

# SBA ELIGIBILITY QUESTIONNAIRE FOR STANDARD 7(a) GUARANTY

This questionnaire is a tool to assist lenders in making basic eligibility determinations. For more information on eligibility, please refer to SOP 50-10(5)(C). If eligibility is questionable, contact the Standard 7(a) Loan Guaranty Processing Center at 877.475.2435 or at [7aquestions@sba.gov](mailto:7aquestions@sba.gov) for guidance. **Final eligibility determinations for standard 7(a) loans are made by SBA, not the lender.**

## **I. General Information – Complete the Blanks.**

Applicant Name \_\_\_\_\_  
Lender Name \_\_\_\_\_  
Describe Type of Business \_\_\_\_\_  
Purpose of Loan \_\_\_\_\_

The products and/or services of the Applicant business are available to the general public. YES \_\_\_ NO \_\_\_  
This loan is for purposes that will benefit the small business YES \_\_\_ NO \_\_\_  
The applicant does **not** discriminate with respect to goods, services, or accommodations offered based on race, color, religion, sex, marital status, handicap or national origin of a person or fail or refuse to accept a person on a nonsegregated basis as a customer. YES \_\_\_ NO \_\_\_

## **II. Citizenship--SBA has certain restrictions and requirements when principals of a business are non-citizens. Check one of the following:**

† All principals of the Applicant (and of any concern with an ownership interest in the Applicant) are U.S. citizens. If yes, proceed to the next section. **If no, Complete the Alien Ownership Addendum (Addendum A)** YES \_\_\_ NO \_\_\_

**III. Statement of Personal History, SBA form 912--SBA has specific procedures for anyone required to provide a Personal History Statement who has been arrested. If an individual responds "yes" to question 7, the loan is **ineligible**, and there is no need to proceed further. Each individual responding "yes" to questions 8 or 9 of the Personal History Statement must complete **Addendum B** and respond to the following questions:**

- a) Any offense/charge was a misdemeanor. YES \_\_\_ NO \_\_\_  
b) There were no more than 3 offenses/charges, and if more than one, all related events (including payment of fines, probation, parole, etc.) occurred over 10 years ago. YES \_\_\_ NO \_\_\_  
c) Currently incarcerated, on probation, under indictment or on parole. YES \_\_\_ NO \_\_\_

For all "no" responses to a), **a completed finger print card (FD 258) is required**. We recommend a finger print card for all "no" responses to b) to facilitate the character evaluation that must be completed before SBA will authorize further processing of the loan application. For all 'YES' responses to c) above the applicant is ineligible. In addition, if there are more offenses than **Addendum B** has space for, please attach a supplemental statement covering those offenses.

## **IV. SBA Loan History**

\_\_\_ Applicant or Affiliates(s) has/have previous or existing SBA loan(s). *If checked, answer the following question:*  
Identify the Loan Number \_\_\_\_\_. The existing SBA loan(s) is/are current. YES \_\_\_ NO \_\_\_

**V. Size/Affiliation--Complete this section. SBA will then determine if the applicant (and any affiliates) meets the applicable size standard(s), thereby qualifying as small businesses.**

### **Size: Applicant Only:**

Applicant's primary industry \_\_\_\_\_ NAICS Code \_\_\_\_\_  
Average annual receipts over last 3 completed fiscal years (or, the number of years in business, if less) \_\_\_\_\_  
No. of employees \_\_\_\_\_ SBA size standard for applicant \_\_\_\_\_  
OR (alternative size standard) tangible net worth is \_\_\_\_\_ (not in excess of \$15 million) and average net income after Federal income taxes (excluding any carry-over losses) for the preceding two completed fiscal years is \_\_\_\_\_ (not in excess of \$5.0 million). (The new alternative size standard is found in Policy Notice 5000-1175 which can be found at: [http://archive.sba.gov/idc/groups/public/documents/sba\\_program\\_office/bank\\_5000-1175.pdf](http://archive.sba.gov/idc/groups/public/documents/sba_program_office/bank_5000-1175.pdf) )  
If size standard is exceeded by no more than 25%, applicant agrees to use the assistance within a labor surplus area. YES \_\_\_ NO \_\_\_

**Affiliation (entities are affiliated if one has the power to control the other or a third party has the power to control both and includes a business to be acquired by the existing applicant business):** Check one of the boxes below:

- Applicant has possible affiliates. **Complete the Affiliate Addendum (Addendum C)**  
 Applicant has no possible affiliates. *Go to Section VI.*

**VI. Preferences**—Is the applicant presently seeking (or has the applicant obtained within the last 90 days) additional financing, through the same or different lender, secured with any of the business collateral including real estate occupied or to be occupied by the business? If yes, describe in attached “Comments” page, including the purpose of the financing and the intended lien position for each loan.

**VII. Type of Business**

**A. Ineligible Businesses:** *Certain types of businesses are not eligible for SBA assistance. Review each of the types of business listed below; if the applicant is involved in any of these types of businesses, the loan is probably not eligible. Again, if eligibility is questionable, contact the Standard 7(a) Loan Guaranty Processing Center at 877-475-2435 or [7aquestions@sba.gov](mailto:7aquestions@sba.gov) for guidance.*

\_\_\_ Applicant is or does one of the following:

- a non-profit business.
- primarily engaged in lending.
- a passive business that holds real and/or personal property from which it receives rental income and does not provide sufficient services so as to be considered active, and is not an Eligible Passive Company, discussed below. E.g., flea market, shopping center.
- a life insurance company (life insurance agents, however, may be eligible).
- located outside the United States.
- a pyramid sale distribution plan.
- deriving more than one-third of gross annual revenue from legal gambling activities
- engaged in any illegal activity.
- requires membership and limits the number of memberships for reasons other than capacity.
- a government-owned entity (a business owned or controlled by a Native American tribe is eligible if the business is a legal entity separate from the tribe).
- principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting.
- a consumer or marketing cooperative.
- a loan packager earning more than 1/3 of its gross annual revenue from packaging SBA loans.
- business with an associate who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude.
- business in which the Lender or any of its associates owns an equity interest
- business which presents live performances of a prurient sexual nature or derives more than 5 percent of its gross revenue from the sale of products or services, or the presentation of any depictions or displays of a prurient sexual nature.
- business that have defaulted on a Federal loan or Federally-assisted financing resulting in the Federal government sustaining a loss (unless waived by SBA for good cause)
- primarily engaged in political or lobbying activities.
- a speculative business (such as a shopping center developer, oil wildcatting, R&D).

**B. Special Circumstances:** *If the applicant falls into any of the below categories, the lender must discuss the specific facts which justify eligibility in the attached “Comments” page. Again, contact the SBA 7(a) Standard Loan Guaranty Processing Center if you have any questions regarding the eligibility of these types of businesses.*

\_\_\_ Received income from **legal gambling activities**. These types of business are only eligible if:

- this income is 1/3 or less of gross annual revenue and
- the business is not a racetrack or casino, or otherwise have gambling as its primary purpose.

\_\_\_ Applicant is a **pawn shop**. Pawns shops are only eligible if more than 50% of its income for the **previous** year was from the sale of merchandise rather than from interest on loans.

\_\_\_ Applicant is a **hotel, motel, trailer park (RV park), campground or similar type of business**. These types of businesses are eligible if more than 50% of the business’s revenue for the prior year is derived from transients who stay for 30 days or less at a time.

\_\_\_ Applicant is a **medical facility**. These types of businesses are only eligible if: they meet the generally accepted standards for their type of institution and, where required, have a license in good standing or assurance from the licensing agency that a license will be issued subsequent to SBA financing. **Residential care facilities** that are licensed as nursing homes or assisted living facilities are eligible.

**C. Eligible Passive Companies (EPCs):** *If applicant is an EPC, complete the Eligible Passive Company/Operating Company Addendum (Addendum D).*

**VIII. Use of Proceeds--***There are certain restrictions on the use of SBA loan proceeds. Complete the items below to see if the loan complies with these restrictions.*

- \_\_\_\_\_ To refinance debt. **If checked, complete the Debt Refinancing Addendum (Addendum E).**
- \_\_\_\_\_ To finance a change in ownership (or to refinance a previously financed change in ownership). **If checked, complete the Change in Ownership Addendum (Addendum F).**
- \_\_\_\_\_ To finance real estate acquisition, construction, renovation or improvements of a building that will contain rental space. **If checked, complete the Leased Space Addendum (Addendum G).**
- \_\_\_\_\_ Proceeds to be used to build in a coastal barrier resource system (compliance with Coastal Barrier Resource Act). Attached "Comments" page.
- \_\_\_\_\_ Proceeds to be used to affect a property included or eligible to be included in the National Register of Historic Places. Attached "Comments" page.

*Review each type of use of proceeds below; any proposed use of proceeds in any of these categories is probably not eligible.*

\_\_\_\_\_ Loan funds will be used for the following:

- To repay delinquent IRS withholding taxes, sales taxes or similar funds held in trust.
- To provide or refinance funds used for payments, distributions, or loans to Associates of the Applicant, except payment of ordinary compensation for services rendered at a fair and reasonable rate.
- Relocation of the business out of a community if there will be a net reduction of one-third of its jobs or a substantial increase in unemployment in any area of the country unless the relocation is for key economic reasons crucial to the applicant and the benefits to the applicant and the receiving community outweigh the negative impact on the community from which the applicant is moving.
- Community improvements, such as curbs and sidewalks, in excess of 5 percent of construction proceeds of this loan.

**IX. Terms of the Loan--***SBA has restrictions on the guaranty percentage, loan maturity, interest rate and amount of the loan. Complete all items below. If "No" is checked, the loan may not comply with these loan term restrictions.*

- a. Maximum Guaranty Percentage. The SBA maximum guaranty percentage is 85% for loans of \$150,000 or less and 75% for loans over \$150,000 (except for EWCP and International Trade Loans which have a 90% maximum guaranty). YES\_\_\_ NO\_\_\_
- b. Loan and Guaranty Amounts: The total, aggregate outstanding **loan amount** cannot exceed \$5,000,000.. YES\_\_\_ NO\_\_\_

The aggregate **guaranty amount** of the SBA portions for this application and all outstanding loans to Applicant and its affiliates does not exceed \$3.75 million UNLESS:

The applicant will have an International Trade loan (ITL). The aggregate SBA guaranty amount will not exceed \$4,500,000. The maximum SBA guaranty amount for any working capital component of an ITL loan is limited to \$4 million. **NOTE: Additionally, to the extent that the borrower has a separate EWCP loan or any other 7(a) loan for working capital, the SBA guaranty amount for those loans is counted against the \$4,000,000 guaranty limit for working capital for the ITL loan.** YES\_\_\_ NO\_\_\_

- c. Maturity. The maturity of the loan is the shortest appropriate term consistent with the Applicant's repayment ability AND the useful life of the asset being financed. The maximum maturities are the following:
1. For **working capital or inventory** only, allowable up to 10 years with sufficient justification.

2. For **equipment, fixtures or furniture**, generally not more than 10 years, but allowable up to 25 years, not to exceed the useful economic life of the equipment, fixtures or furniture.
3. For **real estate**, 25 years, plus the additional time needed to complete construction.
4. For **refinancing**, maturity is based on the use of proceeds of the underlying loan being refinanced.
5. For **varied purposes**, the blended maturity based on the use of proceeds or up to the maximum for the asset class comprising the largest percentage of the use of proceeds.

YES \_\_\_ NO \_\_\_

d. Interest Rate.

Base rate (either the Prime Rate printed in a national financial newspaper published each business day, LIBOR One Month Rate (plus 3 percentage points), SBA's optional peg rate or Fixed Base Rate(FBR)\*: as of the first business day of the month) is the rate in effect on the date that SBA receives the **complete** application. To this base rate, the Lender may add a spread. The allowable spread is defined by SBA depending on the length of the loan, the amount of the loan, and particular SBA loan program. The rate can be fixed or variable. \* Go to the following link for the FBR  
[http://www.colsonservices.com/main/news/New%20Maximum%20Allowable%20Fixed%20Rate%20for%207\(a\)%20Loans.doc](http://www.colsonservices.com/main/news/New%20Maximum%20Allowable%20Fixed%20Rate%20for%207(a)%20Loans.doc)

**For loans over \$50,000, the spread** cannot exceed 2.25% over base rate for maturities under 7 years and 2.75 % for maturities of 7 years or more.

**For loans between \$25,001 and \$50,000:** Interest rate does not exceed the above rates plus 1%,

**For loans of \$25,000 or less:** Interest rate does not exceed the above rates plus 2%.

The proposed interest rate is within these parameters.

YES \_\_\_ NO \_\_\_

X. **Personal Resources Test**--SBA may not provide financial assistance to an applicant able to obtain reasonable, non-federal financing, including the utilization of the excess liquid assets of the principals of the applicant.

"Principals" are sole proprietors, general partners and owners of a 20% interest (including any interest held by spouses and dependent children) in the applicant.

"Liquid Assets" are cash and cash equivalents, including savings accounts, CDs, marketable securities, the cash value of life insurance and similar assets. Qualified retirement accounts such as IRAs, Keogh or 401k plans, as well as Health Savings Accounts, Educational Savings and other similar assets are **NOT** liquid assets.

"Excess Liquid Assets"—The amount by which each principal's liquid assets (including the assets of spouses and children) exceed the amount indicated below. The SBA loan must be reduced accordingly and the excess must be injected into the project prior to any disbursement.

The total financing package (SBA loans, owner's injection and any other financing) is:

\_\_\_\_\_ \$250,000 or less, the greater of 2X total financing package or \$100,000.

\_\_\_\_\_ \$250,001 to \$500,000, the greater of 1.5X total financing package or \$500,000.

\_\_\_\_\_ over \$500,000, the greater of 1.0X total financing package or \$750,000.

Identify total financing package: \_\_\_\_\_

Amount specified above for determining "excess": \_\_\_\_\_

List all principals:

NAME	LIQUID ASSETS	EXCESS LIQUID ASSETS

TOTAL: \_\_\_\_\_

The SBA loan must be reduced by this amount. These funds must be utilized toward the project prior to any disbursement.

XI. **Conflicts of Interest**

A. **Due to potential conflicts of interest, in certain circumstances loans may require approval at a higher level within SBA. Complete each item below. If you check "YES" for any item, please explain the relationship in more detail in the attached "Comments" page.**

\_\_\_\_\_ An SBA employee, the employee's close relative or a member of the employee's household has a financial interest in the Applicant or is an officer or director of the Applicant. YES \_\_\_ NO \_\_\_

\_\_\_\_\_ A former SBA employee separated from SBA for less than one year is an employee, attorney, agent, creditor or debtor, has a financial interest in the Applicant or is an officer or director of the Applicant. YES\_\_ NO\_\_

\_\_\_\_\_ An individual currently involved in a Small Business Development Company program or a member of their household has significant financial interest in the Applicant. YES\_\_ NO\_\_

\_\_\_\_\_ A member of Congress or an appointed official or employee of the legislative or judicial branch of the Federal Government (or a household member of such an individual) is a sole proprietor, general partner, officer, director or has a 10 percent or more ownership interest in the Applicant. YES\_\_ NO\_\_

\_\_\_\_\_ A member or employee of a Small Business Advisory Council or a SCORE volunteer (or a household member of such an individual), is a sole proprietor, general partner, officer, director, or has a 10 percent or more ownership interest in the Applicant. YES\_\_ NO\_\_

\_\_\_\_\_ Employee (or member of employee's household) of a community organization such as a certified development company or microlender has a significant financial interest in the Applicant. YES\_\_ NO\_\_

\_\_\_\_\_ A community organization (except state and local development companies) or its officers or its directors have a significant financial interest in the Applicant unless the organization has been inactive in packaging SBA loans for at least two years prior to the application date. YES\_\_ NO\_\_

**B. Statement of No Objection Requirement for certain members of the military and other Federal Government employees—please explain in the attached "Comments" page if you check "NO."**

Applicable if any applicant, partner, officer, director or stockholder with a 10 percent or more interest, or a member of their households, who is a GS-13 or higher Federal employee or a Major, Lieutenant Commander or higher in the military, has submitted a statement of no objection from the pertinent department or military service. N/A\_\_ YES\_\_ NO\_\_

**XII. Ethical Requirements (check if any of these apply):**

\_\_\_\_\_ Lender or Associate of Lender has a real or apparent conflict of interest with Applicant, any of Applicant's Associates, or any of the close relatives of Applicant's Associates.

\_\_\_\_\_ Lender or Associate or close relative of lender has a significant direct or indirect financial or other interest in the applicant, or has had such an interest within 6 months prior to the date of the application. SBA reserves the right to deny liability on its guaranty in the event that the borrower defaults, if the lender, its Associates, partner or a close relative acquires such an interest at any time during the term of the loan.

\_\_\_\_\_ Lender or any Associate of Lender is incarcerated, on parole, or on probation or is a convicted felon or has an adverse final civil judgment (in a case involving fraud, breach of trust, or other conduct) that would cause the public to question the Lender's business integrity.

\_\_\_\_\_ Lender or any Associate of Lender has accepted funding from a source that restricts, prioritizes, or conditions the types of small businesses that Lender may assist under an SBA program or that imposes any conditions or requirements upon recipients of SBA assistance inconsistent with SBA's loan programs or regulations.

\_\_\_\_\_ Loan proceeds will directly or indirectly finance purchase of real estate, personal property or services from Lender or an Associate of Lender.

\_\_\_\_\_ Applicant, an Associate of Applicant, or close relative of Associate of Applicant is required to invest in Lender.

\_\_\_\_\_ Proceeds will be used to acquire space in project for which lender has issued a real estate forward commitment.

**XIII. Special Programs--CAPLines Loan, Export Working Capital Program Loan and/or International Trade Program Loan--Check the appropriate box(es) below:**

- The loan is being made under one of the CAPLines loan programs. **Complete the CAPLines Addendum (Addendum H).**
- The loan is being made under the Export Working Capital Program (EWCP). **Complete the EWCP Addendum (Addendum I).**
- The loan is being made under the International Trade Program (IT). **Complete the IT Addendum (Addendum J)**

\_\_\_\_Lender to provide date the 4506-T was executed by business applicant.\_\_\_\_\_

**ATTACH SHEET FOR COMMENTS REGARDING ANY OF ABOVE ANSWERS THAT REQUIRE EXPLANATION OR REGARDING ANY OTHER RELEVANT ELIGIBILITY ISSUES.**

**Please contact the Call Center at 877.475.2435 or email at [7aquestions@sba.gov](mailto:7aquestions@sba.gov) if you have any questions.**

**Lender hereby certifies that the above information is true and correct, to the best of its knowledge, and that it has exercised due diligence to obtain the true and correct information.**

Lender Signature: \_\_\_\_\_ Date \_\_\_\_\_  
Name and Title:

# COMMENTS

## **ALIEN OWNERSHIP ELIGIBILITY ADDENDUM (Addendum A)**

*Businesses owned by undocumented (illegal) aliens are ineligible. Businesses owned by documented aliens may be eligible. Businesses owned by foreign nationals or entities also may be eligible.*

*Check each of the four boxes below that applies. This will assist in determining eligibility and other requirements relating to alien ownership:*

1.  One of more principals of the Applicant (or of any concern with an ownership interest in the Applicant) is an undocumented (illegal) alien. **Applicant is ineligible for an SBA loan.**
  
2.  One or more of the principals of the Applicant (or of any concern with an ownership interest in the Applicant) is a documented alien with Legal Permanent Resident (LPR) status. *If checked, Applicant must comply with both a and b below:*
  - a.  Lender has obtained USCIS verification of the status of the documented alien(s) using USCIS form G-845. Submit this USCIS verification to the SBA together with the application. Electronic verification is available by email to: [SacramentoAlienVerification@sba.gov](mailto:SacramentoAlienVerification@sba.gov)  
  
*and*
  - b.       The Applicant is at least 51 percent owned by individuals who are either U.S. citizens or have LPR status from INS and control the management and daily operations of the business.  
  
Or  
  
     The business complies with 3b below.
  
3.  One or more of the principals of the Applicant (or of any concern with an ownership interest in the Applicant) is a documented alien other than a LPR. *If checked, Applicant must comply with both a and b below:*
  - a.  Lender has obtained USCIS verification of the status of the documented alien(s) using USCIS form G-845. Submit this USCIS verification to the SBA together with the application.  
  
*and*
  - b.  If Applicant is at least 51 percent owned by aliens with a verified status other than LPR:
    - The application must contain assurance that management is expected to continue in place indefinitely and have U.S. citizenship or verified LPR status.
    - Management has operated the business for at least 1 year prior to the application date
    - Management will provide a personal guaranty, unless the loan officer report explains why this guaranty is not needed
    - Collateral is pledged that is sufficient to pay the loan in full at any time.
  
4.  Applicant is a foreign-owned business. *If checked, Applicant must comply with all of the following:*  
The business must:
  - be located in the U.S.
  - operate primarily within the U.S.
  - pay taxes to the U.S
  - use loan proceeds exclusively for the benefit of the domestic operations.
  - use American products, materials and labor
  - Separate continual and consistent management of the business has been provided by a U.S. citizen or by a verified LPR and will continue indefinitely
  - Management has operated the business for at least 1 year prior to the application date
  - Management will provide a personal guaranty, unless the loan officer report explains why this guaranty is not needed
  - Collateral is pledged that is sufficient to pay the loan in full at any time.



**SBA FORM 912: Statement of Personal History Addendum (Addendum B)**

Lender Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, ST., Zip: \_\_\_\_\_

Principal Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, ST, Zip \_\_\_\_\_

List Charge(s)  
**1) Charge:** \_\_\_\_\_  Felony  Misdemeanor

Month/Day/Year of Arrest (if actual day  
unknown, then Month/Year): \_\_\_\_\_  
City, County, State of Arrest: \_\_\_\_\_

**Disposition of Charge (List Specific Details)**

Sentence: \_\_\_\_\_  
Fine: \_\_\_\_\_  
Other: \_\_\_\_\_  
Date Disposition Completed: \_\_\_\_\_

**2) Charge:** \_\_\_\_\_  Felony  Misdemeanor

Month/Year of Arrest: \_\_\_\_\_  
City, County, State of Arrest: \_\_\_\_\_

**Disposition of Charge (List Specific Details)**

Sentence: \_\_\_\_\_  
Fine: \_\_\_\_\_  
Other: \_\_\_\_\_  
Date Disposition Completed: \_\_\_\_\_

**3) Charge:** \_\_\_\_\_  Felony  Misdemeanor

Month/Year of Arrest: \_\_\_\_\_  
City, County, State of Arrest: \_\_\_\_\_

**Disposition of Charge (List Specific Details)**

Sentence: \_\_\_\_\_  
Fine: \_\_\_\_\_  
Other: \_\_\_\_\_  
Date Disposition Completed: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## **AFFILIATE ELIGIBILITY ADDENDUM (Addendum C)**

For each possible affiliate (including the Operating Company for an Eligible Passive Company/Operating Company borrowing structure), state the name, basis of affiliation, primary industry and NAICS code. To use the 7a size standard, state the average annual receipts over last 3 completed fiscal years (or, if in business less than 3 years, for the number of years in business) and number of employees. **For the alternative size standard, state the tangible net worth and average net income after Federal income taxes for the preceding two completed fiscal years. (The new alternative size standard is found in Policy Notice 5000-1175)**

1. Legal Name of Affiliate: \_\_\_\_\_

Basis of Affiliation: \_\_\_\_\_ \*\* (see below)

Primary Industry \_\_\_\_\_

NAICS Code: \_\_\_\_\_

**7a Size Standard:**

Average Annual Receipts: \_\_\_\_\_

Number of Employees: \_\_\_\_\_

**Alternative Size Standard:**

Tangible net worth \_\_\_\_\_

Average net income as described above \_\_\_\_\_

2. Legal Name of Affiliate: \_\_\_\_\_

Basis of Affiliation: \_\_\_\_\_ \*\* (see below)

Primary Industry \_\_\_\_\_

NAICS Code: \_\_\_\_\_

**7a Size Standard:**

Average Annual Receipts: \_\_\_\_\_

Number of Employees: \_\_\_\_\_

**Alternative Size Standard:**

Tangible net worth \_\_\_\_\_

Average net income as described above \_\_\_\_\_

3. Legal Name of Affiliate: \_\_\_\_\_

Basis of Affiliation: \_\_\_\_\_ \*\* (see below)

Primary Industry \_\_\_\_\_

NAICS Code: \_\_\_\_\_

**7a Size Standard:**

Average Annual Receipts: \_\_\_\_\_

Number of Employees: \_\_\_\_\_

**Alternative Size Standard:**

Tangible net worth \_\_\_\_\_

Average net income as described above \_\_\_\_\_

**\*\* If necessary, continue discussion of basis of affiliation below:**

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**Eligible Passive Company (EPC)/Operating Company (OC) Addendum (Addendum D)**

Complete each item below. If there is more than one OC, fill in the additional Name(s) and Legal Form(s) in the comments below. References below to OC mean each OC. If "No" is checked, the loan may not be eligible or the loan conditions may need to be changed.

Name of Operating Company  
(OC) \_\_\_\_\_  
Legal Form of Entity of  
OC \_\_\_\_\_

- \_\_\_\_\_ The EPC will use the loan proceeds to acquire or lease, and /or improve or renovate real or personal property that it leases 100% to one or more OCs. YES\_\_NO\_\_
- \_\_\_\_\_ The OC is an eligible small business and the proposed use of proceeds would be an eligible use if the OC were obtaining the financing directly (**SBA will make this final determination**). YES\_\_NO\_\_
- \_\_\_\_\_ The EPC (with the exception of a trust) and the OC each are small under SBA's size standards. (**SBA will make this determination**) YES\_\_NO\_\_
- \_\_\_\_\_ The OC will be a guarantor or co-borrower. If loan proceeds include working capital or assets to be owned by the OC, the OC will be a co-borrower. YES\_\_NO\_\_
- \_\_\_\_\_ Each 20% or more owner of the EPC and each 20% or more owner of the OC will guaranty the loan and comply with the Utilization of Personal Resource Rule . YES\_\_NO\_\_
- \_\_\_\_\_ The lease between the EPC and the OC will be in writing and will have a remaining term at least equal to the term of the loan (including options to renew exercisable solely by the Operating Company). YES\_\_NO\_\_
- \_\_\_\_\_ The lease will be subordinate to SBA's lien on the property. YES\_\_NO\_\_
- \_\_\_\_\_ The EPC must assign the rents from the lease as collateral for the loan. YES\_\_NO\_\_
- \_\_\_\_\_ The lease payments from the OC to the EPC will not exceed the loan payment (plus any amount needed to over the EPC's expenses of holding the property, such as maintenance, insurance and property taxes). YES\_\_NO\_\_
- \_\_\_\_\_ The aggregate amount of the SBA portions for this application and for all outstanding loans to the EPC, the OC, and their affiliates does not exceed \$3.75 million (\$4.5 million for International Trade Loans). YES\_\_NO\_\_
- \_\_\_\_\_ If the EPC is a trust, SBA requirements regarding trusts are met (see SOP 50-10(5)(C), subpart B, Chapter 2, paragraph 3.f.(3), page 124). YES\_\_NO\_\_

**Comments:**

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## DEBT REFINANCING ADDENDUM (Addendum E)

*SBA has certain restrictions on the use of loan funds for refinancing of prior debt. Complete each item below. If "No" is checked, the use of proceeds for refinancing may not be eligible.*

The debt to be refinanced had an original purpose that would have been eligible for SBA funding. YES\_\_\_ NO\_\_\_

For an Applicant to be eligible for debt refinancing, the debt must not presently be on reasonable terms **and** in the event of refinanced long term debt, the new installment amount must be at least 10% less than the existing installment amount(s). (Revolving lines of credit are not considered "long term debt.")

Existing debt is **presently on unreasonable terms** if:

- (i) short or long term debt structured with a demand note or balloon payment;
- (ii) debt the Lender believes no longer meets the needs of the Small Business Applicant;
- (iii) debt with an interest rate that exceeds the SBA maximum interest rate for the processing method used;
- (iv) credit card obligations used for business related purposes;
- (v) debt that was over collateralized at inception (however, the SBA guaranteed loan must meet SBA collateral requirements).
- (vi) revolving lines of credit (short or long term) where the original lender is unwilling to renew the line or the applicant is restructuring its financing in order to obtain a lower interest rate or longer term.
- (vii) debt with a maturity that was not appropriate for the purpose of the financing (e.g. a 3 year term loan to finance a piece of equipment with a useful life of 15 years).

Q: Is the existing debt presently on unreasonable terms? YES\_\_\_NO\_\_\_

Proceeds may not be used to pay a **creditor in a position to sustain a loss** causing a shift to SBA of all or part of a potential loss from an existing debt.

A creditor is in a position to sustain a loss if repayment cannot be reasonably demonstrated and the loan is not fully collateralized using reasonable liquidation values.

However, SBA may not be in the position to sustain the same loss by refinancing the debt if new terms and conditions provide reasonable assurance of repayment or additional assets can be acquired so that the loan becomes fully collateralized.

Q: Lender is not in the position to sustain a loss or SBA will not be in the position to sustain the loss by refinancing the debt. YES\_\_\_NO\_\_\_

Loan will not refinance debt to an SBIC. YES\_\_\_NO\_\_\_

Loan will not refinance third party financing for any existing 504 project. YES\_\_\_NO\_\_\_

*SBA has specific requirements for the refinancing of participant's loan and for refinancing a prior SBA loan. Check below as applicable and provide the requested information.*

\_\_\_\_\_ Loan will refinance participant's loan (non-SBA loan). *If checked, provide the following information:*

1. Lender must include a transcript showing the due dates and when payments were received. In addition, the lender must explain any late payments and late charges that have occurred during the last 36 months.

\_\_\_\_\_ Loan will refinance a prior SBA loan. *If checked, provide the following information:*

1. If the prior SBA loan is being refinanced through a new lender, document that the new lender has contacted the lender holding the existing SBA loan and confirmed that the lender has declined to approve a second loan and is either unwilling or unable to modify the current payment schedule in such a way that a new lender could approve a loan without SBA's guaranty.

2. If a lender is refinancing its own SBA guaranty loan, document that the sole reason the lender is unable to modify the terms of the existing loan is that a secondary market investor will not agree to modified terms.

When refinancing debt, lender must address the following issues and retain any supporting documentation in lender's loan file. Complete "Addendum E cont." for each debt to be refinanced.

**Debt Refinancing Justification/Calculation (Addendum E cont.)**

**Questions to address/explaining and ascertaining eligibility, if applicable:**

**For Lines of Credit and Term Notes/Leases or Credit Cards**

- Why was the debt incurred? What was the original use of proceeds?
- Has over-obligated or imprudent debt scheduling necessitated a major restructuring of the debt?
- How will the new loan improve the financial condition of the business and what benefit will refinancing give the applicant?
- Is the debt already on reasonable terms?
- Will the refinancing include payments to creditors in a position to sustain a loss due to either an inadequate collateral position or low or deficit new worth?
- If Yes to the previous question, will SBA be likely to sustain part or all of the same loss by refinancing the debt or will additional collateral or altered terms protect the interest of the agency?

**Term Notes/Leases or Credit Cards:**

<b>Existing Loan Terms</b>	<b>Proposed Loan Terms</b>
<b>Creditor Name:</b>	<b>Creditor Name:</b>
<b>Current Loan Balance:</b>	<b>Refinance Amount: *</b>
<b>Current Interest Rate:</b>	<b>Proposed Interest Rate:</b>
<b>Loan Term (Remaining):</b>	<b>Loan Term (Total)</b>
<b>Current Payment Amount:</b>	<b>Proposed Payment Amount:</b>
<b>Identify Savings Amount per month:</b>	
<b>Identify Savings Percentage:</b>	
<b>Identify Collateral the Secures Existing Loan:</b>	

\* the amount should be the same as the current loan balance that you are refinancing, NOT the total amount of the SBA loan.

**Credit Cards**

- If credit card debt will be refinanced, the borrower must certify that the credit card debt being refinanced was incurred exclusively for business purposes.
- Lenders must document their loan file in accordance with SOP 50 10 5 (C), subpart B, Chapter 2, Pages 143 – 144.

## **CHANGE IN OWNERSHIP ADDENDUM (Addendum F)**

*SBA 7a loans can be used to finance a change in ownership of an existing business, subject to the requirements listed below. Complete each item below. If "No" is checked, the loan may not be eligible.*

- The change will promote the sound development or preserve the existence of the Applicant business. YES\_\_\_NO\_\_\_
- The change is an arm's-length transaction supported by a determination of value. The loan file is well documented regarding the valuation and includes the substantiating analysis. If the valuation analysis is performed by the lender's loan officer, a synopsis of the analysis is attached. If there is a close relationship between the buyer and seller (i.e. family members or business partners) or the intangible being financed exceeds \$250,000, an independent valuation from a qualified source in accordance with SOP 50 10 5(C), Chapter 2, pages 196-197 is attached. YES\_\_\_NO\_\_\_
- If the loan(s) is more than \$250,000, and the business ownership has been transferred previously within 36 months of the date of the loan application, there are two appraisals of the business real estate, the second of which may be either a "review" of the first appraisal by another appraiser selected directly by the lender or, if the first appraisal was requested by the lender, a site visit by a senior member of lender's staff. YES\_\_\_NO\_\_\_
- the lender has verified the historical profit and loss statements of the business for the last three years, which generally will be done by verifying the tax returns. YES\_\_\_NO\_\_\_
- the lender has exercised prudent lending practices to ensure that commercially reasonable steps are taken to limit risk of loss on this loan. YES\_\_\_NO\_\_\_
- Change in ownership is either:
  - a) purchase of 100% interest of the business or YES\_\_\_NO\_\_\_
  - b) business is purchasing 100% of one or more of its owners' interests. YES\_\_\_NO\_\_\_
- Seller is not remaining as an officer, director, stockholder or employee of the business. Seller may perform consultant services for a period not to exceed 12 months, including any extensions, if a transitional period is needed. YES\_\_\_NO\_\_\_
- Intangible Assets: If the amount allocated in the business valuation to intangible assets exceeds \$500,000 and the borrower does not have at least 25% equity. YES\_\_\_NO\_\_\_

If Yes, the application may not be processed using delegated authority and must be sent to the LGPC.

## LEASED SPACE (ADDENDUM G)

\_\_\_\_\_ For construction or refinance of construction of a new building. *If checked, answer the following questions. If "No" loan is probably not eligible.*

- If building will contain rental space, Applicant (or Operating Companies) will continue to occupy at least 60% of the rentable property for the term of the loan; lease long term no more than 20% of the rentable property to one or more tenants; plans to occupy within three years some of the remaining rentable property not immediately occupied or leased long term; and plans to occupy within ten years all of the rentable property not leased long term. YES\_\_\_NO\_\_\_

**"Rentable Property"** is defined as usable square footage, including common areas, but excluding stairways, elevators and mechanical areas designed to transfer services vertically between floors.

\_\_\_\_\_ To provide funds for or refinance of acquisition of an existing building or for renovation or reconstruction of an existing building. *If checked, answer the following questions. If "No" loan is probably not eligible.*

- Applicant (or Operating Companies) will occupy at least 51% of the rentable property. YES\_\_\_NO\_\_\_
- Loan proceeds will not be used to remodel or convert any rental space in the property. YES\_\_\_NO\_\_\_

## CAPLINES ADDENDUM (ADDENDUM H)

*CAPLines is the umbrella for all of SBA's short-term working capital and line of credit programs (except for those dedicated to exporting). There are **five** separate sub-programs. There are requirements applicable to all CAPLines and unique requirements for various sub-programs. Complete the general requirements section below, as well as the section applicable to the particular type of CAPLine that is the subject of this loan. Further information can be found in-SOP 50-10(5)(C)*

### General Requirements

\_\_\_ The Applicant has been in business for at least 1 year or has developed an adequate track record to assess its short-term working capital needs. YES \_\_\_ NO \_\_\_

\_\_\_ **Allowable Fee.** The additional fee charged by the lender for the significant servicing required does not exceed 2 percent, except for Standard Asset Based sub-program, which has no fee limitation. YES \_\_\_ NO \_\_\_

\_\_\_ **Use of Proceeds Restrictions:** CAPLines proceeds may not be used for any purpose other than short term working capital, such as permanent working capital, to acquire fixed assets, to pay delinquent taxes or similar funds held in trust (either directly or indirectly), to refinance long term debt, for change of ownership or floor plan financing. No proceeds from a Seasonal, Contractor's or Builder's CAPLine may refinance any existing debt.

Are CAPLine proceeds allocated for short term working capital? YES \_\_\_ NO \_\_\_

Does the CAPLine have an exit strategy? YES \_\_\_ NO \_\_\_

Small Asset Based or Asset Based CAPLines may be used to refinance existing short term notes if the refinanced portion does not include any term debt or identifiable permanent working capital, the refinancing will benefit the small business, and SBA will not be placed in a position to sustain a loss presently faced by existing lender. Such refinancing must be specifically approved in the Authorization.

Are CAPLines proceeds allocated toward refinancing, if any, in compliance with the above restriction? YES \_\_\_ NO \_\_\_

Is a copy of the note(s) to be refinanced, loan transcript, borrowing base certificate with A/R aging included with the application? YES \_\_\_ NO \_\_\_

Does the borrower have a sufficient borrowing base to support refinancing the existing LOC plus additional disbursements equal to at least one-third the total loan amount? YES \_\_\_ NO \_\_\_

Contract CAPLines                      Use of Proceeds solely to finance the labor and material costs of the specific contract(s) being financed? YES \_\_\_ NO \_\_\_

Must Have Assignable Proceeds. YES \_\_\_ NO \_\_\_

Month-to-month cash flow projections for the specific contract during the full contract period, and for all contract work to be performed during the same period. YES \_\_\_ NO \_\_\_

Seasonal CAPLines                      Use of Proceeds solely to finance seasonal increase of accounts receivable and inventory (seasonal nature of business must be documented)? YES \_\_\_ NO \_\_\_

Must have month-to-month cash flow projections for the upcoming 12 months. YES \_\_\_ NO \_\_\_

Builders CAPLines                      Must have experience doing similar type work without a loss. YES \_\_\_ NO \_\_\_

Use of Proceeds solely for direct expenses related to the construction and/or "significant" renovation costs of a specific eligible project (residential or commercial buildings for resale)? YES \_\_\_ NO \_\_\_



Must have month-to-month cash flow projections for all work to be performed by applicant. YES\_\_\_ NO\_\_\_

Obtain a letter from:

(a) A mortgage lender indicating that permanent mortgage money is available to qualified purchasers to buy such properties;

(b) A real estate broker indicating that a market exists for the proposed building and that it will be compatible with its neighborhood; and

(c) An architect, appraiser or engineer agreeing to make inspections and certifications to support interim disbursements.

Note: A letter from a lender who has its own real estate lending department, staffed by personnel with appraisal and engineering experience may be substituted for one or more of the above-referenced letters. YES\_\_\_ NO\_\_\_

#### Standard Asset Based

Cash to Cash Cycle of applicant must be known. YES\_\_\_ NO\_\_\_

Must have month-to-month cash flow projections for 12 months;

SBA Form AB-4 – completed and signed by applicant;

SBA Form AB-4-I – completed by lender;

SBA Form SAB-159B;

LQS-2 – Lender Qualification Survey (if lender has not been approved for SAB)

YES\_\_\_ NO\_\_\_

#### Small Asset Based

Cash to Cash Cycle of applicant must be known. YES\_\_\_ NO\_\_\_

Must have month-to-month cash flow projections for 12 months;

SBA Form AB-4;

SBA Form AB-4-I

YES\_\_\_ NO\_\_\_

All CAPLine forms above can be found in Appendix 7 of SOP 50 10 5(C).

## EWCP Addendum (Addendum I)

The EWCP has certain additional eligibility requirements. Complete each item below.

- Applicant has been in business for at least 12 months. **If “No” is checked, explain the applicant’s export trade experience or other managerial experience below. (SBA can waive the 12 months requirement if the applicant has sufficient other experience)** YES\_\_\_ NO\_\_\_

- **Use of Proceeds.** Loan proceeds will be used for either of the following two types of EWCP loans:  
1) Proceeds finance the working capital associated with a single transaction of the exporter or  
2) Proceeds finance the working capital associated with multiple transactions of the exporter. This type of loan is a revolving line of credit.

More specifically, use of proceeds will be for:

- a. Pre-shipment working capital, consisting of any of the following:
  - to acquire inventory or services for export or
  - direct and indirect costs for the manufacture of goods or sales of services
  - standby letters of credit used as performance bonds, bid bonds or payment guaranties to foreign buyers
- b. Post-shipment working capital, consisting of foreign accounts receivable financing YES\_\_\_ NO\_\_\_

Loan funds will not be used to finance professional export marketing advice or services, foreign business travel, participation in trade shows or supplement staff in overseas offices, except to the extent it relates directly to the transaction being financed. YES\_\_\_ NO\_\_\_

- **Collateral.** Collateral is a first security interest on all collateral associated with transaction(s) financed, to include export inventory, receivables, assignment of credit insurance, letters of credit proceeds and contract proceeds, as applicable. YES\_\_\_ NO\_\_\_
- **Maturity** For a single transaction loan, the maturity corresponds to the length of the transaction cycle, usually not to exceed 18 months. For a revolving line of credit, the term is typically one year. YES\_\_\_ NO\_\_\_
- **Guaranty Amount and Loan Amount.** The guaranty portion is the lesser of 90% of the loan amount or \$4.5 million AND
  1. The aggregate guaranty portion for this application and all outstanding loans to Applicant and its affiliates does not exceed \$4.5 million OR
  2. If, in addition to this EWCP loan, the applicant will also have an International Trade loan the aggregate SBA guaranty amount does not exceed \$4,500,000 and the SBA guaranty amount on the EWCP loan and any other 7a working capital loan does not exceed \$4,000,000 AND
  3. If an **Ex-Im Bank Co-Guaranty** is being used, the loan amount does not exceed \$5 million, the SBA guaranty amount is the lesser of 90% of the loan amount or \$4.5 million, and the Ex-Im Bank guaranty is for the amounts in excess of the \$4.5 million SBA guaranty amount, up to 90% of the loan amount.YES\_\_\_ NO\_\_\_

If the applicant is an export management company (EMC) or export trading company (ETC), it will take title to goods or services being exported. YES\_\_\_ NO\_\_\_

EMCs AND ETCs, if any, have no ownership in a bank. YES\_\_\_ NO\_\_\_

### Comments:

## **IT Addendum (Addendum J)**

Answer the following questions. If "No" is checked, loan may not be eligible. See Policy Notice 5000-1193 for changes to the International Trade Loan Program.

- Applicant will either
  - 1) use the loan proceeds to expand existing export markets or develop new export markets; or
  - 2) when the applicant is confronting increased competition with foreign firms in the relevant market and is injured by such competition.YES\_\_\_NO\_\_\_
  
- The loan proceeds will be used to
  - 1) acquire, construct, renovate, modernize, improve, or expand **facilities or equipment** to be used in the United States in the production of goods and services involved in international trade; or
  - 2) the **refinancing** of existing indebtedness that is not structured with reasonable terms and conditions, including any debt that qualifies for refinancing under the 7(a) loan program. The refinancing will also provide a substantial benefit to Applicants.
  - 3) The maximum SBA guaranty amount for any working capital component does not exceed \$4 million.YES\_\_\_NO\_\_\_
  
- **Collateral.**
  - 1) Lender will take a lien on the fixed assets financed (or re-financed) with this loan.
  - 2) Collateral is located in the United States, its territories or possessions.YES\_\_\_NO\_\_\_
  
- Lender has reviewed Ex-Im Bank's Country Limitation Schedule to ensure that the U.S Government does not restrict trade with any country where the applicant does business. YES\_\_\_NO\_\_\_