



Credit Connections

Leveraging Resources to Strengthen Deals

U.S. Small Business Administration



Lenders Benefits of SBA Loans

- **SBA's Guaranty reduces a Lender's Risk**
- **Helps lenders make loans with longer terms**
- **Helps lenders make loans to a small business that may not meet lenders lending policy**
 - Lack of collateral
 - Start up businesses
- Meets Community Reinvestment Act (CRA)**
- SBA is a cash flow lender and can use projected income.



SBA Financing

- Regular 7(a)
- SBA Express
- Patriot Express
- Export Express
- CapLines
- International Trade Loan Program
- Export Working Capital Program
- Microloans
- 504 Program
- 504 Debt Refinance
- Dealer Floor Plan (DFP)



7(a) Guarantee Program

SBA's primary business loan program

- Broad eligibility requirements
- Wide range of financing needs
- Maximum loan amount: \$5 million
- Maximum guaranty: Proposed
 - 85% of loan to \$150,000
 - 75% of loan from \$150,001 to \$5.0 million



7(a) Guarantee Program

- Expansion or renovation
- Construction of new facilities
- To purchase --
 - ◆ Land / buildings
 - ◆ Machinery & equipment
 - ◆ Furniture and fixtures
 - ◆ Leasehold improvements
- Permanent Working Capital
- Inventory Purchases
- Refinancing existing debt (if eligible)
- Business acquisition

- Purchase -- Land / buildings
 - Owner must occupy 51% of an existing building or 60% of new construction (up to 25 year loan)
 - Business owner can buy it under a separate entity (EPC) and lease it back to business (OC). Can only charge enough rent to pay expenses.



SBA Express Programs

- **SBA *Express* Program:**
 - Maximum Loan \$350,000
 - 50% Guaranty (LOC or Term)

- **SBA Patriot *Express***
 - Maximum Loan \$500,000
 - 75-85% Guaranty (LOC or Term)



SBA Export Financing

- **Export *Express* Program:**
 - Maximum Loan \$500,000 (LOC or Term)
 - 90% Guaranty for loans of \$350,000 or less
 - 75% Guaranty for loans of \$350,001 or more
- **Other Exporting Loan Programs:**
 - International Trade and Export Working Capital
Maximum Loan \$5 million
 - 90% Guaranty



SBA Financing Express

- Dealer Floor Plan
 - \$5 million maximum
 - \$500,000 minimum
 - Same guaranty as 7a
 - 100% advance on both new and used inventory that can be titled
 - Maturity 1-5 years



CAPLines

- Contract CAPLines: proceeds can be used to finance all costs (excluding profit), previously only labor and materials.
- Working Capital CAPLines: to finance short-term working capital/operating needs and some refinancing of existing lines (additional guidance on refinancing provided)
- No change to Seasonal or Builder's CAPLines.
 - Note: Construction of homes for future sale with no sales contract in place (spec homes) is eligible under the Builder's CAPLine program



SBA Financing

Do eligibility questionnaire first

- Independently owned and operated?
- Meets SBA's size standards?
 - Alternative Size Standard: For-Profit businesses that do not exceed \$15 million in tangible net worth, and do not have average net income over \$5 million
- 912 issue?
- Etc?

Ineligible Businesses

- Gambling or speculation
- Real Estate investment & other speculative activities
- Lending activities
- Multi-level marketing firms
- Businesses providing sexual material
- Religious organizations



SBA Financing

Ineligible Businesses

- Non-profit organizations
- Charitable organizations
- Illegal activities
- Businesses or business owners who have defaulted on a federal loan or federally-assisted financing that caused a loss to the government



SBA Financing

SBA's Credit Requirements

- Willing to pledge available business assets to secure the loan
- Personal guarantees of all owners with 20%+ interest in business-may be secured by personal assets (home)



Personal Debt

Personal credit card debt used for business expenses is the only personal debt that can be refinanced. Credit cards are designed for short term needs and have high interest rates if the balance goes beyond 25+ days.

Personal loans (such as HELOCs) may not be refinanced even if the loan proceeds were used to finance the business. These loans are often reflected as “equity” on the business balance sheet. P.132



Franchise

- ◆ The franchise registry has been revised and can provide a lot of valuable information to the lender. Check it out at <http://www.franchiseregistry.com/>
- ◆ /Clarification was added to the information about franchises: New “findings” section: www.sba.gov/content/franchise-findings to see if there have been any findings for a particular Franchise/License/Dealer/Jobber or similar agreement, which if still in the Agreement, would make the Agreement ineligible.
(Questions should go to franchise@sba.gov.)



SBA 504 Loan Program

- **504/Certified Development Company**
- Maximum loan amount: \$5.0 to \$5.5 million
- Project costs: financed by 504
 - Loan 40%
 - Lender finances 50%
 - Equity finances 10-20%
- Uses: long-term; fixed assets
- Maturity: generally 10 - 20 years
- Interest 504 portion: fixed below market rate established when debenture is sold
- Interest lender portion: usually adjustable rate but is negotiable with lender



Temporary 504 Refinancing

Temporary 504 Refinancing Provisions: Until 09/27/2012

- To assist with the ongoing flood of ballooning commercial real estate loans in a depressed market
- 85% or more of the existing debt had to be for eligible fixed assets.
- Debt must have been incurred at least two years prior to the application to refinance
- The loan must have been current for the last 12 months
- Cash out for working capital or other eligible business expenses up to 18 months in advance.
- Can finance up to 90% of the appraised property value.



Temporary 504 Refinancing

Temporary 504 Refinancing Provisions

- Can refinance same institution debt
- LTV may be as high as 125% providing additional collateral is posted for a total LTV of 90%
- No federally guaranteed loans are eligible for refinancing



Standard 7(a) Loans

Forms needed are available via www.sba.gov/for-lenders , then click “Select a loan package” and then Standard 7a

- Examples of forms:
 - **Centralized 7(a) Loan Submission Instructions**
 - **SBA Eligibility Questionnaire for Standard 7a Guaranty**
 - **SBA Form 4 - Application For Business Loan**
 - **SBA Form 4-a - Schedule of Collateral - Exhibit A**
 - **SBA Form 4-i - Lenders Application For Guaranty**
 - **SBA Form 912 - Statement of Personal History**



Information

**Standard 7(a) Loans
are approved by SBA office located at
6501 Sylvan Road, Suite 122, Citrus Heights, CA
Phone: 877-475-2435 (toll free)**

E-mail questions to: 7aquestions@sba.gov

The SBA eligibility check lists, submission instructions, SOP 50-10 (5D), notices, forms, etc can be accessed via www.sba.gov/for-lenders



Welcome Lenders! (Beta)

Lenders play a vital role in helping SBA achieve its mission in helping small businesses start and grow across the United States. Our For Lenders home page provides lenders with the resources they need to issue SBA loans today!

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SBA Loan Rates

Mar. 2012

SBA LIBOR Base Rate = 3.24%

SBA FIXED Base Rate = 4.88%

January-March 2012

SBA Peg Rate = 2.38%

100 Most Active SBA 7(a) Lenders

[Weekly Lending Report](#)



Last But Not Least

What would a Prudent Lender Do?

Document the File
Document the File
Document the File



Small Business Resource

SBA on the Information Highway

- ❖ **SBA Internet Home Page:** www.sba.gov
- ❖ **Electronic Lender Home Page:** www.sba.gov/banking
- ❖ **District Offices:**
 - Baltimore: edward.knox@sba.gov (410) 962-6195
 - Washington: robert.carpenter@sba.gov (202) 272-0355
- ❖ **Small Business Development Centers**
www.mdsbdc.umd.edu
- ❖ **SCORE (Counselors to America's Businesses)**
www.score.org