# 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 loan eligibility, please refer to SOP 50 10 5(D). **If eligibility is questionable, please contact the Standard 7(a) Loan Guaranty Processing Center (LGPC) at (877) 475-2435 or 7aquestions@sba.gov.** Please note: All final eligibility determinations are made by SBA, not the lender.

If any statement below is checked "False", the loan is ineligible or requires additional information and clarification.

## I. General Information -- Complete the following:

Applicant Name _____

Lender Name _____

Describe Type of Business _____

Purpose of Loan _____

| | *TRUE* | *FALSE* |
|---|---|---|
| *The products and/or services of the applicant business are available to the* ***general public.*** | ☐ | ☐ |
| *This loan will* ***benefit the small business****.* | ☐ | ☐ |
| *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 non-segregated basis as a customer.*** | ☐ | ☐ |

## II. Ineligible Businesses -- Certain business types are ineligible for SBA assistance.

- A non-profit business
- Primarily engaged in lending
- A passive business owned by developers or landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds that is not an Eligible Passive Company discussed below (e.g. shopping center)
- A life insurance company (life insurance agents, however, may be eligible)
- Located in a foreign country or owned by undocumented aliens
- Selling through a pyramid or multi-level sales distribution plan
- Deriving more than one-third of gross annual revenue from legal gambling activities
- Engaged in any illegal activity
- Restrict patronage for reason other than capacity
- A government-owned entity (a small business owned or controlled by a Native American tribe may be eligible if the business is a legal entity separate from the tribe)
- Principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs
- A consumer or marketing cooperative (producer cooperatives may be eligible)
- 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 has defaulted, or has a principal who has 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
- Speculative in nature (such as a shopping center developer, oil wildcatting, or primarily engaged in R&D)

*The Small Business Applicant is* ***not*** *one of the above* ***ineligible business types****.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", the loan is ineligible.

**III.** **Potentially Ineligible Businesses** -- The following businesses may be eligible if they meet certain conditions.

- **Pawn Shops.** Eligible only if more than 50% of its gross revenue for the previous year was from the sale of merchandise rather than from interest on loans.
- **Hotels, Motels, RV parks, Marinas, Campgrounds, and similar type of business**. Eligible only 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.
- **Residential Care Facilities.** Eligible if licensed as nursing homes or assisted living facilities.
- Income derived from **Gambling** only Eligible if:
  a) this income is 1/3 or less of gross annual revenue,

*The Small Business Applicant is **not** one of the **above potentially ineligible business types.***
If "False", Lender must discuss the specific facts which justify eligibility in the attached "Comments" page.
***TRUE*** ☐ ***FALSE*** ☐

**IV.** **Citizenship** -- SBA has certain restrictions and requirements when principals of a business are not U.S. citizens.

*All principals are **U.S. citizens**.* ***TRUE*** ☐ ***FALSE*** ☐
If "False", complete the Alien Ownership Addendum (Addendum A).

**V.** **Statement of Personal History, SBA Form 912** -- SBA has specific procedures for anyone who has been arrested and is required to provide Form 912. If an individual that was required to complete a 912 at the time of application answered "Yes" to question 7 on Form 912 and is presently under indictment, on parole or probation, the applicant business is **ineligible.**

*Questions **#7-9** are all marked **"No"** on **SBA Form 912**.* ***TRUE*** ☐ ***FALSE*** ☐
If "False", complete the Statement of Personal History Addendum (Addendum B).

**VI.** **Size Standard** -- Complete this section for the business applicant only. SBA will then determine if the applicant (and any affiliates) meets the applicable size standard and qualifies as a small business.

(Use one of the two size standards below)

| ***Regular Size Standard*** | ***Alternative Size Standard*** |
|---|---|
| *Avg. gross receipts over last 3 fiscal years* _____ | *Avg. net income over last 2 fiscal years (after federal income tax)* _____ *(not in excess of $5 millions)* |
| *Number of employees* _____ | *Tangible net worth* _____ *(not in excess of $15 millions)* |

**VII.** **Affiliation** -- Entities are affiliated if one has the power to control the other or a third party has the power to control both. For the full definition of affiliation, see 13 CFR 121.103. (See also 13 CFR 121.107 and 121.301).

*The Applicant does not have any possible affiliates.* ***TRUE*** ☐ ***FALSE*** ☐
If "False", complete the Affiliate Eligibility Addendum (Addendum C).

**VIII. Preference** -- A lender may not take any action in connection with an SBA-guaranteed loan that establishes a preference in favor of the lender.

*The Applicant **is not** currently seeking **other financing**.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", provide the following information for the other loan(s) and attach an additional "Comments" page, if necessary.

| | |
|---|---|
| Loan Amount: | Loan Amount: |
| Repayment Terms: | Repayment Terms: |
| Collateral: | Collateral: |
| Purpose of Loan: | Purpose of Loan: |

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

*(Complete the following)*

| ***Step 1*** | ***Step 2*** *Total Financing Package is:* | *Maximum liquid assets per principal is:* |
|---|---|---|
| *SBA Loan Amount* $ _____ | | |
| *Other Financing* $ _____ | ☐ ***$250,000 or less*** | *The greater of 2X the total financing package or $100,000* |
| *Cash Injection* $ _____ | ☐ ***$250,001 to $500,000*** | *The greater of 1.5X the total financing package or $500,000* |
| *Total Financing Package* $ _____ | ☐ ***Over $500,000*** | *The greater of 1.0X the total financing package or $750,000* |

***Step 3***
*Per the calculation from Step 2 above, the **maximum liquid assets per principal (including spouse and dependent children)** is:* *$* _____

| ***Step 4:*** Principals | Liquid Assets | Excess Liquid Access |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

*Total:* $0.00

*None of the principals have liquid assets that **exceed the maximum liquid assets per principal** as calculated above.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", the SBA loan must be reduced by this amount, and these funds must be injected into the project prior to any SBA loan funds.

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

2) *"Liquid Assets" are cash and cash equivalents, including savings accounts, CDs, marketable securities, and the cash value of life insurance and similar assets (this includes assets held in a revocable trust). Qualified retirement accounts such as IRAs, Keogh or 401k plans, as well as Health Savings Accounts, tax-advantaged Educational Savings and other similar assets, are **NOT** liquid assets.*

3) *"Excess Liquid Assets"—The amount by which each principal's liquid assets (including the assets of spouses and children) exceed the maximum liquid asset amount indicated above.*

**X. Eligible Passive Company (EPC) Rule** -- This rule is an exception to SBA regulations that prohibit financing assets which are held for their passive income. **Because the EPC rule is an exception, it is interpreted strictly.**

*Loan proceeds are **not** being used to finance or refinance **fixed assets owned by an entity other than the Operating Company (OC)**.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", complete the Eligible Passive Company/Operating Company Addendum (Addendum D)

**XI. Use of Proceeds** -- Additional requirements apply to particular uses of SBA loan proceeds as follows:

a) *Loan proceeds are **not** being used to **refinance debt**.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", complete the Debt Refinancing Addendum (Addendum E)

b) *Loan proceeds are **not** being used for a **change of ownership** (or to refinance a previously financed change of ownership).* ***TRUE*** ☐ ***FALSE*** ☐

If "False", complete the Change of Ownership Addendum (Addendum F)

c) *Loan proceeds are **not** being used to finance real estate acquisition, construction, renovation or improvements of a **building that will contain rental space**.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", complete the Leased Space Addendum (Addendum G)

d) *Loan proceeds are **not** being used to build in a **coastal barrier resource system** (compliant with the Coastal Barrier Act).* ***TRUE*** ☐ ***FALSE*** ☐

If "False", discuss in an attached "Comments" page

e) *Loan proceeds are **not** being used to affect a property included or eligible to be included in the **National Register of Historic Places**?*

If "False", discuss in an attached "Comments" page ***TRUE*** ☐ ***FALSE*** ☐

**Ineligible Uses of Proceeds** -- The following are ineligible uses of proceeds.

- 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.

*The loan request does **not** include any of the above **ineligible uses of proceeds**.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", the loan request is **ineligible.**

**XII. Terms of the Loan** -- SBA has restrictions on the guaranty percentage, loan maturity, interest rate and total loan amount. If "False" is checked for any of the statements below, the loan request is not eligible as submitted.

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).

*The requested **guaranty percentage** is within these parameters.* ***TRUE*** ☐ ***FALSE*** ☐

b) **Loan Amount:** The maximum gross loan amount made within 90 days to the applicant (including affiliates) cannot exceed $5 million.

*The requested **loan amount** is within this limit.* ***TRUE*** ☐ ***FALSE*** ☐

c) ***Aggregate Guaranty Amount***: The aggregate guaranty amount of the SBA portions for this application and all outstanding loans to Applicant and its affiliates cannot exceed $3.75 million ($4.5 million for EWCP and International Trade loans).

*The aggregate **guaranty amount** is within this limit.* ***TRUE*** ☐ ***FALSE*** ☐

**Note: For International Trade loan, the maximum SBA guaranty amount for any working capital component of the IT loan combined with any other outstanding EWCP or 7(a) loan cannot exceed $4 million.*

d) **Maturity:** The maturity of the loan must be the shortest appropriate term consistent with the Applicant's repayment ability AND the useful life of the asset(s) being financed. The maximum maturities are as follows:

- **Working Capital or Inventory** - up to 10 years (with sufficient justification)
- **Equipment, Fixtures or Furniture -** generally not more than 10 years, but allowable up to 25 years, and not to exceed the useful economic life of the acquired asset(s)
- **Real Estate** - 25 years, plus the additional time needed to complete construction
- **Refinancing** - based on the use of proceeds of the loan(s) being refinanced
- **Mixed 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

*The requested **loan term** is within these limits.* ***TRUE*** ☐ ***FALSE*** ☐

e) **Interest Rate:** A loan may have a fixed or variable interest rate. The maximum interest rate that may be established for any 7(a) loan is governed by SBA's regulations on interest rates, which preempt any provisions of a state's constitution or law. The lender negotiates the interest rate with the Small Business Applicant, subject to SBA's maximum rates.

| Loan Amount | Maturity | Maximum Rate |
|---|---|---|
| Loans $25,000 or less | (Maturity less than 7 years) | Base Rate + 4.25% |
| Loans $25,000 or less | (Maturity 7 years or more) | Base Rate + 4.75% |
| Loans more than $25,000 up to $50,000 | (Maturity less than 7 years) | Base Rate + 3.25% |
| Loans more than $25,000 up to $50,000 | (Maturity 7 years or more) | Base Rate+ 3.75% |
| Loans greater than $50,000 | (Maturity less than 7 years) | Base Rate + 2.25% |
| Loans greater than $50,000 | (Maturity 7 years or more) | Base Rate + 2.75% |

**Variable Base Rate:** For variable rate loans, the Base Rate can be either:

1. The Prime Rate printed in a national financial newspaper published each business day,
2. LIBOR One Month Rate plus 3 percent (LIBOR), or
3. SBA's optional Peg Rate (PEG).

**Fixed Base Rate:** For fixed rate loans, the Base Rate must be SBA's Fixed Base Rate.

The rate used is the one in effect on the date SBA receives the **complete** application.

For current rates, please visit http://www.colsonservices.com/main/news.shtml

*The requested **interest rate** is within these parameters.* ***TRUE*** ☐ ***FALSE*** ☐

**XIII. Conflicts of Interest** -- Due to potential conflicts of interest, in certain circumstances loans may require a higher approved level within SBA. There may be a conflict of interest if:

- An SBA employee, or the household member* of an SBA employee, is a sole proprietor, partner, officer, director or owner of 10 percent or more interest in the Applicant. [13 CFR 105.204]
- A former SBA employee separated from SBA for less than one year prior to the request for financial assistance is an employee, partner, attorney, agent, owner of stock, officer, director, creditor or debtor of the Applicant. [13 CFR 105.203]
- 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 business. [13 CFR 105.301(c)]
- 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 business. [13 CFR 105.302(a)]

*A "household member" of an SBA employee includes: a) the spouse of the SBA employee; b) the minor children of said individual; and c) the blood relatives of the employee, and the blood relatives of the employee's spouse, who reside in the same place of abode as the employee. [13 CFR 105.201(d)]

*None of the above potential* ***conflicts of interest*** *exist.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", attach a "Comments" page with a detailed explanation of the relationship

**Statement of No Objection** -- There are certain requirements for officers or employees of other Government organizations (including the military).

***None*** *of the proprietors, partners, officers, directors or stockholders with a 10 percent or more interest of the business, or a household member, is* ***an employee of another Government Department or Agency having a grade of at least GS-13 or its equivalent.*** [13 CFR 105.301(a)]

***TRUE*** ☐ ***FALSE*** ☐

If "False", provide a statement of no objection from the pertinent department or military service for approval by the Standards of Conduct Committee.

**XIV. Ethical Requirements** -- SBA lenders must act ethically and exhibit good character. Conduct of a lender's Associates and staff will be attributed directly to the lender. Lenders are required to notify SBA immediately upon becoming aware of any unethical behavior by its staff or its Associates. [13 CFR 120.140] There is a potentially unethical scenario if:

- The Lender, or an Associate of the Lender*, has a real or apparent conflict of interest with Applicant, any of Applicant's Associates, or any close relative of Applicant's Associates.
- The Lender or an Associate or close relative of the 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, and if the lender, its Associates, partner or a close relative acquires such an interest at any time during the term of the loan.
- The Lender, or an Associate of the Lender, is incarcerated, on parole or 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.
- The Lender, or an Associate of the Lender, has accepted funding from a source that restricts, prioritizes, or conditions the types of small businesses that the 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.
- The Loan proceeds will directly or indirectly finance the purchase of real estate, personal property or services from the Lender or an Associate of the Lender.
- The Applicant, an Associate of the Applicant, or close relative of an Associate of Applicant is required to invest in the Lender.
- The proceeds will be used to acquire space in a project for which lender has issued a real estate forward commitment.

*Associate of a Lender is an officer, director, key employee, or holder of 20 percent or more of the value of the Lender's stock or debt instruments. An Associate of a small business is an officer, director, owner of more than 20 percent of the equity, or key employee.

*None of the above* ***potentially unethical scenarios*** *exist.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", attach a "Comments" page with a detailed explanation of the circumstances

**XV. Special Programs** -- CAPLines, Export Working Capital Loans and/or International Trade Loans

a) *The loan is **not** being made under one of the **CAPLines loan programs**.* ***TRUE*** ☐ ***FALSE*** ☐
If "False", complete the CAPLines Addendum (Addendum H)

*b) The loan is **not** being made under the **Export Working Capital Program (EWCP)**.* ***TRUE*** ☐ ***FALSE*** ☐
If "False", complete the EWCP Addendum (Addendum I)

*c) The loan is **not** being made under the **International Trade Program (IT)**.* ***TRUE*** ☐ ***FALSE*** ☐
If "False", complete the IT Addendum (Addendum J)

**XVI. Submission of Form 4506-T** – Enter date **Form 4506-T** was submitted to IRS: _____

**XVII. Life Insurance** – Per SOP 50 10 5 (D) Page 204, Lender must determine if repayment of the loan is dependent upon an owner's active participation in the business. In other words, if the owner dies, will the business operations be adversely affected and the loan default? In these situations, the lender must require life insurance unless the lender determines due to the adequacy of collateral and/or the presence of secondary sources of repayment that life insurance is not necessary. Lender must document this determination in the credit memo. If the lender determines that life insurance is not necessary and there is a loss on the loan due to the death of the owner, the lender will be responsible for the loss.

***Life insurance** will be required for this loan request.* ***TRUE*** ☐ ***FALSE*** ☐
If "True", provide name(s) and amount(s) of life insurance required

_____

_____

**XVIII. Collateral Requirements** - SBA does not permit its guaranty to be used as a substitute for available collateral. SBA requires that the lender collateralize the loan to the maximum extent possible up to the loan amount. If business assets do not fully secure the loan, the lender must take available personal assets of the principals as collateral.

Collateral required is in accordance with SOP 50 10 5 (D), Pages 184-186 ***TRUE*** ☐ ***FALSE*** ☐

**Lender's Certification:**

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 true and correct information.

Lender Signature: _____ Date _____

Name and Title: _____

# COMMENTS PAGE

# ALIEN OWNERSHIP ELIGIBLITY ADDENDUM (Addendum A)

*Respond to the statements below. This will assist in determining eligibility and other requirements relating to alien ownership:*

1. ***None*** *of the principals of the Applicant (or of any concern with an ownership interest in the Applicant) are* ***undocumented (illegal) aliens****.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

   If "True", Lender must obtain 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.

2. Check one of the following boxes:

☐ *a. The Applicant business is at least* ***51 percent owned*** *by individuals who are either* ***U.S. citizens*** *or have* ***Legal Permanent Resident (LPR) status*** *and who control the management and daily operations of the business****.*** If checked:

- *The applicant business is not subject to the additional requirements in 2.b. below.*

☐ *b. The Applicant business is at least* ***51 percent owned*** *by aliens with a* ***verified status other than LPR, or is owned by Foreign Nationals or Foreign Entities****.*

If checked; the applicant must comply with each of the following requirements:

i) The application must contain assurance that management is expected to continue in place indefinitely and has U.S. citizenship or verified LPR status.
ii) Management must have operated the business for at least 1 year prior to the application date
iii) Management must provide a personal guaranty, unless the Lender's Credit Memo explains why this guaranty is not needed, and
iv) Collateral is pledged that is sufficient to pay the loan in full at any time.

*The applicable* ***USCIS verification*** *and* ***alien ownership requirements*** *have been met.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", the loan is **ineligible** until these requirements have been met

3. *The Applicant is* ***not*** *a* ***foreign-owned business****.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", Applicant must comply with each of the following:
   - 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 Lender's Credit Memo explains why this guaranty is not needed, and
   - Collateral is pledged that is sufficient to pay the loan in full at any time.

# SBA FORM 912: STATEMENT OF PERSONAL HISTORY (Addendum B)

SBA Form 912 is required for every proprietor, general partner, officer, director, managing member of a limited liability company (LLC), owner of 20% or more of the equity of the Applicant, Trustor (if the Small Business Applicant is owned by a trust), and any person hired by the Applicant to manage day-to-day operations .

**Lender Name**: _____ Phone: _____
Street Address: _____
City, State, ZIP: _____

**Principal Name**: _____ Phone: _____
Street Address: _____
City, State, ZIP: _____

**Charge 1**: _____ Felony ☐ Misdemeanor ☐
Month/Day/Year (if actual day unknown, then Month/Year: _____
City, County, State of Arrest: _____
**Disposition of Charge (List Specific Details)**
Sentence: _____
Fine: _____
Other: _____
Date Disposition Completed: _____

**Charge 2**: _____ Felony ☐ Misdemeanor ☐
Month/Day/Year (if actual day unknown, then Month/Year: _____
City, County, State of Arrest: _____
**Disposition of Charge (List Specific Details)**
Sentence: _____
Fine: _____
Other: _____
Date Disposition Completed: _____

**Charge 3**: _____ Felony ☐ Misdemeanor ☐
Month/Day/Year (if actual day unknown, then Month/Year: _____
City, County, State of Arrest: _____
**Disposition of Charge (List Specific Details)**
Sentence: _____
Fine: _____
Other: _____
Date Disposition Completed: _____

**Signature:** _____ **Date:** _____

# AFFILIATE ELIGIBILITY ADDENDUM (Addendum C)

Please complete this form for all possible affiliates. Use the same size standard (Regular or Alternative) that was chosen for the applicant business on page 2 of the Eligibility Questionnaire. Attach additional sheets as needed.

**Legal Name of Affiliate:** _____ **NAICS Code:** _____

(Use only one standard for all Affiliates and Operating Company)

| ***Regular Size Standard*** | ***Alternative Size Standard*** |
|---|---|
| *Avg. gross receipts over last 3 fiscal years* _____ | *Avg. net income over last 2 fiscal years (after federal income tax)* _____ |
| *Number of employees* _____ | *Tangible net worth* _____ |

**Legal Name of Affiliate:** _____ **NAICS Code:** _____

(Use only one standard for all Affiliates and Operating Company)

| ***Regular Size Standard*** | ***Alternative Size Standard*** |
|---|---|
| *Avg. gross receipts over last 3 fiscal years* _____ | *Avg. net income over last 2 fiscal years (after federal income tax)* _____ |
| *Number of employees* _____ | *Tangible net worth* _____ |

**Legal Name of Affiliate:** _____ **NAICS Code:** _____

(Use only one standard for all Affiliates and Operating Company)

| ***Regular Size Standard*** | ***Alternative Size Standard*** |
|---|---|
| *Avg. gross receipts over last 3 fiscal years* _____ | *Avg. net income over last 2 fiscal years (after federal income tax)* _____ |
| *Number of employees* _____ | *Tangible net worth* _____ |

**Legal Name of Affiliate:** _____ **NAICS Code:** _____

(Use only one standard for all Affiliates and Operating Company)

| ***Regular Size Standard*** | ***Alternative Size Standard*** |
|---|---|
| *Avg. gross receipts over last 3 fiscal years* _____ | *Avg. net income over last 2 fiscal years (after federal income tax)* _____ |
| *Number of employees* _____ | *Tangible net worth* _____ |

## ELIGIBLE PASSIVE COMPANY (EPC)/OPERATING COMPANY (OC) (Addendum D)

***Name of entity holding title to the real or personal property (Eligible Passive Company/EPC):***

_____

***Name of the Operating Company (OC):***

_____

The Eligible Passive Company (EPC) rule is an exception to SBA regulations that prohibit financing assets which are held for their passive income. **Because the EPC rule is an exception, it is interpreted strictly.** To qualify as and EPC:

- The EPC must 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.
- An EPC may not use loan proceeds to acquire a business, acquire stock in a business or any intangible assets of a business or to refinance debt that was incurred for those purposes.
- The OC must be an eligible small business and the proposed use of proceeds would be an eligible use if the OC were obtaining the financing directly.
- The EPC (with the exception of a trust) and the OC must each be small under SBA's size standards.
- The OC must be a guarantor or co-borrower. If loan proceeds include working capital or fixed assets to be owned by the OC, the OC must be a co-borrower.
- Each 20% or more owner of the EPC and each 20% or more owner of the OC must guaranty the loan and comply with the Utilization of Personal Resource Rule.
- The lease between the EPC and the OC must be in writing and must have a remaining term at least equal to the term of the loan (including options to renew exercisable solely by the Operating Company).
- The lease must be subordinate to SBA's lien on the property.
- The EPC must assign the rents from the lease as collateral for the loan.
- The lease payments from the OC to the EPC must not exceed the loan payment (plus any amount needed to cover the EPC's expenses of holding the property, such as maintenance, insurance and property taxes).
- The aggregate amount of the SBA portions for this application and for all outstanding loans to the EPC, the OC, and their affiliates must not exceed $3.75 million ($4.5 million for International Trade Loans).
- If the EPC is a Trust, SBA requirements regarding trusts must be met (see SOP 50 10 5 (D), Subpart B, Chapter 2, Paragraph III F 3, page 125).

*The **EPC and OC(s)** comply with all of the **conditions listed above**.* ***TRUE*** ☐ ***FALSE*** ☐

If "False", the loan request is **ineligible** as structured.
Please contact the 7(a) Standard LGPC for guidance.

# DEBT REFINANCING ADDENDUM QUESTIONNAIRE (Addendum E, Page 1)

*SBA has certain restrictions on the use of loan funds for refinancing prior debt. The questions below will assist in determining if the applicant is ineligible for refinancing.*

1. *The debt to be refinanced has an **original purpose** that would have been **eligible for SBA financing**. If "False", the loan is eligible.*

   ***TRUE*** ☐ ***FALSE*** ☐

   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 must be at least **10% less than the existing installment amount(s).** (Debt indentified in a, c, or e below are not subject to the 10% requirement.)

   Existing debt is **presently on unreasonable terms** if it is:
   a) short or long term debt structured with a demand note or balloon payment;
   b) debt with an interest rate that exceeds the SBA maximum interest rate for the processing method used;
   c) credit card obligations used for business related purposes;
   d) debt that is over collateralized (however, the SBA guaranteed loan must meet SBA collateral requirements).
   e) 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;
   f) 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);
   g) debt used to finance a change of ownership under certain conditions (see SOP 50 10 5 (D), Subpart B, Chapter 2, Paragraph II E.2.g Pages 132-133); or
   h) debt the Lender believes no longer meets the needs of the Small Business Applicant.

2. *The existing debt meets one of the above criteria for determining it to be on **unreasonable terms**.*

   ***TRUE*** ☐ ***FALSE*** ☐

   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.

3. *The Lender is **not** currently in **a position to sustain a loss** and SBA **will not** be placed in a position to sustain a loss by refinancing the debt.* ***TRUE*** ☐ ***FALSE*** ☐

4. *The loan **will not** refinance **debt owed to an SBIC**.* ***TRUE*** ☐ ***FALSE*** ☐

5. *The loan **will not** refinance **third party financing** for any existing 504 project.* ***TRUE*** ☐ ***FALSE*** ☐

   ***If "False" is checked for Questions 1-5, the use of proceeds for refinancing is ineligible.***

6. *The loan **will not** refinance **same institution debt**.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", provide a transcript of the loan(s) showing the due dates and when payments were received, along with an explanation for any late payments and late charges that have occurred during the last 36 months.

7. *The loan **will not** refinance a **prior SBA loan**.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", address the following requirements:
   - 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 an increase in loan amount or a second loan and is either unwilling or unable to modify the current payment schedule.
   - 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.

8. The loan **will not** refinance any seller take-back financing ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the seller's note must have been in place for at least 24 months and is, and has been, current for the past 24 months.

9. *The loan **will not** refinance **credit card debt**.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", address the following requirements:
   - 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 (D), subpart B, Chapter 2, Pages 133-134.

## DEBT REFINANCING ADDENDUM WORKSHEET (Addendum E, Page 2)

Complete a separate table and respond to all questions for each debt to be refinanced. Print multiple copies of this worksheet as necessary.

| ***Existing Loan Terms*** | ***Proposed Loan Terms*** |
|---|---|
| **Creditor Name:** | **Creditor Name:** |
| **Borrower Name:** | **Borrower Name:** |
| **Current Loan Balance:** | **Refinance Amount: *** |
| **Current Interest Rate:** | **Proposed Loan Term:** |
| **Original Loan Term:** | **Proposed Loan Term:** |
| **Current Payment Amount:** | **Proposed Payment Amount:**** |

* *This amount should be the same as the current loan balance (plus prepayment penalty) that you are refinancing, NOT the total amount of the SBA loan.*

** *The proposed payment amount is calculated based on the refinance amount not the total SBA loan amount*

**Savings Amount per month:** _____

**Savings Percentage:** _____

**Collateral that Secures the Exiting Loan:** _____

### Questions to address:

1. Why was the debt incurred? What was the original use of proceeds? (If the loan purpose was to refinance another debt, lender must address the original use of that debt.)

   _____

   _____

2. Neither over-obligated nor imprudent debt scheduling has necessitated a major restructuring of this debt.
   ***TRUE*** ☐ ***FALSE*** ☐

3. How will the new loan improve the financial condition of the business and how will refinancing benefit the applicant?

   _____

   _____

4. The debt is currently on **unreasonable terms**. ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the refinance is **ineligible**. If "True", explain why the debt is unreasonable.

   _____

5. The refinancing **will not** include payments to **creditors in a position to sustain a loss** due to either an inadequate collateral position or low or deficit new worth. ***TRUE*** ☐ ***FALSE*** ☐

   If "False", explain how additional collateral or altered terms will protect the interest of the agency:

   _____

   _____

# CHANGE OF OWNERSHIP ADDENDUM (Addendum F)

SBA 7(a) loans may be used to finance a change of ownership for an existing business, subject to the requirements listed below.

*The following changes of ownership are not eligible:*

- A non-owner who is purchasing a portion of the ownership of the business from a selling owner
- An existing owner who is purchasing the ownership of another existing owner that will not result in 100% ownership by the purchaser

1. *The change of ownership request does **not** involve either of the **ineligible partial change of ownership** scenarios mentioned above.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

2. *The change of ownership will promote the sound development or preserve the existence of the applicant business* ***TRUE*** ☐ ***FALSE*** ☐

3. *The Seller's **business financials for the past 3 years** have been verified with **IRS tax transcripts**.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", address what other form of verification is being used:

   _____

4. Check one of the following boxes to determine the business valuation requirement (see SOP 50 10 5(D) P. 190-192).

   ☐ *The amount being financed minus the appraised value of real estate and/or equipment is **$250,000 or less,** and there is no close relationship between the buyer and seller.* If checked, provide a copy of the lender's internal business valuation with loan submission. If the lender's internal policies and procedures require an independent business valuation for this transaction, then an independent valuation must be obtained from a qualified source and provided at time of loan submission.

   ☐ *The amount being financed minus the appraised value of real estate and/or equipment is **greater than $250,000**, or there is a close relationship between the buyer and seller (for example, transactions between family members or business partners).* If checked, provide a copy of an independent business valuation from a qualified source at time of loan submission.

   *The appropriate **business valuation** has been submitted with the loan package.* ***TRUE*** ☐ ***FALSE*** ☐

5. *The **Seller is not remaining** as an **officer**, **director**, **stockholder** or **key employee** of the business.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible** (unless there is a short transitional period where the individual(s) are remaining as a consultant for no more than 12 months)

6. Check all applicable boxes:

   a) ☐ The business has been transferred within 36 months of the date of loan application
   b) ☐ The requested loan amount is greater than $250,000
   c) ☐ The change of ownership involves the purchase of real estate
   d) ☐ None of the above apply to this loan request

   **I**f (a), (b), and (c) were all checked, then in addition to a real estate appraisal that meets SBA appraisal requirements in SOP 50 10 5 (D) Subpart B Chapter 4, either a "review" of the appraisal by another appraiser selected directly by the lender or a site visit by a senior member of the lender's staff is required. If a site visit is conducted, the lender must document the file and include the date of the visit and a description of the items reviewed on site.

   *The **requirements** outlined in the preceding paragraph **have been met** or **are not applicable** to this loan request.* ***TRUE*** ☐ ***FALSE*** ☐

# LEASED SPACE ADDENDUM (Addendum G)

Rentable Property: is the total square footage of all buildings or facilities used for business operations (13 CFR 120.10) excluding vertical penetrations (stairways, elevators, and mechanical areas that are designed to transfer people or services vertically between floors), and including common areas (lobbies, passageways, vestibules, and bathrooms). Rentable property excludes all outside areas.

1. *Check the applicable box:*

   ☐ *Loan proceeds are being used for construction or for the refinance of a loan used to* ***construct a new building****.* If checked, Applicant (Operating Companies) must occupy **60%** of the rentable property, may permanently lease up to 20% and temporarily lease an additional 20% with the intention of using some of the additional 20% within 3 years and all of it within 10 years.

   ☐ *Loan proceeds are being used for the purchase, renovation or reconstruction of an* ***existing building*** *(or for refinancing debt used for these purposes).* If checked, Applicant (Operating Companies) must occupy at least **51%** of the rentable property.

   *Applicant complies with the applicable* ***occupancy requirements****, or will comply with them within the next twelve months.*

   ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

2. *Loan proceeds* ***will not*** *be used to* ***remodel or convert*** *any* ***rental space*** *in the property.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

# CAPLINES ADDENDUM (Addendum H)

The CAPLines program 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 **four** separate sub-programs. There are requirements applicable to all CAPLines and unique requirements for various sub-programs and uses of proceeds. Respond to the applicable statements below. Further information can be found in SOP 50 10 5(D).

**If any of the following questions are marked "False", the loan may not be eligible.**

## General Requirements – Complete for all loans

1. The Applicant has **been in business for at least 1 year** or developed an adequate track record to assess its short-term working capital needs. **TRUE** ☐ **FALSE** ☐

2. The additional **servicing fee charged by the lender does not exceed 2 percent**, except under the Working Capital CAPLine program. **TRUE** ☐ **FALSE** ☐

3. The term does not exceed **10 years** (except Builder's CAPLine, which is limited to 5 years). **TRUE** ☐ **FALSE** ☐

4. The CAPLine has an **exit strategy**. **TRUE** ☐ **FALSE** ☐

## Refinance Requirements – Complete if applicable

The refinanced portion must not include any term debt or 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 identified in the Use of Proceeds section of the Authorization and comply with the debt refinance provisions of the SOP 50 10(5)(D)**.**

**Only Working Capital CAPLines may refinance debt**

5. CAPLine proceeds allocated toward **refinancing** are in compliance with the **above restrictions**. **TRUE** ☐ **FALSE** ☐

6. A **copy of the note(s)** to be refinanced, **loan transcript**, and a **borrowing base certificate** with A/R aging and list of inventory, as necessary are included with the application. **TRUE** ☐ **FALSE** ☐

7. The borrower has a **sufficient borrowing base** to support refinancing of the existing line of credit plus any additional and/or existing short-term debt. **TRUE** ☐ **FALSE** ☐

## Contract CAPLines – Complete if applicable

8. Able to demonstrate an ability to operate profitably based upon the prior completion of similar contracts. **TRUE** ☐ **FALSE** ☐

9. Loan proceeds will be used to finance all costs associated with specific contract(s), but not profit. **TRUE** ☐ **FALSE** ☐

10. The Contract has assignable proceeds. If 'False", Lender must discuss how applicant meets the exception (see SOP 50 10 5(D) Page 238). **TRUE** ☐ **FALSE** ☐

11. Project cost schedule, cash flow statement, and a copy of the contract(s) being financed are included (see SOP 50 10 5(D) Page 218). **TRUE** ☐ **FALSE** ☐

12. For single contract financing, the loan amount is equal to the sum of the costs of the contract (excluding profit), as evidenced by the project cost schedule. **TRUE** ☐ **FALSE** ☐

13. For multiple contract financing, the master note amount is equal to the sum of the costs of all contracts (excluding profit) to be financed under the CAPLine, as evidenced by the project cost schedules. For future projects not yet identified, at the time the contract is obtained all costs by line item should be identified. The amount of the sub-note for each specific contract should equal the total costs of that contract (excluding profit). **TRUE** ☐ **FALSE** ☐

14. No contract work has begun prior to SBA approval. **TRUE** ☐ **FALSE** ☐

## Seasonal CAPLines – Complete if applicable

15. Loan proceeds will be solely used to finance a **seasonal increase of accounts receivable and inventory** (seasonal nature of business must be documented). **TRUE** ☐ **FALSE** ☐

16. **Month-to-month cash flow projections** for the upcoming 12 months are provided. **TRUE** ☐ **FALSE** ☐

17. If this CAPLine covers **more than a single season** during the year, then each season's projections show the CAPLine **paid down to a zero balance for at least 30 days** prior to the new season. **TRUE** ☐ **FALSE** ☐

## Builders CAPLines – Complete if applicable

18. The Applicant has **experience** doing similar type of work without a loss. **TRUE** ☐ **FALSE** ☐

19. Loan proceeds will be solely used for **direct expenses related to the construction** and/or "significant" renovation costs of a specific eligible project (residential or commercial buildings for resale). **TRUE** ☐ **FALSE** ☐

20. **Month-to-month cash flow projections** for all work to be performed by Applicant are provided. **TRUE** ☐ **FALSE** ☐

21. The lender has obtained a **letter** from the following entities.
    (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.
    **TRUE** ☐ **FALSE** ☐

## Working Capital CAPLines – Complete if applicable

22. The loan amount calculation is included in application. **TRUE** ☐ **FALSE** ☐

23. Applicant generates accounts receivable (not notes receivables). **TRUE** ☐ **FALSE** ☐

24. SBA Form AB-4 is completed and signed by applicant or included in Lender's credit memo. **TRUE** ☐ **FALSE** ☐

25. The loan will be disbursed based on a borrowing base certificate and secured by a first lien on applicant's working/trading assets (i.e. accounts receivable, inventory). If lender will not use a borrowing base certificate to determine the availability of funds for disbursement, the loan is secured by a first lien on trading assets and other assets as necessary to ensure a 1:1 collateral ratio. (see SOP 50 10 5(D) Pages 240-241)

    **TRUE** ☐ **FALSE** ☐

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

# EWCP ADDENDUM (Addendum I)

*The EWCP has certain additional eligibility requirements. Respond to each statement below.*

1. *The Applicant has been **in business for at least 12 months**.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", explain the applicant's export trade experience or other managerial experience on an attached "Comments" page.

2. *Loan proceeds will be used for either of the following **two types of EWCP loan**.*

   1) Financing the working capital associated with a single transaction of the exporter or
   2) Financing the working capital associated with multiple transactions of the exporter. This type of loan is a revolving line of credit.

   ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

3. *Loan proceeds will be used for either:*

   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

      **OR**

   b) Post shipment working capital, consisting of foreign accounts receivable financing.
      For post-shipment working capital, loan funds will not be used to finance professional export marketing advice or services, foreign business travel, participation in trade shows or supplemental staff in overseas offices, except to the extent it relates directly to the transaction being financed.

   ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

4. *The **Collateral** offered 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.* ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

5. *The loan **term** is not more than 36 months.*

   ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

6. The guaranty portion is the lesser of 90% of the loan amount or $4.5 million AND

   a) The aggregate guaranty portion for this application and all outstanding loans to Applicant and its affiliates does not exceed $4.5 million OR
   b) 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

   ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible**

7. *If the applicant is an **export management company (EMC)** or **export trading company (ETC)**, it will take title to the goods or services being exported.* ***N/A*** ☐ ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

8. ***EMCs** AND **ETCs**, if any, **do not** have any **ownership in a bank**.* ***N/A*** ☐ ***TRUE*** ☐ ***FALSE*** ☐

   If "False", the loan is **ineligible.**

# IT ADDENDUM (Addendum J)

*Answer the following questions. If "False", the loan may not be eligible.* See SOP 50 10 (5) (D) for changes to the International Trade Loan Program.

1. *The applicant is currently* ***expanding existing export markets*** *or* ***developing new export markets****, or is confronting* ***increased competition*** *with foreign firms in the relevant market and is injured by such competition.*
   ***TRUE*** ☐ ***FALSE*** ☐

2. *Loan proceeds will be used to either:*

   a) 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;

   b) **refinance** 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 must also provide a substantial benefit to Applicants and/or;

   c) working capital.
   ***TRUE*** ☐ ***FALSE*** ☐

3. *The maximum* ***SBA guaranty amount*** *for any working capital component is* ***$4 million or less****.*
   ***TRUE*** ☐ ***FALSE*** ☐

4. *Lender will take a* ***lien on the fixed assets*** *financed (or re-financed) with this loan.** ***TRUE*** ☐ ***FALSE*** ☐

5. *Collateral is* ***located in the United States****, its territories or possessions.** ***TRUE*** ☐ ***FALSE*** ☐

6. *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.* ***TRUE*** ☐ ***FALSE*** ☐

*The lender is required to take a first lien on the assets financed with IT loan proceeds or other assets of the small business concern. An IT loan can be secured by a second lien position on the property or equipment financed by the IT loan or on other assets of the small business concern, if the SBA determines that the second lien provides adequate assurance of repayment of the loan