

What's most important to your "High net worth" client

Three SBA items you need to know to attract the top buyers!

Building success through the sharing of information

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October 2022

Did you know that nowhere in the SBA SOP's 509 pages does it demand a spouse to guaranty an SBA acquisition loan? Do you think this might matter to your high-net-worth client? You bet it does!

Today I will outline the top three items that our higher net borrowers always want to fully understand. These are more important for you to know if you're speaking to a high net-worth individual considering one of your listings,

A married couple must (by rule) produce their SBA 413 form (personal financial statement) jointly and all and any assets owned by either spouse MUST be disclosed on a single PFS. With most borrowers, this is an acceptable practice and of little concern. The concern arises when we learn that this is a second or even third marriage and it was the spouse's property prior to this current relationship. The SBA has recognized this occurrence and does allow for an exception of certain property being owned prior and brought into a new marriage.

In situations where the couple has been married for a decade or longer, that possibility quickly fades, and other advantages will need to be explored. We will always avoid a spousal guaranty whenever possible. If we're forced to lien a couple's primary residence, then a "Limited Guaranty" is what's required. This limits the spouse to only the security interest in that single property or asset. We want to avoid a full, unlimited, guaranty at all costs and here's why. Once the transaction closes and fully funds, anything purchased in the future by any full guarantor is at risk in a default scenario. Meaning that if a husband and wife are both fully on the loan then anything they purchase in the future can be considered in a liquidation event. If this spouse was only a limited guarantor at the time of closing and they jointly purchased property post-closing, that property could not be considered in the future as collateral or a forced liquidation. Everything this couple purchases jointly in the future will be protected as the SBA cannot force a liquidation on property not fully owned by the borrower. A big advantage that not many clients understand, and no lender offers upfront (or ever). Exceptions to excluding the spouse would be if they are the sole supporter of the household

or responsible for HELOC payments contributing toward down payment. In most cases we can leave the spouse off as a full guarantor.

The second rule we address is the equity position in a borrower's properties. This again is a little-known rule that I preach around the country as it is "optional" and always left to lenders discretion. If there is less than 25% equity in a borrower's property it DOES NOT have to be taken for collateral at all. That is the actual SBA rule that allows every lender to leave a property off as use as collateral. We demand our lenders abide by this rule and not lien any properties that fall under 25% equity.

Post-closing liquidity is important and required, but at what point will a lender demand some level of liquidity be taken for collateral? Lenders can still demand cash and cash equivalents to pledged as collateral as this is up to "lender discretion". The last thing I ever want to allow is my client, the entrepreneur, to be left cash poor. I will always protect my client's cash reserves as their plans usually include growing and expanding the new business they are buying. The lender does have the ability to avoid any liens on cash accounts up to the full loan amount, in most cases.

These three are a few of the many optional rules that are often overlooked by lenders as they only benefit the borrower. Leaving extra cash, a buyer's home and his spouse off the transaction and loan documents makes much more sense to the majority of the clients we work with daily. Once we explain these and other beneficial rules to our clients, adjustable interest rates seem to be much less of a concern and the advantages well out way the cost. By referring your potential buyer to our firm, you're ensuring the highest level of service and that each and every possible SBA advantage is considered. Stop letting your valuable client work with a lender that's looking out for themselves and their own best interest and not that of your buyer.

To increase your success, direct your buyers to one of our highly trained experts for their pre-qualification letter (at NO COST) and we will be happy to assist in the screening and closing of your transaction. Try us and see the difference that personalized service, along with top level advice and lending sources, can make. We don't pay fees; we help you earn more commissions! A lot more.

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