

# Papa Murphy and CRF



“ The Bank Credit Report (BCR) has facilitated numerous loans to our franchisees and secured new banking relationships to benefit the entire Papa Murphy’s system. Because the BCR is produced by a third party, objective source, lenders rely on it. Thankfully for us, it communicates all the progress we made as a company and among our franchise units, while placing us head to head with our peers. The BCR has answers to all the questions that a lender wants to ask when assessing the credit risk of the Papa Murphy’s system- all in one report, saving valuable time for all involved. ”

— Jayson Tripp, Chief Development Officer, Papa Murphy’s

Consistently voted best Pizza Chain by both consumer groups and media, Papa Murphy’s is a build-your-own take-away pizza business. Established in 1981, Papa Murphys now has more than 1400 locations across the country.

Having grown consistently for the past 10+ years, Papa Murphy’s continues to expand into new markets. Much like other brands of their size within their industry, their franchisees tend to rely heavily on financing, with an average loan size of \$150,000–\$200,000.

## PAPA MURPHY’S FOCUS ON FRANCHISE FINANCING

Early on, Papa Murphy’s management adopted the best practice of helping franchisees understand and navigate the financing landscape by providing educational tools while showing franchisees the financing options critical to their long term success.

Papa Murphy’s is a “lender friendly brand”—one that makes it easier for lenders to do business with their franchisees. The company provides lenders with a Bank Credit Report (BCR) annually so that lenders understand their unit level economics, and systemwide historical performance through an objective, proprietary risk analysis. Prepared by the industry leader FRANData, the BCR was created and is widely used by the lender community to analyze the strength of the franchise brand their borrower is investing in.

## LENDER PERSPECTIVE: CRF USA

CRF is a national, non-profit small business lender whose mission is to improve the lives of disadvantaged people and strengthen distressed communities through innovative finance.

## CRF’S COMMITMENT TO FRANCHISE FINANCING

CRF has provided a significant number of franchise loans to a broad range of franchises, nearly 50 in total or roughly 25 percent of their total loans originated over the past four years. They are very selective about the brands they choose to support and place a premium on transparency, financial strength/stability and training and support for the franchisees.

## THE CRF FRANCHISE LENDING APPROVAL PROCESS

CRF looks up the franchise brand on the Franchise Registry and:

1. Downloads and Reviews the FDD
2. Accesses the brand’s SBA affiliation approval documentation on the Franchise Registry
3. Downloads the brand’s Bank Credit Report (BCR)—The BCR is very helpful when evaluating new franchises as it gives CRF a solid starting point for analyzing the franchise brand, specifically:
  - The financial and system strength of the franchise
  - Franchise continuity rates (real failure rate)
  - How the Franchise compares to its peers/others within their market segment

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## FRANCHISEE PERSPECTIVE

A husband and wife team had self-funded a Papa Murphy's Take and Bake Pizza location in the southwest in late 2012. Six months later, after the first location was operating at a profit, the pair wanted to open another store in a low-income community 20 miles away. They were unable to find traditional financing because lenders saw the second location as a start-up and they didn't have a sufficient equity injection. CRF received the loan application, recognized the community impact and dug deep into the story of the business. A look beyond the numbers found strong credit scores of the principals and the success of the first Papa Murphy's store. In addition, CRF took into account the franchise support and the overall performance of the Papa Murphy's franchises as found in their Bank Credit Report (BCR). CRF provided a \$220,000 SBA 7(a) loan to purchase equipment and furnishings, make lease hold improvements and for permanent working capital.

## BUILDING STRONG FRANCHISOR-LENDER RELATIONSHIPS

Papa Murphy's knows the strength of their relationship with CRF—who often work with strong operators when other banks won't, is a result of the analysis provided by the BCR—which highlights precisely what a lender needs to know, answers credit concerns, and written in underwriting terms that clarifies the inner workings of the brand that may not otherwise be easily seen by a lender who does not have a BCR to refer to.

## THE BANK CREDIT REPORT

### BCR

#### BANK CREDIT REPORT

The Bank Credit Report™ looks at a franchise brand's actual performance history to create a comprehensive standardized credit risk analysis that allows lenders to underwrite loans with better data. The results are more approvals and better terms for franchisees. In fact, history has proven that brands with BCR's grow faster than brands who do not use a BCR in their development process. For more information on the Bank Credit Report call us at 800.485.9570 or email us at [franchiseregistry@franchiseregistry.com](mailto:franchiseregistry@franchiseregistry.com)

“ A BCR gives the lender a consistent, quality, and relevant perspective on a franchisor. Armed with good information, we are able to satisfactorily evaluate the franchisor. The loan process is faster and smoother when we have a current, positive Bank Credit Report. ”

— Brian Burke, National SBA Lending Director, CRF

