

# Frequently Asked Questions

## How does the Franchise Registry fit in with the new SBA SOP ?

The Franchise Registry for the past 15 years has been adjusting and changing right along with the franchise financing landscape. What has stayed constant is the lender need for speed, efficiency and verifiability of documents and agreements. For lenders that are financing small transaction sizes, speed is critical because it is otherwise not profitable for the bank. Most of the small loans of 350K or under, are processed through software without much human intervention. They need to know immediately that there won't be hurdles. The Franchise Registry tells them that there won't be hurdles regarding Franchise Affiliation, Eligibility and Credit.

The Franchise Registry has been updated to enable lenders to confirm franchisor decisions about the new process at the beginning of the loan origination cycle and brings efficiency to the new documentation flow between lenders and franchisors. Specifically:

- Enabling lenders to view online those Franchisors who are willing to sign the new mandatory SBA Addendum and those willing to sign with additional documentation requirements
- Assist in evaluating the eligibility criteria such as passivity, patronage restrictions, and the adequacy of collateral
- Evaluate continuing SBA business affiliation requirements that all franchisors must meet as well as requirements located in other franchisor documents and house the historical decisions SBA made regarding these other requirements
- Facilitate the communication and documentation between lenders and franchisors to make the process easy and efficient
- Continue to make available historical documents of SBA approved agreements

## Are there other ways to advertise my brand to lenders?

The best way to advertise your brand is to keep your account updated and full of relevant information which make it easy for lenders to approve and process the loan. You can also email lenders who have directly looked at your account to take a more proactive approach. Coming soon, we will give you the ability to tag lenders to send them updates on your brand – even if they don't have you in their portfolio.

## Why can't lenders take care of the SBA requirements on their own?

The SBA portion of the Franchise Registry always needs to be driven by you the franchisor. You are the only one in the financing equation that can agree to modify your documents



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We often get asked by lenders to defer royalty payments if the franchisee is in default on their SBA loan. Does this new SOP eliminate this requirement?

SBA has a section in the SOP called *Special Provisions for Franchises*. This section is still in the SOP. However it is NOT a requirement. The section states – “When lending to a franchise, the lender should **consider** obtaining an agreement from the franchisor that: A. Allows lender and SBA access to Franchisor’s books and records relating to Borrower’s billing, collections and receivables; B. Upon loan payment default or deferment, defers payment of franchise fees, royalties, advertising, and other fees until Borrower brings loan payments current; C. Gives lender 30 days notice of intent to terminate the Franchise Agreement; and/or D. Gives lender an opportunity to cure any default under the franchise.”

A smaller franchisor may have as much power if the lender makes it a requirement. Some franchisors used to include provisions that they were comfortable agreeing to in their franchise affiliation document. Going forward, we recommend having this as part of their other SBA requirements document.

My attorney has handled my account in the past. Should they continue?

It is important to have your attorney involved because all of the other SBA requirements are in your legal agreements. You will want their legal opinion on how to solve these other requirements. Additionally, if you work with a loan broker who helps your franchisees place loans such as Benetrends, Franfund or DCV, they can actively manage your account to communicate with lenders and work to establish relationship with lenders that are interested in your brand.

What do the lending markets look like right now for franchises?

We are hearing from a variety of sources that lenders are tightening. There were a number of lenders that expanded rapidly in franchising over the last few years. They are have started to experience losses, and are tightening their credit. At the same time, there are a growing number of lenders that have plans to grow their portfolios with select credit worthy brands. Lenders are using the various tools on the Franchise Registry to identify which brands to expand with.

I’m not sure how to use the Franchise Registry, how do I know I am leveraging all of its capabilities?

We have monthly webinars that run through the basics of the franchise registry as well as how to improve lender’s perception of your brand. If you want to attend a webinar, or are not receiving the webinar invites email [franchiseregistry@frandata.com](mailto:franchiseregistry@frandata.com) .

How Fundable is Your Franchise System?

Schedule a call with a Capital Access Advisor to find out.

