



U.S. Small Business
Administration

U.S. Small Business Administration Office of Capital Access

7(a) Connect Call
April 10, 2018

Credit Elsewhere

Clarified Lenders must include the reason/need for desired credit (13 CFR§120.101) in credit memo.

SBA has increased the minimum percentage ownership at which owners are subject to personal liquidity consideration from 10% to **20%**.

As a reminder, the liquidity of the owner includes the liquid assets of the owner's spouse and any minor children. Spouses must sign the SBA Form 413 or Banks Personal Financial Statement (PFS) even if they are a non-owner of the business. **Signing of the PFS does not obligate spouse for any responsibility of the loan.**



Minimum Equity Requirements

For a change of ownership transaction between existing owners (“partner buyout”) on 7(a) loans :

- (1) the remaining owner(s) must certify that he/she has been actively participating in the business operation and held the same ownership interest in the business for at **least the past 24 months** ; and
- (2) the business balance sheets for the most recent completed fiscal year and current quarter must reflect a **debt-to-worth ratio** of no greater than **9:1** prior to the change in ownership.

In the event the Lender is unable to document that both (1) and (2) above are satisfied, the remaining owner(s) must contribute cash in the amount of at least **10%** of the purchase price of the business, as reflected in the purchase and sale agreement.

25 Year Debenture - Overview

Launch date – April 2, 2018; Federal Register Notice and Information Notice will announce program change officially and provide start date.

- SBA Information Notice 5000-17058 was released on April 5, 2018.
- 25 year debenture will provide small business borrowers with more choice in financing their long term capital projects.
- 25 year debenture will provide longer repayment term and lower borrower's monthly loan payments.
- 20 year 504 loan cannot be converted to 25 year 504 loan after loan approval.
- Program forms and the Wizard and SBA systems have been updated.

No Regulatory Change on TPL Term

13 CFR § 120.921 also notes:

“A Third Party Loan (TPL) must have at least 7 years when the 504 loan is for a term of 10 years and 10 years when the 504 loan is for 20 years.” SBA will use the 10 year minimum maturity for a TPL to a 504 loan with a stated 25 year maturity.

Did you know?

The 1919 should be the first form your applicant completes:

- Provides authorization for background/Alien checks
- Provides Affiliate information
- Provides Previous Lending activity
- Provides Purpose of loan (eligibility)
- Provides Lender assurance to the accuracy of information and documentation provided
- Provides Applicant with laws and regulations protections