

Five Tips for Finding Small-Business-Friendly Banks

By Caron Beesley | In: Finance

If you are in the market for business financing you may have noticed that the SBA is reporting a healthy increase in small business lending.

However, finding the right bank for your small business financing needs can be a time-consuming challenge.

So just who is lending? And what is your best strategy for finding and approaching a bank? Here are five tips to help you find small business friendly banks.

1. Understand the Trending in Lending – Community Banks Favor Small Business

From city streets to Main Street, from suburbs to rural communities – big banks dominate the landscape. In fact, you probably have a big bank credit or debit card in your wallet right now. But before you start knocking on the door of your personal financing bank manager, consider this.

Writing for *The Huffington Post*, Stacy Mitchell, a senior researcher with the New Rules Project Community Banking Initiative, sheds some unexpected light on small business lending trends. Her sources reveal that “... *small and mid-sized banks...account for 54 percent of small business lending. Big banks, meanwhile, allocate relatively little of their resources to small businesses...only 18 percent.*”

So why is it that community banks do so much more small business lending than the big banks?

Mitchell goes on to explain that “...*big banks rely on computer models to determine whether to make a loan. Because the local market conditions and the circumstances surrounding each borrower and his or her enterprise are so incredibly varied, this standardized approach does not work very well when it comes to understanding the nuances of risk associated with a particular small business.*”

“*By drawing on qualitative information – getting to know the borrower, learning about the business, and understanding the local market – small banks can better assess risk and successfully make loans to a wider group of small businesses.*”

To help build a picture of the most active lenders in your state, take a look at this SBA report on Small Business Lending in the U.S. which ranks depository institutions lending to small businesses by state and territory (based on most current data). This *Business Week* slideshow (based on SBA data) also lists the Top Small Business Lenders of recent years.

2. Seek out Certified or Preferred Lenders

If you are looking for an SBA loan, check that your shortlist of lending institutions are either Certified or Preferred Lenders. This certification means they have a contractual relationship with the SBA and participate in the Certified Lender (CLP) / Preferred Lender (PLP) programs. In other words, they have a proven track record of processing SBA-backed loans and know what they are doing!

3. Educate Yourself on the Fundamentals of the Lending Process

Once you have your short list of banks, educate yourself about the fundamentals of business financing. Every bank will be interested in the viability of your business, its cash flow, and collateral. Take a look at this [SBA Loan Application Checklist](#) for an insight into what you will need to provide and discuss with your lender.

For more information on what SBA loan programs are available and most appropriate for your needs read: [SBA Small Business Loans Explained–Availability, Eligibility and the Application Process](#).

4. Find the Right Lender Profile for Your Needs

Your relationship with your lender is going to last many years, so finding the right fit based on your needs will stand you in better stead at the outset and for the long term. Take your time and ask questions – find out who the decision makers are, how many people you will have to deal with, and if your bank offers regular one-on-one advisory sessions.

5. Get Expert Advice

It costs nothing to talk to your local SBA office or Small Business Development Center (SBDC). Each has experts on hand to help you navigate the loan application and approval process. Use these [links](#) to find your local SBDC and SBA office.

You can also solicit advice from industry experts and other small business owners at the [Business.gov Finance, Money & Taxes Community Forum](#).

Additional Resources

[Business.gov Loans and Grants Search Tool](#) – Use this online tool to help you pinpoint the financing you may be eligible for based on your specific objectives and location.

The [Small Business Cents Blog](#) on the Business.gov Community is the official word on government loans and grants for small businesses.

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