

**Franchise Lending is Easier Than You Think!  
Debunking 'The Myths' of Financing Franchises  
And Clearing Up Franchise Lending Frustrations**

*As an SBA Lender Service Provider, we believe it's incumbent on us to provide you with accurate, up to date information on issues affecting the business lending community. This is the first in a series on franchise lending that makes it easier to increase your loan portfolio with franchise loans.*

During a session on "Franchise Lending Frustrations" at the recent NAGGL Conference, the results of a franchise lender survey were discussed with the SBA's Steve Olear, Senior Franchise Counsel, Los Angeles District Office and FRANData's Vice President of Client Solutions Edith Wiseman, CFE. While respondents had positive comments about the franchise process, lenders expressed frustrations they felt kept them from making more franchise loans. In that light, we've had a frank discussion with FRANData's Edith Wiseman and COO and Director of Marketing Paul Wilbur to address areas of concern, clear up lender frustrations, and debunk "the myths" of financing franchises.

**Myth #1:** It's necessary to match new Franchise Agreements word-for-word with the documents on the Franchise Registry, and that minor typos or even one missing word will cause the SBA to not honor the guaranty. Additionally, some lenders felt the only way to ensure compliance is to hire a lawyer to review Franchise Agreements that have had minor modifications from the ones approved on the Registry, adding to the cost of the project or making the project cost-prohibitive for small lenders.

**Fact:** "Lenders do not have a risk here," Edith Wiseman advises. "It's understood that there will be corrections, clarifications, and insignificant inconsistencies between the Franchise Agreements officially listed on the Franchise Registry website and the ones in use. There is no need for a second review intra-year and there's definitely no need to hire attorneys to review the language. If it is already approved on the Franchise Registry in a particular year and the lender has a signed certification and has followed the items outlined on the certification, the SBA will not deny a guaranty based on the Franchise Agreement. It should be noted that to my knowledge, the SBA has never denied a guaranty when the lender has a certification signed."

**Myth #2:** Franchise Agreements for franchisors on the Franchise Registry need to be amended, reviewed, and approved all over again by the SBA according to provisions in a new SOP.

**Fact:** A Franchise Agreement can be signed and move forward based on the SOP in effect at the time the loan was made, not the new SOP as long as all documents covered in the original certification are included. The addendum applicable to that year's review is posted on the Franchise Registry for lenders to access easily.

**Myth #3:** Franchisors don't like the Registry because they believe the fees are high.

**Fact:** The fee is the same whether the deal is a one-off or for multiple franchisees with the franchise brand. A franchisor can do deals with multiple franchisees for the same initial \$2,500-\$3,500 fee, plus a \$450 to \$1,000/year renewal. So the fee could conceivably cover deals for the life of the Franchise Agreement, which ranges from five to 20 years, depending on the franchise.

**Tip from Paul Wilbur:** FRANdata is willing to prioritize or re-prioritize agreements in review to speed the process based on lender needs. At a lender's request, FRANdata will contact the franchisor in review and will follow up with the lender. For a lender having difficulty getting a franchisor to sign agreements, a call from FRANdata will generally make the franchisor more responsive. Paul reminds us too, that FRANdata lender support includes webinars, in-person seminars for audiences of all sizes, and technical support.

I hope this information has been helpful, and will stimulate your organization's franchise lending. As we've communicated, the SBA is putting increased emphasis on franchise lending as a way to fuel the economy, including special incentives for veterans. FRANdata also reports brands that previously dismissed SBA financing are reconsidering based on the economic environment. And this is just the tip of the iceberg! Watch for more discussion on "franchise lending myths" - and new enhancements from FRANdata - in upcoming eBulletins.

Remember to contact J.R. Bruno & Associates for all things SBA!

Joanna

Joanna Bruno  
President  
J.R. Bruno & Associates  
870 Market Street, Suite 462  
San Francisco, CA 94102  
415.362.1200  
[joanna@jrbrunoassoc.com](mailto:joanna@jrbrunoassoc.com)

Visit us at [www.jrbrunoassoc.com](http://www.jrbrunoassoc.com)