

## **SBA 7(a) Loan Program Highlights For Petroleum Properties And Businesses**

Designed for financing for owner-occupied small businesses. All loans will be made with a percentage of the loan guaranteed by the Small Business Administration (SBA).

### **Types of Financing**

- Acquisition
- Construction
- Expansion
- Refinance
- Start-Up

### **Loan Amounts:**

\$300,000-\$2,000,000

### **Terms:**

25 Years

### **Interest Rate:**

Prime + .5% -2.75% (Varies by credit risk)

### **Loan To Value:**

70 - 90%

### **Prepayment Penalties:**

1st Year 5%, 2nd Year 3%, 3rd Year 1%

### **Fees:**

- None to minimal lender fees
- Due Diligence Deposit
- Customary closing costs
- Construction fee, if applicable, to offset monitoring costs
- SBA charges a fee of approximately 3.5% (depending on loan amount and percentage of guarantee, usually 75%)

### **Eligibility:**

- Owner occupied small business
- US Citizen or permanent resident alien status
- Good credit/character
- Management experience
- Reasonable financial statement or credible projections
- Business must meet SBA size standards

**Collateral:**

First lien on land, building, equipment and inventory  
Additional outside collateral is necessary if lease-hold improvements are substantial.

**Quick Response**

Loan decision generally made within 2 weeks of receipt of completed application.

SBA remains the predominant means of financing dealers and operators in the country. The reasons are clear. Because SBA provides longer amortization periods and usually transactions can be approved with smaller debt service coverage, each finance dollar provides approximately 25% more in loan amount, making it easier for borrowers to qualify than for conventional financing. It is a misconception that SBA financing takes longer than conventional financing or that you have to be turned down for a conventional loan to be considered for SBA financing. Generally the speed of the approval is in direct proportion to the organization of the loan package that has been submitted. Recently, SBA has placed more emphasis on the prior experience of the borrower. If you do not have experience in operating gas stations, convenience stores or truck stops, it will be necessary to either bring in a partner with direct management experience, retain the seller (if a purchase) in a management capacity for a period of time and/or perhaps attending training courses provided by oil companies. Also important to note is that the borrower's equity infusion needs to be documented. If you are borrowing money from a third party or are using a home equity loan as part of your equity infusion, SBA would also consider this as a loan and the transaction would be underwritten to service two separate debts.