LENDER ADVANTAGE INITIATIVE

OMB Control No. 3245-0361
Exp. Date: 12/31/2009

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 ☐ No. of Mos. Int. Only _____

Interest Rate: Fixed ☐ Variable ☐ Adjustment Period: Mthly ☐ Qtrly ☐ Other ☐ _____

Choose and complete one of the following Loan Interest Rates:	☐ Prime rate* = _____ + Spread _____ = Loan Interest Rate: _____ ☐ LIBOR *(1 month) + 3.0% = _____ + Spread _____ = Loan Interest Rate: _____ ☐ SBA Peg Rate = _____ + Spread _____ = Loan Interest Rate: _____ *in effect on the first business day of the month as identified in a national financial newspaper

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 / COLLATERAL

Use of Proceeds	Amount ($)	Collateral Type Description	Market Value ($)	Existing Lien's Lien Holder	Exist. Lien's Balance ($)	Liquidation Value ($)
Purchase Land only		BUSINESS				
Purchase Land and Improvements		Accounts Receivable				
Purchase Improvements only		Inventory				
Construct a building		M&E				
Add an Addition to an Existing Building		Leasehold Improv.				
Make Renovations to an Existing Building		Furniture/Fixtures				
Pay off Interim Construction Loan		Real Estate – Comm.				
Pay off Lender's Interim Loan		Other -				
Leasehold Improv. to an Existing Building		Other -				
Purchase Equipment		Other -				
Purchase Furniture and Fixtures		PERSONAL				
Purchase Inventory		Certificates of Deposit				
Pay Trade or Accounts Payable		Marketable Securities				
Pay NP – not Same Institution Debt		Vehicles				
Pay Notes Payable – Same Institution Debt		RE – Home				
Purchase Business – Asset Purchase		RE – Second Home				
Purchase Business – Stock Purchase		RE – Investment				
Refinance SBA Loan		Other -				
Working Capital		Other -				
SBA Guaranty Fee		Other -				
Other		Other -				
Total		Total				

D. ELIGIBILITY QUESTIONNAIRE: The Eligibility Questionnaire, Form 2301, Part C, must be completed and attached.

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, "Loan Guaranty Agreement."

Lender Signature: _____ Date_____

Name and Title (Print) _____

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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.

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 1-916-735-1515 ext 4368. (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.)

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 is $350,000.)
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, please indicate.
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.

Section C: USE OF PROCEEDS AND COLLATERAL cont.

8. Pay off Lender's Interim Loan: financing for lender's short term interim loan.
9. Make Leasehold Improvements to an Existing Building: financing for improvements to applicant's real estate.
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.
16. Purchase Business – Asset Purchase (all assets, no assumption of liabilities).
17. Purchase Business – Stock Purchase (which includes assuming business's liabilities).
18. Refinance SBA Loan – Refinance existing SBA loan. (This does not include an SBA loan being paid by a seller as part of a complete 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. Existing Lien(s) – Enter the lienholder's name and balance outstanding on each.
3. 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.

Section D: ELIGIBILITY

Both the Lender and the Applicant must complete, sign and date Form 2301, Part C, Eligibility Questionnaire. If this section is not complete, the application will not be accepted by SBA for processing.

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:

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:

Tier 1 Loans:

Defined as Loans up to $150,000 EXCEPT for loans to the following which require the lender to follow the procedures for Tier 2 loans:

1. New businesses (in business for two years or less) and changes of ownership.
2. Businesses that have had judgments or bankruptcy filings.
3. Business with a debt service coverage ratio* of less than 1.2:1 to include all existing and new debt.

(*Debt Service Coverage is defined as Projected Net Profit after taxes (for the 12 months after the loan is approved) PLUS Depreciation and Amortization PLUS Interest divided by all Existing and New Debt Service.)

For Tier 1 loans, the Credit Memorandum must include at a minimum:

- Description of the history and nature of the business.
- Analysis/calculation of cashflow relative to debt service: Show how historical cashflow would cover total debt service after the SBA loan. (Lenders may use "rule of thumb" cashflow, defined as earnings before interest and taxes, plus depreciation and amortization, less total debt service. Each component (including total cashflow) must be shown.)
- 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.
- Spread of Business Balance Sheet to include requested loan funds and any required equity injection (as of date of loan disbursement).
- Ratio calculations (based on the Balance Sheet/Income Statement) for the following financial ratio benchmarks: Current Ratio, Debt/Tangible Net Worth, Debt Service Coverage and other significant ratios relevant to the business industry (inventory turnover, receivables turnover, payables turnover, etc.)
- Collateral Adequacy assessment (using liquidation values) to offset risk of default.
- Explanation of and justification for the refinancing of any debt as part of the loan request, particularly Same Institution Debt.
- Discussion of credit analysis including lender's rationale for recommending approval.
- Any additional information the lender considers significant/relevant to the credit decision.

Tier 2 Loans:

Defined as Loans between $150,001 and $350,000 PLUS loans to the following:

1. New businesses (in business for two years or less) and changes of ownership.
2. Businesses that have had judgments or bankruptcy filings.
3. Business with a debt service coverage ratio* of less than 1.2:1 to include all existing and new debt.

Provide the analysis for Tier 1 loans plus the following:

- 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 cashflow (if appropriate) covers debt service after SBA loan (Same as Tier 1); and (2) Show how projected cashflow covers debt service after SBA loan. (May use "rule of thumb" cashflow.) Also, provide an analysis of the reasonableness of the assumptions supporting the projected cashflow.
- Discussion of any 1) Seller financing; 2) Stand-by agreements; 3) 90+day delinquencies; and/or 4) Trade disputes.
- For a change of ownership, discussion/analysis of business valuation (based on generally accepted valuation methods used for the pertinent industry) used to support the purchase price.
- Discussion of any bankruptcy filings or judgments.

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 U.S. Small Business Administration, Chief, AIB, 409 3rd St., SW, Washington DC 20416. **PLEASE DO NOT SEND FORMS TO THIS ADDRESS.**