LENDER ADVANTAGE INITIATIVE

OMB Control No. 3245-0361
Exp. Date: 1/31/2014

LENDER'S APPLICATION FOR GUARANTY

(Please print legibly or type. **ALL FIELDS MUST BE COMPLETED.** Use "N/A," if blank is Not Applicable.)

A. LENDER

Name of Lender _____ Phone (____)_____ Fax (____)_____ E-Mail_____

Lender's Street Address _____ City _____ State _____ Zip _____

Applicant Business Name _____ Applicant NAICS Code_____

B. LOAN TERMS:

SBA Guaranty _____% Loan Amount _____ Term of Loan in No. of Mos. _____ Full Monthly Payments: $_____

Amortization: Principal and Interest ☐ Principal plus Interest. ☐ # of Mos. Interest Only _____

Choose and complete one of the following Loan Interest Rates:

☐ Fixed rate* = _____

Variable Rate: ☐ Prime rate* = _____ + Spread _____ = Loan Interest Rate: _____
☐ LIBOR Base Rate* = _____ + Spread _____ = Loan Interest Rate: _____
☐ SBA Peg Rate * = _____ + Spread _____ = Loan Interest Rate: _____
Adjustment period : ☐ Monthly ☐ Quarterly ☐ Annually ☐ Other _____

*The maximum interest rate allowed is identified in SOP 50 10 5 and is established on the first business day of the month when SBA receives a complete application. Both the maximum allowable fixed rate and the base rates for variable rate loans are available at http://www.colsonservices.com/main/news.shtml This chart is updated monthly.

Life Ins. required? Yes ☐ No ☐ On Whom?_____ Amt $_____

Amount of Business Equity before any required injection or stand-by debt: $_____

Standby Agreement(s)? Yes ☐ No ☐ Amount(s)$_____ Creditor's Name:_____

Amount of any required injection : $_____ Source: _____ (to be verified by the Lender)

C. USE OF PROCEEDS

Use of Proceeds	Amount ($)
Purchase Land only	
Purchase Land and Improvements	
Purchase Improvements only	
Construct a building	
Add an Addition to an Existing Building	
Make Renovations to an Existing Building	
Pay off Interim Construction Loan	
Pay off Lender's Interim Loan	
Leasehold Improvements	
Purchase Equipment	
Purchase Furniture and Fixtures	
Purchase Inventory	
Pay Trade or Accounts Payable	
Pay Notes Payable–not Same Institution Debt	
Pay Notes Payable – Same Institution Debt	
Purchase Business (Change of Ownership)* *Complete Page 2	
Refinance SBA Loan - not Same Institution Debt	
Refinance SBA Loan – Same Institution Debt	
Working Capital	
SBA Guaranty Fee	
Other-	
Total	

COLLATERAL

Collateral Type Description	Market Value ($)	Liquidation Value ($)	Existing Lien's Balance ($)	Lienholders Name
BUSINESS				
Accounts Receivable				
Inventory				
M&E				
Leasehold Improv.				
Furniture/Fixtures				
Real Estate – Comm.				
Other -				
Other -				
Other -				
PERSONAL				
Certificates of Deposit				
Marketable Securities				
Vehicles				
RE – Home				
RE – Second Home				
RE – Investment				
Other -				
Other -				
Other -				
Total				

D. ELIGIBILITY: For all Small/Rural Lender Advantage (S/RLA) submissions and Community Advantage (CA) non-delegated submissions, the Eligibility Questionnaire (Form 2301, Part C) must be completed. For CA delegated submissions, the Eligibility Information for CA loans (Form 2301, Part D) must be completed.

E. FINANCIAL STATEMENTS: Lender is to obtain and retain the financial statements required by the instructions to SBA Form 2301.
Lender is to submit to the IRS a completed IRS 4506-T for each year-end business financial statement on which it based its credit decision. Complete the date of submission to IRS. Date_____ (Retain a copy of IRS 4506-T plus the verification in the Lender's file.) (IRS 4506-T is available at www.sba.gov/aboutsba/sbaprograms/elending/lgpc/forms)

F. LENDERS COMMENTS: Attach Lender's Credit Memorandum as described in the Lender's Instructions to Form 2301, Part B.

G. LENDER'S CERTIFICATION: I approve this application subject to SBA's approval and subject to the terms and conditions outlined in this application. Without the participation of SBA to the extent applied for, we would not be willing to make this loan, and in our opinion the financial assistance applied for is not otherwise available on reasonable terms. I certify that none of the Lender's employees, officers, directors, or substantial stockholders (more than 10%) has a financial interest in the applicant. I also certify that our institution has an executed SBA Form 750 or SBA Form 750CA "Loan Guaranty Agreement."

Lender Signature: _____ Date_____

Name and Title (Print) _____

*****Complete the following for a Change of Ownership of the Business

	Total Dollar Amount
Total Amount Paid to Seller	$
Sources:	
7(a) Loan	$
Seller Financing – Amount on full standby for at least 2 yrs.	$
– Amount not on full standby	$
Buyer's Equity Contribution: ☐ Cash Describe source: _____	$
☐ Borrowed	$
☐ Other Describe:_____	$
Assets Purchased: (Net Book Value except where indicated)	
Accounts Receivable	$
Inventory	$
Real Estate	$ Check one: ☐ Book Value ☐ Appraised Value
Machinery and Equipment	$ Check one: ☐ Book Value ☐ Appraised Value
Furniture and Fixtures	$
Intangible Assets**	$
Other: Describe _____	$
**Breakdown of Intangible Assets:	
Covenant not to compete	$
Customer/client list	$
License (liquor, FCC, etc)	$
Franchise rights, patents, trademarks, etc.	$
Goodwill	$
Other: Describe _____	$

Complete the following when an Independent Business Valuation is required by SOP 50 10 5:

Appraiser's Conclusion or Summary of Value: $_____
Name of Business Appraiser (person): _____ Fee: $_____

Check qualification(s) of the Appraiser:

- ☐ Accredited Senior Appraiser (ASA)
- ☐ Certified Business Appraiser (CBA)
- ☐ Accredited in Business Valuation (ABV)
- ☐ Certified Valuation Analyst (CVA)
- ☐ Accredited Valuation Analyst (AVA)
- ☐ Certified Public Accountant (CPA) that performs the business valuation in accordance with the "Statement on Standards for Valuation Services"

Will a business broker receive a commission from the sale of the business? ☐ Yes ☐ No

If yes: Name of Business Broker (person): _____ Commission: $_____
Address: _____

LENDER ADVANTAGE INITIATIVE

LENDER'S INSTRUCTIONS TO FORM 2301, PART B

The following directions provide assistance to the Lender in completing the Lender's portion of SBA Form 2301, Part B. Each lettered section corresponds to the same lettered section on the form. If a particular section or entry is not specified in these instructions, no special directions are required to complete that entry. If necessary, use separate sheets of paper for additional space to complete each section. ALL BLANKS MUST BE COMPLETED - USE N/A IF "BLANK" DOES NOT APPLY.

For the Small/Rural Lender Advantage Program, and Community Advantage (non-delegated), the Lender must submit to the SBA Standard 7(a) Loan Guaranty Processing Center the following documents:

1. Complete, signed and dated SBA Form 2301, Part A, Lender Advantage Initiative, including the separate Section D(s). (All principals and guarantors need to complete, sign and date Section D but only one principal needs to complete, sign and date the entire form.)
2. Complete, signed and dated SBA Form 2301, Part B, Lender's Application for Guaranty.
3. Complete, signed and dated SBA Form 2301, Part C, Eligibility Questionnaire, including any additional information SBA requires due to any "false" responses indicated on the form. The lender and applicant must sign this form.
4. Copy of the lender's credit memorandum addressing all of the requirements set forth in the instructions.

If you have any credit or eligibility policy questions, refer to the current version of SOP 50-10 (as well as any applicable notices) which is available at www.sba.gov/aboutsba/sbaprograms/elending or contact your local district office or the 7(a) Loan Guaranty Processing Center (LGPC) by e-mailing your questions to 7aquestions@sba.gov or by telephone at 1-877-475-2435. (Please be sure to go over the entire application prior to contacting your local district office or center in order that all questions may be covered at the same time.)

For Community Advantage (delegated), the Lender must use E-tran to request an SBA loan number for the loan. The Lender must retain in its Lender files the following documents:

1. Complete, signed and dated SBA Form 2301, Part A, Lender Advantage Initiative, including the separate Section D(s). (All principals and guarantors need to complete, sign and date Section D but only one principal needs to complete, sign and date the entire form.)
2. Complete, signed and dated SBA Form 2301, Part B, Lender's Application for Guaranty.
3. For Community Advantage (delegated) complete, signed and dated SBA Form 2301, Part D, Eligibility Information for Community Advantage Loans.
4. Copy of the lender's credit memorandum addressing all of the requirements set forth in the instructions.

Section A: LENDER

1. Name of Lender - Financial Institution.
2. Telephone - Lender's telephone number including area code.
3. Lender's fax number including area code.
4. Lender's e-mail address.
5. Lender's Address - Address of Financial Institution.
6. Business Name – Small Business Applicant.
7. Applicant NAICS Code - As listed by the "North American Industry Classification System" (NAICS).

Section B: LOAN TERMS

1. SBA Guaranty % - Percentage of SBA Guaranty requested. (Maximum of 85% for loans of $150,000 or less; maximum of 75% for loans greater than $150,000.)
2. Loan Amount - Amount lender has approved contingent on receiving SBA's guaranty. (Maximum for Small/Rural Lender Advantage is $350,000; maximum for Community Advantage is $250,000.)
3. No. of Months to maturity - Loan maturity must be in total number of months, **including interest only payments**.
4. Payments - Mark appropriate box if payments are principal **and** interest (P&I) or principal **plus** accrued interest (P + I); enter payment amount. If you are asking for payments other than monthly, quarterly, or annually, please indicate the frequency.
5. No. of Months Interest Only - Only if repayment term has an interest only period.
6. Initial Interest Rate - Interest rate of the loan as of the first business day of the month that the loan is submitted to SBA.
7. Indicate whether fixed or variable. Indicate the base rate. Indicate the spread. If adjustment period is other than monthly or quarterly, please check "Other," and indicate the frequency.
8. Life Insurance - Are you requiring principal to obtain, if so, state on whom and in what amount?
9. Equity in Business - Note: Equity in personally owned assets, such as real estate, is NOT considered equity in the business.
10. Standby Agreement - Will any debt be placed on full standby (no payments of principal and interest for the term of the SBA loan). If yes, creditor's name and in what amount?
11. Additional Injection into business – Any amount identified must be independently verified by lender prior to disbursement of loan.

Section C: USE OF PROCEEDS AND COLLATERAL

Use of Proceeds:

1. Purchase Land only.
2. Purchase Land and Building/Improvements.
3. Purchase Building/Improvements only.
4. Construct a Building: construction financing to build a new building.
5. Add an addition to an Existing Building: financing for an expansion of an existing building owned by applicant.
6. Make Renovations to an Existing Building: financing for renovation/rehabilitation of an existing building owned by applicant.
7. Pay off Interim Construction Loan: long term financing of short term construction loan.
8. Pay off Lender's Interim Loan: financing for lender's short term interim loan.
9. Make Leasehold Improvements
10. Purchase Equipment: equipment, vehicles, computers, furniture, etc.
11. Purchase Fixtures: finance fixtures to applicant's real estate that become part of real property.
12. Purchase Inventory: The goods and materials to be held/or are held by the business for production or sale.
13. Pay Trade or Accounts Payable: finance trade and/or accounts payables that are current liabilities of the applicant.
14. Pay Notes Payable - not Same Institution Debt: refinance of another lender's outstanding debt to applicant.
15. Pay Notes Payable - Same Institution Debt: refinance of participant lender's outstanding debt to applicant. [Refinancing of SID ineligible for delegated processing under Community Advantage (delegated).]
16. Purchase Business (Change of Ownership) - *Complete Page 2 as well.
17. Refinance SBA Loan – not Same Institution Debt. (This does not include an existing SBA loan being paid by the seller of a business when there is a change of ownership.)
18. Refinance SBA Loan – Same Institution Debt. (This does not include an existing SBA loan being paid by the seller of a business when there is a change of ownership.)
19. Working Capital.
20. SBA Guaranty Fee – pay SBA guaranty fee.
21. Other – please specify.

Collateral

1. Market Value - Should be the lender's assessment of the current market value (or book value in the case of accounts receivables, inventory, etc.) of collateral. (Please note that market value should be based on prudent lending standards and values should be supported by appropriate documentation.)
2. Liquidation Value - The lender must use its assessment of the liquidation value of the collateral, net of existing lien(s), based on its liquidation experience of similar collateral.
3. Existing Lien(s) – Enter any existing balance outstanding on each piece of collateral that will have a senior lien to SBA loan.
4. Enter lienholder's name.
5. For real estate, attach separate document with the full address of any real estate taken as collateral.

Section D: ELIGIBILITY

1. For Small/Rural Lender Advantage, and Community Advantage (non-delegated), the Lender must complete, sign and date Form 2301, Part C, Eligibility Questionnaire. If this form is not complete, the application will not be accepted by SBA for processing.
2. For Community Advantage (delegated) complete, signed and dated SBA Form 2301, Part D, Eligibility Information for Community Advantage Loans.

Section E: FINANCIAL STATEMENTS

The Lender must review and analyze the following financial information from the Applicant. Retain these statements in the Lender's file. (Do not submit these financial statements to SBA unless requested.)

a. For an existing business or for a change of ownership, business financial statements for the last three years. In addition, if the most recent year-end statement is over 3 months old, then an interim financial statement is required where the date is not more than 90 days old at the time of the application.
b. If three years of historical financial statements are not available or if historical cashflow does not cover all existing and proposed debt, a projection of earnings for at least one year including an explanation of the assumptions. (Also required for a new business request.)
c. For any affiliates of the small business, business financial statements for the last three years.

Lender must submit IRS 4506-T (www.sba.gov/aboutsba/sbaprograms/elending/lgpc/forms) to the IRS on the year-end Small Business Applicant's financial statements. (Note: No verification is required on those financial statements whose period ends within 6 months of the date of submission to the IRS.) A copy of the completed IRS 4506-T plus the IRS verification must be retained in the Lender's file. Include date of submission to IRS on Form 2301.

(Note: Any significant difference between the financial statements submitted by the Applicant and the IRS verification must be reasonably explained in the Lender's loan file prior to loan closing.)

Section F: LENDER COMMENTS

The Lender is required to submit to SBA the Lender's Credit Memorandum ("Credit Memorandum"). The Credit Memorandum must meet reasonable and prudent standards for the commercial lending industry and include, at a minimum, the following. (For PLP loans, the Lender must retain the Lender's Credit Memorandum in the Lender's file for possible review by SBA at a future date.)

The Credit Memorandum must include at a minimum:

Description of business including competition:

- Description of the history and nature of the business.
- Description of and comments on the business plan including: 1) Management experience of principal(s), particularly in the industry; 2) Financial condition of the business; and 3) Nature of any competition.

Credit Analysis:

- Spread of proforma Business Balance Sheet (current business balance sheet + changes in assets and liabilities as a result of the loan, other debt, any required equity injection and use of proceeds).
- Ratio calculations (based on the proforma Balance Sheet and historical and projected Income Statements) for the following financial ratio benchmarks: Current Ratio, Debt/Tangible Net Worth, Debt Service Coverage and other ratios the lender considers significant for the business/industry (e.g., inventory turnover, receivables turnover, and payables turnover, etc.)
- Analysis of working capital adequacy to support projected sales growth in next 12 months.
- Analysis/calculation of cash flow relative to debt service: (1) Show how historical cash flow would cover total debt service after the SBA loan. (Lenders may use "rule of thumb" cash flow, defined as earnings before interest and taxes, plus depreciation and amortization, less total debt service. Each component (including total cash flows) must be shown.); and (2) show how projected cash flow covers debt service after the SBA loan. (Lenders may use "rule of thumb" cash flow as defined in (1).) Also, provide an analysis of the reasonableness of the assumptions supporting the projected cash flow.
- Explanation of and justification for the refinancing of any debt as part of the loan request, particularly Same Institution Debt (SID). (Refinancing of SID ineligible for PLP processing.)
- Discussion of any 1) Seller financing; 2) Stand-by agreements; 3) 90+day delinquencies; and/or 4) Trade disputes.
- Discussion of any bankruptcy filings or judgments.
- For a change of ownership only, discussion/analysis of business valuation (based on generally accepted valuation methods used for the pertinent industry) used to support the purchase price. (See SOP 50 10 5, Subpart B, Chapter 4, Paragraph II.C.5 for business valuation requirements.)
- Discussion of credit analysis including lender's rationale for recommending approval. Include any additional information the lender considers significant/relevant to the credit decision.

Collateral Analysis: Collateral Adequacy assessment (using liquidation values) in the event of default.

Technical Assistance: For Community Advantage, lenders need to ensure that their small business applicants respond to the questions covering the level of technical assistance they have received.

NOTE: According to the Paperwork Reduction Act, you are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. The estimated burden for completing this form, including time for reviewing instructions, gathering data needed, and completing and reviewing the form is 2 hours per response. Comments or questions on the burden estimates should be sent to the SBA Desk Officer, Office of Management and Budget, New Executive Bldg., Room 10202, Washington, DC 20503 and or to U.S. Small Business Administration, Chief, AIB, 409 3rd St., SW, Washington DC 20416. **PLEASE DO NOT SEND FORMS TO THIS ADDRESS.**