



# WELCOME TO SBA 101

CRESSIDA  
CAPITAL

# SBA 102 Week 2

## Agenda – Week 2

- Recap of Week 1 – Quiz
- Unlimited Fitness
- SBA 7a
- SBA 504
- Combo Loans
- Case Study – Best Western - Williamsburg, PA
- Pop Quiz
- Q & A

# Pop Quiz

- 1) The following loan requests are NOT eligible for SBA financing?
  - a. Church seeking financing for the church building in Chicago, IL
  - b. Distributor of auto parts seeking financing to purchase the warehouse it currently rents
  - c. Alaska-based manufacturer of furniture who sells its products inside the US and internationally seeking \$1,000,000 in equipment financing
  - d. Investor seeking financing for the purchase of a \$3,000,000 apartment building in Los Angeles, CA
  - e. Owner of a Denny's franchisee seeking \$750,000 for the improvement of one of his Denny's locations (he does NOT own the building)
- 2) **True or False**: SBA financing can be used to pay off IRS or property tax liens.
- 3) **True or False**: SBA financing can be used for cash out requests.
- 4) **True or False**: Foreign nationals without a green card are NOT eligible for SBA financing.
- 5) **True or False**: SBA financing can be used to pay off IRS or property tax liens.
- 6) **True or False**: SBA financing can be used for ground up construction financing.
- 7) **True or False**: A borrower who will occupy 25% of the building square feet but will occupy an additional 35% of the space within 12 months (current tenants are on month-to-month leases) IS eligible for SBA financing.
- 8) **True or False**: SBA financing can not be used to get out of a hard money / private money loan.

# Case Study – Unlimited Fitness

## Unlimited Fitness

- About the business
- About the borrowers
- Why was SBA the best financing option?
- Details on the SBA loan for this loan request
- Questions?

# Week 1 Recap

- For real estate, business must occupy 51% or more of the rentable space within 12 months of ownership
- SBA financing can also be used for non-real estate transactions such as: partner buy-out, business acquisition, business expansion, equipment.
- Nationwide financing available for for-profit businesses in most industries
- Questions?

# SBA Overview

- Purpose
- How it works – government guaranty, fees to cover defaults, etc.
- 2008 – 2012 financial crises
- Questions?

# SBA 7a

- How can a 7a loan be used?
- When can it not be used? Loan amount limitations?
- How is it different than the SBA 504?
- About the SBA 7a structure
- More about the SBA 7a guaranty and why banks like it
- Questions?

# SBA 504

- How can a 504 loan be used?
- When can it not be used?
- How is it different than the SBA 7a?
- A look at the SBA 504 structure – 50, 40, 10 and the CDC
- Questions?



# Case Study – Ramada Williamsburg

## Ramada Williamsburg

- About the business
- About the borrowers
- Why was SBA the best financing option?
- The loan structure – “Sources and Uses”
- Questions?

DESCRIPTION	TOTAL PROJECT	BORROWER	LOAN PROCEEDS
Purchase Commercial RE	\$3,907,000	\$877,600	\$3,029,400
Improvements PIP	\$415,000		\$415,000
Contingency	\$42,000		\$42,000
Case Goods	\$616,600		\$616,600
Fund Control Fee	\$10,316		\$10,316
SBA Guaranty Fee	\$116,609		\$116,609
Est. Closing Costs	\$15,075	\$10,000	\$5075
<b>TOTALS</b>	<b>\$5,122,600</b>	<b>\$887,600</b>	<b>\$4,235,000</b>
<b>FINANCING %</b>	<b>100%</b>	<b>17%</b>	<b>83%</b>

# Pop Quiz

- 1) The following loan requests are NOT eligible for SBA financing?
  - a. Gentlemen's Club seeking to refinance it's building in Las Vegas, NV
  - b. Canadian-based company with 7 offices in the US seeking heavy equipment financing
  - c. Borrower seeking to buy out his partner's ownership in 12 Subway franchises
  - d. Assisted living business owner seeking to purchase the building he currently rents
  - e. Residential mortgage lending business seeking financing to purchase an office building in which it will occupy 100% of the rentable space
- 2) **True or False:** SBA 504 financing is an option for both real estate and non-real estate transactions.
- 3) **True or False:** SBA 7a is an option for both real estate and non-real estate transactions.
- 4) **True or False:** For hospitality related businesses, SBA requires prior ownership or management experience before it will provide financing.
- 5) **True or False:** SBA 7a is an option for an owner-occupied real estate loan request for \$ 8.5m.
- 6) **True or False:** The SBA guaranty fee is put into an "insurance pool" to be utilized when SBA loan defaults occur.
- 7) **True or False:** In some instances the SBA guaranty fee can be waived.
- 8) **True or False:** The SBA 504 and 7a loans can be used together on one loan.

# Wrap Up

- Questions and/or comments?
- What was the most valuable part? Feedback...