



U.S. Small Business
Administration

SBA Lending

Leverage the SBA Guaranty



With SBA-guaranteed loans, you:

- Minimize your risk
- Expand your presence
- Penetrate new markets
- Have customers for life
- Access to secondary market

For the borrower:

- Can obtain loan without as large of a down payment , or as much collateral on-hand
- Good interest rates & longer terms
- No balloon payments or “demand clauses”

SBA Loan Programs

- SBA 7(a) Guaranteed Loan Program
- PLP Guaranteed Loan Program
- SBA Express Loan Program
- Cap Lines Program
- SBA Export Express Loan Program
- 7(a) Small Loans Program
- SBA Section 504 Loan Program

- SBA Express Bridge Loan Pilot Program – Effective 3/25/2020
- SBA Economic Injury Disaster Loans – Coronavirus COVID-19 Loans

Standard 7(a)

Maximum loan amount	\$5 million
Maximum SBA guarantee %	85% for loans up to \$150,000 and 75% for loans greater than \$150,000
Interest rate	Lenders and borrowers can negotiate the interest rate, but it may not exceed the SBA maximum
Eligibility decision	By the SBA. Qualified lenders may be granted delegated authority (PLP) to make eligibility determinations without SBA review.
SBA turnaround time	5-10 business days
Forms	SBA Form 1919 and SBA Form 1920 are required for every loan (other SBA Forms may be required)
Collateral	Lenders are not required to take collateral for loans up to \$25,000. For loans in excess of \$350,000, the SBA requires that the lender collateralize the loan to the maximum extent possible up to the loan amount. If business fixed assets do not “fully secure” the loan the lender may include trading assets (using 10% of current book value for the calculation), and must take available equity in the personal real estate (residential and investment) of the principals as collateral.
Credit decision	By the SBA. Qualified lenders may be granted delegated authority (PLP) to make credit decisions without SBA review.

7(a) Small Loan

Maximum loan amount	\$350,000
Maximum SBA guarantee %	85% for loans up to \$150,000 and 75% for loans greater than \$150,000
Interest rate	Lenders and borrowers can negotiate the interest rate, but it may not exceed the SBA maximum
Eligibility decision	By the SBA. Qualified lenders may be granted delegated authority (PLP) to make eligibility determinations without SBA review.
SBA turnaround time	5-10 business days
Forms	SBA Form 1919 and SBA Form 1920 are required for every loan (other SBA Forms may be required)
Collateral	Lenders are not required to take collateral for loans up to \$25,000. For loans over \$25,000, up to and including \$350,000, the lender must follow the collateral policies and procedures that it has established and implemented for its similarly-sized non-SBA-guaranteed commercial loans, but at a minimum the lender must take a first lien on assets financed with loan proceeds and lender must take a lien on all of the applicant's fixed assets including real estate. Lender is not required to take a lien against applicant's real estate when the equity is less than 25% of the fair market value. The lender may limit the lien taken against real estate to the loan amount.
Credit decision	By the SBA. Qualified lenders may be granted delegated authority (PLP) to make credit decisions without SBA review.

SBA Express

The SBA Express program features an accelerated turnaround time for SBA review. The SBA will respond to your application within 36 hours.

Maximum loan amount	\$350,000
Maximum SBA guarantee %	50%
Interest rate	Lenders and borrowers can negotiate the interest rate, but it may not exceed the SBA maximum
Eligibility decision	Made by the lender
Revolving lines of credit	Up to seven years with maturity extensions permitted at the outset
SBA turnaround time	Within 36 hours
Forms	Lender primarily uses own forms and procedures, plus SBA Form 1919
Collateral	Lenders are not required to take collateral for loans up to \$25,000. May use their existing collateral policy for loans over \$25,000 up to \$350,000.
Credit decision	Made by the lender
Purchase	Lender may request expedited SBA purchase on small loans or in situations where liquidation may be delayed

Export Express

The Export Express program provides exporters and lenders a streamlined method to obtain SBA-backed financing for loans and lines of credit up to \$500,000. Lenders use their own credit decision process and loan documentation. The SBA will respond to your application within 24 hours.

Maximum loan amount	\$500,000
Maximum SBA guarantee %	90% for loans of \$350,000 or less, 75% for loans more than \$350,000
Interest	Lenders and borrowers can negotiate the interest rate, but it may not exceed the SBA maximum
Eligibility decision	Made by the lender
Revolving lines of credit	May not exceed seven years
SBA response time	24 hours
Forms	Lender primarily uses own forms and procedures, plus SBA Form 1919, Borrower Information
Collateral	Lenders follow collateral policies and procedures that the lender has established for its non-SBA-guaranteed loans
Credit decision	Made by the lender

Export Working Capital

Export Working Capital loans are for businesses that can generate export sales and need additional working capital to support these sales. Lenders review and approve applications and submit the request to the U.S. Export Assistance Center location servicing the exporter's region.

Maximum loan amount	\$5 million
Maximum SBA guarantee %	90%
Interest	Lenders and borrowers negotiate the interest rate and there is no SBA maximum interest rate limit.
Eligibility decision	By the SBA. Qualified lenders may be granted authorization to make eligibility decisions.
Revolving lines of credit	Terms of 12 months or less
SBA turnaround time	5-10 business days
Forms	SBA-EIB 84-1, plus attachments
Collateral	Export-related inventory and receivable generated by export sales financed with EWCP funds. The SBA also requires personal guarantee of owners with 20% or more ownership.
Credit decision	Made by the SBA

CAPLines

CAPLines is an umbrella program that helps small businesses meet their short-term and cyclical working-capital needs. It features four lines.

- **Seasonal CAPLine:** Borrowers must use the loan proceeds solely to finance the seasonal increases of accounts receivable and inventory — or in some cases associated increased labor costs. It can be revolving or non-revolving.
- **Contract CAPLine:** This line finances the direct labor and material cost associated with performing assignable contracts. It can be revolving or non-revolving.
- **Builders CAPLine:** This line can finance direct labor and material costs for a small general contractor or builder constructing or renovating commercial or residential buildings. The building project serves as the collateral, and loans can be revolving or non-revolving.
- **Working CAPLine:** This is an asset-based revolving line of credit for businesses unable to meet credit standards associated with long-term credit. It provides financing for cyclical growth, recurring and/or short-term needs. Repayment comes from converting short-term assets into cash, which is remitted to the lender. Businesses continually draw from this line of credit, based on existing assets, and repay as their cash cycle dictates. This line generally is used by businesses that provide credit to other businesses. Because these loans require continual servicing and monitoring of collateral, additional fees may be charged by the lender.

With the exception of the Builders CAPLine, the maximum maturity on a CAPLine loan is 10 years. Builders CAPLine loans must not exceed five years. Holders of at least 20 percent ownership in the applicant business are required to guarantee the loan.

Loan program	Loan size	Interest rate	Maturity	Use of proceeds
7(a) loan	\$50,000 - \$5 million	Negotiated between borrower and lender	<ul style="list-style-type: none"> •Up to 25 years for real estate •Up to 10 years for business acquisition, equipment •5-7 years for working capital •Weighted average for mixed-use requests 	<ul style="list-style-type: none"> •Purchase machinery, equipment, supplies, furniture, fixtures •Make lease-hold improvements, expand or renovate facilities •Purchase permanent working capital, inventory •Acquire a business •Start a business •Acquire land and build a location •Refinance certain existing debt
CDC/504 loan	\$25,000 - \$5.5 million	Fixed interest	<ul style="list-style-type: none"> •20 years for real estate •10 years for equipment 	<ul style="list-style-type: none"> •Purchase or renovate capital assets (land, buildings, equipment) •Refinancing permitted
Microloan	Maximum of \$50,000	Negotiated between borrower and intermediary	No more than 6 years	<ul style="list-style-type: none"> •Purchase working capital •Purchase furniture, fixtures, supplies, materials, equipment
Community Advantage	Maximum of \$250,000	Maximum of Prime +6%	<ul style="list-style-type: none"> •Up to 25 years for real estate •Up to 10 years for business acquisition, equipment •5-7 years for working capital •Weighted average for mixed-use requests 	<ul style="list-style-type: none"> •Purchase machinery, equipment, supplies, furniture, fixtures •Make lease-hold improvements, expand or renovate facilities •Purchase permanent working capital, inventory •Acquire a business •Start a business •Acquire land and build a location •Refinance certain existing debt

SBA Express Bridge Loan Pilot Program

Effective Date = 3/25/2020

What Lenders are authorized to make an EBL Loan?

EBL loans can only be made by SBA Express Lenders that had a valid SBA Form 2424, “Supplemental Loan Guaranty Agreement SBA Express Program,” in effect as of the date of the applicable disaster. (For the COVID-19 Emergency Declaration, the date of the applicable disaster is March 13, 2020.)

SBA Express Lenders may only make EBL loans to eligible small businesses with which the Lender had an existing banking relationship on or before the date of the applicable disaster.

- A relationship with any of the SBA Express Lender’s affiliates will not satisfy the requirement of an existing banking relationship.

EBL loans may only be made to:

For Presidential Disaster Declarations, small businesses that were located, as of the date of the applicable disaster, in Primary Counties that were declared disaster areas under the Presidential Disaster Declaration or in any Contiguous Counties; or For the COVID-19 Emergency Declaration, small businesses located in any state, territory and the District of Columbia that have been adversely impacted by the COVID-19 emergency.

The EBL Pilot Program applies the SBA Loan Program Requirements (as defined in 13 CFR §120.10) in place for the SBA Express program, except as outlined in this Guide. As such, SBA and procedures used for their similarly-sized, non-SBA guaranteed commercial loans. In addition to the specific eligibility requirements for EBL loans, SBA Express Lenders are expected to be fully familiar with SBA’s eligibility requirements for SBA Express loans as set forth in SBA Loan Program Requirements

As with all 7(a) loans, EBL applicants must demonstrate the need for the desired credit (i.e., they must meet the SBA’s “credit elsewhere” requirements). The Lender must certify on the SBA Form 1920, “Lender’s Application for Loan Guaranty,” that the EBL applicant does not have the ability to obtain some or all of the requested loan funds on reasonable terms from non-Federal sources, including the Lender, without SBA assistance, and requires the Lender to fully document the basis for that determination in its loan file. Failure of the Lender to adequately address the EBL applicant’s need for the desired credit may result in SBA denying liability on the guaranty.

SBA Express Bridge Loan Pilot Program

- Eligibility period. For Presidential Disaster Declaration loans, Lenders may only obtain SBA loan numbers for EBL loans in a particular disaster area for a period of 6 months from the date of the applicable Presidential Disaster Declaration. For COVID-19 Emergency Declaration loans, Lenders may obtain SBA loan numbers for EBL loans through March 13, 2021.
- An EBL applicant (including affiliates, as defined in 13 CFR §121.301(f)) may obtain only one EBL loan per Declaration.
- Maximum loan amount: The maximum gross loan amount under the EBL Pilot Program is \$25,000.
- Maximum guaranty percentage. For an EBL loan, the SBA guaranty percentage is limited to the maximum guaranty percentage for SBA Express loans. The guaranteed amount of an EBL loan will count towards the maximum SBA exposure that may be outstanding for all SBA loans to a borrower and its affiliates at any one time.
- The maximum EBL loan term is 7 years.
- The Lender may require the EBL borrower to pay the EBL loan in part or in full if the borrower is approved for long-term disaster financing (including an SBA Direct Disaster loan) that allows loan proceeds to be used for EBL loan reimbursement; or
- The Lender may permit the loan to amortize over a maximum term of 7 years if the borrower does not obtain long-term disaster financing.
- Because an EBL loan is limited to \$25,000, a Lender may charge up to 6.5% over the Prime rate, regardless of the maturity of the loan.
- For variable rate loans, a Lender may use the same base rate of interest it uses on its similarly-sized, non-SBA guaranteed commercial loans; however, the interest rate throughout the term of the loan cannot exceed the maximum SBA Express interest rate allowed of Prime + 6.5%.
- All EBL loans are subject to the same upfront guaranty fees as required for 7(a) loans of similar size and maturity

U.S. SMALL BUSINESS ADMINISTRATION FACT SHEET – ECONOMIC INJURY DISASTER LOANS

Incident: CORONAVIRUS (COVID-19)

Application Filing Deadline: December 21, 2020

Disaster Loan Assistance Available:

Economic Injury Disaster Loans (EIDLs) – Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period.

Credit Requirements:

- Credit History – Applicants must have a credit history acceptable to SBA.
- Repayment – Applicants must show the ability to repay the loan.
- Collateral – Collateral is required for all EIDL loans over \$25,000. SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available.

Interest Rates:

The interest rate is determined by formulas set by law and is fixed for the life of the loan. The maximum interest rate for this program is 3.750 percent.

Loan Terms:

The law authorizes loan terms up to a maximum of 30 years. SBA will determine an appropriate installment payment based on the financial condition of each borrower, which in turn will determine the loan term.

Loan Amount Limit:

The law limits EIDLs to \$2,000,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit. SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates. If a business is a major source of employment, SBA has the authority to waive the \$2,000,000 statutory limit.

Loan Eligibility Restrictions:

Noncompliance – Applicants who have not complied with the terms of previous SBA loans may not be eligible. This includes borrowers who did not maintain required flood insurance and/or hazard insurance on previous SBA loans.

Note: Loan applicants should check with agencies / organizations administering any grant or other assistance program under this declaration to determine how an approval of SBA disaster loan might affect their eligibility.

Refinancing:

Economic injury disaster loans cannot be used to refinance long term debts.

Insurance Requirements:

To protect each borrower and the Agency, SBA may require you to obtain and maintain appropriate insurance. By law, borrowers whose damaged or collateral property is located in a special flood hazard area must purchase and maintain flood insurance. SBA requires that flood insurance coverage be the lesser of 1) the total of the disaster loan, 2) the insurable value of the property, or 3) the maximum insurance available.

Applicants may apply online, receive additional disaster assistance information and download applications at <https://disasterloan.sba.gov/ela>. Applicants may also call SBA's Customer Service Center at (800) 659-2955 or email disastercustomerservice@sba.gov for more information on SBA disaster assistance. Individuals who are deaf or hard-of-hearing may call (800) 877-8339. Completed applications should be mailed to U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

Lifecycle of an SBA Express Loan

- 1) Lender receives bank's loan application from customer
- 2) Lender underwrites loan (either traditional underwriting or credit scoring)
- 3) Lender determines an SBA guaranty is needed in order to approve the loan
- 4) At this point a Lender may issue a commitment letter to borrower (as applicable)
- 5) Lender gives customer SBA Form 1919 to complete and 4506
- 6) Lender reviews completed 1919 and prepares SBA Form 1920
- 7) If any issues arise on the 1919 or 1920, Lender attempts to resolve prior to approval. (Form 912, citizenship, credit elsewhere test, affiliation, prior loss (CAIVRS), conflicts of interest, EPC/OC, change of ownership, debt refinancing, etc.)
- 8) Once all potential issues are resolved with customer and it is determined the loan is eligible to receive an SBA guaranty, Lender looks to obtain SBA loan number.

Lifecycle of an SBA Express Loan, cont'd

- 9) Lender inputs loan information, using SBA Form 1920, into E-Tran or SBA One and obtains SBA loan number
- 10) Lender prepares SBA Express authorization
- 11) Lender issues commitment letter to customer, post approval (as applicable)
- 12) Lender prepares all required closing documents (note, guaranty, standby agreement, insurance certificates, borrower certifications, etc.)
- 13) Lender insures that all conditions contained in the SBA Express Authorization have been met
- 14) Lender schedules loan closing (if loan closing is > 90 days from date of SBA loan approval, guaranty fee must be remitted to SBA by the Lender and reimbursed to Lender by customer at closing)
- 15) Lender closes loan and disburses funds according to SBA Authorization. The use of SBA Form 1050 – Settlement Sheet is not required under Express
- 16) Lender begins to service the loan according to their credit policies for their same or similar sized non-SBA loans. See SOP 50-57 (2), effective date 12/1/2015.

SBA Form 1919

- ✓ Please make sure the form is COMPLETELY filled out.
- ✓ All boxes are checked and/or filled in.
- ✓ Requested attachments are actually attached.

SBA Form 1919

Who has to complete Section II?

Who fills it out –

- 20% or more owners of the business
- Officers and directors
- Key employees
- Trustor

Who does not fill out –

- Non-owner guarantors

So, all the individuals or entities listed as owners in Section I may not have to fill out their own Section II. However, because you are required to do a CAIVRS on ALL owners, you will need to get SS#/Tax Id# on those who do not fill out Section II.

SBA Form 1919, cont'd

SBA Form 1919 does not actually have to be received by the lender prior to funding a loan in SBA's system. It can be a closing item. When you receive the 1919 and an issue arises you just cancel the loan. However, unless you are very experienced in SBA lending and capture a lot of needed information on your own application I would not recommend taking that approach.

When the 1919 is returned by the borrower, review it to make sure it is filled out completely and needed additional information is attached.

Make note of how the questions were answered so you can determine what items need further investigation. Some items that need to be reviewed are:

- Affiliation
- Franchises
- Previous federal loan/prior loss
- Charge/convicted of crime
- Conflict of Interest
- Citizenship

SBA Form 1919, cont'd

Affiliation – Two step process; 1) Determine if associated businesses are considered affiliates (common ownership), and 2) If affiliates, you need to get financial information on affiliates so your size determination can be properly done

Franchises – If the business is a franchise, check SBA Franchise Directory to see if they are approved and which addendum they need to execute

Previous federal loan/prior loss – You are required to pull a CAIVRS on all owners of a business, irrespective of their percentage of ownership. Issues can arise if they disclose something but CAIVRS doesn't show it, or vice versa. Resolve all discrepancies

SBA Form 1919, cont'd

Charge/convicted of crime – If they answer yes to any of the questions, SBA Form 912 is needed. If on parole/probation, not eligible. If convicted of a crime, follow SBA 912 guidelines. (May need fingerprints and investigation by FBI).

Conflicts of Interest – Eligibility and delivery method can be impacted if they are SBA employee, former SBA employee, federal employee, or associated with SCORE

Citizenship – US citizen, no issues. Verified Legal Permanent Resident (LPR, a/k/a “green card”), no issues. Verified something else, probably but with additional conditions which are very difficult to overcome. Must be “cleared” by US Immigration.

Underwriting Issues

Credit Not Available Elsewhere Test – All lenders are required to document their credit file with the reason why they are coming to SBA (why credit is not available conventional). If you don't do this you will lose your guaranty. This is part of eligibility. Without the discussion of credit elsewhere the loan will be considered available conventional and not SBA eligible. SBA made some changes to this statute (13 CFR 120.101) effective 1/1/2018 with the new SOP 50-10 (5) (J) and Policy Notice 17057 effective 4/3/2018.

Common reasons for SBA guarantee – Collateral shortfall, Industry type, Start-up business, Credit Score, different loan terms than loan policy i.e. longer repayment term or interest rate

Underwriting Issues

Change of Ownership – Biggest things to look for in Purchase Agreement is; 1) are sellers completely divesting themselves from the business, 2) can the purchase price increase in time if certain performance measure are met by buyer (earnout clauses). These are not permitted.

Business valuation must be engaged by the lender. We cannot accept a valuation done by the buyer or seller. In-house valuation may be prepared if loan/purchase price is under \$250M.

Recent changes in our rules regarding equity and seller debt can make change of ownership loans more difficult. New equity requirements for full and partial changes ownership require cash equity. Policy Notice 17057 made additional changes to the change in the new SOP 50-10(5)(J). Luckily, Express loans are not subject to these new equity requirements.

Underwriting Issues

Debt Refinancing – Please review SBA’s policies on debt refinancing. The question that needs to be answered is “Is this loan on unreasonable terms” If the answer is yes, you can refinance. If the answer is no, you cannot. A lender must justify debt refinancing in its credit memo using the reasons identified in the SOP only. Please document your file.

In debt refinancing, make sure you have copies of the notes being refinanced that includes repayment terms. All collateral securing the loan with the original lender must be used to secure the refinanced loan.

Lenders can refinance its own debt under Express but its exposure cannot go down. Ex: current loan is \$25M. Proposed loan is \$50M. With a a 50% SBA Express, the lender’s exposure is still \$25M. If the proposed loan was an increase to \$40M, the loan would be ineligible as the lender’s exposure would decrease to \$20M.

Underwriting Issues

Repayment Ability – Credit scoring is permitted under express, it just cannot be solely based off consumer credit score. CASH is king for SBA. The business must cash flow!

Collateral – Lenders use their own collateral policies. Loans of \$25,00 or less can be unsecured.

Interest Rate – Express different than regular loans

Maturity – LOC's have new maturity policy. Term out of balance can not be less than the draw period. i.e. 60 months revolving/60 months repayment is eligible. 60 months revolving/36 months repayment would not be eligible.

Life Insurance – lender uses their own policies

Hazard Insurance – Lenders can waive hazard insurance if they don't normally take it for loans of this size. Document your file

Fees – loans of \$125,000 or less have no fee. 2% up to \$150,000, 3% up to \$350,000. The fee waiver for loans of \$125,000 or less may go away in FY19.

Equity – lenders use their own equity requirements.

Loan Closing

Express loans have a separate, condensed Loan Authorization. Lenders are permitted to use their own Notes and Guaranty forms if they so choose. Notes and Guaranty forms much contain specific SBA language as outlined in the SOP.

All lien instruments (mortgages and security agreements) much contain specific SBA language as outlined in the SOP

You do not need to use SBA Form 1050 - Settlement Sheet for express loans.

Express lenders must obtain all required borrower certifications. It is strongly recommended that you use the Borrowers Certification sheet that is attached to standard loan authorizations. It contains all the current certifications needed, except for the CAIVRS notification, which you should add.

Contacts - Eligibility

- To determine if you qualify for any of the available SBA loan programs, please contact your local lender.
- If your local lender is an SBA certified lender – they will be able to assist.
- If unsuccessful, please contact Genesee County Economic Development Center (GCEDC) for additional assistance.
 - Chris Suozzi, VP, 585-409-1301, csuozzi@gcedc.com
 - Jim Krencik, Director Marketing, 716-696-0703, jkrencik@gcedc.com
 - Steve Hyde, CEO, 585-409-8852, shyde@gcedc.com