

ALTERNATIVE FINANCING



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THE FED DROPPED INTEREST RATES AGAIN

In light of what is happening around the world and to our economy, the Federal Reserve just lowered the benchmark interest rate again-this time by a full percentage point. This brings the current Prime Rate down from 4.25% to 3.25%.

SBA LOANS ARE TIED TO THE PRIME RATE.

Interest rate for the SBA 7a loans are the daily prime rate plus a lender spread. The SBA guarantees a large portion of the loans to the lenders. This guarantee reduces the risk for the lenders so small businesses can get easier access to capital.

Lenders in our network are offering SBA loans as small as \$30,000 up to \$5 million at rates as low as 4.75%.

The 7a loan is SBA's most popular product and offers a flexible sum of cash for a variety of uses:

- Real Estate Purchase
- Business Acquisition
- Debt Refi
- Furniture, Fixtures, Equipment
- Working Capital/Inventory

In order to qualify you will need:

- Minimum FICO 650
- No BK's in past 3 years or open tax liens
- Typically, 2 years in business
- Profitability
- Ability to repay the loan with business earnings
- Full Financial Package Submitted

There are differences in how banks underwrite SBA loans. Each bank has a different credit culture and specialty. It's important to know where you have your best shot for an approval. For example, some banks won't do

any projection-based loans. Others won't consider a file with a past bankruptcy. Some banks have certain deposit requirements. They may require you to move your banking relationship if you they approve your loan request. Others are more transactional and are OK just offering you the loan. This is the value of working with a broker. You can talk about what's most important to you and determine what obstacles your business may face during underwriting. A broker is not tied to any one lender and can help direct you to a lender that does a lot of work in your industry, with companies of your size who have similar credit profiles.

In this market, lenders are going to be more selective about who gets approved. Everyone is uneasy. They will want to see month to date bank statements and recent declines in deposits due to coronavirus will need to be explained or mitigated. However, lenders still want to do deals when they can. Let us know if you need funding and we will help connect with the right funding source.

You may have heard about the SBA disaster loan. Clients need to go directly to the SBA for this specific funding. Here's a helpful website: <https://www.sba.gov/page/guidance-businesses-employers-plan-respond-coronavirus-disease-2019-covid-19>.

Key points:

1. Disaster relief is now nationwide, not by county.
2. Long term loans can be obtained up to a 30-year term and rates are at 3.75%. Loans may take 60-90 days to fund.
3. The DEADLINE to apply for Economic Disaster Loans is 12/16/20. Apply ASAP as funds will run out. They are giving priority to businesses most affected by this pandemic.