

CAPLines

The CAPLines program for loans up to \$5 million is designed to help small businesses meet their short-term and cyclical working capital needs. There are four distinct loan programs under the CAPLines umbrella:

▶ Contract Loan

Who Qualifies

Same as standard 7(a) requirements. Plus, must:

- Demonstrate an ability to operate profitably based on completion of similar contracts
- Possess the ability to bid and perform the specific type of work required by the contract(s)
- Have the financial capacity and technical expertise to complete the contract on time and at a profit

Use of Proceeds

To finance the cost of one or more specific contracts, sub-contracts, or purchase orders, including overhead or general and administrative expenses, allocable to the specific contract(s).

Maturity

Not to exceed 10 years.

Structure

Short-term financing for performance of approved contract, sub contract, or purchase order to be repaid when payment for the activity is made to business. Can be revolving or not.

Maximum Loan Amount

A Contract CAPLine loan can be for as much as \$5 million. In addition, a single Contract CAPLine may be utilized to fund a single or multiple contracts.

Benefit to Borrower

Provides opportunity for contractors and sub-contractors to get financing not otherwise available.

▶ Seasonal Line of Credit

Who Qualifies

Same as standard 7(a) requirements. Plus, must:

- Have been in operation for at least one calendar year, and
- Be able to demonstrate a definite pattern of seasonal activity

Use of Proceeds

Proceeds must be used solely to finance the seasonal increases of accounts receivable and inventory (or, in some cases, associated increased labor costs). Funds cannot be used to maintain activity during the slow periods of the business' cycle.

Maturity

Not to exceed 10 years.

Structure

Short-term financing for seasonal activities to be repaid at the end of the season when payment for the seasonal activity is made to business.

Maximum Loan Amount

A Seasonal CAPLine loan can be for as much as \$5 million, and a maximum guaranty is \$3.75 million. The loan amount is based on the cash flow projections and should correlate to the costs of the season buildup of inventory and/or receivables.

Benefit to Borrower

Provides opportunity for seasonal businesses to get seasonal financing not otherwise available.

 **Pro Tip:** SBA's limit to any one business is \$3.75 million, so a business can have multiple loans guaranteed by SBA up to a total of \$3.75 million.

▶ Builders Line

Who Qualifies

Same as standard 7(a) requirements. Plus, must:

- Be construction contractors or homebuilders with demonstrated managerial and technical ability
- Perform the construction/renovation work or manage the job with at least one supervisory employee on the job site throughout construction
- Plan for "prompt and significant" renovations
- Demonstrate prior successful performance in bidding and completing construction/renovation on comparable project

Use of Proceeds

Borrowers must use the loan proceeds solely for direct expenses related to the construction and/or "substantial" renovation costs of a specific eligible project (residential or commercial buildings for resale), including labor, supplies, materials, equipment rental, direct fees like building permits and inspection fees, utility connections, construction of septic tanks, and landscaping.

The cost of land may be eligible if it doesn't exceed 20% of the project cost.

Maturity

Not to exceed 5 years. The repayment of all funds disbursed for any individual project shall occur within 36 months after either completion of each individual project or at time of sale, whichever is less.

Structure

Short-term financing to build or renovate home or building for sale to unknown third party. "Substantial" means rehabilitation expenses of more than one-third of the purchase price or fair market value at the time of application. Can be revolving or not.

Maximum Loan Amount

Can be for as much as \$5 million.

Benefit to Borrower

Provides opportunity for residential and commercial builders to get financing not otherwise available.

▶ Working Capital Line of Credit

Who Qualifies

Same as standard 7(a) requirements. Plus, must generate accounts receivable or have inventory.

Use of Proceeds

For short-term working capital and operating needs. Proceeds must not be used to pay delinquent withholding taxes or similar trust funds (state sales taxes, etc.) or for floor planning.

Maturity

Not to exceed 10 years.

Structure

Lender has latitude with structuring principal payments. Borrower should discuss with lender. Must be revolving. Extra fees apply.

Maximum Loan Amount

A Working Capital CAPLine loan can be for as much as \$5 million.

Benefit to Borrower

Provides opportunity for businesses that sell on credit to get revolving financing not otherwise available.