

Credit Standards for SBA Lending

	7(a) Loans Up To \$350,000:	7(a) Loans Over \$350,000:	Express
Impacted Loans	Any 7(a) Loan for \$350,000 or less Where the Lender Request the Guaranty Submitted Through Standard, CLP, or PLP Processing Procedures	Any 7(a) Loan for Over \$350,000 Where the Lender Request the Guaranty Submitted Through Standard, CLP, or PLP Processing Procedures	Any 7(a) Loan Where the Lender Requests the Guaranty Through: SBA, Export, or Patriot Express Processing Procedures
Impacted Loans	This includes all Basic 7(a) Loans (Proceeds as Specified in 13 CFR §120.120) Plus any Disabled Assistance, Owned by Low Income, Energy Conservation, EWCP, International Trade, ESOP, Veteran, Pollution Control, 8(a) Owned Business or Caplines Loan	This includes all Basic 7(a) Loans (Proceeds as Specified in 13 CFR §120.120) Plus any Disabled Assistance, Owned by Low Income, Energy Conservation, EWCP, International Trade, ESOP, Veteran, Pollution Control, 8(a) Owned Business, or Caplines Loan	Term Loans Structured and Underwritten by the Lender Without Many SBA Specified Requirements Line of Credit Structured and Underwritten by the Lender Without Many SBA Specified Requirements
Credit Standards	Lenders must analyze each application in a commercially reasonable manner, consistent with prudent lending standards	Lenders must analyze each application in a commercially reasonable manner, consistent with prudent lending standards	For smaller, less complex loans lenders must follow their established and proven internal procedures used for their similarly sized non-SBA guaranteed commercial loans.
Submission	Request For Guaranty Submitted Through E-Tran No Submission By Mail; Fax; or E-Mail	Request For Guaranty Submitted Through E-Tran No Submission By Mail; Fax; or E-Mail	Submitted Only Through E-Tran
Pre-Screening for Credit Score	The Request for Guaranty Process begins with a pre-screening for a credit score. Lender enters certain data into E-Tran and a credit score is issued. If the loan request does not receive an acceptable credit score, the lender may submit their request for Guaranty through <ul style="list-style-type: none"> • Standard Processing to the LGPC or, • SBA Express Processing if an SBA Express lender, using E-Tran and seeking a 50% guaranty. 	No Pre-Screening for Credit Score	No Pre-Screening for Credit Score
Lender's Credit Memo	SBA Now Specifies What Needs To Be In The Lender's Credit Memo These Requirements are assumed to have been complied with before the lender request a Guaranty	SBA Now Specifies What Needs To Be In The Lender's Credit Memo These Requirements are assumed to have been complied with before the lender request a Guaranty	Lender to follow their established and proven internal procedures used for their similarly sized non-SBA guaranteed commercial loans. NFRL's To Follow Policy SBA has Approved
	Lenders credit memo will be used to demonstrate reasonable assurance or repayment and must include the following:	Lenders analysis must demonstrate the Small Business Applicant's ability to repay the loan from the cash flow of the business by documenting the following:	Follow internal procedures
	(a) A brief description of the history of the business;	(a) Description of the history and nature of the business;	Follow internal procedures to describe the History and Nature of the business
	(b) Consider the length of time in business under current management and, if applicable, the depth of management experience in this industry or a related industry;	(b) Consider the length of time in business under current management and, if applicable, the depth of management experience in this industry or a related industry;	Follow internal procedures
	(c) Owner/Guarantor analysis, including obtaining personal financial statements;	(c) Analysis of repayment based on historical financial statements (or Verified Tax Returns) for non-expanding businesses and detailed projections, with supporting assumptions for Start-Ups and Expanding Businesses; (Operating Cash Flow (OCF) is Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA))	Follow internal procedures

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	(d) Confirmation of Lender's collection of business tax returns and verification and reconciliation of the applicant's financial data against income tax data prior to submitting the application to SBA (via IRS Form 4506-T);	Prior to determining EBITDA the lender needs to make appropriate adjustments to the cash flow such as: (a) Unfunded capital expenditures; (b) Non-recurring income; (c) Expenses and distributions; (d) Distributions for S-Corp taxes; (e) Rent payments; (f) Owner's Draw; and/or (g) Assessment of impact on cash flow to/from any affiliate business.	Follow internal procedures
	(e) Determine if the equity and pro-forma debt-to-worth are acceptable based on lender policies and procedures for similarly-sized, non-SBA guaranteed commercial loans;	(d) Debt service is defined as the future required principal and interest payments on all business debt inclusive of new SBA loan proceeds. Business applicant debt service coverage ratio (OCF/DS) must be equal to or greater than 1.15 on a historical or projected basis;	
	(f) A list of collateral and its estimated value, if secured; and	(e) When Repayment is based on Projections provide an analysis of those assumptions, such as: i. Reason for any reduced expenses; ii. Reason for revenue growth, i.e. (a) new product lines, (b) sales channels, and (c) production facilities, and iii. Industry analysis.	
	(g) The effect any affiliates may have on the ultimate repayment ability of the applicant.	(f) Spread of pro-forma business balance sheet;	
		(g) Ratio calculations for the following financial ratio benchmarks: Current Ratio, Debt/Tangible Net Worth; Debt Service Coverage; and any other ratios lender considers significant;	
		(h) Analysis of working capital adequacy to support projected sales growth over the next 12 months;	
		(i) Analysis of credit, including rationale for recommending approval	
	Request for Guaranty Processed through Standard of CLP Procedures lender must verify and reconcile the applicant's financial data against income tax data prior to submitting the request to SBA by submitting IRS Form 4506-T, Request for Transcript of Tax Form to the Internal Revenue Service (IRS) Request Processed through PLP must be verified prior to Disbursement	The 4506T Verification of Tax Reports have to be completed Prior to Requesting a Guaranty for Non-Delegated lenders, and Prior to First Disbursement for Delegated Lenders	4506T Verification of Tax Process Completed Prior to First Disbursement for Express Lenders