

How to Get an SBA Loan in Today's Economy



Carol Tice

Unless you've been under a rock for the past year or so, you probably know that the number of small business loans backed by the Small Business Administration has declined. In the fiscal year ended September 30, the number of [SBA-backed loans dropped 35 percent](#) compared with the previous year. Lending increased midyear as provisions in the stimulus bill gave incentives to lenders, but the whole year's lending still finished way down.

What does it take to get an SBA loan in today's tough lending scene? To find out, I turned to a woman with more than 25 years of SBA lending experience, Joy Manbeck, who's senior vice president and director of SBA lending at Private Bank of Buckhead.

With the stimulus bill's SBA boost gone now, Manbeck expects we may see SBA lending dip again. In particular, the stimulus bill hiked the guarantee SBA offers lending banks in its programs to 90 percent of the loan terms instead of the usual 75 percent. With that gone, some banks may shy away from shouldering the exposed one-quarter of risk in your loan.

One reason lending is down surprised me: It's not that business owners are getting turned down so much, she says, as they're not applying. There's a pessimism out there that's keeping entrepreneurs from darkening bankers' doors right now. The other side of it is that some banks flat stopped making SBA loans, or went out of business, so the lender pool has shrunk.

But Manbeck says it's worth pursuing an SBA loan, because the terms are so much more favorable than you'd get otherwise. Without SBA, you'll have to put more down on real estate loans and likely will end up with shorter terms and a balloon payment in your loan.

Her other tips include the following.

- **Demonstrate how you'll pay the loan back.** Banks want to see that your business has the cash flow to make the loan payments. Right now, a lot of companies are in trouble here -- they don't have the sales coming in. "If your cash flow doesn't generate enough for debt service," Manbeck says, "then do a pro forma for how the business will grow going forward."
- **Start at an SBA office.** SBA counselors can give you a list of SBA preferred lenders. These banks have long-established relationships with the SBA, do a good SBA loan volume, and can approve your loan on their own.
- **Come prepared.** Show up at the bank with three years' worth of tax forms and recent financial statements. Be ready to explain the type of loan you need, why you need it, what collateral you have, and your repayment plan. Show bankers you understand how lenders think.