

Bank Term Loan Product Guide

Many small businesses are looking for a loan option that provides them with access to funds quickly, but from a trusted bank lender. A bank term loan from lenders in the SmartBiz network is a short-term, fixed-rate loan with stable monthly payments. Funds from these loans may be used in a multitude of ways to help a small business.

What are the benefits of a bank term loan?

- Offers between \$50,000 to \$300,000 in loan funding
- Your choice of 2, 3 or 5 year repayment terms
- Monthly repayments
- No prepayment penalties
- Fast loan funding (typically within two weeks)¹
- Fixed annual interest rate starting at 9.99%²
- Leniency on Use of Proceeds options
 - (term loans can support construction, remodeling and more)

What can a small business use funds on?

- General working capital
- Purchasing inventory
- Hiring employees
- Refinancing business debt
- Marketing
- Construction or remodeling
- Business acquisition/partner buyout

What industries are eligible?

From a hair salon to an online retailer to an accounting firm, there are many small businesses that are typically eligible for a bank term loan. While most industries are eligible, there are a few exceptions like gambling or real estate development.

Restricted industries include bail bonds, mining, and the cannabis industry, as well as real estate development and brokerage, and mortgage brokerage. Additional restricted industries are gambling, ground-up construction contractors, used car dealers, oil wildcatting, pawn shops, smoke shops, vape shops, liquor stores, and trucking.

Know your loan options

SBA loans typically offer lower interest and lower monthly payments, but may require more paperwork preparation and requirements. Bank term loans generally have shorter repayment terms but allow for faster delivery of funds.

There are several common ineligible uses of proceeds for this program:

- Start-up financing
- House-flipping or real estate development
- Refinancing personal debt
- Floorplan financing

Bank term loan general eligibility

Minimum 3 years in business

U.S. based business owned by a citizen or lawful permanent resident

FICO of 680 or higher

No outstanding tax liens

Minimum annual revenue requirement of \$250,000

Business must not have bankruptcies, or foreclosures in the last 3 years

No recent charge-offs or settlements

Business must have appropriate cash to support loan payments

Demonstrate liquidity on the business bank statements

Checklist for working capital loans

General eligibility

- 3 years in business (with corresponding tax returns)
- For-profit business
- Proceeds: working capital, debt refinance, equipment purchases¹
- Minimum annual revenue requirement of \$250,000
- Individuals owning 20% or more of business must be US citizens or legal permanent residents

Credit (for all individuals owning 20% or more of business)

- Good personal credit - minimum personal credit of FICO 680 Business credit score
- Public records search for business owners
- No bankruptcy in past 3 years
- No foreclosure in past 3 years
- No open tax liens or outstanding judgments

Cash Flow (cash flow analysis is calculated using these documents²)

- 2 years of business and personal tax returns
- YTD profit & loss and balance sheet
- Business debt schedule
- 6 most recent business bank statements

Information to gather before applying on behalf of your customer (Cash flow documents)

- 2 years of business and personal tax returns
- Business debt schedule
- Interim financials: profit & loss statement, balance sheet
- 6 most recent business bank statements

Barriers to fund (These are some items to watch out for that may lengthen time to fund or render a business ineligible)

- Declining revenue trends in borrowing business or affiliates
- Unfiled tax returns
- Criminal records
- Businesses or guarantors that are mid-litigation
- Undisclosed debt / UCC liens

Tips and information on getting funded³

What's the timeline to funding?

Our SBA loans usually take 4-6 weeks to fund. Bank Term loans and our line of credit options within our marketplace take an average of 2 weeks to fund.

Have your last two to three years of tax returns available at the time of applying:

SmartBiz Bank will use these figures to run their cash flow analysis; in addition, we'll need a Balance Sheet dated within 120 days, and an updated Profit and Loss Statement if your business is on a tax extension.

Prepare what you are planning to do with loan proceeds

A borrower who has specific ideas for their proceeds is usually more dedicated to the underwriting process, and these can also be vetted against SBA/lender eligibility requirements.

Do you rent or own your business location?

Packaging requirements change accordingly.

1. Loan proceeds cannot be used to refinance a short-term obligation created with the intent of refinancing it with a 7(a) loan.

2. We calculate global cash flow for guarantors. Recommend gross annual income of \$250,000.

3. The SmartBiz® Small Business Blog and other related communications from SmartBiz Bank® are intended to provide general information on relevant topics for managing small businesses. Be aware that this is not a comprehensive analysis of the subject matter covered and is not intended to provide specific recommendations to you or your business with respect to the matters addressed. Please consult legal and financial professionals for further information.