



## SBA PROGRAMS FOR MANUFACTURERS

7A . 504 . Lines of Credit

SBA'S "MADE IN AMERICA MANUFACTURING INTIATIVE"

The SBA LOAN PROCESS

# About Jeff Peisach

- Lifelong resident of Maryland
- Graduate of University of Maryland
- CPA Certification
- 20 years as an Entrepreneur – Ms. Desserts (wholesale bakery with nationwide distribution). Consultant.
- 25 years as an SBA Lender . SBA 7a . SBA 504 . SBA Lines of Credit
- Recently retired from First National Bank of PA – SBA Division
- September 2025 - Small Business First – SBA Borrower Advisory Firm

# SBA Loans & Programs

- SBA Lending is “Project Financing” not “Asset Financing”
- SBA Lending is based on “Cashflow” and not necessarily “Collateral”.
- Typical SBA Projects: Expansion, Business Acquisition, Management Buyout, Owner Occupied Real Estate Acquisition, Start-Up, Refinance.
- An SBA Project will have multiple Use of Proceeds: Equipment, O/O Real Estate, Working Capital, Goodwill (Business Acquisition), Refinance of SBA eligible Debt, Closing Costs.
- An SBA Loan could have multiple Projects within a Master Project.
- SBA Loans have lower down payments (as low as 10% of the Project Cost).

# SBA 7a Program

- SBA 7a Program . Loan amount up to \$5,000,000. The most flexible SBA Program since the Use of Proceeds can include all items mentioned.
- Loan Terms vary from 10 to 25 years. Depending on the Use of Proceeds. Ex: Goodwill (in a Business Acquisition) is 10 years. O/O Real Estate is 25 years.
- SBA 7a Loans are priced based on the WSJ Prime Rate plus a spread up to 3.00% (typically less). The spread amount over WSJ Prime can be fixed or floating. Every SBA Lender offers different rate structures and spreads over WSJ Prime.
- The SBA guaranties up to 75% of any loss an SBA Lender recognizes. The SBA 7a guaranty is like an insurance program, similar to an FHA Loan. This guaranty allows: low down payments, longer terms, cashflow vs. collateral lending. SBA Lenders must rigorously follow the SBA policy in order to collect on an SBA Loan Loss guaranty.

# SBA 504 Program

- SBA 504 Loans maximum is up to \$12,500,000.
- SBA 504 Green Loan maximum is up to \$16,500,000. An SBA Borrower can have multiple SBA Green Loans.
- SBA 504 Loans typically finance owner occupied real estate. Up to 25 years.
- SBA 504 Loans can also finance heavy manufacturing equipment. 10 years.
- SBA 504 Structure: 50% Conventional Mortgage/Loan, 40% SBA 2<sup>nd</sup> Mortgage/Loan. 10% Borrower down payment. This structure varies for new businesses.
- Rates: Conventional Loan rate varies by SBA Lender (typically less than an SBA 7a rate). SBA 40% 2<sup>nd</sup> rate is typically 1 to 2% less than the Conventional Loan rate and is fixed for 25 years.

# SBA Lines of Credit

- SBA Express Line of Credit – up to \$500,000
  - 50% SBA Guaranty . Revolving Line for 3 years . Balance at the end of 3 years can term out for 5 to 7 years. Rates: WSJ Prime plus up to 3.0%, floating. This line of credit is not monitored, no borrowing base requirement. Use of Proceeds should be for working capital but, not required.
- MARC Loan Program – up to \$5,000,000 (new – effective 10/1/25)
  - 75% SBA Guaranty . For Manufacturers (NAICS 31–33).
  - Revolving Line for up to 20 years, but must convert to a term loan after 10 years.
  - Use of Proceeds must be for working capital only.
  - Annual review of Borrower financials is required.

# SBA's "Made in America Manufacturing Initiative"

- National Security: Reduce foreign supply chain dependence
- Job Creation: High wage, community-based employment
- Economic Growth: \$1 in manufacturing drives \$2.60 in activity
- Policy Priority: SBA is committed to supporting manufacturers
- Manufacturers Anchor Local Economies
- SBA Programs Provide Capital Tools to Support Onshoring

# SBA's "Made in America Manufacturing Initiative"

- Firms relocating or reshoring operations from overseas to U.S soil
- Existing manufacturers expanding facilities
- Manufacturers impacted by global supply chain disruptions
- Applicants bidding on government contracts
- Startups launched by experienced manufacturing professionals or engineers
- Legacy businesses undergoing ownership transitions
- Small manufacturers needing automation or robotics to stay competitive
- Applicants planning major equipment purchases
- Businesses expanding into warehousing, logistics, or cold storage
- Exporters bringing parts of their supply chain stateside to manage risk
- Firms shifting from outsourced to in house production
- Firms with recent growth in U.S. sales or workforce hiring needing long term capital

# The SBA Loan Process

- Step 1: Define the Project – Executive Summary & Use of Proceeds
- Step 2: Build the SBA Credit Package
  - Business Tax Returns (last 3 years)
  - Interim Financial Info: P&L, Balance Sheet, AR & AP Aging, Backlog Report
  - Schedule of Debt
  - Project Info: SBA Compliant Business Plan and Projection, Estimates
  - Personal Information of owners 20% or more (SBA Loans must be personally guaranteed)
    - SBA Personal Financial Statement
    - Management Resume
    - Personal Tax Returns (last 3 years) . Latest payroll stub

# SBA Loan Process

- Step 3: SBA Loan Pre-Qualification – is the SBA Loan Request viable?
  - Will an SBA Lender approve this loan request?
- Step 4: Identify the right SBA Lender(s)
  - Each SBA Lender has an unique “Credit Box” (credit parameters that will result in an approval)
  - Credit Box Parameters: Industry Type, Loan Size, Project Type, SBA Loan Program, Debt Service Coverage Ratio, Downpayment requirements, Collateral requirements, Geography, Ownership/Management Experience, Etc..
- Step 5: Submit SBA Loan Request and SBA Credit Package
  - If an SBA Lender is interested in Underwriting, they will issue a Proposal Letter or Term Sheet (1 week).
  - Once the Proposal Letter or Term Sheet is accepted, the SBA Lender will perform comprehensive Underwriting (1 to 2 weeks).
  - If an SBA Lender approves the SBA Request, the SBA Lender will issue a Commitment Letter, subject to: SBA Approval, Appraisals, Environmental Reports, Business Valuation, Final Purchase Agreement and Estimates, Completion of the SBA Closing Checklist.

# SBA Loan Process

- Step 6: Once the Commitment Letter is accepted, the SBA Lender will move the approved SBA Loan Request to Closing (4 to 8 weeks).
  - Category(s) of Information needed to close an SBA Loan: Entity/Ownership Documents, Citizenship Documents, Equity Injection Verification, Legal Agreements (Ex: Purchase Agreement, Lease, Landlord Waiver), Title Work, Insurance Info, Borrower Legal Counsel, Etc.
  - Third Party Reports: Appraisals for Real Estate and or Equipment, Environmental Report, SBA Eligibility Reports, Business Valuation, Title and Legal Searches.
  - If there is a Construction Loan and or the SBA Loan is multi-disbursement (not fully funded at closing), Information will be needed for: Plans, GC Estimates, GC Financial Info, Equipment Estimates, Start-Up Working Capital Budgets and Vendor Estimates.
  - Construction Loans are interest only until the Project is complete. When the Project is complete, the SBA terms out over the 10 to 25 years, depending on the Use of Proceeds.

# Small Business First

*Financial, LLC*

## SBA Borrower Advisory Services

- SBA Loan Pre-Qualification
- SBA Loan Preparation
- SBA compliant Projection & Business Plan
- SBA Lender Match

**Feel free to reach out if you have an SBA Question.**