

Five Helpful Hints to Get Started

On Obtaining an SBA Loan

1. Get Your Financial House In Order
2. Realistically Define Your Goals
3. Recognize Your Strengths And Weaknesses
4. Start Early
5. Work With An Experienced Lender

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#1: Get Your Financial House in Order

- Obtain a copy of your personal credit report.
 - Check for any inaccuracies or mistakes.
 - Make certain that all accounts are current and there are no outstanding judgments or liens.
 - If there is any derogatory information, be proactive and prepare to explain the problems and why the problem is not likely to occur again.
- Gather personal and/or business records
 - For the past three years, including:
 - Tax returns, financial statements with schedules and attachments, and interim year-to-date financial statements.
 - Any other financial documents that might help a lender.
 - Neatly photocopy all of the documents and prepare them for your presentation.

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#2: Realistically Define Your Goals

- Evaluate your needs and purpose for financing
 - Determine the specific use of the borrowed funds
 - Prepare projected cash flows to determine your estimated future revenues from the project
 - Consult your accountant to assist
- Have a specific amount in mind
 - Prepare the paperwork to show why you need it and how you will pay it back
 - Never tell a lender that you want to borrow as much money as possible.
- Be realistic about your contribution
 - You and your company will be required to finance a portion of the project costs.
 - Be prepared to have guarantors and possible collateral

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#3: Recognize Your Strengths And Weaknesses

- Bank underwriters are paid to worry
 - While business owners are optimistic
 - Be prepared for scrutiny
 - Address your strengths and challenges realistically & honestly
- Most common weaknesses lenders find are:
 - Inability to demonstrate repayment ability
 - Insufficient collateral
 - Lack of management experience
 - Insufficient cash injection
 - Poor personal credit
- Don't get scared; just get prepared
 - Depending on the severity of any particular weakness, you can often overcome it if you are prepared with a particularly noteworthy and compensating strength.

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#4: Start Early

- Be realistic about the timeframe
 - While loan processes are always being streamlined, it may take weeks to completely process your request
 - The more you do to prepare, the smoother the process
- Understand the process for your request
 - Small lines of credit or loans (under \$100,000)
 - May be credit scored approvals
 - Still require processing and documentation time
 - Commercial transactions (loans over \$100,000)
 - Requires complete underwriting process
 - Once approved, may take 30-60 days for documentation and closing your loan
- Again, be prepared and reap the benefits

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#5: Work With An Experienced Lender

- Starts with banker/lender knowledge
 - Bankers and lenders should know their products, the credit parameters, any eligibility requirements and the documentation process.
 - Can often prequalify you based on minimal information
 - Not an approval but will help get you to the right program
- Check your institution
 - Just because your deposit is there does not mean you have to get a loan from the institution
 - If you're getting an SBA loan, are they ranked as a top SBA lender in your market?
 - Are they a Preferred Lender, with authority to make credit decisions on behalf of the SBA – and thus process your loan quicker?

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