

SBA 7(a) Commercial Business Loan for Small Cap Program \$25K to \$350K (TORCH)**

USE OF PROCEEDS:

- Debt consolidation and refinance (limited to \$150K unless loan is secured)
- Equipment and/or vehicle purchase
- Business expansion (purchase of additional location, book of business)
- Working capital (limited to \$150K unless loan is secured)
- Commercial Real Estate (CRE) purchases or refinances
 - Up to 100% LTV and can roll closing costs in
 - Business must occupy at least 51% square footage of the building
 - 680 FICO required
- Leasehold improvements
- New construction – up \$150K of the loan amount – 10% contingency required

LOW VARIABLE INTEREST RATES:

- ARM loan, adjusts quarterly – payment adjusts quarterly
- Prime + 2.75 on all loans \$50K-\$350K
- Prime + 3.75 on all loans \$26K-49K
- Prime + 4.75 on \$25K loans

LONG LOAN TERMS:

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

CLOSING COSTS:

- Packaging fee – 1% or \$1,500 (whichever is less)
- Misc. third-party fees – approximately \$500
 - Includes credit reports, transcripts, UCC filings, etc

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- Title fees – \$625 to \$2,500
 - 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 as required by the underwriter
- Desktop appraisal \$800
 - 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
- First lien on unencumbered business vehicles valued at \$10,000 or more or vehicles purchased with loan proceeds
- Best available lien on owner-occupied CRE if there is a 25% or more equity
- First lien on owner-occupied CRE for purchases or refinances

BASIC SBA ELIGIBILITY:

- Business must generate nonpassive income
- 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 operated 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 an unlimited guarantee
 - If combined ownership of married couples exceeds 20% – both must guarantee
 - If married, spouse must provide a limited guarantee
 - Individual guarantors should be U.S. citizens or legal permanent residents with a green card
- Client can have multiple SBA loans – if combined loan amount does not go over \$5M
- Loan proceeds cannot facilitate a change in ownership (no partner buy-outs or business acquisitions)

CREDIT GUIDELINES:

- Minimum Experian score of at least 680 for each guarantor
- Minimum 165 E-Tran/SBSS score for the borrower (this will be run after submission)
- No outstanding tax liens, judgements
- No active lawsuits including divorce
- 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
- Business must have filed 2 full years of business tax returns
- No material changes in ownership/management within 2 years of application

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:
 - 1:1 for loans up to \$150K
 - 1.15:1 for loans \$151K to \$500K
- Globally, all guarantors and borrowers must have sufficient earnings to cover business and personal debt at a 1:1 ratio

PROCESS FLOW:

- Call me to run your loan scenario by me and I will let you know the best structure and I will send you the list of documents required for submission.
- When your borrower has pulled all documents together, they can go to our website – Create a login/password, and fill out the application online, DocuSign for credit authorization and upload all their forms.
- Mindy Stodart will review the file, run reports, and send a list of documents needed to submit the file into underwriting. Once requested forms are in, Mindy will alert the underwriting team.
- File will move to underwriting which will take 2 days. Once underwritten, the underwriter will call the borrower within 2 business days and request anything necessary to make a formal decision.
- If requirements are not met, we will notify with a decline notice.
- When file is approved, a commitment letter will be issued, a hard pull of credit and a \$5,000 ACH wire will be requested and collected at this time.
- Commitment letter will need to be DocuSigned.
- Appraisal, EPA, and residential appraisals are ordered (takes 5-10 business days).
- All closing documents will be gathered, and appraisal reviewed by the underwriter.

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- File will be scheduled for closing.
- Your referral fee will be wired to your business account within a week of closing.
- Timeline to closing typically 30-45 days from start to finish with a willing borrower who supplies needed forms as requested.

REQUIRED FORMS:

- 2 full years of most recent business and personal tax returns
- No material changes in ownership/management within 2 years of application.
 - If business is fully secured – may only require one year (can use tangible business assets, CRE or personal real estate to secure loan)
- Current interim profit and loss statement and balance sheet
- Application – business debt schedule, asset list, personal financial statement, 1919 (each guarantor)
- Bank statements (3 most current months)
- Purchase contract vehicle and/or equipment purchase quotes
- Notes for debt to be refinanced
- Affiliate information (if applicable)

REFERRAL FEE:

- 2% 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:
 - Financial packet must 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