
SBA Financial Support to Home Heating Businesses

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- SBA's Seasonal Financing Program is a Variation of its Basic 7(a) Loan Guaranty Program
- Some of the Features are the Same as Basic 7(a)
- Some of the Features are Different

Features That Are the Same as Basic 7(a)

- The Provider of the Loan is a Bank
- There is a Guaranty Fee
- Loan Limit \$2,000,000
- Guaranty Limit \$1,500,000
- 85% Guaranty for loans of \$150,000 or less
- 75% Guaranty for loans above \$150,000.

Features That Are the Same as Basic 7(a)

- There Are Collateral Requirements
- Personal Guarantees Are Required
- Loan Proceeds Can Be Used To Purchase Inventory
- Applicants must be Current on Payroll Taxes.
- Applicant must Complete SBA Form 4 with all Required Exhibits

Features Not the Same as Basic 7(a)

- The Term is 11 Months
- The Guaranty Fee is $\frac{1}{4}$ of 1 Percent
- The Loan Must Revolve
- Final disbursement to Occur far enough in advance of maturity to allow the business to collect sufficient funds to fully repay the line at maturity.

Features Not the Same as Basic 7(a)

- Applicant must complete a month-by-month cash flow for the upcoming 12 month period.
- This cash flow statement will help determine the loan amount
- Repayment of Principal Occurs When the Business Receives Payment from its Customers
- Request For Guaranty Processed Under Standard Processing Procedures

Loan Proceeds Can be Used:

- Proceeds to acquire inventory (prior to generating receivables);
- May be advanced up to the approved loan amount, then reduced as receivables are collected, then re-advanced within the same seasonal cycle;

May Refinance Existing Short Term Debt Provided:

- The refinanced portion does not include any term debt or permanent working capital; and
- It does not put SBA in a position to sustain a loss which the existing lender is presently facing.

May Refinance Existing Short Term Debt Provided:

- Additional documentation required:
 - A copy of the note(s) being refinanced; and
 - A copy of the transcript of account.
- If the debt to be refinanced was not being repaid in accordance with the terms of the note, the debt should be refinanced on a term, rather than revolving basis.

Loan Proceeds Can Not be Used:

- To Provide Permanent Working Capital;
- For any other purpose which a 7(a) loan may normally be used for
- All other 7(a) prohibitions remain in force

STRUCTURE

- This is a revolving loan where disbursements and re-payments are continually occurring during the season
- The line of credit must be structured so the lender will receive sufficient payments over the term of the line so that the line revolves and full repayment is achieved by maturity.

STRUCTURE

- The lender and borrower work together to make sure when the borrower's customers pay for their fuel, the lender receives these payments (or a significant portion of these funds) and applies them against the loan.
- The program does not allow for the borrower to keep its customer collections and only have to repay the obligation at the end of the season.