

# BASICS



QUOTE · 2 · FUND

# BUSINESS LOAN BASICS



COMMERCIAL REAL  
ESTATE LOANS

# BUSINESS

# LOANS THAT OPEN NEW DOORS. LITERALLY.

You've been in business for a while – doing well -- and you're ready to take the next step.

Maybe the rent on the commercial space for your popular boutique keeps going up, and you're tired of it. Or the success of your food-truck business has convinced you that if you opened a brick-and-mortar restaurant, crowds would happily wait in line there, too. Maybe you and your crackerjack crew of software designers have decided it's time to move out of the suite of offices you've been leasing – and into a building of your own, where you can also gain the benefit of rental revenues from other tenants.

*In other words,  
you're ready for a  
commercial real  
estate loan.*

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You've heard a little about the benefits. How owning commercial real estate can contribute to the growth of your business, help control overhead costs, and give you certain tax advantages, along with a valuable asset.

It's a big step. But before you take it, you want to know more. This ebook is aimed at getting you started.

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# ROCK SOLID REA- SONS FOR A COM- MERCIAL REAL ESTATE LOAN

The decision to make an investment in commercial real estate brings with it the excitement of new possibilities and probably more than a few questions. Alternative lenders like Quote 2 Fund can work with you to evaluate the various loan options available and make sure you get the best financing solution for the needs of your growing business.

Loan amounts, interest rates, and terms can vary greatly between conventional loans and those offered by the SBA (Small Business Administration). There are differences, too – significant ones -- depending on the type of property being financed and whether you plan to build something new or buy a building that already exists.

## THE SBA-504 LOAN

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SBA loans are loans to small businesses that have difficulty getting a loan with reasonable terms through the usual lending channels, such as traditional lenders.

For small businesses looking to buy, build, or improve commercial property, the SBA-504 loan is a popular choice, even with all the required paperwork.

When approving a loan, the Small Business Administration also takes into account the projected income of a business, not just its cash flow in the past. (Think of it as the SBA's way of saying, "We believe in you.") And because the SBA guarantees this loan, collateral becomes less critical in qualifying.

*With its lower rates, smaller down payments, and favorable terms, the SBA-504 Loan Program opens the door to owning rather than renting, and to building wealth, rather than making your landlord rich.*



# A FEW KEY CONSIDERATIONS

To qualify for an SBA-504 loan, your business must be:

- » Owner-operated
- » For-profit
- » Organized as a sole proprietorship, corporation, partnership, or limited-liability corporation (LLC)
- » Have a net worth no greater than \$15 million and net profits, after taxes, below \$5 million in the last two operating years

## LENDERS WANT TO KNOW

When evaluating an application for a commercial real estate loan, lenders of all kinds look at a wide range of things, including:

- » The creditworthiness of the business and its owners
- » Financial statements and tax returns from the last three to five years
- » Whether or not the business getting the loan is going to occupy the property? (Hint: The answer lenders love to hear is “Yes.”)
- » Financial ratios, such as the loan-to-value ratio (LTV) and the debt-service coverage ratio (DSCR). Both ratios come from the kind of calculations lenders seem to love – and the people at Quote 2 Fund will be happy to shed more light on.

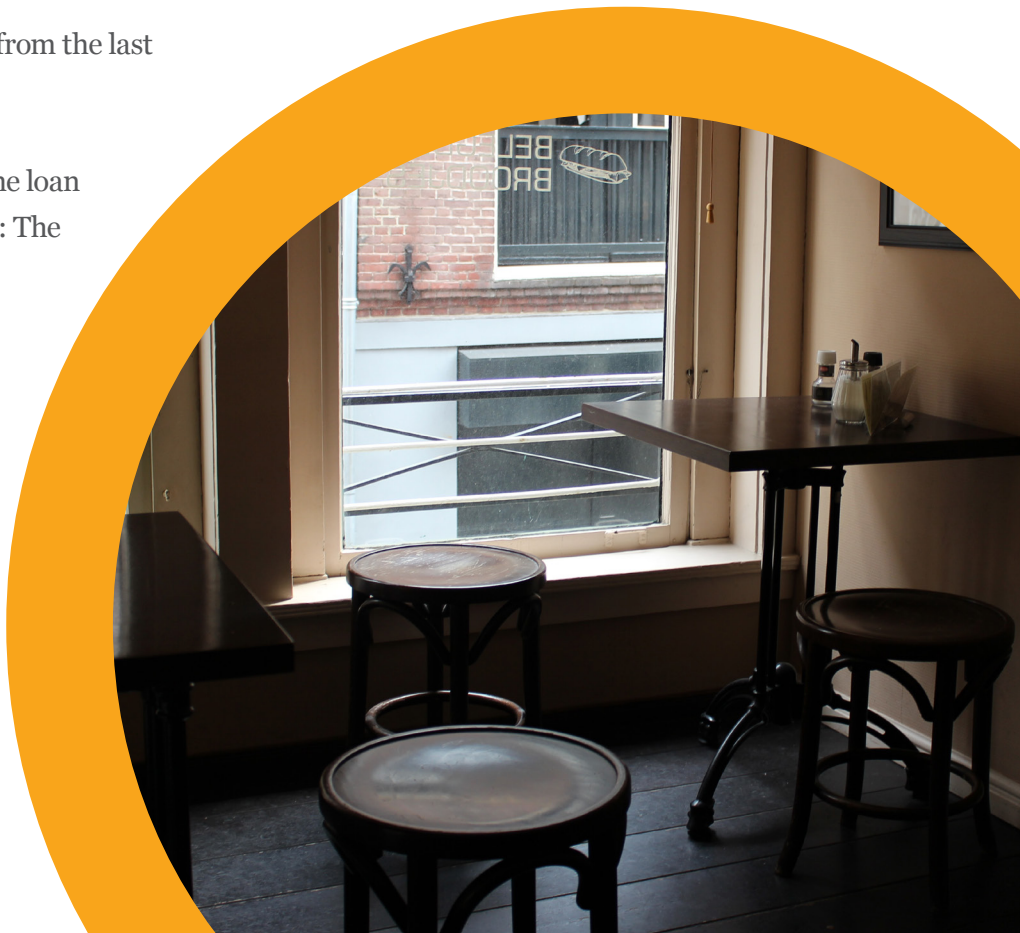
- » Money you or investors are putting in or equity you already have in the business.
- » Current industry trends, economic conditions, or anything else that might affect your business going forward.

## THINGS YOU’LL WANT TO ASK WITH ANY KIND OF REAL ESTATE LOAN

*What are the fees associated with this financing?*

*Is there a prepayment penalty?*

*How soon can the loan be funded?*





## MAXIMUM LOAN AMOUNT

**Conventional:** 75% to 80% of the appraised value or purchase price, whichever is less.

**SBA 504:** Up to 90% financing of the total project cost (Including land, construction/renovations, soft costs, and closing costs)



## INTEREST RATES

**Conventional:** Competitive fixed or variable rates.

**SBA 504:** 1st mortgage: Competitive fixed or variable rates. 2nd mortgage: Usually 0.5 to 0.75% less than competitive rates; fixed for 20 years



## LOAN TERM

**Conventional:** 3 or 5 years with balloon or call and a 10 or 15 year amortization

**SBA 504:** 1st Mortgage: fully amortized over 25 years; 2nd mortgage: below 20 years, fixed rate



## SPEED

As little as 2 weeks with preferred SBA lenders.

LOW ADJUSTABLE OR  
FIXED RATES

MOST CLOSING AND SOFT COSTS  
ROLLED INTO SBA 504 LOANS

LONG TERM OPTIONS

HELPS BUILD OR  
IMPROVE CREDIT SCORE

# PROS &

# CONS

DOWN PAYMENT 20 TO 25%  
FOR CONVENTIONAL LOANS;  
10 TO 20% FOR SBA 504

CLOSING AND SOFT COSTS PAID OUT  
OF POCKET FOR CONVENTIONAL  
FINANCING

PREPAYMENT PENALTIES  
MAY APPLY

LONGER APPLICATIONS AND  
PAPERWORK



# GO AHEAD. DREAM BIG.

*“So many of our dreams at first seem impossible, then they seem improbable, and then, when we summon the will, they soon become inevitable.”*

*Christopher Reeve*

Perhaps, because of what you’re discovering about the rates, terms, and requirements of the loans available, you’re starting to believe that this idea of yours -- owning an office building, warehouse, store, or restaurant -- just might work.

With the research you’ve done so far, you’ve already “summoned the will” and started into the process.

But you don’t have to go it alone. The lending experts at Quote 2 can guide you through the myriad complexities of commercial real estate financing, keep the process moving, and through their nationwide network, get you your loan.

Want to continue exploring the possibilities? Contact Quote 2 Fund.

# LEARN HOW TO PUT QUOTE 2 FUND'S "APPLY. GET FUNDED." TO WORK FOR YOU.



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