



Your Partner In Lending STRATEGIES

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Underwriting for an SBA Guaranteed Loan

Working with various lenders, we see many different formats for credit underwriting. Some lenders are more in-depth by providing a thorough story of the project, including history & future. Some lenders are very simple, having only the very basics.

SBA clearly outlines in the [SOP 50 10](#) their underwriting guidelines, beginning on page 184. They expect lenders to adhere to prudent lending practices. Below are some points a lender should include in their credit analysis.

***History & Nature of the Business.** Discuss their product, service, target market, locations, seasonality, relationships with other businesses, affiliates, etc. Discuss the business plan, industry and economic outlook, pricing, quality of service, competition and any other relevant information.

***Owners, Managers, key employees.** Discuss their interest in the business, experience and role in the business. For those that will be required guarantors, analyze financial strength, credit history, personal cash flow, personal assets available for additional collateral if needed. Document Personal Resource Test required by SBA.

***Financial Statement Analysis.** (3 years of Historical and/or 2 years Projections)

- *Repayment Ability
- *Balance Sheet. Before & After Proposed Loan
- *Capitalization
- *Accounting Methods. LIFO or FIFO, Cash or Accrual, Billing Cycle and Terms
- *Shareholder debt, standby debt or subordinations
- *Ratio Analysis (discuss trends and industry comparisons also)
- *Source of Equity
- *Lender's Past/Present Credit Experience with Business and/or Industry

***Collateral Analysis.** Discuss available collateral, lien position and liquidation values, condition of collateral, source for valuing collateral and need for equipment appraisal. If there is a shortfall of collateral, discuss if other personal assets of guarantors are available to pledge.

EXAMPLE: Collateral Desc.	Value	Adv. Rate	Prior Lien	Liquidation Value
Comm. Real Estate	\$100k	75%	0	\$75k
Equipment	\$50k	50%	10k	\$15k
Inventory	\$25k	20%	0	\$5k
				TOTAL \$95k
			Collateral Coverage .95:1	Loan \$100k

**No other assets available to pledge... OR 2nd mortgage on guarantors home will be pledge in the amount of 1.5 times bringing of liquidation value of \$15k to fully secure the loan as required by SBA.*

***Sources & Uses.** Clearly outline the sources of monies for this project and the use of the proceeds, both loan proceeds and equity injection.

*Site Visit. Consistent with a lender's non-SBA guaranteed loans, discuss if applicable.

*Business subject to any Federal, State or Local citations or other actions that would preclude it from conducting normal business operations.

*Other relevant information. (ie. Franchise Success)

Lenders should paint a clear picture of the project in their credit presentation. The more information available, the more helpful it is to someone outside the credit to understand the project and how it will come together. This is especially true for those lenders submitting an application through the general process. The more information you have contained in your credit presentation the better understanding SBA will have, increasing your chances for a timely approval of your loan request.

SBA Base Rates

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SBA LIBOR Base Rate	3.19%
SBA FIXED Base Rate	5.41%
SBA Peg Rate	3.63%
WSJP Rate	3.25%

*SBA approved spreads apply

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