



CITY OF CHARLESTON
**BUSINESS
SERVICES**
YOUR KEY TO THE CITY

City of Charleston

Access to Capital for Small Business



Presented by

William Furman



SBA by the Numbers

South Carolina

7(a) Loans

2016	483 loans	\$247,348,700	
2017	515 loans	\$357,258,000	44% increase

504 Loans

2016	34 loans	\$27,948,000	
2017	34 loans	\$31,240,000	11% increase

Micro Loans

2016	35 loans	\$977,788	
2017	47 loans	\$1,216,848	24% increase

SBA by the Numbers

Berkeley/Charleston/Dorchester

7(a) Loans

2016	75 loans	\$26,679,000	
2017	120 loans	\$71,362,300	167% increase

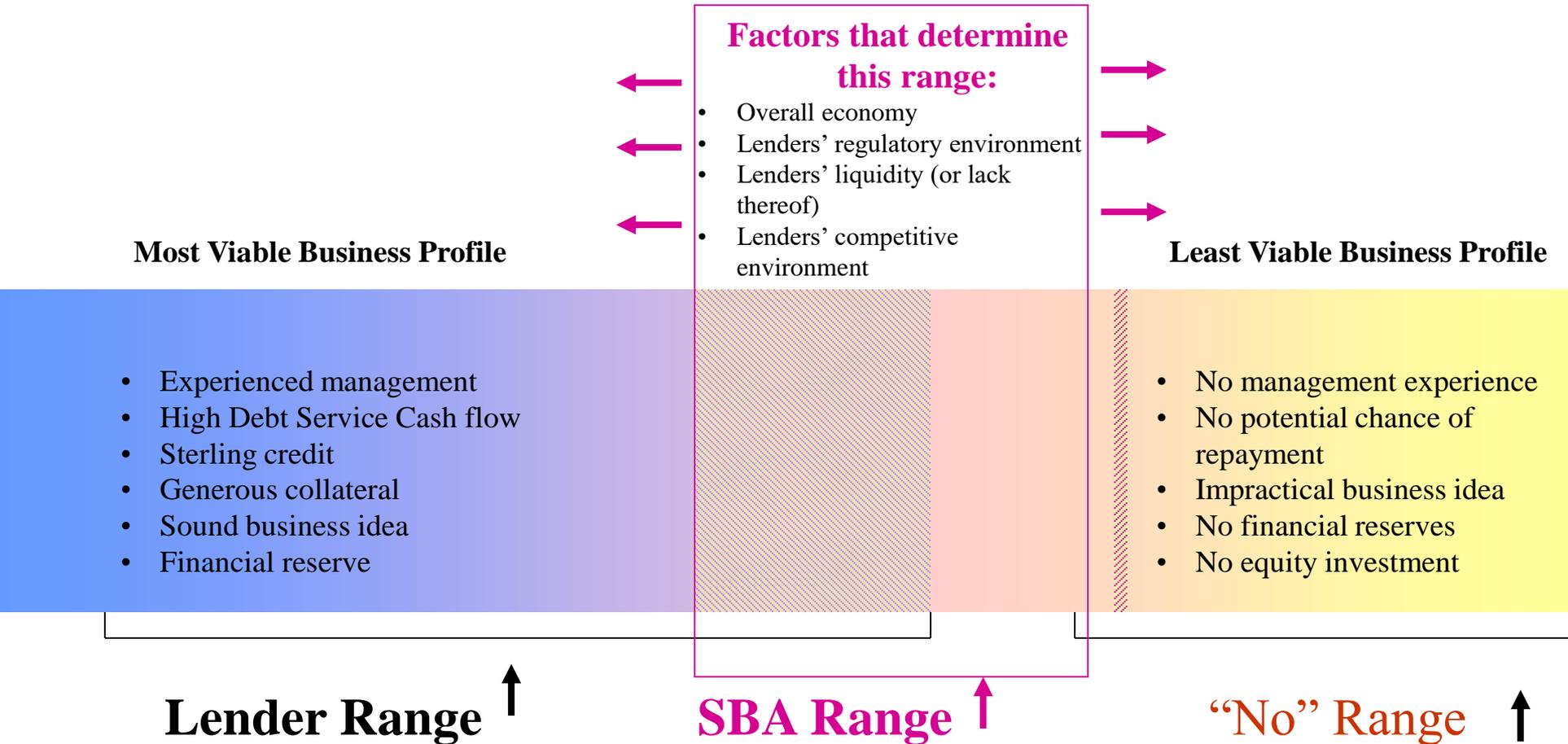
504 Loans

2016	9 loans	\$6,536,000	
2017	6 loans	\$9,048,000	38% increase

Micro Loans

2016	15 loans	\$416,147	
2017	22 loans	\$741,606	78% increase

Advantage of SBA's Guaranty



7(a) Standard Loans

SBA's Primary Business Loan Program

- Maximum loan amount **\$5 million**
- Guarantee – 75% to 90%
- Use of Proceeds
- Term: 10 to 25 years
- Rates: Prime + 2.25% for loans of 7 years or less
Prime + 2.75% for loans over 7 years
- Fees: 0% to 3.75 depending on loan amount
- Veterans Advantage



Eligibility for all SBA Loans

To be eligible for an SBA business loan, a small business applicant must:

- 1) Be an operating business
- 2) Organized for profit
- 3) Located in the United States
- 4) Be small based on regulatory size requirements ([13 CFR Part 121](#))
- 5) Demonstrate a need for the desired credit (Credit Elsewhere)
- 6) Owners must be of “good character”
- 7) Demonstrate repayment ability

New! SOP 5010 5 (J)

- ▶ Effective January 1, 2018
- ▶ Franchise loan processing/SBA Franchise Directory
- ▶ Start up eligibility
- ▶ Change of Ownership eligibility
- ▶ Updated collateral requirements
- ▶ Much more!



Charleston SBA Alternate Work Site

For more information on SBA's programs and services

Please contact:

William Furman, Senior Area Manager

5900 Core Drive, Suite 403

N. Charleston, SC 29406

Telephone: 843-225-7430

Email: william.furman@sba.gov

Or visit our office web site at www.sba.gov





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LEND • DEVELOP • CREATE

Cindi Rourk, Loan Officer

Cindi@CharlestonIdc.org

843.965.4089

www.charlestonIdc.org

Who We Are

- Not-for-profit small business lender
- Mission-based:
 - economic development
 - job creation, retention
- Provides financial assistance, business education and developmental services
- State and Federally certified CDFI
 - Focus: African American-owned businesses, businesses in low-income or Investment areas
 - Other Programs: Minority, Women, Veteran, Underserved



Current Portfolio

- 100% Underserved / Disadvantaged
- 61% Investment Area (eligible tracts)
- 52% Women-owned
- 37% Minority-owned
- 21% Veteran-owned
- 18% Low-income*



Ten Years – 2008 - 2017

Lending

- 281 Loans Closed
- \$11,333,579 Dollars Funded

Jobs

- 1,700+ FTEs created or retained

Areas Served

- Charleston County
- Berkeley County
- Dorchester County
- Colleton County
- Williamsburg County

Funding Sources

- Small Business Administration (SBA)
- Economic Development Administration (EDA)
- United States Department of Agriculture (USDA)
- Charleston Renewable Community
- City of Charleston
- National Trust for Historic Foundation
- Calvert Social Investment Foundation
- Charleston Citywide Bank Consortium
- Communities at Work Fund™
- Small Business Lending Fund

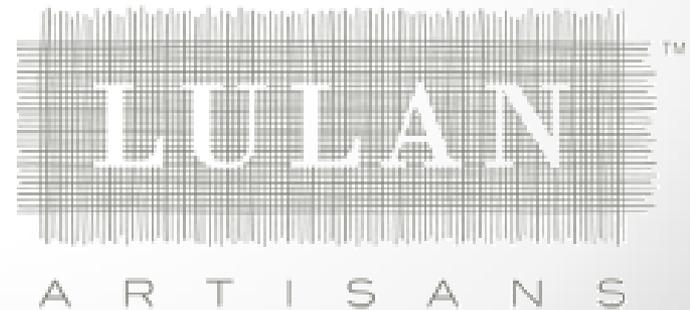
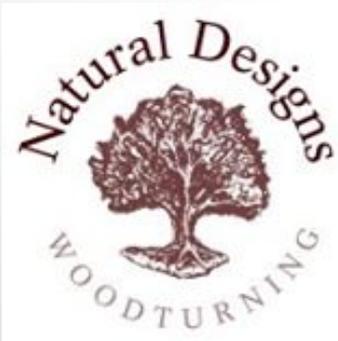




LDC Clients



HAMPDEN



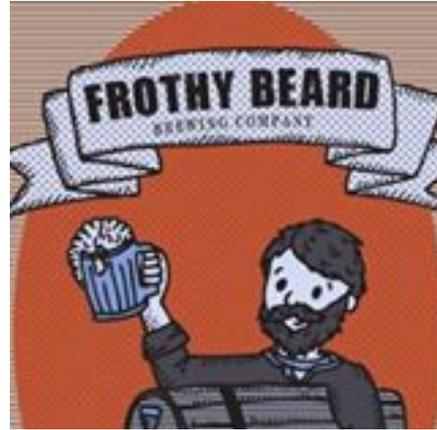
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BANANAS

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GLOZONE



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CRUISELINE DIV.



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of the Lowcountry, Inc.

Sweetgrass Time
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Ser•en•dip•i•ty
a salon and boutique

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MUSIC LESSONS • RECORDING STUDIO

Lowcountry Children's Co-op



striped pig DISTILLERY





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Massage & Wellness**

TEAM BROADWAY

Charleston Area Real Estate

SAM BROADWAY • MOBILE: (843)708-3542 • INFO@TEAMBROADWAYREALTORS.COM



LDC Client Criteria

All LDC Clients have been declined traditional commercial credit

- Typical Turndown Reasons:
 - Start-up status
 - Industry type
 - Loan Size
 - Lender's restrictions
 - LDC may provide “gap financing”
 - LTV policy
 - Owner investment



The Process



Pre Loan

- Attend a LDC Application Workshop
 - First & Last Tuesday of the month @ 10:00 a.m.
 - First & Last Thursday of the month @ 4:00 p.m.
- SCORE, SBDC & Other seminars will be posted on the LDC's Facebook Page



LDC Loans

- **Term loans** – up to \$200,000 *Business startup, Equipment Purchase, Working capital, etc.*
 - Up to 10 year amortization
 - Fixed Rate – currently 9.0%
 - No prepayment penalty
- **Commercial Real Estate** – up to \$250,000
 - Purchase
 - Gap financing
 - Can be 2nd position
- **Lines of Credit** – up to \$25,000

Flexibility

- Credit – no scoring
- Collateral – case-by-case
- Terms – fit to use of funds
- Decisions made by local Board of Directors



The Package

- Completed LDC application (can be found at www.charlestonldc.org)
- PFS for all business owners with 10% or more ownership
- 2 years tax returns – personal and for the business (if they exist)
- Current (or projected) P&L and Balance Sheet
- For Startups – a complete business plan w/ financial projections for 3 years, monthly for the 1st year
- For Existing Business – a growth plan with financial projections of the benefit of requested funding
- Correspondence from a bank, credit union or savings bank declining the transaction



note: the LDC cannot lend to nonprofits

Timeline

- Application package accepted through 1st of the month
- Credit underwriting 2nd week
- Mailed to Loan Committee 3rd week
- Loan Committee meets last Thursday of the month
- If recommended for approval, the Board of Directors reviews the 1st Wednesday of the following month



Small Business Counseling Partners

Coastal SCORE

Charleston County –
Lonnie Hamilton Bldg.
(satellite offices Downtown,
Mt. Pleasant & Summerville)

www.charlestonsc.score.org

Small Business Development Center

Commissioners of Public Works building
6269 Rivers Avenue, Suite 300
Charleston, SC 29405
(satellite office @ the Citadel)

www.charlestonsbdc.com

SC Women's Business Center

TBD





Cindi Rourk, Loan Officer

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South Carolina SBA 504 Loan Program



Certified Development Corporation
Columbia, SC

Certified Development Corporation (CDC)

- ▶ Certified Development Corporation (CDC), a private, not-for-profit corporation associated with Business Development Corporation (BDC), is a statewide certified development company that can arrange for 30%–40% government-guaranteed debenture financing under the SBA 504 lending program.
- ▶ SBA 504 program is the Small Business Administration's economic development financing program, designed to finance **owner-occupied** real estate or large equipment purchases. The primary goal is to aid in job creation through SBA loans, which are guaranteed by the Federal Government.

SBA 504 Debenture Program

Maximum debenture (loan): \$5,500,000

Debenture maximum: 40% of project

- ▶ CDC Debenture secured by 2nd mortgage
- ▶ First mortgage lender (Bank) amount is unlimited
- ▶ Change in business ownership transactions are often eligible

Equity Requirements

- ▶ Business must fund 10% – 20% of project costs
- ▶ If business over 2 years old and real estate is **general purpose*** : 10%
- ▶ If business over 2 years old and real estate is **special purpose***: 15%
- ▶ If business < 2 years old and real estate is **general purpose***: 15%
- ▶ If business < 2 years old and real estate is **special purpose***: 20%

* as defined by SBA

SBA 504 Debenture Program

Use of Proceeds

- ▶ Purchase major fixed assets such as land, buildings, improvements, long term equipment, construction, and renovation
- ▶ Soft costs such as architect and engineering fees, interim interest, environmental studies, equipment setup and delivery, and certain legal fees related to the loan, some FF&E
- ▶ Not eligible: working capital, accounts receivable, inventory, franchise fees, vehicles, investment property, not-for-profits
- ▶ Debt refinancing, while historically prohibited, is currently allowed in some instances.

Maturity

- ▶ 10 years for equipment
- ▶ 20 years for real estate
- ▶ 20 years for real estate and equipment if equipment is <50% of the total project cost

SBA 504 Debenture Program

Debt Refinance

- 85% of the original debt had to be used to finance real estate and up to 15% of the debt to be refinanced could have been used for other business uses.
- Debt to be refinanced must be in place at least **two years** from application date.
- Business must have been in operation for **two years** prior to application date (and cannot have full or partial ownership change).
- Max LTV is 90% if the refi includes real estate and equipment debt. If refi includes cash out for “eligible operating expenses,” the max LTV is 75% with business operating expenses not to exceed 25%.
- The loan to be refinanced must be current for the last 12 months.
- Cannot refi an SBA 7(a), 504, USDA or any other government loan.

SBA 504 Debenture Program

Interest Rates

- ▶ Debenture rate is usually priced at a spread above the 10- year Treasury Rate at time of funding
- ▶ The debenture rate as of October 2017 is **4.63%**

Fees Relating to Debenture

- ▶ Approximately 3% of the debenture amount, typically financed with the debenture
- ▶ Funded with debenture proceeds

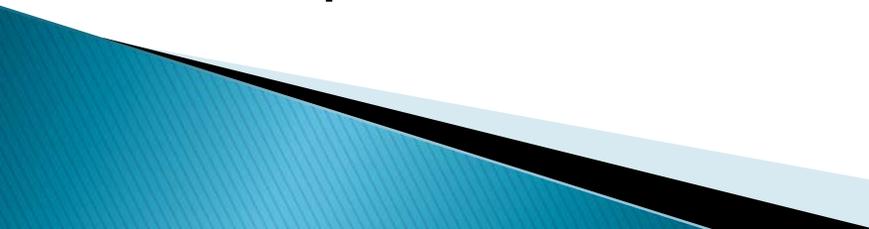
SBA 504 Debenture Program

Example Project

ABC Enterprises has been leasing a 10,000 square-foot retail space for the past five years. A comparable size general purpose building on the same block has just gone on the market for \$1,000,000. ABC's owner wants to make an offer on the building, but he's uncertain if he can come up with the 20% (\$200,000) down payment that would be required with conventional bank financing. His Relationship Manager has a solution: an SBA 504 loan. Here is how it can work: the bank will finance a \$500,000 first mortgage for 50% of the cost, and CDC will finance a \$400,000 second mortgage SBA 504 loan for 40% of the cost. Therefore, the owner's down payment will only be \$100,000, allowing him to preserve capital.

Lender/Borrower	Project Costs	Percentage of Project Costs
Bank/First Mortgage	\$500,000	50%
CDC/SBA Second Mortgage	\$400,000	40%
Borrower Equity	\$100,000	10%
Total Project	\$1,000,000	100%

SBA 504 Financing Benefits

1. As low as 10% down payment
 2. As long as 20 year amortizations
 3. Fixed debenture rates of 10–20 years
 4. Fixed or floating Bank FREM loan rates
 5. Bank maintains relationship with the Borrower
 6. Credit enhancement for bank loan may allow for approval of somewhat riskier requests such as new businesses
 7. Low down payment and ability to include most soft costs, equipment, and furniture and fixtures in the loan will enable businesses to minimize out of pocket expenses and preserve capital
- 

CDC Contacts for 504 Loan Program

Tony Lawton (803) 744-0312
TLawton@BDCofSC.org

Rob Evans (803) 744-0308
REvans@BDCofSC.org

Peter Shand (803) 744-0305
PShand@BDCofSC.org

Additional program details available at:
<http://www.businessdevelopment.org>



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SBA 7(a) Market Analysis: South Carolina

November 1, 2017



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Overview of the SBA 7(a) Program

Overview of the SBA 7(a) Program

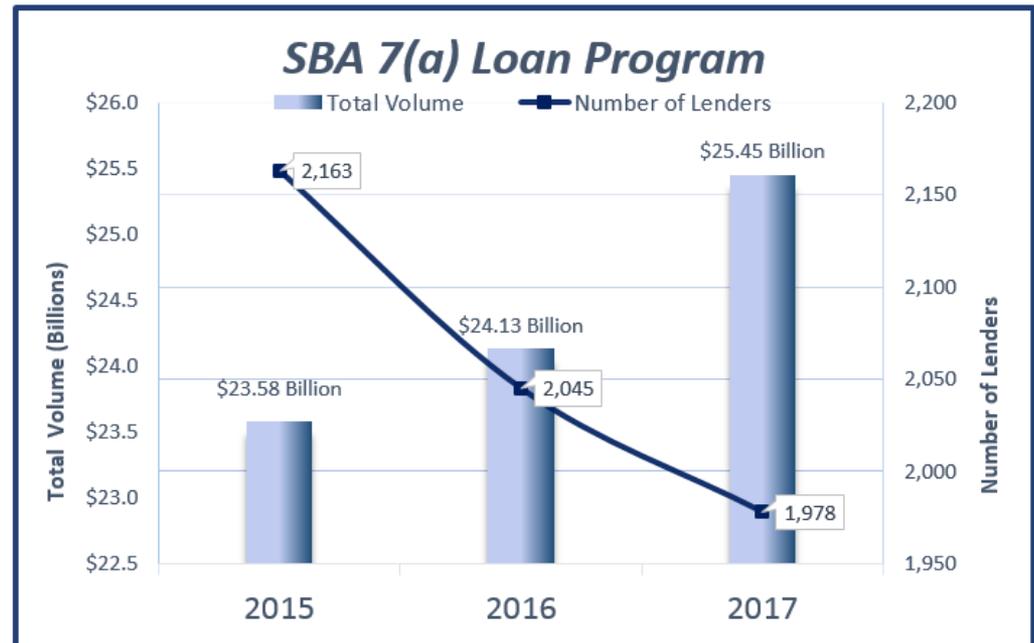
The 7(a) program is considered the SBA's flagship loan program. It is named from Section 7(a) of the Small Business Act of 1953, which authorizes the SBA to provide business loans to American small businesses.

The program's mission is to provide loans to small businesses "that might not otherwise obtain financing on reasonable terms and conditions."

2017 SBA Industry Volume

During the 12 months ended September 30, 2017 (SBA fiscal year ended):

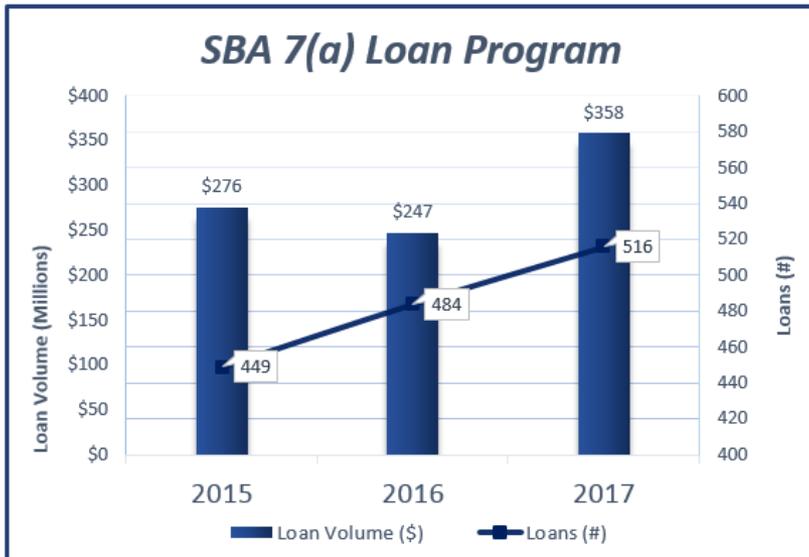
- 1,978 banks funded SBA 7(a) loans with total funding of \$25.45 billion
- 62,430 loans with an average loan amount of \$408 thousand
- The Top 50 SBA lenders (by \$ volume) funded \$13.7 billion, or approximately more than 53.7% of all SBA 7(a) loan volume in the country
- 1,054 (53.3%) lenders authorized five or fewer loans, with 448 (22.6%) authorizing only 1 loan



Overview of the SBA 7(a) Program in South Carolina

South Carolina Borrowers

2017 Loan Volume: \$358,194,000 – National Rank #22
 2017 Number of Loans: 516 – National Rank #29
 2017 Average Loan Size: \$694,174 – National Rank #2



SC Top 10 Industries (3 Yrs.)

October 2013 - September 2016

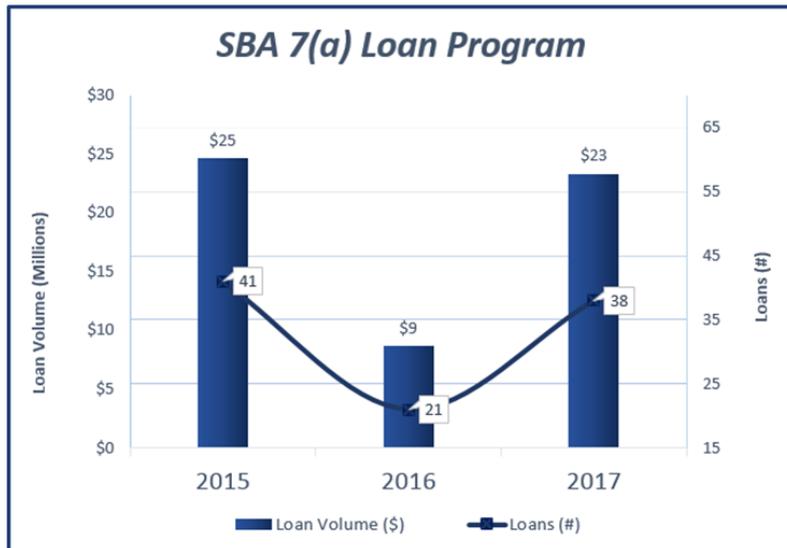
Rank	NAICS Code	Volume	%
1	Hotels (except Casino Hotels) and Motels	\$156,219,300	21.06%
2	Limited-Service Restaurants	\$38,886,250	5.24%
3	Full-Service Restaurants	\$32,729,300	4.41%
4	Broilers and Other Meat Type	\$31,922,500	4.30%
5	Gasoline Stations with Convenience Stores	\$27,066,500	3.65%
6	Offices of Dentists	\$24,925,300	3.36%
7	Child Day Care Services	\$20,233,200	2.73%
8	Fitness and Recreational Sports Centers	\$15,574,700	2.10%
9	Pharmacies and Drug Stores	\$13,860,700	1.87%
10	Veterinary Services	\$13,522,500	1.82%

Overview of the SBA 7(a) Program in South Carolina

Lenders – Headquartered in South Carolina

2017 Loan Volume: \$23,291,700 – National Rank #45

2017 Number of Loans: 38 – National Rank #48



SC Top 10 Lenders (FY 2017)

October 2016 - September 2017

Rank	Lender	#	Volume	%
1	CresCom Bank	6	\$8,259,900	35.46%
2	Countybank	3	\$5,776,600	24.80%
3	Business Development Corporation of South Carolina	10	\$3,367,100	14.46%
4	Sandhills Bank	3	\$2,330,000	10.00%
5	Bank of Travelers Rest	8	\$1,548,300	6.65%
6	South State Bank	1	\$522,800	2.24%
7	First South Bank	1	\$515,000	2.21%
8	Coastal Carolina National Bank	2	\$390,000	1.67%
9	Carolina Alliance Bank	1	\$332,000	1.43%
10	Community First Bank, Inc.	1	\$150,000	0.64%

SBA 7(a) Loan Terms

Maximum Loan Amount:
\$5,000,000

Guarantee Percentage:
75% guarantee on loans over
\$150,000 (85% on loans <\$150,000)

Rate:
Maximum floating rate of 2.75% over
prime on loans over \$150,000

Amortization:
Fully amortizing, no calls or balloons.

Personal Guarantees:
Full and unlimited personal guarantees
on all owners of 20%+

Maturity

(determined by use of proceeds, not collateral):

- Working Capital & Goodwill (in business acquisition) - 10 years
- Equipment - 10 years, can be longer based on useful life appraisal
- Real Estate - 25 years

Prepayment Penalty

(retained by the SBA)

- Term <15 years- None
- Term >15 years- 5/3/1

Collateral Advance Rates

- Lender must take all “available” collateral
- An assignment of life insurance is required on all loans that are not “fully collateralized” by CRE (and equipment in some situations)
- Junior on personal residences required on all loans that are not fully collateralized and where the residence has equity value

5 Types of Eligibility

Eligibility can be summarized into five categories

Focus during pre-approval discussions should be placed on Industry, Guarantor, Borrower, Use of Proceeds and Structure. The table below indicates some of the most common eligibility criteria under each category:

Industry	Guarantor	Borrower	Use of Proceeds	Structure
<ul style="list-style-type: none"> • Active business • No non-owner occupied real estate • No lenders • No pyramid sales • No religious affiliation • No private clubs • Less than 1/3 gambling revenue 	<ul style="list-style-type: none"> • Acceptable credit • No previous government defaults • US citizen or legal permanent resident • Less than \$5MM in outstanding SBA loans 	<ul style="list-style-type: none"> • For profit • US based • Less than \$5MM in after tax net income • Less than \$15MM in tangible net worth 	<ul style="list-style-type: none"> • Working Capital • 100% Business Acquisition • Real Estate Purchase • Equipment Purchase • Debt Refinance • Construction 	<ul style="list-style-type: none"> • 25 year term for real estate • 10 year term for all other uses • Fully amortizing • Full personal guarantee of all 20%+ owners • Up to \$5MM total loan amount

2

Advantages For the Borrower

Advantages for the Borrower



Borrower benefits include:

- Long-term, fully-amortizing loan
- Potential for longer terms (up to 25 years)
- Potential for lower collateral requirements
- Minimal, or no, financial covenants
- No prepayment penalties for loans <15 years

Same Institution Debt Refi

The guaranty may allow a bank to refinance existing loans within its portfolio (referred to by the SBA as “same institution debt”) to provide the borrower with:

- Additional capital
- Lower interest rates

3

Advantages For the Bank

Advantages for the BANK



BANK benefits include:

- Credit Enhancement: 75% to 90% guarantee
- Potential for premium income from the sale of the guaranteed portion
- Create liquidity
- Reduce concentrations

Premiums

Premiums are primarily driven by the interest rate, term and adjustment period on each loan.

Over the 12 months ended December 31, 2016 premiums exceeded 17%, with a typical 10 year loan generating premiums of 12%-14% and a typical 25 year loan generating premiums of 14%-16%.

4

SBA Department Processes

SBA Department Processes

To be successful, a lender must define and then implement the following functions as part of a comprehensive SBA department infrastructure:



5

Conclusion

Why Participate in the SBA 7(a) Loan Program

1. Expand business lending while providing advantageous terms to the borrower
2. Receive a 75% to 90% guarantee from the Small Business Administration.
3. Compete with national lenders and big banks for eligible borrowers in your community
4. Maximizes liquidity and yield while helping small businesses to grow



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