

# BANKING BUILT AROUND SELF-STORAGE

Dedicated Service | Industry Expertise | FDIC Insured<sup>1</sup>

Live Oak Bank's self-storage banking experts fully understand the nuances of your specific business model and offer a variety of business solutions that benefit your bottom line.

## Business Loans

- SBA and conventional loan structures for:
  - Acquisition
  - Expansion
  - New construction
  - Refinance
  - Remodel
  - Conversions
- Attractive equity requirements and competitive structures, terms and rates
- Some loans can include interest only payments during construction and operating capital during lease-up
- #1 SBA 7(a) lender by dollar amount for FY 2023<sup>2</sup>
- ISS Best of Business award winner since 2016<sup>3</sup>
- Up to 25-year fully amortizing real estate and construction loans<sup>4</sup>

## Business Banking

### Checking

- Make payments and deposit checks on-the-go
- Set employee permissions and customize alerts
- Access multiple businesses with a single login

### Savings

- Competitive, high-yield interest rate
- No minimum balance requirements
- Extended FDIC coverage available<sup>5</sup>

“Working with Live Oak, I was blown away. I did not have to teach them about my industry. They taught me how easy the loan process can be. They also hold my bank accounts. I don't feel like because they're not right here, that there's any less of a relationship.”

– Live Oak Customer

Whether you need a business loan, a high-yield savings account or a robust business checking account, Live Oak will support you with customized financial products focused on your success.

To learn more or to connect with a self-storage banking expert, visit [liveoakbank.com/self-storage](https://liveoakbank.com/self-storage)

1. Live Oak Bank is a member of the Federal Deposit Insurance Corporation (FDIC). As a Live Oak Bank customer, your Live Oak Bank deposits are insured by the FDIC up to \$250,000 per depositor, for each account ownership category. | 2. The data supplied by the SBA reflects 7(a) highest dollar volume during FY 2023 | 3. <https://www.insideselfstorage.com/series/best-of-business> | 4. Terms apply specifically to SBA 7(a) loans. | 5. Deposit placement through CDARS or ICS is subject to the terms, conditions, and disclosures in applicable agreements. For terms and conditions of the IntraFi Network, visit <https://info.liveoakbank.com/insured-cash-sweep>.

# SBA LOANS SIMPLIFIED

**Two main SBA lending programs are 7(a) and 504** - How can you use each loan program?

## **7(a)**

Funding both tangible and intangible assets including business acquisitions, expansions, commercial real estate, equipment, inventory, working capital and refinance.

## **504**

Funding tangible assets including capital equipment and real estate.

**There are benefits of SBA loans for both the lender and the borrower:**

### **Lender**

In the event of a default on the loan, the government covers 75% of the net loss for 7(a) loans. The bank is going to use that guarantee to insure against future losses. For 504 loans, the lender has a 50% first mortgage and lower loan to value ratio, which also protects the bank against future losses.

### **Borrower**

Because of the government guarantee or lower loan to value ratio, the lender can offer more money over a longer period of time with better terms than they could otherwise do with a non-SBA loan. Lower down payments are typically a benefit for the borrower.

**For SBA loans, there are always two sets of rules:**

### **SBA Rules**

A detailed standard operating procedure (SOP) that all banks participating in the program must abide by.

*At no point can a bank have an internal rule that's in conflict with an SBA rule. The moment that happens, the loan becomes ineligible.*

### **Bank Rules**

Live Oak's internal credit policy that is separate from the SBA's SOP.

**Three Most Important SBA Rules:**

- 1. Debt service coverage:** A business that's borrowing the money must be able to demonstrate through historical financials or projections the ability to repay the loan. If there's not enough cash flow to cover the loan payments, the loan is not eligible.
- 2. Down payment requirement:** Dependent on project type. Typically, up to 10% equity injection is required to secure a 7(a) loan. 504 loans may require more for special use or start-up businesses.  
*Shareholder equity can serve as a substitute for down payment for certain project types.*
- 3. Collateral:** The SBA divides collateral types into two different categories.
  - a. Primary collateral:** All of the fixed assets of the business and any subject real estate being financed.
  - b. Secondary collateral:** Primarily, what the SBA is looking for in secondary collateral is real estate in which you own 25% or more equity. Secondary collateral is only required on projects where the borrower is not fully secure with primary collateral. The SBA is not saying you have to have secondary collateral to do an SBA loan. The SBA is saying if you have it, you must pledge it.

*Example: Borrower owns a home worth \$400,000. Borrower owes less than \$300,000. This property has 25% or more equity. Therefore, SBA would consider that property secondary collateral. Take that same home that's worth \$400,000 and the borrower owes more than \$300,000. The SBA does not require that property to be secondary collateral.*

# SBA 7(a) LOANS

The SBA 7(a) loan is the most common SBA loan product, offering flexibility on terms and business uses. SBA loans allow businesses to obtain capital with less equity than a conventional loan. As the nation's number one SBA 7(a) lender by dollar amount<sup>1</sup>, Live Oak Bank will help you simplify the loan process. Our Preferred Lender Status (PLP) with the SBA gives us authority to make final credit decisions without having to get SBA approval. With our dedication to efficiency, collaboration and deep knowledge of small business lending, we'll take you where you need to go. Our experienced team will create a unique financing plan to help you and your business thrive.

## Advantages

- Up to 90% bank financing
- Minimal collateral requirements
- Fully amortized/no balloons
- No pre-payment penalties for loan terms under 15 years
- Three year pre-payment penalty for loans with a term greater than 15 years

## Loan Purpose

- Business/practice purchase
- Partner/manager buyout
- Expansion through acquisition
- Real estate purchase including ground-up construction and tenant improvements
- Refinance existing business debt
- Purchase equipment

## How it Works

- Maximum loan amount: \$5 million - If your needs exceed the \$5 million lending limit of the SBA, we have creative combination debt solutions allowing us to combine an SBA loan with a commercial loan
- Interest rate: Varies based on daily prime rate plus lender spread
- Down payment: Typically 10% of project amount
- Collateral: Personal guarantees required from all owners of 20% or more of the business; Personal assets may be required to meet SBA collateral guidelines
- The common loan terms for SBA 7(a) loans are the following:
  - Business acquisition (no real estate) - 10-year maximum
  - Machinery and equipment - 15-year maximum
  - Real estate (51% or more allocated to real estate) - 25-year maximum

## Who's a Good Fit

- Profitable existing business
- Acceptable debt service coverage
- Good personal credit score (650 minimum)
- For-profit business
- Two-year average net profit after taxes up to \$5 million
- Located in the United States

## What We Need to Get Started

- Purpose of the loan
- Business background and plan
- Business debt schedule
- Personal tax returns (three years)
- YTD financials
- Personal financial statement
- Other eligibility information (personal background, character, credit)
- Resume
- Business tax returns and financials (three years from existing business and/or selling business)
- Projections

To learn more, visit [liveoakbank.com/small-business-loans](https://liveoakbank.com/small-business-loans)

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## 7(a) At-A-Glance

### Maximum Loan Size

\$5 million<sup>2</sup>

### Repayment Terms

Up to 25 years

### Pricing

Variable and multi-year adjustable

### Prepayment

5-3-1 for loan terms greater than 15 years

### Borrower Type

For-profit business

# SBA 504 LOANS

An SBA 504 loan may be a viable option if you're looking to expand, purchase commercial real estate or heavy machinery and equipment. Unlike other SBA loans, three parties are involved with financing each SBA 504 loan—the borrower, the bank, and the SBA-approved certified development company (CDC). A portion of these loans is guaranteed by the government allowing small business owners to obtain capital with less equity than conventional loan requirements. With our dedication to efficiency, collaboration and deep knowledge of small business lending, we'll take you where you need to go.

## Advantages

- A low down payment (typically 10 percent) conserves your cash
- Fixed or multi-year fixed available

## Loan Purpose

- Purchase existing building
- Land acquisition and ground-up construction (includes soft cost development fees)
- Expansion of existing building
- Finance building improvements
- Purchase equipment
- Refinance in conjunction with expansion

## How it Works

- 50% bank loan, 40% SBA (CDC) loan (20-25 year fixed rate), 10% borrower down payment
- Minimum equity requirements 10% to 20% (subject to CDC and SBA approval and based on property use and length of time in business)
- 51% owner occupancy required for existing building, 60% owner occupancy required for new construction
- Equipment with a minimum 10-year economic life
- Generally, the project assets being financed are used as collateral
- Personal guarantees of the principal owners of 20% or more ownership are required

## Who's a Good Fit

- For-profit businesses operating in US
- Strong personal credit
- Project must create or retain jobs or promote other public policy goals

## What We Need to Get Started

- Purpose of the loan
- Business background and plan
- Projections
- Business tax returns and financials (from existing business and/or selling business)
- Business debt schedule
- Personal tax returns
- Personal financial statement
- Resume
- Other eligibility information (personal background, character, credit)

## 504 At-A-Glance

### Maximum Loan Size

\$15 million

### Repayment Terms

Up to 25 years

### Pricing

Floating or multi-year fixed available

### Prepayment

Bank Loan:  
3-5 years declining

SBA Bank Loan:  
10 years declining

### Borrower Type

For-profit business

To learn more, visit [liveoakbank.com/sba-loans](https://liveoakbank.com/sba-loans)