



Overcoming 8 common challenges with **SBA Loans**



The Small Business Administration (SBA) is a government agency charged with assisting and protecting the interests of small businesses. One way that they do this is by offering loans to help small businesses get started. These loans aren't always easy to obtain. Here are 8 common challenges associated with SBA Loans and how they can be overcome.





1

Overwhelming Documentation

GETTING THE
PROPER PAPERWORK
TOGETHER TO APPLY
FOR AN SBA LOAN
CAN BE QUITE A
CHALLENGE.



Some of the necessary paperwork includes tax returns and leases along with lists that the applicant must create such as any affiliates and a history of past loan applications. Before beginning application process, applicants should check out the **SBA's documentation checklist** and start gathering the necessary materials as soon as possible so there's plenty of time to request or prepare duplicates of anything that's missing.



2

Weak Personal Credit Score

THE SBA WILL TAKE INTO ACCOUNT THE PERSONAL CREDIT SCORE OF ANY APPLICANT.



Even though the loan is for a business, the SBA will take into account the personal credit score of any applicant as the applicant will need to personally guarantee repayment of any SBA loans. Paying down personal debts and maintaining good payment histories with credit cards, auto loans and other creditors are all great ways to improve a credit score.

If an applicant has a very short credit history or no credit history at all, that can also cause problems with securing an SBA loan. Taking out a credit card and using it sparingly while paying the balances in full can help establish a credit history in these cases.



3 Too Much Credit Card Debt

A BUSINESS OWNER'S CREDIT REPORT CAN POTENTIALLY SHOW LARGE BALANCES EACH MONTH.



One common mistake that small business owners make is using personal credit cards for business. Even if balances are paid in full and on time, some credit card companies report balances to credit bureaus when they issue the bill, not after each statement's due date. This means that a business owner's credit report can potentially show large balances each month giving the appearance of too much debt and lowering the personal credit score.

On the other hand, not paying the balances in full, whether it is a personal credit card or a business card, can cause problems when applying for SBA loans. The utilization percentage, or the percentage of total credit available that is being used, is a big part of determining the financial well-being of an individual or business. Paying down credit cards and limiting their use is a must.



4 Low Business Profitability

MAKE SURE THE
BALANCE SHEETS
LOOK GOOD WHEN
IT'S TIME TO FILE THE
APPLICATION.



Improving the financial outlook for a small business will boost the applicant's likelihood of getting approved for a SBA loan. If the last few months have been shaky, it might be a good idea to put the loan application off for a few months or even a year and attempt to boost sales and minimize expenses so the balance sheets look good when it's time to file the application.



5

No Solid Business Plan

TAKE THE TIME TO
FORMALLY WRITE OUT
YOUR BUSINESS PLAN.



Many small business owners know exactly where they are going and how they are going to get there but they have not taken the time to formally write out these plans. The Small Business Administration prefers to have a written business plan that maps out the next several years including revenue projections and milestones. To make sure that the written business plan is up to the SBA's standards, applicants can use the **SBA's Business Plan Tool** to get started.



6

Poor Timing

DON'T WAIT –
APPLY FOR A SBA
LOAN LONG BEFORE
IT IS AN EMERGENCY.



Applicants who wait until they are strapped for cash have waited too long. The SBA Loan process can take up to 60 days or more and that's only after all the paperwork is in order. Trying to rush through the process will not only increase the likelihood of mistakes but it can also make the business look like it's in poor shape and not a good risk for a loan. Small business owners should be consistently looking to the future and apply for a SBA loan long before it is an emergency.



7 Lack of Capital

CONSIDER
POSTPONING THE
APPLICATION
IF CAPITAL IS LOW.



It can seem counter-intuitive that in order to get a loan, a small business owner must have access to plenty of cash. The bottom line is that lenders want some reassurance that they will get their money back and one way to be sure of that is by taking a look at the cash reserves for any SBA loan applicant. If capital is low, a small business owner might want to consider postponing the application, tapping into personal reserves, or turning to friends and family for an investment.



8

Getting Denied

IF YOU HAVE BEEN
TURNED DOWN FOR
A SBA LOAN, TAKE A
LOOK AT WHY, **AND**
MAKE ADJUSTMENTS.



It might seem like being denied an SBA Loan is the end of the process, but it doesn't have to be. If a small business owner is turned down for an SBA Loan, he or she should find out exactly what part of the application was unsatisfactory and immediately begin working to solve the problem. They can then reapply after making any necessary changes or corrections.



The best way to ensure successful applications for SBA Loans is by partnering with an experienced lender. FLCBank is an SBA Preferred Lender (PLP). Under the preferred lending status this means we can approve applications in a streamlined manor giving you access to capital faster. SBA loans are made and administered by Florida Capital Bank, N.A. and the SBA guarantees a portion of each loan.

TO LEARN MORE ABOUT SBA LOANS
GIVE US A CALL TODAY.