

ALL SBA FINANCING IS NOT THE SAME. . . .

Most borrowers seek the more traditional SBA "bank" providers. As you may know, the SBA allows for three levels of provider: 1.) General Provider 2.) Credited Provider, 3.) Preferred Provider. Most banks are General Providers, often assembling the appropriate SBA paperwork then submitting the package for underwriting, allowing the decision-making process to lay within the SBA. Very few bank SBA providers have the experience or staff dedicated to being Preferred Providers, processing, underwriting and closing SBA backed paper. If you should be fortunate enough to locate a bank that is a Preferred Provider, the SBA parameters will be held to the limitation of the banks prevailing appetite of terms and conditions; meaning if the bank desires terms no greater than 10 to 15 year amortizations that will certainly limit cash-flow and subsequently limit approvals. Preferred Providers will allow longer amortizations up to 25 years and higher LTV's for more money and greater flexibility. With a bank SBA provider, if the borrower hits a period of hard times, and their financials fall from compliance, the bank may not extend terms, or worse, call the loan outright.

A PREFERRED PROVIDER CAN BE MORE CREATIVE . . .

Since many businesses sold are seller financed, Preferred SBA Providers will allow the seller to participate holding a second position to help the deal fly for cash-poor buyers. For projects short on real-estate collateral but long on experienced ownership and management, a creative Preferred Provider can arrange for monies to fund a buyout where technology or an experienced staff are key points of value.

MORE MONEY

Most banks that utilize SBA guarantees are limited to maximum dollars allowed to be extended. A Preferred Provider has the discretion to lend up to the current SBA maximum, and in some cases more with piggyback 2nds, to assist larger projects.

STARTUPS, CHOPPY CREDIT, COLLATERAL SHORTAGE, BACK-TAXES ???

Bank providers will often weigh their traditional underwriting appetites despite the additional security SBA guarantees provide. If a deal has weak spots, chances are a bank provider won't do it. While no lender is everything to everyone, choosing the right SBA lender with the right tolerance is critical to make the transition from seller to buyer as smooth as possible.