

First Innovative Financial Group (www.fifginc.com) - Assists Lending Partner with SBA Loan - Midas

By Mark D. Austin

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First Innovative Financial Group (FIFG) successfully underwrote, packaged and submitted to SBA an \$870,500 SBA 7a loan for one of the banks we provide consulting services to.

The borrower, a bank customer, wanted financing to purchase a Midas franchise business in Santa Clarita, CA. To successfully fund, we had to address the following:

1. Source of capital injection partially from borrowed funds

We determined that borrowed funds used for the capital injection could be repaid without relying on the business as the source of repayment which allowed these funds, according SBA guidelines, to be an eligible source for the capital injection.

2. Balance sheet leveraging well above industry (RMA) norm

We determined that the opening or proforma balance sheet (new owners) did not have the benefit of retained earnings, which is a key common size industry component for this industry. This contributed to the higher tangible debt to worth ratio. Given that projected income will result in retained earnings, tangible debt to worth is expected to approximate the industry (RMA) norm in the near term. Moreover, we negotiated with the seller to carry back a subordinate loan for several years to mitigate the buyer's low net worth.

3. Declining profitability and historic debt repayment

We worked closely with the seller and his accountant to identify discretionary expenses to demonstrate historic debt repayment. We also worked with the client to prepare income and expense projections to support the cash flow going forward.

To ensure the success of obtaining suitable business financing or business insurance for our clients, we thoroughly analyze and evaluate every transaction engagement.

We look forward to working with you and your clients, who you feel require business financing and/or business insurance to allow their businesses to successfully expand their business horizons.

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First Innovative Financial Group (FIFG) provides its community bank partners solutions and services to help develop a successful long-term SBA lending program.

Why use FIFG? FIFG has been directly involved with SBA and Banking since 1974. This unique combination of SBA expertise and banking industry experience gives us the ability to provide a full range of critical solutions and services for a successful SBA lending program.

Category Sba, Working Capital, Small business loans
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