

SBA 7(a) Loan Program

The SBA 7(a) loan can be used for any business purpose

- Purchase, refinance, business acquisition, equipment, inventory or working capital
- SBA guarantees 75% of the loan balance on loans of \$150,000+
- SBA guarantees 85% of the loan balance on loans under \$150,000

PROGRAM HIGHLIGHTS

- Loans up to \$5MM
- Up to 100% loan to value financing on real estate
- No balloon payments
- Competitive rates
- Up to 25-year terms on real estate

BUSINESS SIZE ELIGIBILITY REQUIREMENTS

Most for-profit companies are eligible for SBA 7(a) Loan Financing:

- Retail and service businesses not exceeding \$8MM in revenue (three-year average)
- Some industries can go up to \$41.5MM in revenue (three-year average)
- Wholesale Business with up to 100 employees regardless of sales volume
- Manufacturers with employees up to 500 depending on the industry, regardless of sale volume

USE OF PROCEEDS

- Commercial real estate (purchase, construction, expansion or refinance)
- Debt consolidation
- Leasehold improvements
- Machinery, equipment, furniture or fixtures
- Business acquisitions
- Start-ups (franchise, professional practice, other)
- Working Capital (offered in conjunction with certain other financing)

TERMS

The loan term is determined by the use of proceeds

- Up to 25 years for real estate purchase
- Up to 10 years for business acquisition, equipment, leasehold improvements
- Up to 10 years for franchise/business start-ups
- Up to 10 years for working capital

Loans with multiple uses of proceeds will require a weighted average to determine the loan term. If more than 51% of loan proceeds are real estate and improvements, term can be 25 years.

INTEREST RATES

- Most lenders use the WSJ Prime Interest rate (Index) + 0% to 2.75% (Margin)
- The maximum rate allowed by the SBA is WSJ Prime + 2.75% margin
- Most lenders set a variable rate adjusting quarterly; few lenders offer fixed rate option

PREPAYMENT PENALTY

- Loan term less than 15 years have no prepayment penalty
- Loan term 15 years or greater has a three-year prepayment penalty equal to 5% in year one, 3% in year two, and 1% in year three

LOAN GUARANTEE FEE SCHEDULE

- | | |
|---|---------------------------------|
| • Short Term Loans (12 months or less): | • .025 of SBA Guarantee portion |
| • Gross loan of \$150,000 or less: | • .02 of SBA Guarantee portion |
| • Gross loan of \$150,001 to \$700,000: | • .03 of SBA Guarantee portion |
| • Gross loan of \$700,001 to \$1,000,000: | • .035 of SBA Guarantee portion |
| • Gross loans over \$1,000,000: | • .035>\$1 mil & .0375<\$1 mil |

Example: a \$2,000,000 loan with 75% guarantee (\$1,500,000) would be 3.5% of \$1,000,000 (\$35,000) and 3.75% of \$500,000 (\$18,750) which totals \$53,750.

CASH FLOW REQUIREMENTS

Minimum 1.15:1 cash flow on last year's business tax return and interim financial statement.

To qualify, the business must show cash flow to make new loan payment, pay all existing debt, and provide draw for owner to meet personal obligations.

Projections are used with startup companies, expanding companies, or changing companies.

Typical requirement is a two-year projection with first year showing month-to-month details.

CONSTRUCTIONS LOANS

On ground up construction projects, the SBA requires the subject business to occupy minimum 60% of the building square footage. Funds can be used to cover both construction costs and certain soft costs associated with the project, including the cost of land acquisition, building construction or improvements, and fees for professional services, appraisals, title work, searches, surveys, and SBA Guarantee. Upon completion of construction, P&I payments begin; the borrower does not need to apply for another mortgage.

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