

Partnering with an SBA Lender

April 2025 CVBBA Session



Importance of “The Correct” SBA Lender

- ▶ Preferred Lender Only
- ▶ Loan Products Offered: Ensure the lender offers the specific SBA loan programs you need. Are they a full service 7(a) lender?
- ▶ Understand How the Lender Operates: Does the lender have in house underwriting, closing and servicing.
- ▶ Experience and Track Record: Does the lender do a good volume of similar transactions (Size, scope, industry, structure) or do they specialize in other types of SBA transactions.
- ▶ Does the SBA lender have refundable good faith deposits if by chance the loan is not approved?



Know the Business, Industry and Transaction

- ▶ Is the business priced for sale properly according to the financials and industry?
- ▶ Are there trends in the business or industry that we should be made aware of such as:
 - ▶ Declining revenue trends
 - ▶ Any concentration issues
 - ▶ Is the business or industry impacted by tariffs
 - ▶ Staffing
 - ▶ Contracts



Starting the SBA Process with Your Lender

- ▶ Provide business financials including:
 - ▶ 3 years tax returns
 - ▶ Interim P&L, Balance Sheet on same accounting method as tax returns. Please don't provide cash financials if accrual tax return is filed for the business and vice versa.
 - ▶ AR & AP Aging Report and Work In Progress (WIP) if Applicable
- ▶ Detailed Confidential Information Memorandum (CIM)
 - ▶ This helps us as a partnering lender to better understand the business and transaction.
- ▶ Once the lender has had a chance to analyze the information, the Loan Officer should reach out to the broker for a more detailed discussion centered around the business, industry and transaction prior to providing a prequalification sheet.
- ▶ After this discussion if everyone is satisfied with the information a pre-qualification sheet can be provided.



Buyer Introduction

- ▶ Oftentimes brokers get a number of LOI's for multiple potential buyers. A good lender can help identify the most qualified buyer(s) for a particular business. An example of this would be that you have 2 potential buyers for a business, one has a family with a mortgage and a single car payment and would only need to take a minimal salary. The other has a very expensive lifestyle with a large mortgage, multiple car loans a boat loan, etc. and would need to draw a much larger salary putting a strain on the business cash flow.
- ▶ Most lenders are happy to reach out to a handful of potential buyers and start those initial conversations.



Working as Partners

- ▶ The broker and lender are working toward a common goal and that is to ensure that the transaction gets done in a timely fashion and that the buyer and seller have a good experience.
- ▶ To ensure the transaction goes smoothly. It is important that the lender communicates with the broker at each stage of the SBA loan process and be available for questions should they arise.





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