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FRANCHISE BUSINESS NETWORK

# Franchise Financing: Trends and Challenges


Spring 2017 IFA Franchise Business Network (FBN) Meeting


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**Hosted By**

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## Agenda

- Local Member Spotlight: Guidant Financial
- Brief Legal Update (including SBA changes)
- Panel Discussion on Franchise Financing



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## IFA Membership



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## Panelists

**Amy Holland** leads the SBA loan department at Guidant Financial, where she helps guide entrepreneurs through the most stressful part of opening a small business – the financing.

**Allison Zorich** is the National Business Development Manager at Guidant Financial, where she is responsible for managing accounts and creating lasting partnerships with key executives in the franchise industry.

**Michael Esfeld**, a Vice President and Business Development Officer for Umpqua Bank, has specialized in SBA financing for over 29 years.



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## Local Member Spotlight

*Company Overview*

### GUIDANT FINANCIAL

*Our vision is to increase the number of people who succeed in small business.*



**Founded in  
2003**



**100+  
Employees**



**Privately  
Held**

*How to Finance Your Small Business*

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## Local Member Spotlight

*Company Overview*  
**GUIDANT FINANCIAL**


*Our Mission is to leverage technology and services to make more capital available to Main Street small businesses*



**14K Businesses**





**\$4B in Funding**



**80K Direct, US Jobs Created**

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## Local Member Spotlight

*Opening more businesses by offering a full-suite of*  
**FINANCING OPTIONS**

*We can help access acquisition, expansion or even crisis capital*



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## Brief Legal Update

- Item 19 – NASAA Commentary Adopted
- British Columbia Franchises Act
- Changes to SBA's Standard Operating Procedures



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## New SBA SOP

- “Affiliation” – negotiated addenda to avoid
- New mandatory uniform addendum required
  - Change of Ownership
  - Forced Sale of Assets
  - Covenants (real property)
  - Employment
- Exception for 2015-2016 negotiated addenda
- Stay tuned – SOPs are not static



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# Franchise Financing

- What are the basics of SBA financing?



The purpose of the  
**SMALL BUSINESS ADMINISTRATION**

- History of the SBA
- Guarantee of 50-75%
- Dictate lending conditions
- Prudent lending practices

Loan Amount	Terms	Interest Rate
Up to \$5,000,000	7-10 years	2 ¼ - 2 ¾ +PRIME



## Franchise Financing

- What are current SBA standards for franchisors?



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## Franchise Financing

- What are current lender standards for franchisors?



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## Franchise Financing

- How are franchisees using retirement funds to fund a franchise?



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## Franchise Financing

- Are franchisees combining SBA and ROBS, or SBA with other financing sources?





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Comparison of  
**FINANCING SOLUTIONS**



	401(k) Rollovers	SBA Loans	Unsecured Financing	Portfolio Loans	Equipment Lease
<b>Funding amount</b>	Account balance	\$75K-\$5M	\$25K-\$150K	60%-80% of balance	Up to value of Equipment
<b>Term</b>	None	10 years	Revolving	Revolving	2-5 Years
<b>Time to fund</b>	3 week average	2-4 months	3 weeks	2-3 weeks	48 Hours
<b>Approval time</b>	Same day	1-2 weeks	2-3 business days	2-3 business days	Same Day
<b>Setup fees</b>	\$4995	\$2500 + closing costs	9% of capital	1-3% of loan amount	\$250 - 500
<b>Ongoing fees</b>	\$139	\$0	\$0	\$0	\$0
<b>Payments</b>	\$139	Principal + interest	Principal + interest	Interest only	Principal + interest

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## Franchise Financing

- Currently what are the typical lender criteria for franchisees?



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## Franchise Financing

- Audience questions for the panel?



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## Thank You! Questions?

### **Allison Zorich**

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