



SBA Procedural Notice

TO: All SBA Employees

CONTROL NO.: 2000-840

SUBJECT: Identifying Franchise Loans

EFFECTIVE: 08/22/13

SBA has determined that many loans to franchises have not been correctly identified by lenders in the loan application process and therefore they are not properly identified in SBA’s loan records. Because SBA tracks and reports the performance of loans to franchises, it is important that all franchise loans are identified as such and that each specific franchise is correctly coded. For purposes of this process and in keeping with Agency policy, the loans that need to be identified as franchise loans include loans to businesses operating under franchise, license, dealer, jobber or similar agreements. (See SOP 50 10 5(E), Subpart B, Chapter 2, Paragraph III.B.9 and Subpart C, Chapter 2, Paragraph III.B.5.)

To make this process easier, beginning October 1, 2013, SBA will be using a new coding system to identify each franchise: the FRANdata Unique Numbering System (FRUNS). FRUNS is a coding system that uniquely identifies each brand that is associated with franchising. The FRUNS number will replace the “franchise codes” previously used by SBA. Lenders and Certified Development Companies (CDCs) are reminded that as part of any SBA loan application, the lender or CDC is required to identify loans to franchisees. Microloan intermediaries will be exempt from entering a FRUNS number until the system used for collecting their borrower information is updated. The requirement to identify whether any loan is to a franchise is contained in the SBA application forms.

For loans submitted electronically, E-tran will continue to prompt the lender to provide the necessary information. In the Project Info E-tran screen shown below, the lender will be asked whether the loan is to a franchise:

The screenshot shows the E-tran Project Info screen with a navigation menu on the left and a form on the right. The navigation menu includes: Collateral Register, Lender Comments, Project Info (highlighted), Borrowers, Guarantors, and Business Financials. The form fields are: Is the Project Address: with radio buttons for Rural? or Urban?; NAICS Code: with a lookup button and a text field containing 'Unknown /'; Small Business Manufacture: with a dropdown menu showing 'N'; Business Age: with a dropdown menu showing 'Not selected yet'; Franchise?: with radio buttons for Yes and No; No. of Current Employees: with a text input field; and Number of Jobs Created: with a text input field.

EXPIRES: 08/01/14

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SBA Form 1353.2 (12-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

As shown in the screen shot below, if the lender chooses “yes” next to “franchise,” E-tran will then ask for the franchise trade name and FRUNS number and will offer a lookup function:

Small Business Manufacture N

Business Age

Franchise? Yes No

Franchise Trade Name

(lookup) Franchise Code

No. of Current Employees

If the lender is not sure of the precise franchise trade name, it should enter a word contained in the franchise name. In the example below, we used “burger.”

Enter Search Criteria for Search

Franchise Code:

Franchise Trade Name:

A list will appear with all of the franchise names with “burger” in them and their FRUNS numbers:

12619	BULLETS,BURGER,CHICKEN & MORE
12720	BURGER BOX
12850	BURGER CHEF
12900	BURGER DEN
12955	BURGER INN
12959	BURGER JOE'S OF AMERICA
13000	BURGER KING
13050	BURGER QUEEN
11015	Bob's Burgers & Brew

Click on the number next to the correct franchise name and the FRUNS number will be entered in the loan record. The lender must then click the “Save/Next” button in order for the system to retain that data.

If the lender is unable to find the correct franchise name and FRUNS number in the list, the lender can contact FRANdata at www.franchiseregistry.com/signup_fruns to request a valid FRUNS number for the particular franchise. Please be sure that you are using the common franchise name and not the corporate name of the borrower or the franchisor when requesting a FRUNS number. A review of the franchise agreement and/or franchise disclosure document will identify the correct name to be used. If a valid FRUNS number has been issued, but is not available in the E-tran system, the lender will need to contact the E-tran support team for additional assistance.

For loans that are not submitted electronically, SBA will use the same system to enter the FRUNS number based on information provided by the lender or CDC in the application form.

It is important to note that the presence of a franchise or FRUNS number in the list provided in E-tran or on the Franchise Registry does NOT signify eligibility for an SBA guaranteed loan. It only means an identifying number has been issued. Franchise eligibility is governed by SBA regulations and the guidance provided in SOP 50 10. Franchise eligibility documentation is the lenders responsibility and a franchise analysis will be required as part of a purchase request.

SBA will continue to monitor franchise/license/dealer/jobber and similar agreements as well as any eligibility issues associated with them. As always, if a determination is made that a particular franchise system/agreement does not meet SBA eligibility requirements and there is no acceptable fix available for the eligibility issue(s), SBA will issue a determination that the franchise system/agreement is not eligible for SBA assistance.

SBA Field Offices will advise 7(a) lenders and CDCs of this Notice. Questions concerning this Notice should be directed to the lender relations specialist in the local SBA Field Office. The local SBA Field Office may be found at www.sba.gov/localresources.

Michael A. Simmons
Acting Director
Office of Financial Assistance