various lenders should not harm your credit score.

### **OFFER MORE DOWN PAYMENT**

SBA loans usually require less of a down payment than an ordinary business bank loan. While banks providing normal business loans require 20%-40% down, but preferred lenders might require you for a 10% down payment. Nonetheless, do the following:

- Offer more down payment than the required 10%. And,
- Offer your personal guaranty, especially, if your venture is a risky one.

### **SEEK HELP AND EXPERTISE**

- **Contact your Local SBA:** Talk to your [local SBA](#) for guidance and insight.
- **Contact Your Small Business Development Center:** Talk to your [Small Business Development Center](#).