

SBA 7(a) Commercial Business Loan for Large Cap Program \$350K to \$5M**

PROGRAMS:

- Business acquisition and partner buyouts at 90% LTV
- Franchise financing – acquisitions and purchase of addition location(s) at 90% LTV
- Business expansion (purchase of an additional location, book of business) at 90% LTV
- Commercial Real Estate (CRE) purchases
 - Up to 100% LTV and you can roll in closing costs
 - Business must occupy 51% of the building square footage
 - Buy a lot, build a building – ground up construction
 - Buy a building and rehab the property with leasehold improvements
 - Buy as-is. You have options
- Debt consolidation and rate/term refinance at 100% LTV (debt refinance rules apply)
 - Loan payments must be current
 - Timely payments in the last 12 months
 - Improve borrower's payment
 - Debt must be on unreasonable terms (i.e.) Balloon
- Equipment and/or vehicle purchase at 90% LTV
- Startup at 85% LTV

LOW VARIABLE INTEREST RATES:

- Prime + 2.75 on all loans \$350K to \$5M
 - ARM loan, adjusts quarterly – payment adjusts quarterly

LONG LOAN TERMS:

- 10 years for business acquisitions, expansion, refinances, working capital and start up without CRE
- 15 years for equipment
- 25 years on purchase/refi of a building (5%, 3%, 1% prepayment penalty in first 3 years)
 - Can pay down principal up to 20% per year in first 3 years without penalty
- If multiple use of funds, loan terms may vary in a blended term

CLOSING COSTS:

- Packaging fee – 1% or \$2,500 (whichever is less)
- Misc. third-party fees – approximately \$500
 - Includes credit reports, transcripts, UCC filings, etc.
- Title fees – \$5,000 (dependent on area)
 - Depends on the county and state
 - If purchase, also depends on title company selected by buyer and seller
- Environmental Records Search with Risk Assessment (RSRA) \$450
 - Only required if CRE is securing the loan
 - Phase 1 required on all properties
 - Phase 2 required on gas stations, will be based as required by the underwriter
- Appraisal (real estate) \$3,500 and up
 - Only required for CRE purchases and refinances

COLLATERAL MUST HAVES:

- Best available Blanket UCC lien (excluding fixtures) on all business assets; regardless of position
 - Fixture filing may be filed with Blanket UCC if applicable for CRE
- Purchase Money Security Interest (PMSI) lien on all purchased equipment and real estate (CRE)
- First lien on unencumbered business vehicles valued at \$10,000 or more/vehicles purchased with loan proceeds
- Best available lien on owner-occupied CRE if there is a 25% or more equity
- All available business and personal collateral will be taken to secure the deal

BASIC SBA ELIGIBILITY:

- Business must generate nonpassive income with upward trends
- Must be organized for profit
- Must be small (tangible net worth less than \$15M, average net income less than \$5M)
- You can work nationwide
- Business must be located and primarily operate in the United States
- Business must be 51% owned by U.S. citizen or resident alien with a green card
- Building purchase or new construction – business must occupy a 51% footprint in the building
- Cannot be speculative in nature, involved in gambling, engaged in any federally illegal activity (i.e., marijuana-related business), be of a prurient nature or promote religion
- All owners with 20% or more ownership must provide a guarantee
 - If combined ownership of married couples exceeds 20%, both must guarantee
 - If married, wife must provide a limited guarantee
 - Individual guarantors should be U.S. citizens or legal permanent residents with a green card
- Loan proceeds can be used for construction and rehab of a building
- No cash out refinances (working capital is not considered cash out)
- Client can have multiple SBA loans – if combined loan amount does not go over \$5M

CREDIT GUIDELINES:

- Minimum Experian score of at least 680 for each guarantor
- No outstanding tax liens, judgements
- No active lawsuits including divorce
- Tax Liens must be paid in full or an agreed upon repayment plan in place
- No business bankruptcies
- Personal bankruptcies must be seasoned 5 years
- No foreclosures within 3 years or multiple foreclosures within 10 years
- No 30-day late payments within 90 days of application, 60-day late payments within 180 days or over 90 days late within the last year

CASH FLOW GUIDELINES:

- Business must have sufficient earnings to cover their debt at the following ratios in the most recent tax year and interim period:
 - 1:15% DSCR minimum for loans \$500K to \$5M. Start up and franchises at 1.25% DSCR.
- Globally, all guarantors and borrowers must have sufficient earnings to cover business and personal debt at a minimum of 1:1 ratio.

PROCESS FLOW:

- Call to run your loan scenario by me and I will let you know best structure and send you the application and list of documents required for submission.
- When you have received all documents, you can upload securely to me, using the link on my signature line. I will prequalify to see if we have a deal and let you know what other forms are needed.
- Once documents are reviewed, I will issue a proposal letter for the borrowers to sign. I will set up a meeting with the borrowers to go over the proposal. The proposal will go over:
 - Loan amount and terms
 - Collateral requirements
 - Estimated closing costs
 - Process flow
- Borrower will review and execute the proposal via DocuSign.
- All loans require a good faith deposit of \$5000, which we will pull an ACH wire after the borrower's acceptance and will be applied to closing costs (appraisal, EPA report, residential appraisal).
- We have 30 days from date of credit pull to get all documents in for review or a NOI (Notice of Incompleteness) will be issued.
- All docs received – loan goes into underwriting (1 week turn time).
- Once underwritten borrower's will have a meeting with the underwriter for meet and greet, discuss the history of the business and answer the underwriting questions that need further clarification.
- Underwriting will issue a needs list, send to the BDO and the BDO will send to the borrowers.
- Borrower will send in all documents necessary to meet underwriter's request.
- Approval – underwriter will issue a commitment letter and send to BDO. BDO will meet with the borrower to go over the commitment letter. Underwriter will then send the commitment letter to the borrower to be DocuSigned. Another \$5,000 is requested to be wired to cover costs for closing. This will be applied toward closing costs-equity injection.

SBA 7(a) Commercial Business Loan for Large Cap Program \$350,000 to \$5,000,000**

- Appraisal, EPA, residential appraisals are ordered.
- Ordering appraisal – if the underwriter is confident with the credit docs received, Borrower has the option to sign a form to order appraisal early or wait until when final commitment letter is signed.
- Loan is assigned to a closer and they will send a needs list to the borrower so they can begin to gather all the documents needed for closing. Title work, survey etc. will be ordered.
- Appraisal will come in and be reviewed and signed off by the underwriter.
- Closing will be scheduled once all forms are in, and loan will be closed and disbursed.
- Timeline to closing typically 60-90 days with a willing borrower who supplies needed forms as requested.

REQUIRED FORMS:

- 3 full years of most recent business (all businesses) and personal tax returns
 - If a business is less than 3 years old, provide all available tax returns
- Current interim profit and loss statement and balance sheet for (all businesses)
- Application (each guarantor)
- 2-year projections, business assumptions & business plan (if business acquisition, or start up)
- Bank statement (for source of funds)
- Purchase contract
- Notes for debt to be refinanced
- If equipment or vehicle purchase, copy of invoices or bids and list
- Divorce decree or discharge and schedule of debtor for bankruptcy (if applicable)
- If new construction or rehab, plans & specs, contractor approval, construction contract and completion schedule

REFERRAL FEE:

- 1% referral fee/bank paid outside of closing
 - Referral partner may not charge additional outside fees (i.e. application fee, packaging fee, placement fee, etc.)

SETTING EXPECTATIONS FOR PARTNER SUCCESS:

- Referral partner(s) must be approved prior to first loan closing
- Referral partners should set the below borrower expectations prior to submission of the application:
 - Remainder of financial packet should be provided within 7 business days of prequalification
 - Any vehicle or equipment to be purchased with loan funds must be identified and available for purchase by closing
 - Commercial real estate must be identified and under contract before an underwriter will issue a conditional approval/commitment letter
 - Must have permits issued on construction-to-close
 - Establish a contractor for construction when submitting your application