

# Commercial Notes

THE ACHTERMANN COMMERCIAL  
LENDING GROUP LLC

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## Don't Forget About the SBA Part One of Two

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### The SBA 7(a) Guaranty Loan Program

As the banks are recoiling from the sub prime lending issues and become more critical of any new real estate mortgage loan request, "Don't Forget About the SBA" as a source of funds. The Small Business Administration has TWO loan programs, which could result in a closing for you. One program is the "SBA 7(a) guaranty loan program" and the other is the "504 program". Both programs are focused on where the owner occupies 51% of the real estate.



Banks, especially those in the

SBA's preferred lender program (PLP) like to close SBA 7(a) guaranteed loans for their own portfolio as well as to sell in the secondary market for the fee income.

The SBA 7(a) guaranty loan program provides the lender with a guarantee up to 75% of the loan, with a maximum amount of SBA exposure at \$1,500,000, should the borrower default on the loan. This will provide financing for the purchase of a building selling for a \$2,500,000 with a standard 20% down payment.

The SBA program generally encourages



longer-term financing. The actual loan terms are based upon:

- ⇒ Ability to repay
- ⇒ Purpose of loan proceeds
- ⇒ Useful life of the assets

The maximum term for financing real estate and equipment is 25 years. The SBA will also guarantee permanent working capital loans with terms up to 10 years. If the loan proceeds are used for multiple purposes such as working capital, equipment and real estate, the maximum term can be the weighted average of those maturities resulting in a level payment.

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Rates Currently Available through  
The Achtermann Commercial  
Lending Group, LLC

Minimum Loan \$500,000  
Max \$5,000,000  
for multi-family!

25 - 30 years amortization and term

80% MAX Loan-to-Value,  
with Fixed period options  
from 1 to 15 years  
(Add 0.15% to loans over 75% LTV)

*DSC ratio 1.20 times*

<u>Rate</u>	<u>Fixed</u> <u>Period</u>	<u>Am/Term</u>
6.093%	3 years	30/30
6.206%	5 years	30/30
6.420%	7 years	30/30
6.556%	10 years	30/30

Call for rates on loan amounts  
greater than \$2million and for  
Commercial Properties.

## Market interest rates

Additional Rate information Page 2

### Bank Prime Rate

03/28/06	7.75%
05/10/06	8.00%
09/29/06	8.25%
06/23/07	8.25%
09/26/07	7.75%
11/07/07	7.50%
12/19/07	7.25%

### 1 Year CMT (Treasuries)

03/02/07	4.96%
04/27/07	4.90%
05/25/07	4.95%
06/15/07	4.98%
09/28/07	4.05%
11/09/07	3.72%
12/21/07	3.28

### 5 Year CMT (Treasuries)

03/02/07	4.51%
04/27/07	4.56%
05/25/07	4.77%
06/15/07	5.13%
09/28/07	4.26%
11/09/07	3.89%
12/21/07	3.52%

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The SBA 7(a) guaranty program loans are only available through lenders who are participants because they participate with the SBA in the program. Participants include many banks and some non-bank lenders. The guidelines and program requirements remain the same for either type of participant.

The "SBA 7(a) guaranty loan program" is only available on a guaranty basis. A borrower must find a lender willing to approve their loan request even though the request may meet all SBA program requirements. The SBA does not make direct loans. The guaranty is provided to the lender to reduce the risk of loan proceeds loss if the borrower defaults on the loan.



The basic documentation required on an SBA loan is no different from documentation required by any non-SBA lender.

There are two areas, which are perceived as problems.

1. SBA forms: Many times perspective buyers are reluctant to use the SBA guaranty loan program because of "all the paper work" involved. All SBA loan documentation must be completed on their forms.
2. Time required to get the loan approval.



This is where I can assist you, the broker, and your client. I will coordinate the gathering of information and the completion of the required forms. When all the forms are completed and presented to the lender, the approval time should be no longer than a non-SBA loan request, especially if the lender is in the PLP program.

**Fast.  
Easy. Approved.\***

Words you want to hear when you need a small commercial property loan.

An SBA loan can make the difference between a closing and no closing. So, on your next commercial real estate contract where the property is at least 51% owner occupied, "Don't Forget About the SBA".

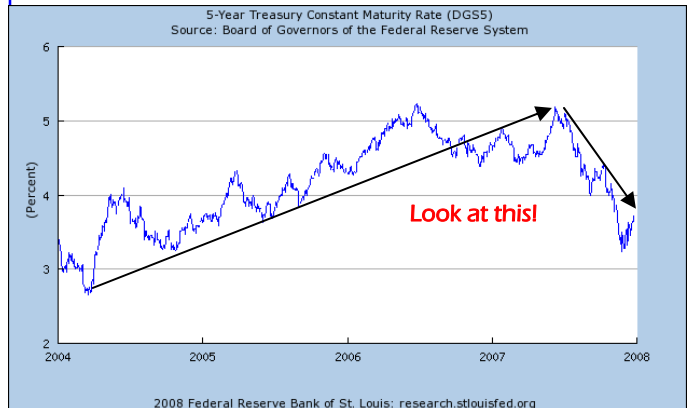
Two web sites which are available in monitoring interest rate are:

- ◆ <http://www.federalreserve.gov/releases/h15/data.htm>
- ◆ <http://www.ustreas.gov/offices/domestic-finance/debt-management/interest-rate/>

These two sites are government sponsored and should provide you with a quick view of interest rate trends.

The graph below shows the Five year CMT rate since 2004.

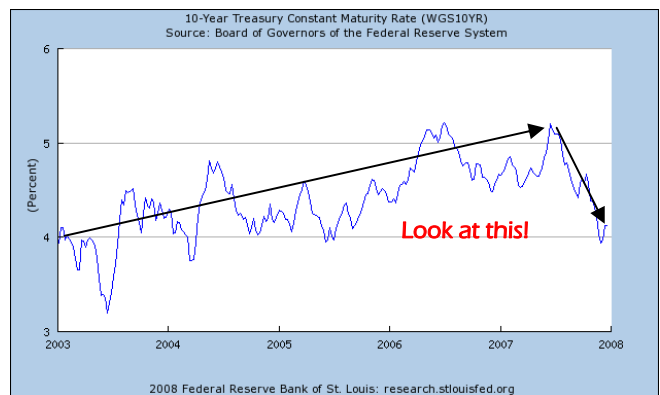
The five year treasury peak this year at 5.13% on June 15th and has dropped to a low of 3.35%, rising slightly at year-end to 3.63%.



This an overview for the 10 year CMT, also from Jan 2004 to December 2007 in six month intervals

Jan 2004	4.15%	Jun 2004	4.73%
Jan 2005	4.22%	Jun 2005	4.00%
Jan 2006	4.42%	Jun 2006	5.11%
Jan 2007	4.76%	Jun 2007	5.13%
December 2007	4.21%		

The graph below shows the Ten year CMT rate since 2004.



The "rising" trend in interest rates appears to have changed direction. Whether you are a broker, buyer or seller, this trend can have definite impact on how you will be able operate your business. Do not let these lower rates get away from you and your clients.