



# Preparing Your Business For Recovery

Webinar Content :

## SBA Debt Relief

## 7 (a) and Express Programs

A program of:



Our Presenters:

**incrediblebank**<sup>SM</sup>

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## Preparing your Business for Recovery

### Tools:

- SBDC Services
- SBA Micro
- SBA 7(a)
- SBA 504
- WEDC Programs

# incrediblebank<sup>SM</sup>

- \$1.5B bank founded in 1967
- HQ'd in Wausau, WI with 15 branches throughout WI and the Upper Peninsula
- America's first online community bank serving customers in all 50 states
- 44th largest SBA lender in the U.S.
- **Awards & Honors:**
  - America's Most Innovative Bank
  - ABA's National Community Commitment Award
  - Voted "Best Bank To Work For" four years in a row
  - WBA 2019 Banker of the Year Awarded to:
    - ❑ - Todd Nagel, President and CEO of IncredibleBank.

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# SBA 7(a) Loans

**The 7(a) program is an umbrella covering a wide variety of programs. Furthermore, each sub-program has its own specific terms, conditions, guaranty percentages and loan amounts.**

- Traditional 7(a)
- SBA Express Loans
- SBA Express Line of Credit
- Patriot Express
- Small Loan Advantage
- CAPLines for:
  - Working Capital
  - Builder Lines
  - Contract Financing
  - Seasonal Lines
- Community Advantage
- International Trade
- Export Express
- Dealer Floor Plan
- Small/ Rural Lender Adv Loan

# Most Common 7(a) Loans

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Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Who qualifies	Benefits
7(a) Loans	\$5 Million	85% guaranty for loans of \$150,000 or less; 75% guaranty for loans greater than \$150,000 (up to \$3.75 million maximum guaranty)	Term Loan. Expansion/renovation; new construction, purchase land or buildings; purchase equipment, fixtures, lease-hold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit, inventory	Depends on ability to repay. Generally, working capital & machinery & equipment (not to exceed life of equipment) is 5-10 years; real estate is 25 years.	Must be a for profit business & meet SBA size standards; show good character, credit, management, and ability to repay. Must be an eligible type of business.	Long-term financing; Improved cash flow; Fixed maturity; No balloons; No prepayment penalty (under 15 years)
SBA Express Loans	\$1 Million	50%	Same as 7(a)	Up to 7 years	Same as 7(a)	Fast turnaround; Streamlined process; Flexible terms
SBA Express Lines	\$1 Million	50%	Revolving line of credit	Up to 7 years total including revolving term. (example 2 yr / 5 yr)	Same as 7(a)	Fast turnaround; Streamlined process; Revolving function Flexible terms
CapLines: 1. Working Capital; 2. Contract ; 3. Seasonal; and 4. Builders CAPLines	\$5 Million	Same as 7(a)	Finance seasonal and/or short term working capital needs; cost to perform; construction costs; advances against existing inventory and receivables; consolidation of short-term debts. May be revolving.	Up to 10 years, except Builder's CAPLine, which is 5 years	Same as 7(a)	1. Working Capital -Revolving Line of Credit (LOC) 2. Contract - can finance all costs (excluding profit). 3. Seasonal - Seasonal working capital needs. 4. Builder - Finances direct costs with building a commercial or residential structure
Small Loan Advantage (SLA)	\$350,000	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a) plus all loan applications will be credit scored by SBA prior to loan approval or loan number if submitted PLP.

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# Target Audience

- Small Business (< 100 employees)
- Applied for EIDL & PPP Funds (if eligible)
- Not Sitting on Significant Excess Capital/Collateral
- Ability to Continue to Make Debt Payments in Question
- Needs Additional Working Capital
- Can Show a Path to Recovery
- Has an Established Relationship w/Lender

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# 7(a) Step One

Utilize Traditional 7(a) Program to Restructure Borrower's Current Balance Sheet (Debt)

- Refi Existing Non-Revolver Debt to Lower Monthly Payments
  - Extend the loan maturity date past the "Troubles"
  - Reduce monthly payment amounts by extending the amortization period
  - If Loan is closed before September 27<sup>th</sup>, the SBA will make the first six months of payments.
  - Term: Asset Dependent (CRE:25, EQ:15, WC:5)
  - Amortization: Useful life of Assets
  - Rate: Fixed or Variable – No Prepayment Penalty
  - Collateral: Bank/SBA Priority Lien

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# 7(a) Step One – Cont'd

- Benefit to Bank
  - Enhances likelihood of full-repayment
  - SBA Guarantee:
    - 85% on loans up to \$150K
    - 75% on loans up to \$5MM
- Approval Timeline (cash in-hand)
  - SBA PLP: 30 days
  - SBA Standard: 60 Days

Tools:

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# 7(a) Step Two

## Address Borrower's Working Capital Needs

- Refi-and-Increase Borrower's **existing** revolving line via a new Traditional 7(a) Permanent Working Capital loan.
  - Amount: Current revolver outstanding plus the amount necessary for Borrower to get through Troubles.
  - Term: 5-7 Years
  - Collateral: Bank/SBA will have a 1<sup>st</sup> position on AR & Inv.
  - Rate: Fixed or Floating
  - Payment: Monthly – If closed prior to September 27<sup>th</sup>, SBA will make 1<sup>st</sup> six months of payments
- If no current revolving line ...



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# Step Two cont'd

- If borrower does not currently have a revolving line, apply for SBA's CapLine Seasonal Program (Covid Season).
- Terms:
  - Amount: The amount necessary to get through the Troubles
  - Maturity: Request 12 months w/auto-convert to 5 year term note
  - Amortization: Request 10 years
  - Payments: If closed before Sep. 27<sup>th</sup>, SBA pays first 6 months of payments
  - Rate: Fixed or Variable
  - Collateral: Pledge all available

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# Step Two cont'd<sup>2</sup>

- **Benefit to Bank**
  - Increased likelihood of full repayment on other loans
  - SBA Guarantee:
    - 85% on loans up to \$150K
    - 75% on loans up to \$5MM
- **Approval Timeline (cash in-hand)**
  - SBA PLP: 30 days
  - SBA Standard: 60 Days

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# Working Capital Amount

- **As Necessary To Get Through The Troubles**

**Means:**

- An Amount, supported by Financial Projections, that shows Borrower's ability to repay the debt in accordance with the requested terms.

- **Financial Projections Means:**

- Basic financial projections, e.g., based upon last 3-years tax returns, with notes describing key assumptions. Note: No BS just P&L.

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# WI SBA Lenders

- Two Types of SBA Lenders;
  - SBA's Preferred Lender Program (PLP)
    - IncredibleBank and approx. 30 other WI Banks
    - Benefit: PLP's have authority to approve SBA loans in-house
    - Find SBA's list of PLP's on WBA's website.
  - SBA Eligible Lenders
    - All FDIC insured Banks
    - No approval authority, just in-take authority
    - Must send applications to SBA for approval



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# Find SBA Lender Info

To find a Preferred SBA Lender in Wisconsin visit the **Wisconsin Bankers Association** website:

[www.wisbank.com/articles/2020/03/wisconsin-sba-lenders/](http://www.wisbank.com/articles/2020/03/wisconsin-sba-lenders/)