

THE LIGHT PAPERS

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CHANGING THE CONVERSATION

What do SBA 7A loan premiums have to do with me? If you are a hotel owner, this is the biggest driver of hotel purchases across the country in small and middle markets. SBA 7A loans are originated to drive premium income for the lender because in most cases after origination, the lender sells up to 75% to Wall Street Street for a large premium. Since there is an implied government guarantee on them, they are as good as treasury bonds. So, the lender makes 10-18% premium on the sale.

What drives the price? The usual suspects: time, terms, size.

1. Time - The longer the loan, higher the premium
2. Term - Longer term drives premiums up
3. Spread - the maximum allowable by the SBA is 2.75% over Prime
4. Adjustments - Many lenders implement terms like if the rates go up, the bank will make adjustments monthly, and if the rates go down, then the adjustment is annual. Higher adjustments for the client, mean the bank receives higher premiums.
5. Size - Larger the loan size, lower the premium.

The SBA was created to help small businesses but how can that be accomplished if the lenders' interest is not the same? Can your rates vary dependent on the Feds? Of course, but is it a direct change as lower rates mean lower rates for all? Not always and not in the same time line.

As a Hotel owner, how future buyers of your properties' financing option makes a significant impact on the price of your property to go up. So, let's change the conversation since not everyone is on the same team. Lenders can originate SBA 7A loans without selling the 75% guaranteed portion. They can also offer fixed rate options that would be mutually beneficial to both parties.

We are actively working with these type of lenders and seeking to expand this list to give our clients the best terms possible for their business. As you grow, we grow.

The borrower gets a market fixed rate and the lender receives a guarantee on the 75% of the loan. Everyone gets what they need. This is how we help the small and middle market businesses grow to expand the communities.

CH Capital Partners LLC, we are changing the conversation to help grow your business.



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