

**DOCUMENT #19**

The Blueprint System™ - Financing Series

# SBA Loan Hacks & Strategies

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**Get 90% financing at prime + 2.75% (even with limited cash)**

## The SBA 7(a) Acquisition Advantage

- Finance up to 90% of purchase price
- 10-year terms (vs 5-7 for conventional)
- Lower rates than most alternatives
- Can include working capital
- Seller note can count toward down payment

## The Approval Formula

### SBA's Secret Scoring System

Factor	Weight	Minimum	Ideal
Credit Score	30%	680	720+
Industry Experience	25%	2 years	5+ years

Liquidity (post-close)	20%	3 months	6+ months
Debt Service Coverage	15%	1.25x	1.5x+
Collateral Coverage	10%	80%	100%+

## Hack #1: The Experience Workaround

### No Industry Experience? No Problem

#### Option A: The Key Employee Strategy

- Identify experienced manager in the business
- Offer 10-20% equity stake
- Their experience counts for SBA
- Structure with buy-back option

#### Option B: The Consultant Play

- Hire industry consultant pre-close
- 6-month contract minimum
- Include in loan application
- Counts as "management expertise"

#### Option C: The Adjacent Experience Angle

- Management experience in ANY business
- P&L responsibility counts
- Emphasize transferable skills
- Create detailed transition plan

## Hack #2: The Down Payment Engineering

### Creative Down Payment Structure

Purchase Price: \$1,000,000 Traditional Structure: – SBA Loan: \$900,000 (90%) – Your Cash: \$100,000 (10%) Engineered Structure: – SBA Loan: \$900,000 (90%) – Seller Note: \$75,000 (standby for 2 years) – Your Cash: \$25,000 (2.5%) **Result: 97.5% financing!**

**Insider Tip:** SBA allows seller financing as equity injection IF it's on full standby (no payments) for 24 months. Most sellers don't know this!

## Hack #3: The Pre-Approval Power Move

### Get Pre-Approved BEFORE Finding Deal

#### Why this works:

- Shows sellers you're serious
- Speeds up closing (30 vs 60 days)
- Gives negotiation leverage
- Locks in your rate

#### Pre-approval requirements:

- Personal financial statement
- 3 years tax returns
- Resume with experience
- Target industry identified

## Hack #4: Working Capital Add-On

### Hidden Money in the Deal

Business Purchase: \$1,000,000 + Working Capital: \$150,000 + Closing Costs: \$30,000 + Equipment Upgrade: \$70,000 = Total SBA Loan: \$1,250,000 Your Down Payment: Still just 10% of purchase price! = \$100,000 (not \$125,000)

## Hack #5: The Multiple Business Loophole

**The \$5 Million Secret:** You can have multiple SBA loans up to \$5M total. Buy 3-5 smaller businesses instead of one large one. Diversification + same leverage!

## SBA Lender Secrets

Lender Type	Pros	Cons	Best For
Preferred Lenders (PLP)	Fast approval (days), flexible	Pickier on deals	Clean deals, experienced buyers
Local Banks	Relationship focused, flexible	Slower, less experience	Local businesses, complex deals
SBA Specialists	Know every loophole, creative	Higher fees	Difficult deals, first-timers
Credit Unions	Lower fees, member focused	Limited SBA experience	Smaller deals, great credit

## Hack #6: The Projection Game

## How to Show 1.25x Coverage

### Adjustments banks accept:

- Add back excessive owner salary
- Add back one-time expenses
- Add back depreciation
- Project 5-10% revenue growth
- Show cost savings you'll implement

Current EBITDA: \$200,000 + Excess owner salary: \$50,000 + One-time legal fees: \$20,000 + Your salary replacement: -\$60,000 = Adjusted EBITDA: \$210,000 Debt Service: \$150,000 Coverage Ratio: 1.4x ✓

## Hack #7: Asset Coverage Strategies

### When Business Assets Aren't Enough

#### Additional Collateral Options:

- Personal residence (2nd position okay)
- Investment properties
- Stock portfolio (50% value)
- Other business interests
- Life insurance cash value

**Pro tip: Offer additional collateral to negotiate better terms!**

# The Application Optimization Process

## Documents That Win Approvals

### The Killer Business Plan Sections:

1. **Executive Summary:** One page, hit all strengths
2. **Management Experience:** Emphasize ANY relevant background
3. **Market Analysis:** Show growth, not competition
4. **Day 1-100 Plan:** Detailed transition strategy
5. **Financial Projections:** Conservative with upside
6. **Risk Mitigation:** Address concerns proactively

## Hack #8: The Seller Standby Note

### Structure That SBA Loves

Total Price: \$1,500,000 Buyer Down: \$75,000 (5%) SBA Loan: \$1,200,000 (80%)  
 Seller Note: \$225,000 (15%) Seller Note Terms: – 5 years at 6% – 2 year  
 full standby – Payments start year 3 – Subordinated to SBA **Your cash: Just  
 \$75,000 for \$1.5M business!**

## Common Denial Reasons (And Fixes)

### Top 5 Denial Reasons

Reason	Fix
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Lack of experience	Add partner or hire consultant
Poor credit	Add co-signer or wait 6 months
Insufficient cash flow	Rework projections or reduce price
No liquidity post-close	Seller note or working capital line
Weak business history	Focus on contracts and backlog

## Speed Hacks for Faster Closing

### 30-Day Close Strategy

#### Week 1:

- Submit complete package Day 1
- All docs organized and indexed
- Pre-call lender with heads up

#### Week 2:

- Respond to requests same day
- Push for credit committee date
- Get conditional approval

#### Week 3:

- Complete all conditions
- Order appraisals/environmental
- Finalize purchase agreement

#### Week 4:

- Final underwriting
- Closing docs prep
- Wire funds and close

## Advanced SBA Strategies

### The "Buyer Benefit" Negotiation

Ask seller to pay for these through higher purchase price (SBA finances it):

- Training period (up to \$50k)
- Non-compete agreement (\$25-100k)
- Transition consulting (\$2-5k/month)
- Customer retention bonus

Result: Less cash needed at closing!

## SBA Loan Comparison Tool

Loan Type	Max Amount	Down Payment	Rate	Term	Best Use
7(a) Standard	\$5M	10%	Prime + 2.75- 4.75%	10 years	Most acquisitions
504	\$5.5M	10%	Fixed ~5- 6%	20 years	Real estate heavy



Express	\$500k	10%	Prime + 4.5-6.5%	7 years	Speed needed
Microloans	\$50k	15%	8-13%	6 years	Tiny deals

## The Perfect SBA Package

### Documents to Prepare Now

- ☐ 3 years personal tax returns
- ☐ Personal financial statement (SBA Form 413)
- ☐ Resume emphasizing management experience
- ☐ Business plan with 3-year projections
- ☐ Purchase agreement (even if draft)
- ☐ 3 years business tax returns
- ☐ Interim financial statements
- ☐ List of assets included
- ☐ Lease or real estate docs
- ☐ Organizational chart post-acquisition

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