



## **LOAN GUARANTEE PROGRAM CHECKLIST IDENTIFY LOAN GUARANTEE PROSPECTS**

### 1. New and existing borrowers are eligible.

- Maximum guarantee amount is **\$350,000** up to 90% of the transaction. Amortization period may be up to 25 years with a maximum maturity period of 7 years. All small businesses, as defined by the SBA, are eligible.
- Proceeds may be used for any standard business purposes, such as expansion, working capital, debt refinance and equipment acquisition.
- Loan guarantee fee is 2% of the guarantee amount plus a \$250 documentation fee at closing.

### 2. Likely reasons for a loan guarantee structure.

- Leverage at an unacceptable level for the bank.
- Lack of adequate secondary source of repayment.
- Up to 100% financing of new and used equipment including installation.
- Business acquisition.
- Non-conforming advance rate on accounts receivable, inventory, or equipment finance.
- Finance tenant improvements.
- Refinance debt from another lender to assist the bank in perfecting a first UCC-1 filing.
- Limited length of time in business.

### 3. SFV - FDC underwriting criteria.

- Minimum operating history of 12 months. Business must be operating in California.
- Positive trends in sales and earnings.
- Profitability from normal operations in the latest 12 months on a cumulative basis.
- Positive tangible net worth. Exceptions granted for business acquisitions due to goodwill.
- Debt service coverage of 1.2:1 for term loans.

### **PRESCREEN APPLICANT WITH SFV - FDC BY TELEPHONE**

- Ajay Patel, (818) 205-1770. Discuss use of proceeds, financial performance and reason the bank is requesting a loan guarantee.
- Fax (818) 205-1785 a financial spreadsheet (FAST, FAMAS, etc.) reflecting historical periods, latest available interim, and a forecast for twelve months if available.
- Discuss SFV – FDC loan guarantee amount.



### **BANK PREPARES REGULAR CREDIT MEMORANDUM**

1. Approve loan subject to the loan guarantee from SFV - FDC. Include the bank's reason for requesting a loan guarantee.
2. Forward bank credit memorandum to SFV – FDC and the following information:
  - Complete Business Loan Application with applicant signature.
  - Bank or applicant forwards financial projections for the next 12 months including income statement and balance sheet and a narrative outlining the assumptions for the projected increase in sales, projected gross profit margins, and projected operating expenses.
  - Financial statements: The latest three fiscal years (if available) plus the most current interim (preferably with in the last 60 days).
  - Accounts receivable and accounts payable aging reports that reconcile to the latest interim, plus any accounts receivable audits.
  - Three years of signed federal tax returns for applicant.
  - For guarantors: personal financial statements, three years of signed federal tax returns and most current credit reports.

### **SFV - FDC COMPLETES UNDERWRITING PROCESS AND APPROVES FACILITY**

1. SFV - FDC interviews applicant and prepares a Loan Guarantee Write-Up.
2. SFV - FDC presents the loan to the Loan Guarantee Committee for approval.
3. SFV - FDC will issue the bank Guarantee documents.

### **LOAN CLOSING**

All conditions including execution of Guarantee documents must be met at loan closing.



San Fernando Valley

Small Business Development Corporation  
A Certified Development Company

## **Lender Application Checklist**

- \_\_\_ Approved credit memorandum from Lender
- \_\_\_ Completed and signed Application from Lender
- \_\_\_ Signed Credit Authorization from Lender
- \_\_\_ Signed Certification of Financial Statements from Lender
- \_\_\_ Business Tax Returns for the last three (3) years
- \_\_\_ Business Financial Statements for the last three (3) years (accountant prepared)
- \_\_\_ Interim Financial (within the last three (3) months)
- \_\_\_ Signed Personal Financial Statement (within the last three (3) months) from Lender
- \_\_\_ Personal Tax Returns for the last three (3) years for all owners with at least a 10% interest in the company
- \_\_\_ Projected monthly Profit and Loss Statement for remainder of current year and annually for the following three (3) years (include assumptions).
- \_\_\_ Schedule of Outstanding Business Debt
- \_\_\_ Copy of Mortgage or Lease
- \_\_\_ Accounts receivable and accounts payables aging reports

Note: All tax returns and financial statements must be signed and dated.