

## LENDING INSIGHTS

## Commercial &amp; Industrial SBA 7a Loans

## SBA 7a Loans | Designed for Small Business Finance

Leveraging **Osaic CapitalHub**, powered by *Community Capital*, the Capital Solutions Team can help clients find SBA 7a financing for their small businesses needs.

SBA 7a Loan Terms	
Variable	Typical Terms
\$ Amounts	Range from ~\$250K to \$5MM per entity <i>(max. of \$15MM for related businesses)</i>
Interest Rate Type	Floating Rate, typically
Interest Rate Base	Prime
Loan Type	Term Loan or Line of Credit
Collateral	All corporate assets
Loan Term	Up to 10 years
Loan-to-Value	Up to 90% of project cost
Debt Service Coverage Ratio	1.25x or higher
Personal Guaranties	Required of owners
Loan Fees	Can vary by lender

An SBA 7a ("7a") loan is a special type of Commercial and Industrial (C&I) Loan. Banks and other lenders underwrite SBA 7a loans, but the ultimate approval of the loan is by the U.S. government, which guarantees a portion of it. The 7a lending program was created by the government to ensure loan availability to small business owners across the country. While most banks can originate 7a loans, it ideal to work with an experienced SBA 7a lender familiar with the program's requirements.

Typically, 7a loans have variable interest rates, are secured by all assets of a company, and require personal guarantees from the business owners.

Small business owners find the 7a program attractive because it will finance up 90% of project costs vs. 75% of value for a traditional C&I loan. While the documentation process can be time consuming for a business owner, the approval process for a 7a loan is quite predictable.

To ensure approval, it is imperative for *all owners* of the business to have "clean" personal credit (high FICO score, no bankruptcy history, no tax/criminal legal issues).

#### Key Questions for Clients Interested in SBA 7a Lending

- Does the client have experience with 7a Lending?
- What is the loan purpose & \$ amount?
- What is the client's timeline for loan closing?
- Does the client need help preparing an underwriting package to share with a potential lender?

#### Typical SBA 7a Loan Underwriting Needs

- 3-years of company financial statements
- Personal financial statement for the guarantor(s)
- 3-years of tax returns for the guarantor(s) (incl. K-1s)
- Information on assets to be financed
- Corporate Articles of Incorporation & By-Laws