

SBA Loans 101



"SBA Loans are great credit products to use in a tough credit environment. You can help your clients access capital for a variety of projects!"



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SBA 504 Loans

- **Eligible Projects:**

- Acquire or refi commercial real estate + tenant improvements (up to 20% cash out on refi)
- Ground-up construction
- Acquire or refinance equipment

- **Structure:**

- Bank (1st DT) finances 50% of the project
- SBA (2nd DT) finances 40% of the project

- **Term:**

- Banks & SBA offer terms up to 25 years
- Equipment financing term is up to 10 years

- **Fees:**

- Bank 1st loan fee (varies by bank)
- SBA guarantee fee 0.50% of 1st + \$2,500 closing costs
- SBA 504 fee of 2.65% of 2nd (can be financed)

SBA 504 Loans cont.

- **Business Qualifiers:**

- Net worth < \$15MM
- Net profit after tax (2yr. avg.) < \$5MM
- Must be for profit
- Located in USA
- Occupancy > 51%
- Down payment 10% for most properties & 15% for single purpose

- **How does it work?**

- Bank provides financing in the form of a permanent 1st & bridge loan 2nd
- SBA provides a permanent 2nd that pays off bank bridge loan 2nd (~ 60-90 days after escrow closing)
- SBA 2nd processed by Certified Development Corporation

SBA 7(a) Loans

- **Eligible Projects:**

- Acquire or refi commercial real estate + tenant improvements
- Ground-up construction
- Acquire or refinance equipment
- Permanent working capital
- Partner buy-out & business acquisition

- **Structure:**

- Up to 90% of the project up to \$5MM

- **Term:**

- Working capital & inventory up to 7 years
- Equipment up to 10 years
- Partner buyout & biz acquisition up to 10 years
- Leasehold improvements up to 10 years
- Real estate up to 25 years

SBA 7(a) Loans cont.

- **Fees:**

- Up to \$150K: 2% of guaranteed portion of the loan
- Between \$150K to \$700K: 3%
- Between \$700K to \$1MM: 3.5%
- Over \$1MM: 3.75%

- **Business Qualifiers:**

- Must be for profit
- Located in USA
- Occupancy > 51%

- **How does it work?**

- If lender is in Preferred Lender Program, lender processes and approves the loan inhouse
- Otherwise, lender must submit loan to SBA for approval

SBA 7(a) SBLC Lenders

- **What is a SBLC?**

- Small Business Lending Company approved by the SBA to approve & fund SBA 7(a) loans
- Like banks, SBLCs are in the SBA's Preferred Lender Program

- **What types of projects & loan amounts?**

- Same as traditional SBA lenders

- **Why apply with a SBLC?**

- Get up to 100% financing
- Faster approval & funding than banks
- More aggressive underwriting than banks:
 - Lend to a wider range of industries
 - Accept weaker cash flow, highly leveraged businesses, or weak collateral

Want To Improve Your Business Lending Game?

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toolkit helps you get your loans
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