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Seminars

Creative SBA Financing Solutions—The Best-Kept Secret in Banking



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Noon–1 p.m.

1 General CLE credit

CREATIVE SBA FINANCING SOLUTIONS—THE BEST-KEPT SECRET IN BANKING

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Creative SBA Financing Solutions

The Best Kept Secret in Banking

Continuing Legal Education Seminar
February 8, 2017



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Today's Topics



- SBA Advantages
- Conventional vs. SBA
- Who might benefit from SBA Solutions
- Deal Examples
- SBA Requirements
- Overview of SBA programs



SBA Advantages

Longer terms = greater cash flow

- Working Capital Loans up to a 10 year term
- Business Acquisitions 10 year term
- Up to 25 years for equipment depending on useful life
- Up to 25 years for real estate
- Up to 7 years for an express line of credit

Less Money Down = more cash held inside business

- Can put as little as 10% down for equipment and real estate purchases
- Can put less than 10% down on business acquisitions depending on seller carry note structure

Can Finance Collateral Short Requests

- Business Acquisitions - Goodwill
- Debt Consolidations – unsecured revolvers / seller notes / credit cards

Flexible repayment options

- No pre-payment penalties on loans less than 15 years
- No Balloon Payments Allowed

Competitive Market Rates

- Consistent with the industry

SBA Fees

- One time SBA guaranty fee paid to government. All fees can be financed
- No annual fees on lines of credit



Conventional vs. SBA

Conventional	SBA
Max Leverage 3:1	Max Leverage 12:1
Requires 20% to 30% Down Payment	As little as 10% Down Payment
Cannot finance Working Capital Needs	WC loans – up to 10 year amortization
Hard to finance high risk industries	SBA guarantee can mitigate this
Max term on equip typically 5 years	Can finance equip up to 25 years depending on useful life
Collateral coverage must be 1:1	Cannot decline based on lack of collateral alone
Difficult to refinance existing debt	Great for debt refi with amort up to 10 years to increase cash flow
Difficult to finance business acquisition where goodwill is involved	Great solution for business acquisitions – SBA guarantee can mitigate negative net worth caused by goodwill



Good Candidate for an SBA Solution

Companies who require:

- Balance Sheet Restructures (Refinancing) – must have history of profitability. (can provide the client with lower payments)
- Business Acquisitions/Owner Buy-outs – must have strong management experience in industry and strong historical financial performance in the company. (can also assist with divorce and buying out spouse)
- Companies looking to make equipment purchases with low down payment and longer amortizations.
- Companies looking for low down payments (minimum 10%) on construction or real estate acquisitions (504).
- Business Expansions to businesses with history of success.
- Seller Note Refinance – looking to get former owner out of business. Must be seasoned 24 months.
- Export Financing

Deal Examples



Commercial HVAC Contractor

Balance Sheet Restructure & Working Capital Injection



Commercial HVAC Contractor



Need:

- Client was simply looking to refinance their existing line of credit. Twelve months prior when the company posted losses, their existing bank had frozen their line with no notice forcing the borrower to work off internal cash only. This nearly caused the business to go under. The frozen line was now reaching maturity and the borrower was looking to find another bank.

Business Info:

- Business was incorporated in 1984.
- The company has a good reputation and a strong market share.
- The existing owners have been in place for 9 years. They have strong experience.
- Sales have been on a precipitous decline for the past 3 years due to the fallout of the construction market.
- The company experienced significant losses in 2010 but has since right sized and returned to profitability in 2011.
- A/R and A/P turn days are within industry standard.
- Net worth is negative due to a large amount of goodwill that was created when they bought the business 9 years ago, combined with losses in 2010.
- The company made drastic cuts and managed to pay down their line balance by \$200M over 12 months, while also maintaining good relationships with clients and suppliers.

Commercial HVAC Contractor



The SBA Solution:

- After analyzing the borrower's situation it was apparent that this client needed more than just to replace their existing line of credit.
- They also were in desperate need of cash flow relief.
- They had 3 existing seller notes that totaled \$750,000 which were at over 9% interest.
- They also had a commercial real estate loan with no pre-payment penalty that had a 7.5% interest rate.

Commercial HVAC Contractor



Project Summary:

Uses		Sources		%
Refi Seller Notes	\$ 750,000.00	SBA 7a Loan	\$ 1,215,000.00	46%
Refi Termed out LOC	\$ 400,000.00	SBA Express LOC	\$ 350,000.00	13%
Refi Commercial RE	\$ 1,100,000.00	CRE 1st Mortgage	\$ 1,100,000.00	41%
Line of Credit	\$ 350,000.00	Other	\$ -	0%
Soft Cost	\$ 65,000.00	Other	\$ -	0%
TOTAL	\$ 2,665,000.00		\$ 2,665,000.00	

Commercial HVAC Contractor



The Result:

- The client was able to pay off the former shareholder and get his influence out of the business.
- The client was able to inject \$400M of long term working capital back into the business.
- The client was provided with a working \$350,000 line of credit to support operations so they no longer had to work off internal cash only greatly reducing their stress.
- The client was able to significantly reduce interest rates on all existing debt. On average a 4% interest rate reduction.
- The interest rate on the commercial real estate was reduced by 2%.
- The interest rate reduction combined with the longer amortizations resulted in an annual cash flow savings of 40% or \$100,000 per year for this borrower.

Client Example #2



Growing Coffee Roaster / Café Owner Expansion Financing



Coffee Roaster / Café Owner



Need:

- Refinance an existing seller note, purchase a new roaster and open a second café.
- Financing for commercial building purchase - after the opening of his second café owner saw the benefit of installing his new roaster in his own building rather than paying \$75K to install the roaster in a leased facility.

Business Info:

- The business was formed in 2008.
- The owner has a passion for coffee and very strong relationship with South American growers.
- Company has positive trends and adequate cash flow.
- Leverage is high due to buyout of former seller.
- Company is small and cash has been reinvested to support growth.
- Company wishes to retain cash to support growth.

Coffee Roaster / Café Owner



The SBA Solution:

- Financing for new roaster.
- Financing for new café.
- Refinance former seller note.
- Small working capital line of credit.
- Financing for new building/improvements.
- Finance fees.
- Only 10% down with long favorable terms and less than 1:1 collateral coverage.

Coffee Roaster / Café Owner



Project Summary:

Uses		Sources		%
New Roaster	\$ 273,600.00	SBA 7a Loan	\$ 235,700.00	12%
New Café	\$ 110,000.00	SBA Express LOC	\$ 25,000.00	1%
Refinance Seller Note	\$ 181,100.00	SBA 504 Loan - Bank	\$ 844,975.00	42%
Working Capital - LOC	\$ 25,000.00	SBA 504 Loan - SBA	\$ 675,980.00	33%
Commercial Building	\$ 1,400,000.00	Equity Injection	\$ 237,995.00	12%
Soft Costs	\$ 29,950.00	Other	\$ -	0%
TOTAL	\$ 2,019,650.00		\$ 2,019,650.00	

Coffee Roaster / Café Owner



The Result:

- The company was able to grow sales by over 50% in 3 years improving margins and profitability.
- The company was able to improve relationships with suppliers.
- The company was able to hire 15 additional people.
- The company is now looking to open two new cafés.



Client Example #3

Popular NW Restaurant

Relocation / Start Up Financing



Popular NW Restaurant

Need:

- Restaurant financing for new start up location.

Business Info:

- Business has been around for over 100 years.
- The company has a good reputation and a strong market share.
- The existing owner had been in place for 10 years - strong experience.
- Sales are strong and continuously growing.
- Owner is fiscally conservative and had substantial liquidity - both business and personal with very little debt.
- Client's lease was not renewed by new owner of building and they were being forced to move.
- Client had arranged for investor financing from a friend but that fell through.
- Client walked into branch and shared story with branch manager who directed her to SBA. She assumed that a bank would not fund a restaurant.
- Client had already secured new location which was a new building and required full construction of tenant improvements.
- Client had already started process and had hundreds of invoices and cancelled checks in process relating to the project.

Popular NW Restaurant



The SBA Solution:

- Provide permanent working capital to assist with restaurant stabilization over first 6 months of opening.
- Provide funds to support leasehold improvements.
- Provide funds for equipment and inventory financing.
- Finance all fees
- Loan term = 10 years

Popular NW Restaurant



Project Summary:

Uses		Sources		%
Equipment Purchase	\$ 116,000.00	SBA 7a Loan	\$ 509,500.00	59%
Leaseholds	\$ 499,000.00	Private Note	\$ 200,000.00	23%
<i>Working Capital - Permanent</i>	\$ 171,500.00	Landlord Credit	\$ 25,000.00	3%
Inventory	\$ 63,000.00	Equity Injection	\$ 130,000.00	15%
Fees	\$ 15,000.00	Other	\$ -	0%
TOTAL	\$ 864,500.00		\$ 864,500.00	

Popular NW Restaurant



The Result:

- The client was able to move the business to a nearby location and expand the concept with more space.
- The client was able to secure a working capital buffer to assist with paying staff during ramp up.
- The client was able to continue on the legacy of the 100+ year old establishment.
- The move resulted in 50+ job being created to support the expanded business.

Client Example #4



Hardware Store

Employee Acquisition of Business



Hardware Store



Need:

- Creative buy-out financing and working capital line of credit.

Business Info:

- Business has in business for over 75 years.
- The company has a good reputation and a strong market share.
- The existing owners had been in place for decades, 50/50 brothers. One brother died suddenly of a heart attack. The other brother didn't want to continue to run the business without him.
- Existing long term employees were then given the opportunity to buy the business.
- Buyers had many years experience in subject business and were existing employees.
- Buyers were fiscally conservative however were young without the benefit of time to amass much net worth or cash.

Hardware Store



The SBA Solution:

- Provided new buyers with a buy-out loan with only 4% down.
- Seller carried \$161K note on standby to assist with equity injection.
- Provided a \$200,000 working capital line of credit to support operations.
- Buy-out Loan Term = 10 years

Hardware Store



Project Summary:

Uses		Sources		%
Business Acquisition	\$ 1,268,500.00	SBA 7a Loan	\$ 1,090,000.00	72%
Working Capital - LOC	\$ 200,000.00	SBA Express LOC	\$ 200,000.00	13%
Soft Costs	\$ 46,775.00	Seller Carry Note	\$ 161,850.00	11%
Other	\$ -	Equity Injection	\$ 63,425.00	4%
TOTAL	\$ 1,515,275.00		\$ 1,515,275.00	

Hardware Store



The Result:

- Two existing employees were able to become a business owners with little cash down.
- Seller was able to extract the majority of his sweat equity from the business.
- Retained all jobs as the company was able to live on under new ownership.
- Business is thriving. They are currently in negotiations to purchase a building.
- At least 2 new jobs have been created.



Metal Fabrication Plant

Partner Buy-Out



Metal Fabrication Plant



Need:

- Existing owner was looking to transition.

Business Info:

- The business had been operating for over 30 years.
- The company has a good reputation and a strong market share.
- The existing owners have been in place since inception.
- Sales and financial metrics were stable.
- The owner did not have anyone identified to take over.
- He recruited a young man who he struck a deal with to work there with the intent to take over and over 3 years he would be awarded ownership if he met certain metrics.
- At the end of 3 years this young man had 3 years experience and 30% ownership.

Metal Fabrication Plant



The SBA Solution:

- Provided new buyer with a buy-out loan to purchase 70% of the business.
- No cash down was needed due to his 30% ownership.
- Refinanced and existing laser.
- Provided a \$200,000 working capital line of credit to support operations.
- Buy-out Loan Term = 10 years

Metal Fabrication Plant



Project Summary:

Uses		Sources		%
Partner Buyout	\$ 780,000.00	SBA 7a Loan	\$ 903,000.00	82%
Refinance Debt	\$ 90,000.00	SBA Express LOC	\$ 200,000.00	18%
Working Capital - LOC	\$ 200,000.00	Other	\$ -	0%
Soft Costs	\$ 33,000.00	Other	\$ -	0%
TOTAL	\$ 1,103,000.00		\$ 1,103,000.00	

Metal Fabrication Plant



The Result:

- Young man was able to become a business owner with no additional cash down.
- Seller was able to extract his sweat equity.
- Existing employees were able to keep their jobs as the company was able to live on under new ownership.
- Business is now thriving. They recently bought a building and acquired another metal fab company to expand.
- At least 10 new jobs have been created.

The Dirty Details





SBA Eligibility

Applicants businesses must:

- Operate for profit
- Be engaged in, or propose to do business in, the United States
- Have reasonable owner equity to invest
- Company Must Meet Size Criteria
 - Business cannot have a tangible net worth that exceeds \$15 million and an average net income of greater than \$5 million over the past two years.

Special Considerations:

- *Franchises* are eligible if the franchisee has the right to profit from efforts commensurate with ownership.
- *Recreational facilities and clubs* are eligible provided: (a) the facilities are open to the general public, or (b) in membership-only situations, membership is not selectively denied to any particular group of individuals and the number of memberships is not restricted either as a whole or by establishing maximum limits for particular groups.



SBA Eligibility (cont'd)

- *Medical facilities* (hospitals, clinics, emergency outpatient facilities, and medical and dental laboratories) are eligible. *Convalescent and nursing homes* are eligible, provided they are licensed by the appropriate government agency and services rendered go beyond those of room and board.
- *Change of ownership.* Loans for this purpose are eligible provided the business benefits from the change. In most cases, this benefit should be seen in promoting the sound development of the business or, perhaps, in preserving its existence. Loans cannot be made when proceeds would enable a borrower to purchase: (a) part of a business in which it has no present interest; or (b) part of an interest of a present and continuing owner.
- *Probation or parole.* Applications will not be accepted from firms where a principal is currently incarcerated, on parole, or on probation; is a defendant in a criminal proceeding; or whose probation or parole is lifted expressly because it prohibits an SBA loan.



Ineligible Businesses

Specific types of businesses not eligible include:

- *Real estate investment firms*, when the real property will be held for investment purposes as opposed to loans to otherwise eligible small business concerns for the purpose of occupying the real estate being acquired.
- Firms involved in speculative activities that develop profits from fluctuations in price rather than through the normal course of trade, such as wildcatting for oil and dealing in commodities futures, when not part of the regular activities of the business.
- *Dealers of rare coins and stamps* are not eligible.
- Firms involved in lending activities, such as banks, finance companies, factors, leasing companies, insurance companies (not agents), and any other firm whose stock in trade is money.
- *Pyramid sales plans*, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants. Such products as cosmetics, household goods, and other soft goods lend themselves to this type of business.
- *Firms involved in illegal activities* that are against the law in the jurisdiction where the business is located. Included in these activities are the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that permits illegal prostitution.



Ineligible Businesses cont'd

- *Gambling activities*, including any business whose principal activity is gambling. While this precludes loans to racetracks, casinos, and similar enterprises, the rule does not restrict loans to otherwise eligible businesses, which obtain less than one-third of their annual gross income from either the sale of official state lottery tickets under a state license, or legal gambling activities licensed and supervised by a state authority.
- *Charitable, religious, or other non-profit or eleemosynary institutions, government-owned corporations, consumer and marketing cooperatives, and churches and organizations promoting religious objectives are not eligible.*



Underwriting Highlights

Most Important Underwriting Criteria

1. Adequate Cash Flow Coverage (minimum = 1.15:1.00)
2. Management Experience
3. Positive Financial Trends
4. Personally Fiscally Responsible
5. Good Credit and Moral Character

Guarantors

- Clean Personal Credit - (Guideline = Beacon Score of 670 or greater)
- Post Injection Liquidity - (Guideline = 9 to 12 months of debt payments)
- Personal Debt to Income Ratio - (Guideline = 40% or less)



Additional SBA Requirements

- Maximum SBA aggregate exposure = \$5 million
- Change of ownership transactions require business valuation engaged by bank.
- Unlimited personal guaranty of any owners of 20% or more.
- If there is a lack of collateral, all personal collateral must be pledged including but not limited to trust deed filing on personal residence and/or investment properties.
- Life insurance policies on guarantors may be required to be assigned to bank during life of loan.



SBA Can Not Mitigate

- Poor personal credit & Poor Personal Character
- Insufficient cash flow (less than 1.15X coverage)
- Lack of management experience
- Hitting the minimum requirements on cash flow, collateral, and equity (3 strikes)
- Inappropriate use of proceeds
- Non-owner occupied real estate (Less than 51% Owner Occupied)

SBA Loan Programs



SBA Overview of Loan Programs

Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
7(a) Loans	\$1 million gross	85% guaranty for loans of \$100,000 or less. 75% guaranty for loans greater than \$100,000 (up to \$3.75 million maximum guaranty)	Term Loan, Expansion/renovation, new construction, purchase land or building, purchase equipment, fixtures, leasehold improvements, working capital, advance debt for continuing business, liquidity or starting a business	Depends on ability to repay. Generally working capital & equipment (both: amount of equipment) is up to 10 years, real estate is 25 years.	Loans less than 7 years: \$0 - \$25,000 Prime + 4.25% \$25,001 - \$50,000 P + 3.75% Over \$50,000 Prime + 2.75% Loans 7 years or longer: 0 - \$25,000 Prime + 4.75% \$25,001 - \$50,000 P + 3.75% Over \$50,000 Prime + 2.75% Can also use LIBOR one month rate + 3% or SBA's optional Plug Rate as a base rate	No SBA fee on loans of \$100,000 or less approved as FF 2015. Fees charged on guaranteed portion of loan only. Maturity: 1 year or less 6.25% guaranty fee; over 1 year \$100,000 - \$700,000 = 3.0%; over \$700,000 = 3.5%; 3.75% on quarterly portion over \$1 million. Ongoing service fee of 0.4-2% Qualified Veterans receive 50% reduction in fees \$100,001 - to \$5M	Must be a for profit business & meet SBA size standards (revenue, character, credit, management, and ability to repay. Must be an eligible type of business. Prepayment penalty for loans with maturities of 18 years or more if prepaid during first 3 years, (3% year 1, 3% year 2 and 1% year 3)	Long-term financing Improved cash flow Fixed maturity No balloon No prepayment penalty (under 15 years)
7(a) Small Loans Formally known as Small Loan Advantage (SLA)	\$75k-100k	Same as 7(a)	Same as 7(a). The SLA same as 7(a) for transition purposes, but it covers all loans \$25,000 and under, except those under programs.	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a) plus all loan applications will be credit scored by SBA prior to loan approval or loan number if submitted PUP.	Same as 7(a) Plus streamlined process
SBA Express	\$10k-100k	80%	May be used for revolving lines of credit up to 7 year maturity) or for a term loan (same as 7(a)).	Up to 7 years for Revolving Line of Credit (including term out period). Other wise, same as 7(a).	Loans \$40,000 or less: prime + 0.5% Loans over \$40,000: prime + 4.5%	Same as 7(a)	Same as 7(a)	Fast turnaround Streamlined process Easy-to-use line of credit
SBA Veterans Advantage	Same as SBA Express	Same as SBA Express	Same as SBA Express	Same as SBA Express	Same as SBA Express	1% guaranty fee on loans up to \$50,000; however, annual service fee of 0.519% on loans \$100,000 to \$500,000.	Same as 7(a). Plus, small business must be owned and controlled by one or more of the following groups: veteran, independently military in T&P, veteran or National Guard member or a spouse of any of these groups, or a widowed spouse of a service member or veteran who died during service, or a service-connected disability.	Same as SBA Express No guaranty fee
Captives: 1. Working Capital 2. Contract 3. Seasonal and 4. Builders	\$1 million	Same as 7(a)	Finance seasonal and/or short-term working capital needs, used to secure term contribution costs; advances against existing inventory and receivables; consolidation of short-term debts. May be revolving.	Up to 10 years, except builder's CAP line, which is 5 years	Same as 7(a)	Same as 7(a)	Same as 7(a), plus all lenders must execute Form 156 & 700 (part term loans)	1. Working Capital - Revolving Line of Credit (LOC) 2. Contract - can finance all costs (excluding profit) 3. Seasonal - Seasonal working capital needs. 4. Builder - Finance direct costs with building a commercial or residential structure

Please note:
This overview does not include full policy and procedures, always refer to current Lender and Development Company Loan Programs 50 10 for more details.
www.sba.gov

Jennifer Fern – VP & SBA Specialist



Philosophy

I specialize in working with businesses in the Oregon and SW Washington markets with SBA transactions. I am passionate about delivering creative and intelligent financing solutions and work closely with my clients throughout the SBA process. I'm a strong proponent of the SBA program and the impact it has on our local and national economy. There's nothing better than having a direct contribution in helping a client reach the next level of success. I have the rare opportunity in helping make my clients' dreams come true, which is a true joy to me.

Experience

I started my banking career in 1996 as a teller and since have worked in various roles throughout the bank.

Of my 20 years in banking I spent 10 as an underwriter with 6 of those in commercial banking. During my time in commercial banking, I analyzed some of the larger more complex relationships in the bank, which has given me unique qualifications in my current role and a strong grasp of business financials and fundamentals.

Additionally, I hold a degree in both finance and management from Portland State University's School of Business Administration and have a Master's in Banking from Pacific Coast Banking School.

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QUICK OVERVIEW OF SBA LOAN GUARANTY PROGRAMS

U.S. Small Business Administration

Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
7(a) Loans	\$5 million gross	85% guaranty for loans of \$150,000 or less; 75% guaranty for loans greater than \$150,000 (up to \$3.75 million maximum guaranty)	Term Loan. Expansion/renovation; new construction, purchase land or buildings; purchase equipment, fixtures, lease-hold improve-ments; working capital; refinance debt for com-pelling reasons; invento-ry or starting a business	Depends on ability to repay. Generally, working capital & machinery & equipment (not to exceed life of equipment) is up to 10 years; real estate is 25 years.	Loans less than 7 years: \$0 - \$25,000 Prime + 4.25% \$25,001 - \$50,000 P + 3.25% Over \$50,000 Prime + 2.25% Loans 7 years or longer: 0 - \$25,000 Prime + 4.75% \$25,001 - \$50,000 P + 3.75% Over \$50,000 Prime + 2.75% Can also use LIBOR one month rate + 3% or SBA's optional Peg Rate as a base rate	No SBA fees on loans of \$150,000 or less approved in FY 2016. (Fee charged on guaran-tied portion of loan only) Maturity: 1 year or less 0.25% guaranty fee; over 1 year: \$150,001 - \$700,000 = 3.0%; over \$700,000 = 3.5%; 3.75% on guaranty portion over \$1 million. Ongoing service fee of 0.473 % Qualified Veterans re-ceive 50% reduction in fees \$150,001, to \$5 M	Must be a for profit business & meet SBA size standards; show good character, credit, management, and ability to repay. Must be an eligible type of business. Prepayment penalty for loans with maturities of 15 years or more if prepaid during first 3 years. (5% year 1, 3% year 2 and 1% year 3)	Long-term financing; Improved cash flow; Fixed maturity; No balloons, No prepayment penalty (under 15 years)
7(a) Small Loans Formerly known as Small Loan Advantage (SLA)	\$350,000	Same as 7(a)	Same as 7(a) The SLA name is for transition purposes, but it covers all loans \$350,000 and under, except the ex-press programs.	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a) plus all loan applications will be credit scored by SBA prior to loan approval or loan number if submitted PLP.	Same as 7(a) Plus streamlined process
SBA Express	\$350,000	50%	May be used for revolv-ing lines of credit (up to 7 year maturity) or for a term loan (same as 7(a)).	Up to 7 years for Revolving Lines of Credit including term out period. Other-wise, same as 7(a).	Loans \$50,000 or less; prime+ 6.5%; Loans over \$50,000; prime + 4.5%	Same as 7(a)	Same as 7(a)	Fast turnaround; Streamlined process; Easy-to-use line of credit
SBA Veterans Advantage	Same as SBA Express	Same as SBA Express	Same as SBA Express	Same as SBA Express	Same as SBA Express	0% guaranty fee on loans up to \$350,000, however, annual service fee of 0.519% on loans \$150,001 to \$350,000.	Same as 7(a). Plus, small business must be owned and controlled by one or more of the following groups: veteran, active-duty military in TAP, reservist or National Guard member or a spouse of any of these groups, or a widowed spouse of a service member or veteran who died during service, or a service-connected disability.	Same as SBA Express No guaranty fee
CapLines: 1. Working Capital; 2. Contract ; 3. Seasonal; and 4. Builders	\$5 million	Same as 7(a)	Finance seasonal and/or short-term working capi-tal needs; cost to per-form; construction costs; advances against exist-ing inventory and receiv-ables; consolidation of short-term debts. May be revolving.	Up to 10 years, except Builder's CAPLine, which is 5 years	Same as 7(a)	Same as 7(a)	Same as 7(a), plus all lenders must execute Form 750 & 750B (short term loans)	1. Working Capital - Revolving Line of Credit (LOC) 2. Contract - can finance all costs (excluding profit). 3. Seasonal - Seasonal working capital needs. 4. Builder - Finances direct costs with building a commercial or residential structure

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This overview does not include full policy and procedures, always refer to current Lender and Development Company Loan Programs 50 10 for more details.
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QUICK OVERVIEW OF SBA LOAN GUARANTY PROGRAMS

U.S. Small Business Administration

Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
International Trade	\$5 million	90% guaranty (up to \$4.5 million maximum guaranty) (Up to \$4 million maximum guaranty for working capital)	Term loan for permanent working capital, equipment, facilities, land and buildings and debt refinancing related to international trade	Up to 25 years.	Same as 7(a)	Same as 7(a)	Same as 7(a), plus engaged/ preparing to engage in international trade adversely affected by competition from imports.	Long term financing to allow small business to compete more effectively in the international marketplace
Export Working Capital Program	\$5 million	90% guaranty (up to \$4.5 million maximum guaranty)	Short-term, working-capital loans for exporters. May be transaction based or asset-based. Can also support standby letters of credit	Generally one year or less, may go up to 3 years	No SBA maximum interest rate cap, but SBA monitors for reasonableness	Same as 7(a)	Same as 7(a), plus need short-term working capital for exporting.	Additional working capital to increase Export sales without disrupting domestic financing and business plan
Export Express	\$500,000	90% guaranty for loans of \$350,000 or less; 75% guaranty for loans greater than \$350,000	Same as SBA Express plus standby letters of credit	Same as SBA Express	Same as SBA Express	Same as 7(a)	Applicant must demonstrate that loan will enable them to enter a new, or expand in an existing export market. Business must have been in operation for at least 12 months (though not necessarily in exporting).	Fast turnaround; Streamlined process; Easy-to-use line of credit
504 Loans Provided through Certified Development Companies (CDCs) which are licensed by SBA	504 CDC maximum amount ranges from \$5 million to \$5.5 million, depending on type of business.	Project costs financed as follows: CDC: up to 40% Non-guaranteed financing: Lender: 50% Equity: 10% plus additional 5% if new business and/ or 5% if special use property.	Long-term, fixed-asset loans; refinancing of 2 years or older business/commercial debt. Lender (non-guaranteed) financing secured by first lien on project assets. CDC loan provided from SBA, 100% guaranteed debenture sold to investors at fixed rate secured by 2nd lien.	CDC Loan: 10- or 20-year term fixed interest rate. Lender Loan: Unguaranteed financing may have a shorter term. May be fixed or adjustable interest rate	Fixed rate on 504 Loan established when the debenture backing loan is sold. Declining prepayment penalty for 1/2 of term.	The one-time guaranty fee that SBA is authorized to charge 504 borrowers will be reduced to zero in FY16. The annual fee is reduced to 0.914 percent (91.4 basis points) of the outstanding balance of the loan. Under the 504 Debt Refi Program, the total annual guaranty fee is 0.958% (95.8 basis points).	Alternative Size Standard: For-profit businesses that do not exceed \$15 million in tangible net worth, and do not have an average two full fiscal year net income over \$5 million. Owner Occupied 51% for existing or 60% for new construction. Under 504 Debt Refi Program requires business and commercial debt to be 2 years or older.	Low down payment - equity (10%-20%) (The equity contribution may be borrowed) Fees can be financed; SBA Portion. Long-term fixed rate Full amortization No balloons Refinance balloon notes
Community Advantage Mission focused lenders only. Expires 03/15/17	\$250,000	Same as 7(a)	Same as 7(a)	Same as 7(a)	Prime plus 6%	Same as 7(a)	Same as 7(a)	Same as 7(a) Plus lenders must be CDFIs, CDCs or micro-lender targeting underserved market
Non-7(a) Loans Loans through nonprofit lending organizations; technical assistance also provided.	\$50,000	Not applicable	Purchase machinery & equipment, fixtures, leasehold improvements; finance increased receivables; working capital. Cannot be used to repay existing debt.	Shortest term possible, not to exceed 6 years	Negotiable with intermediary Subject to either 7.75 or 8.5% above intermediary cost of funds.	No guaranty fee	Same as 7(a)	Direct loans from nonprofit intermediary lenders; Fixed-rate financing; Very small loan amounts; Technical assistance available

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