

SBA Business Acquisition Financing from BankUnited Small Business Finance

An SBA loan is often an excellent option for financing business acquisition transactions. For the last several years I have worked almost exclusively on business acquisition loans and I thought it might be helpful to share some tips and basic information. Of course I can't possibly cover everything in one short article but know that I'm only a phone call away if you have questions or if I can be of assistance on your next transaction.

To start, it is important to understand that the SBA provides overall standards and guidelines but there are differences in SBA lenders, their years of experience, and their appetite for certain types of deals. You should *a/ways* work directly with an experienced SBA lender who is active in financing business acquisitions and knows *all* of the SBA requirements. Use the lender as a resource – we are happy to be of assistance because it benefits everyone in the process.

As for the basics, SBA financing is available for most industries (there are a few exceptions) in amounts up to \$5,000,000. One of the primary benefits of an SBA loan is that they require only a small down payment (typically 10%-20%) and have long repayment terms (with no balloon payments or call dates). Additionally, some lenders (including BankUnited Small Business Finance) provide loans to finance going concerns with or without a real estate component.

It is also helpful to note that borrowers must have direct or highly related industry experience coupled with acceptable personal credit histories. Additionally, the transaction can be structured as either an asset or stock purchase and a third party business valuation may be required to validate the purchase price.

I'm often asked for tips to improve the overall SBA loan process. In my experience, following these "rules of thumb" will result in a better experience for all parties involved:

- Provide complete information to the lender as early as possible in the process.
- Be brutally honest and up front about potential problems or concerns.

- Be aware that the seller cannot remain an officer, director, stockholder or key employee of the business. If a short transitional period is needed, the small business may contract with the seller as a consultant for a period not to exceed twelve months.
- Manage both buyer and seller expectations appropriately. Every transaction is unique so it is critical to communicate with your lender so that you are aware of the specific requirements of each transaction. Generally, sellers will often need to take back a seller note of 10%-15% of the sales price and will need to update business financial information every 60-90 days. Buyers will need to provide cash equity of 10%-20% of the sales price, may need to pledge their personal residence, and may need to assign life insurance to cover the loan amount.
- Reinforce that the SBA loan process is very different from consumer lending so expect it to take longer than buying a home or a car.

My last bit of advice is that you should develop a good working relationship with an SBA lender who will prequalify your business listings and prospective buyers. Additionally, it is best to work with a lender that takes a common sense approach to underwriting, makes decisions based on the strengths of the deal and focuses on cash flow (vs. collateral) lending. Make sure you know of any geographic or industry limitations the lender might have.

Will Tinsley is Vice President and SBA Business Development Officer at BankUnited Small Business Finance. He has specialized in business acquisition financing for the last 4 years. The entire BankUnited team is highly experienced (over 700 years of combined SBA industry experience!) and actively financing small businesses nationwide. In addition, BankUnited is the nation's 19th largest SBA lender and holds Preferred Lender (PLP) status with the SBA. Between July 1, 2017, and July 1, 2018, BankUnited financed over \$68 Million in business acquisition loans nationwide. Will can be reached at 561.250.6134 or WTinsley@BankUnited.com).