



BUYER'S CHECKLIST FOR SBA FINANCING

This document is designed to help business buyers prepare for the SBA loan guarantee process and validate their ability to purchase a business. SBA requirements and limits change frequently and it is recommended you confirm the following statements with your Lender.

The SBA process is about 80% logical and 20% bureaucratic. We realize for most of our clients this is their first experience with SBA financing, and we have provided the following list to help assist in the process.

The following information is needed:

Last 3 years of complete personal Federal Tax Returns for all borrowers plus:

- 1) Personal Financial Statement on all borrowers that includes a list of all personal assets and liabilities.
- 2) Recent Credit Report score – Please go to www.myfico.com and purchase a credit report that includes your FICO score. We recommend that you use the Experian model.
- 3) A recent resume detailing your experience and how it will directly influence the successful operation of the business to be acquired.
- 4) An SBA Application which can be found at <http://www.sba.gov>.

Below are some frequently asked questions regarding the SBA process:

- **Rate & Term:** A lender, in accordance with SBA guidelines, cannot charge more than 2.75% over prime. The standard amortization for an SBA note is 10 years. While lenders will quote you a lower rate, it is extremely rare for a deal to actually FUND under 2.75% over prime.
- **SBA Fees:** The SBA (Government) charges a fee to guarantee 75% of the loan. This guarantee entices lenders to make a loan they would not normally make, such as a business acquisition loan. The guarantee fee varies between 1% and 3.5%.
- **Timing:** While many lenders will tell you that they can close an SBA loan in 30 days, a 30 day closing is a rare exception and not the rule. Count on 45 to 60 days. The more documentation you gather now, the better.



- Collateral: The SBA guidelines instruct the lender to secure all collateral available. This includes all real estate, and they will require a full personal guarantee by all borrowers. The lender will require a minimum down payment of 20% of the loan amount. (This is in addition to any amount the seller may carry) In most cases, the lender will require that the borrower have life insurance for the amount of the loan.