

Guide for the SBA 7(a) Loan Program

WHAT IS THE 7(a) LOAN PROGRAM?

Financing designed to promote small business formation and growth by guaranteeing long term loans to qualified firms.

WHO CAN QUALIFY?

Most for profit, owner occupied small businesses in the U.S. with a net worth less than \$8.5 million and net profit after tax (2 year average) of no more than \$3.0 million.

ELIGIBLE USE OF FUNDS

- Owner occupied real estate - purchase, refinance, expansion and construction
- Purchase of machinery, equipment, furniture & fixtures
- Business acquisitions
- Inventory
- Working capital
- Debt refinance - eligibility restrictions apply
- Tenant improvements

INELIGIBLE USE OF FUNDS

- Non-profit
- Speculation
- Investments

BENEFITS FOR BORROWERS

- SWS, FSB will finance up to 90% of the project on multi purpose commercial real estate
- Low equity contribution helps preserve working capital
- Fully amortizing loans
- Some soft costs may be rolled into the project financing

OCCUPANCY

- 51% for existing facilities/buildings (renovations and expansions are eligible)
- 60% for ground up construction projects (should occupy 80% within 10 years)

LOAN SIZE

- \$250,000 - \$5,000,000 (total project cost)

TERMS

- Up to 25 years on commercial real estate
- Up to 10 years on equipment and business acquisitions
- Up to 7 years on working capital
- Fully amortized over life of loan (no balloon)

LOAN TO VALUE

- Up to 90%

INTEREST RATE

- Variable rate based on a spread over the WSJ Prime Rate

FEES

- One time SBA loan guarantee fee based upon the guaranteed amount
- No loan origination fee

BORROWER'S INJECTION

- Equity will start as low as 10% to 15% on commercial real estate

RECOURSE

- Personal guarantees required for all individuals owning 20% or more
- Corporate guarantees may be required for affiliated companies

SAMPLE PROJECTS FINANCED BY 7(a)

- Office buildings
- Medical clinics
- Franchises
- Restaurants
- Child/adult daycares
- Hotels/motels
- Car washes
- Dentists
- Printing/copying
- Movie theaters
- Pet daycares
- Funeral homes
- Suppliers/wholesalers
- Manufacturers
- Mini-storages
- Automotive services