

# SBA Lending

## ABC Bank SBA Loans



### ABC Bank SBA Loans

Program Guideline	SBA 7(a) Term Loan	SBAExpress	SBA 504 Term Loan
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>For profit businesses</li> <li>Must qualify as a small business according to SBA guidelines</li> <li>Size varies by industry type</li> </ul>	<ul style="list-style-type: none"> <li>Same as 7(a)</li> </ul>	<ul style="list-style-type: none"> <li>Existing for profit businesses</li> <li>Net worth not more than \$6MM, net profits after taxes not more than \$2MM</li> <li>1 job created for every \$50,000 in SBA loan funds</li> </ul>
<b>Minimum/Maximum Loan Size</b>	<ul style="list-style-type: none"> <li>No minimum loan amount</li> <li>SBA loan guaranty cannot exceed \$1,500,000</li> <li>Maximum loan size is \$2,000,000</li> </ul>	<ul style="list-style-type: none"> <li>No minimum loan amount</li> <li>Maximum loan amount \$350,000</li> </ul>	<ul style="list-style-type: none"> <li>Loans from \$150,000 to \$3,000,000 (\$250,000 for special purchase real estate)</li> <li>Maximum SBA loan \$1,000,000 (up to \$1,300,000 in rural areas or for mfg companies)</li> </ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>Land</li> <li>Buildings</li> <li>Machinery &amp; Equipment</li> <li>Purchase Business</li> <li>Inventory</li> <li>Furniture &amp; Fixtures</li> <li>Working Capital</li> </ul>	<ul style="list-style-type: none"> <li>Same as 7(a)</li> </ul>	<ul style="list-style-type: none"> <li>Land</li> <li>Buildings (new purchase, new construction, or renovation)</li> <li>Machinery &amp; Equipment (minimum useful life of 10 years)</li> </ul>
<b>Financing</b>	<ul style="list-style-type: none"> <li>Provided by the Bank</li> <li>SBA provides an 85% guaranty to the Bank on loan amounts less than or equal to \$150,000</li> <li>SBA provides a maximum 75% guaranty to the Bank on loan amounts greater than \$150,000</li> </ul>	<ul style="list-style-type: none"> <li>Provided by the Bank</li> <li>SBA provides a 50% guaranty</li> </ul>	<ul style="list-style-type: none"> <li>50% financed by the Bank</li> <li>40% SBA loan through Certified Development Company</li> <li>10% borrower injection (Increased injection required on new businesses or special purpose real estate)</li> </ul>
<b>Collateral</b>	<ul style="list-style-type: none"> <li>SBA requires the Bank take a first secured interest in business assets and/or mortgage on real estate</li> </ul>	<ul style="list-style-type: none"> <li>Same as 7(a)</li> </ul>	<ul style="list-style-type: none"> <li>Bank holds first mortgage on real estate, or first secured interest in equipment &amp; machinery</li> <li>SBA holds second mortgage on real estate, or second secured interest in equipment &amp; machinery</li> </ul>
<b>Loan Terms</b>	<ul style="list-style-type: none"> <li>Working Capital – up to 7 years</li> <li>Equipment – up to 10 years (or useful life)</li> <li>Real Estate – up to 25 years</li> </ul>	<ul style="list-style-type: none"> <li>Revolving line of credit – up to 7 years</li> <li>Term loan – up to 7 years</li> </ul>	<ul style="list-style-type: none"> <li>ABC Bank loan – minimum 10 years on Real Estate; 7 years on Machinery &amp; Equipment</li> <li>SBA loan – 20 years Real Estate; 10 years Machinery &amp; Equipment</li> </ul>

CONTINUED ON BACK



## ABC Bank SBA Loans

Program Guideline	SBA 7(a) Term Loan	SBAExpress	SBA 504 Term Loan
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>Rates can be fixed or variable</li> <li>Negotiated within SBA guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Rates can be fixed or variable</li> <li>Negotiated within SBA guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Negotiated rate between borrower and Bank (fixed or variable)</li> <li>SBA loan – below market fixed interest fixed payment, loan rate set when debenture is sold</li> </ul>
<b>Loan Fees</b>	<ul style="list-style-type: none"> <li>SBA charges a 2% fee on guaranteed amounts less than or equal to \$150,000</li> <li>3% on guaranteed amounts more than \$150,000 and up to \$700,000.</li> <li>3.5% on guaranteed amounts \$700,000 up to \$1,000,000</li> <li>0.25% on guaranteed amounts greater than \$1,000,000</li> </ul>	<ul style="list-style-type: none"> <li>SBA charges a 2% fee on guaranteed amounts less than or equal to \$150,000</li> <li>3% on guaranteed amounts more than \$150,000 and up to \$350,000</li> </ul>	<ul style="list-style-type: none"> <li>ABC can charge normal fees on Bank loan</li> <li>SBA fees are included in debenture pricing (generally around 3% of SBA loan)</li> <li>One-time participation fee due from Bank at SBA closing: 0.5% of total senior participated financing</li> </ul>
<b>Penalties</b>	<ul style="list-style-type: none"> <li>Prepayment penalty on loans with terms of 15+ years</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Prepayment penalty charged – calculated on remaining loan term</li> </ul>
<b>Underwriting Requirements</b>	<ul style="list-style-type: none"> <li>Personal guaranties by all owners of 20% or more</li> </ul>	<ul style="list-style-type: none"> <li>Same as 7(a)</li> </ul>	<ul style="list-style-type: none"> <li>Personal guaranties by all owners of 20% or more</li> <li>Life insurance on business principals in amount of SBA loan</li> <li>Adequate business collateral, or personal assets securing personal guaranty</li> </ul>
<b>Approval Process</b>	<ul style="list-style-type: none"> <li>Eligible for Preferred Lender Processing</li> <li>Credit approved by SBA Lending Department</li> </ul>	<ul style="list-style-type: none"> <li>Eligible for Preferred Lender Processing</li> <li>Credit may be approved by Banker or SBA Lending</li> <li>Program eligibility by SBA Lending</li> </ul>	<ul style="list-style-type: none"> <li>Eligible for Designated Lender Processing</li> <li>Credit approved by SBA Lending</li> <li>Credit approved by Certified Development Company and submitted to SBA</li> <li>SBA approval takes 8-12 weeks</li> </ul>