



SBA informational Broker summary sheet for 2019

Below are a few of the changes and topics currently affecting SBA acquisition lenders

Actual SBA rules shown in **BOLD** below

1. SBA now only requires a minimum of 10% down payment for change of ownership loans (any seller portion contributing to this down payment **MUST** be on full stand by for the life of the loan).

At a minimum, SBA considers an equity injection of at least ten (10) percent of the total project costs (all costs required to complete the change of ownership, regardless of the source of funds) to be necessary for such transactions. Seller debt may not be considered as part of the equity injection unless it is on full standby for the life of the SBA loan and it does not exceed half of the required equity injection;

2. Business buyer licensing concern. SBA lenders are being notified that the SBA license requirement rules are to be followed more closely than in the past.

The lender must obtain all required collateral and must meet all other required conditions before loan disbursement, including obtaining valid and enforceable security interests in any loan collateral. These conditions include requirements identified in the credit memorandum, such as cash/equity injections, standby agreements, appraisals and business licenses.

3. SBA Does NOT require any seller to include a seller's promissory note for a change of ownership transaction to be financed.
4. HELOC (Home Equity Lines of Credit) ARE acceptable forms of buyer down payments provided the borrower has an outside source of HELOC repayment.
5. The spouse of a buyer does NOT have to personally guaranty an SBA loan provided they are not supporting the buyer (financially) and will NOT be involved in the new business post transaction.
6. Personally (borrower) owned real estate is NOT required to be taken for collateral purposes UNLESS it is shown to have over 25% equity.

SBA does not require a lender to collateralize a loan with real estate (including commercial, residential and investment properties owned by the applicant or personally owned by the owners) to meet the “fully secured” definition when the equity in the real estate is less than 25% of the property’s fair market value.

7. There is NO minimum collateral requirements for an SBA 7a acquisition loan.
8. Lenders were notified to explore all “key” employees to determine their roles and importance to the ongoing success of the business. If determined that they are critical to the operation of this business an additional SBA form 1919 will be required from that employee.

The purpose of this form is to collect information about the Small Business Applicant (“Applicant”) and its principals, the loan request, indebtedness, information about current or previous government financing, and certain other topics. The information also facilitates background checks as authorized by section 7(a)(1)(B) of the Small Business Act, 15 U.S.C. 636(a)(1)(B). This form is to be completed by the Applicant and all individuals identified below and *submitted to your SBA Participating Lender*. Submission of the requested information is required for SBA or the Lender to make a determination regarding eligibility for financial assistance. Failure to submit the information would affect that determination.

For more information on these or any other current SBA guidelines contact
Diamond Financial Services @ 888.238.0952 or www.EasySBA.com

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Diamond Financial closes 94% of accepted loan requests.

Basic SBA loan information for 2019

Frequently asked questions

1) What are the terms of an SBA loan?

- **Loan term maximum with no real estate included is 10 years**
- **Loan term maximum with real estate included is 25 years**

2) What are current interest rates?

- **The interest rate cannot exceed WSJ Prime +2.75%**
- **Current maximum interest rate is 8.25%**

3) What is the maximum possible loan amount?

- **Maximum loan amount for 7a and 504 loans is currently 5MM per borrower**

4) Is a business valuation required on all SBA financed acquisitions?

- **All SBA acquisitions over 250K will require an independent business valuation supporting the purchase price before closing. Under 250K the lender can perform the valuation internally.**

5) Is an equipment and machinery appraisal always required?

- **No, Equipment and machinery appraisals are subject to underwriting requirements**

6) What alternatives to SBA 7a are available for smaller transactions?

- **SBA Express lines of credit are available up to 350K with repayment terms up to 10 years**