

The Process of Approving Small Business Loans:

An Interview with Teri Tosti

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Note: The slides will advance automatically, but you may move or pause them manually by using the arrow buttons below.

What are some of the different types of loans available to an individual who wants to start a small business?

- Small Business Administration (SBA) guaranteed loan
- SBA gives lender a guarantee to help mitigate risk
- Lenders look for SBA guarantee

Does the individual need to know what type of financing is best before he or she approaches the bank for a loan?

- Absolutely not
- A variety of loans exist
- Lenders will review options with the client

Is there some general information that they should read before they meet with you?

- www.sba.gov
- Learn about creating a business plan
- Visit Small Business Development Centers (SBDC)
- Familiarize yourself with the terminology

What is a general rule of thumb about how long the plan should be?

- Depends on the industry
- Can range from 3 to 30 pages

Would the loan officer or bank be able to provide any guidance as to what loan fits the person's financial needs?

- Yes, lenders can help fit the borrowers' needs
- A variety of loans are available from lenders and the SBA
- Check the SBA website, www.sba.gov, for information about the guarantee loan program

Do you have any advice on how a person selects which bank to approach for a loan?

- Start at your personal banking location
- or-
- Look at the preferred lenders list on the SBA website

If you are a person with a disability or member of a minority group, are there any special financial incentives or assistance that the individual should know about?

- Everyone is treated equally in the eyes of the bank lender
 - Must have collateral and good credit
- The SBA has a quota system
- SBA wants to make sure people with disabilities get loans

So what's the first step then? Should they go to the SBA for the guarantee or should they come to the bank first?

- Go to the bank first and talk to the lender

Should you call ahead and have an appointment set up or should you just go to the bank?

- Call the small business loan officer
- The loan officer may want to review the project before you set up an appointment

Once a person has chosen a lender, what information does the individual need to provide?

- Many lenders have a checklist
- The business plan!
 - Most importantly includes:
 - Resume
 - Tax returns for the past 3 years
 - Personal financial statement from borrower
- Other items needed can be found in:
 - Teri Tosti's Checklist

Does a person always need collateral to secure a loan?

- Not always but the majority of the time, yes.
- It varies depending on the client

Can you explain how a Small Business Development Center can assist an individual in securing a loan?

- SBDCs can assist in:
 - creating a business plan
 - preparing the borrower to sit in front of a lender
 - projections for the business plan
 - suggesting lenders

Would a person with a limited work history have difficulty securing a loan?

- Not necessarily
- Depends on the situation

If a person gets turned down, would the lender offer advice or assistance in reapplying for a loan?

- Normally they do
- Lenders may refer borrowers to other lenders they know can help.
- Borrowers may need to spend 6 months to a year paying off debt if credit is the problem.

Have you ever assisted a person with a disability in getting a loan to start a small business? If so, was that any different than working with any other customer?

- Absolutely
- I worked with a deaf couple.
- I reviewed that loan like I would for any other person.
- The couple is still in business.
- I don't have a problem at all with anybody with a disability. I think it's wonderful.

If a person receives a loan from Sonabank, what are the next steps?

- Lender will pop in for a visit when the business is open
- Lender will ask for financial statements
- Lender wants to make sure the business is on track with the projection in the business plan and if not help it to grow from that point

Is it really like a partnership?

- Absolutely!
- I do a quarterly lender review
- Sometimes we can figure out if there is a problem
- It's like a check and balance system