



SBA 7(a) Product Guide Checklist

You might have heard SBA loans are the gold standard for small business owners who want to expand. Funds from these loans can be used in a multitude of ways to help a small business.



SBA 7(a) loans from \$30,000 – \$500,000 can be used for debt refinancing and working capital.

You get great rates, long repayment terms, and low monthly payments with SBA loans. With a typical 10-year loan term and no prepayment penalty, the monthly payment on these loans is extremely competitive. In most cases, the only collateral required is a blanket lien on business assets and a personal guarantee.

SBA 7(a) general eligibility

Businesses that qualify for an SBA loan are typically profitable, cash flow positive, and able to show that they can afford to make the monthly loan payments.

Key requirements for loans from \$30,000 to \$500,000 include:

- ✓ Minimum 2 years in business
- ✓ U.S. based business owned by a citizen or lawful permanent
- ✓ Resident who is at least 21 years old
- ✓ FICO of 660 or higher
- ✓ GDSCR/BDSCR >1.15x
- ✓ Minimum annual revenue requirement of \$250,000
- ✓ No outstanding tax liens
- ✓ No bankruptcies or foreclosures in the past 4 years
- ✓ No recent charge-offs or settlements
- ✓ Current on government-related loans

What can a small business use funds on?

Eligible SBA 7(a) use of funds:

- ✓ General working capital
- ✓ Purchasing inventory
- ✓ Hiring employees
- ✓ Refinancing business debt
- ✓ Marketing

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

- ✓ Start-up financing
- ✓ House-flipping or real estate development
- ✓ Refinancing personal debt
- ✓ Construction or remodeling
- ✓ Business acquisition
- ✓ Floorplan financing
- ✓ Delinquent tax payment

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 an SBA 7(a) loan. While most industries are eligible, there are a few exceptions like gambling or real estate development.

Here is a list of ineligible businesses and industries:

- ✓ Agriculture or farming
- ✓ Lobbying activity or political activity
- ✓ Bail bonds
- ✓ Mining
- ✓ Private clubs
- ✓ Cannabis industry
- ✓ Mortgage servicing
- ✓ Real estate development
- ✓ Gambling
- ✓ Oil
- ✓ Wildcatting
- ✓ Religious teaching
- ✓ Lending oil exploration
- ✓ Residential buildings
- ✓ Life insurance
- ✓ Pawn shop or vape shops

*We conduct a soft credit pull that will not affect your credit score. However, in processing your loan application, the lenders with whom we work will request your full credit report from one or more consumer reporting agencies, which is considered a hard credit pull and happens after your application is in the funding process and matched with a lender who is likely to fund your loan.

General eligibility

- ✓ 2 years in business (with corresponding tax returns)
- ✓ For-profit business
- ✓ Proceeds: working capital, debt refinance, equipment purchases*
- ✓ Minimum annual revenue requirement of \$250,000
- ✓ Individuals owning 20% or more of business must be US citizens or legal permanent residents
- ✓ Individuals owning 20% or more of business cannot work for SBA and have no felonies
- ✓ The borrowing business must not have defaulted on any government-backed loans

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

- ✓ Good personal credit - minimum personal credit of FICO 660
- ✓ Business credit score (liquid credit) -155 or greater
- ✓ 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 documents)

- ✓ 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 (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 have 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

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

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

Tips to vet your client

What's your timeline to funding?

Our SBA loans usually take 4-6 weeks to fund and our Bank Term loans average 2 weeks. This is much faster than traditional bank lenders but not as fast as many short-term, high-interest lenders.

Have you filed business and personal taxes in the last 2-3 years?

SmartBiz will use these figures to run their cash flow analysis; in addition, we'll need an updated Profit and Loss Statement and Balance Sheet dated within 90 days.

What are you 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 requirement changes accordingly.

