



# **GETTING TO YES!**

## **A CHECKLIST FOR SUCCESS**

A quick guide to getting lenders to say YES  
(In spite of Your Minimal Franchise Experience)

After working with thousands of franchise brands and the largest franchise lenders in the US we have compiled a best practice checklist for growth-focused Franchisors looking to jumpstart their franchisees' access to capital.

If any of these guidelines don't make sense or if you need a deeper dive into any of the sections in this document our advisors will happily meet with you to go through your questions and needs.



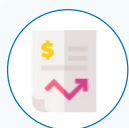
## EDUCATE YOURSELF ON THE FRANCHISE ENVIRONMENT

- Look into CFE courses that could be useful to you
- Subscribe to industry expert newsletters
- Follow relevant issues or regulations that affect the franchise industry
  - FASB (Financial Accounting Standards Board)
  - SBA (Small Business Administration)
  - AB 5 (Joint Employer)



## YOUR ITEM 19 DISCLOSURE MUST

- Use company store metrics
- Be as detailed as possible
- Break down to cash flow if possible
- Understand the rules regarding supplemental disclosure



## COLLECT MONTHLY FINANCIAL STATEMENTS FROM ALL OPERATING UNITS

- Use a common chart of accounts
- Report company stores as if they are franchised



## CREATE BENCHMARKING STANDARDS FOR KEY PERFORMANCE INDICATORS (KPI) AND PUBLISH

- Benchmarking/KPIs have consistent measures
- Franchisees understand your KPI's and how they perform against those KPI's



## HAVE YOUR COMPANY LISTED ON THE \*FRANCHISE REGISTRY (WWW.FRANCHISEREGISTRY.COM)

- ➔ The Franchise Registry will issue you a FRUNS ID which uniquely identifies your brand to lenders. Having a FRUNS ID also publicly verifies your brand as an active franchise system.
- ➔ Once you are part of the Franchise Registry, become Franchise Registry Verified to ensure that your franchisees can efficiently apply for loans and get the best loan terms.
- ➔ Being a verified member of the franchise registry helps you meet lender demands for efficient access to the information lenders need when they need it.
- ➔ After becoming a Verified Franchise Registry member, use the emblem on your franchise recruitment website or materials to communicate that you are a current Verified Franchise Registry member to prospective franchisees and lenders.
- ➔ Part of being a verified member Includes being a part of the Franchise Registry Eligibility Certification Program for SBA Lending. The purpose of this Certification is to ensure franchise lenders that the franchisor's current franchise agreement has not substantively changed as it relates to SBA's provisions on eligibility. This certification is now required among some of the largest franchise lenders in the industry.
- ➔ Understand your franchise credit score/assessment.



MORE THAN  
**9000**  
LENDERS

use the site to search for loans and brands to lend to; the Franchise Registry puts you on their radar.



## ASSIGN A BRAND CHAMPION TO HANDLE LENDER RELATIONS

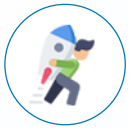
This is the person who can speak to lenders and address their concerns/questions as they come up. Your brand champion will be listed on the Franchise Registry as a contact lenders can approach with questions.



## BUILD RELATIONSHIPS WITH LENDERS

- ➔ For Franchisors with less than 10 units, create a pitch which is "franchisee prospect" friendly and contains only publicly available information. Also include any relevant marketing collateral.
- ➔ For Franchisors who have 10 or more operating units, talk to FRANdata about A BANK CREDIT REPORT (BCR), which can provide better loan terms for your franchisees and put more money into the business.
- ➔ Ask your FRANdata representative for lender recommendations.
- ➔ Visit local lenders: If you are scouting locations within a market, carve out some time to visit with local lenders yourself and make a presentation with your franchisees or prospects.





## DO YOUR DUE DILIGENCE EARLIER TO ELIMINATE CANDIDATES WHO DO NOT QUALIFY

- Run credit checks
- Run background checks
- Verify cash balances for equity early

Almost half of all franchise lenders now rely on the FUND Score to assess credit risks.



## HAVE YOUR DEVELOPMENT SCHEDULE WORK IN CONCERT WITH BANKING PRACTICES

- Be transparent and clear with your expectations with both candidates and lenders
- Do not allow underperformers to continue developing, if franchisees cannot borrow, they will not develop anyway

### ABOUT THE FRANCHISE REGISTRY

For more than 25 years, the Franchise Registry, run by FRANData, has enabled a frictionless financing experience for franchisors, franchisees and lenders alike. For a franchisor, being a verified franchise registry member means meeting lender demands for efficient access to franchise system information. This includes access to the proprietary signed Certification of Franchise Eligibility for SBA Lending which is filling the void of SBA no longer reviewing franchise agreements. Membership also signals to lenders that the franchise comprehensively understands its risk profile by knowing their FUND score, the franchise credit score used by lenders who finance almost half of all SBA franchise loans.

### ABOUT FRANDATA

For over 35 years, FRANData has been a leading research and consulting firm, providing industry-defining market intelligence to fuel the growth of businesses in franchising. With a focus on independent and comprehensive insights into the franchise ecosystem, FRANData utilizes the largest proprietary database in the industry to craft winning strategies that elevate client success from average to exceptional. FRANData has been the source for Franchise Update's Mega99, Multi-Brand 50, and the Dominator's rankings for more than 10 years, and are frequently referenced as franchise experts in publications such as The New York Times, The Wall Street Journal, Forbes Magazine, Bloomberg, Entrepreneur Magazine, the Franchise Times, and Franchise Update.

For more information go to <http://www.frandata.com>.