THE COMPLETE GUIDE TO

Commercial Loan Financing

Everything California business owners and investors need to know about SBA and conventional commercial loans: rates, requirements, timelines, and how to get approved.

Presented by **Commercial Capital Partners, Inc.**
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INSIDE THIS GUIDE

What You'll Learn

Questions as you read? Reach out to our team at (909) 721-5915 or visit commercialcapitalpartner.com. Every deal is different, and a 15-minute call is the fastest way to know your options.

CHAPTER 01

SBA 7(a) Loans

The Most Flexible SBA Program

The SBA 7(a) loan is the U.S. Small Business Administration's flagship program and the most widely used source of small-business financing in the country, with more than $30 billion approved each year. Its defining advantage is flexibility. Unlike the 504 program, which is limited to real estate and major equipment, a 7(a) loan can be used for almost any legitimate business purpose.

What SBA 7(a) Loans Can Be Used For

- ✓ Purchase an existing business or franchise
- ✓ Buy out a business partner
- ✓ Purchase owner-occupied commercial real estate
- ✓ Refinance existing business or real estate debt
- ✓ Fund working capital and operating expenses
- ✓ Purchase equipment, machinery, or vehicles
- ✓ Finance leasehold improvements and build-outs
- ✓ Build owner-occupied commercial property from the ground up

7(a) Terms at a Glance

Loan Feature	Details
Maximum Loan Amount	$5,000,000
Minimum Down Payment	10% (higher for start-ups or special-use property)
Real Estate Term	Up to 25 years
Equipment / Working Capital Term	Up to 10 years
Interest Rate	Variable, set at Prime Rate plus up to 2.75% on loans over $50K
SBA Guarantee Fee	0% under $150K, up to about 3.5% on larger loans
Collateral	Required to the extent available; not a disqualifier if insufficient

Pro Tip. A 7(a) loan lets you combine multiple needs into a single transaction. For example, you can purchase a gas station (real estate plus business) while also financing working capital and equipment, which keeps your payments manageable.

2026 Update. A new SBA rule effective July 2026 lets eligible borrowers combine a 7(a) and a 504 loan for up to **$10 million** in total SBA-backed financing, the highest in the agency's history.

CHAPTER 02

SBA 504 Loans

Best for Real Estate and Major Equipment

The SBA 504 loan is purpose-built for acquiring major fixed assets, primarily owner-occupied commercial real estate and long-life equipment. It uses a two-lender structure that delivers below-market, fixed interest rates and lower down payments than conventional financing.

How the 504 Structure Works

Lender	Portion	Rate	Purpose
Bank / Conventional Lender	~50%	Market rate	First mortgage
CDC (SBA Debenture)	~40%	Fixed, below-market	Second mortgage
Borrower (You)	~10%	n/a	Equity injection

Key Benefits of SBA 504

- ✓ A fixed, below-market rate locks in your cost of capital for 10 to 25 years
- ✓ Down payment as low as 10% preserves cash for operations
- ✓ Debentures up to $5.5 million for small manufacturers and energy projects
- ✓ Fully amortizing, with no balloon payments
- ✓ Rate certainty protects against rising interest rates

Eligibility Requirements

To qualify, your business must operate as a for-profit company in the U.S., have a tangible net worth under $20 million, and average net income under $6.5 million after taxes over the prior two years. The property must be at least **51% owner-occupied** for existing buildings, or 60% for new construction.

> **Ideal Use Cases.** Gas station purchase or refinance, medical and dental office acquisition, industrial warehouse purchase, retail and office building purchase, and hotel or hospitality real estate.

CHAPTER 03

Program Comparison

SBA 7(a), 504, and Conventional

Choosing the right program depends on your use case, property type, business stage, and financial profile. Use this comparison to identify the best fit before you apply.

Feature	SBA 7(a)	SBA 504	Conventional
Max Loan Amount	$5 Million	$5.5 Million*	No set maximum
Down Payment	10 to 15%	10 to 15%	20 to 35%
Real Estate Terms	Up to 25 yrs	Up to 25 yrs	5 to 20 yrs
Interest Rate	Variable (Prime+)	Fixed (CDC portion)	Fixed or variable
Best For	Acquisitions, working capital, real estate	Owner-occupied real estate and equipment	Investment property, larger loans
Speed to Close	30 to 90 days	45 to 90 days	30 to 60 days

*The 504 debenture caps at $5.5M for small manufacturers and energy projects; standard projects cap at $5M in total SBA exposure. A 7(a) and 504 may now be combined for up to $10M total, effective July 2026.

Which Program Fits Your Situation

Your Situation	Recommended Program
Buying a business with real estate	SBA 7(a), which combines both in one loan
Buying or refinancing owner-occupied real estate	SBA 504, for the best rates on real estate
Working capital or equipment only	SBA 7(a), the most flexible option
Investment property (not owner-occupied)	Conventional, since SBA requires owner occupancy
Gas station with real estate	SBA 7(a) or 504, depending on structure

CHAPTER 04

Owner-Occupied Conventional Loans

Financing the Building You Operate From

Conventional commercial loans are bank-funded and carry no SBA guarantee. For owner-occupied real estate, where a business owner buys or refinances the building they operate from, conventional financing is a strong alternative when SBA is not a fit, when loan amounts exceed SBA limits, or when speed and flexibility matter more than maximum leverage.

Typical Terms for Owner-Occupied Conventional

Feature	Typical Terms
Loan Amounts	$500,000 and up, with no set maximum
Down Payment	20 to 30% of purchase price
Loan-to-Value	65 to 75% on owner-occupied CRE
Amortization	15 to 30 years, amortizing or balloon
Occupancy	Business occupies 51% or more of the building
Speed to Close	30 to 60 days for clean deals

When Conventional Beats SBA

- ✓ The loan amount exceeds SBA limits
- ✓ You want a 30-year fully amortizing loan
- ✓ Your industry is restricted under SBA rules
- ✓ A faster closing timeline is critical
- ✓ You have significant equity and do not need SBA's low down payment
- ✓ You are refinancing where SBA seasoning rules create complications

> **Common property types.** Industrial warehouses, medical and dental offices, retail buildings, office buildings, owner-occupied mixed-use, gas stations, auto repair, restaurants, and hotels.

CHAPTER 05

Investor Property Loans

Financing Income-Producing Real Estate

SBA loans are exclusively for owner-occupied property. If you are buying commercial real estate as an investment, where tenants occupy the building, you need conventional investor financing. This is a distinct product with its own underwriting and terms.

How Investor Loans Are Underwritten

Unlike owner-occupied loans, which are underwritten on the business owner's cash flow, investor loans are underwritten primarily on the **property's income**. Lenders analyze Net Operating Income (NOI), the Debt Service Coverage Ratio (DSCR), occupancy, lease terms, and tenant quality. Your personal financial strength still matters, but it is secondary to the property's ability to service the debt.

Feature	Typical Terms
Loan Amounts	$500,000 and up, with no set maximum
Down Payment	25 to 35%, higher than owner-occupied
DSCR Requirement	1.20x to 1.35x (property income vs. debt)
Amortization	20 to 30 yrs, with a 5 to 10 yr balloon common
Occupancy	No owner-occupancy requirement; tenants only

Property Types We Finance

- ✓ Multifamily (5+ units), apartments and mixed-use residential
- ✓ Retail strip centers and single-tenant NNN properties
- ✓ Office buildings, single and multi-tenant
- ✓ Industrial and flex or warehouse investment properties
- ✓ Self-storage facilities and 1031 exchange replacements

> **The key distinction.** Owner-occupied (your business in the building) is SBA-eligible. Investor property (tenants in the building) is conventional only. This determines which programs are available and how much you will put down.

CHAPTER 06

Which Loan Is Right for You

Matching Your Deal to the Right Program

Use this quick reference to identify the right program for your situation. When in doubt, a 15-minute call with an advisor who can evaluate your specific deal is the fastest path to clarity.

Your Situation	Best Program
Buying or refinancing a building you operate from	SBA 7(a) or 504
Buying a business with real estate included	SBA 7(a)
Investment property where tenants occupy it	Conventional Investor
Loan amount above SBA limits	Conventional
Need a 30-year amortization	Conventional
Gas station purchase (business and real estate)	SBA 7(a) or 504
Multifamily, 5+ units	Conventional or Agency
Fast close needed (30 days)	Conventional
Low down payment is critical (10%)	SBA 7(a) or 504

> **Not sure?** The right structure can be the difference between a decline and an approval on strong terms. We review your scenario through multiple lenders' guidelines at no cost.

CHAPTER 07

How to Qualify

The Five Things Lenders Look For

Lenders evaluate applications across five categories. Understanding what they look for, and preparing accordingly, dramatically improves your odds of approval and speeds up the process.

1. Cash Flow (most important)

Lenders want to see that the business can cover the new payment with room to spare. The Debt Service Coverage Ratio (DSCR) is typically required at **1.25x** or better, meaning $1.25 in net operating income for every $1.00 of debt payment.

2. Credit Score

A personal score of **680 or higher** is generally preferred, though some lenders go lower with compensating factors. Recent bankruptcies, foreclosures, or judgments require an explanation and seasoning.

3. Management Experience

Lenders want confidence that you can run the business you are buying or growing. Relevant industry experience meaningfully strengthens an application.

4. Equity and Down Payment

Most SBA loans require a **10 to 20%** equity injection from liquid, non-borrowed sources such as savings, retirement (ROBS), gifts, or equity in another property.

5. Collateral

SBA loans are collateralized to the extent available, and insufficient collateral alone will not sink a loan. A personal guarantee is required from all owners with 20% or more ownership.

CHAPTER 08

The Application Process

From Consultation to Closing

Knowing the process helps you set realistic expectations and have the right documents ready at the right time. Here is what to expect from start to finish.

Step	What Happens	Timing
1. Consultation	Review your goals, loan amount, use of proceeds, and profile. No cost, no obligation.	Week 1
2. Pre-Qualification	Gauge lender appetite and identify the best lenders for your deal.	Week 1 to 2
3. Document Collection	Compile the full package (see the checklist next).	Week 2 to 4
4. Lender Submission	Submit to the most competitive lender or lenders for your transaction.	Week 3 to 4
5. Underwriting	The lender reviews and issues conditions. Respond promptly to avoid delays.	Week 4 to 8
6. Approval	Preferred Lenders approve directly; standard SBA adds 2 to 4 weeks.	Week 6 to 10
7. Closing	Escrow, title, appraisal and environmental, then sign and fund.	Week 8 to 12

Typical timeline. 30 to 45 days for Preferred Lenders on clean deals, and 60 to 90 days for standard SBA. Starting early with documents ready is the single biggest factor in closing on time.

CHAPTER 09

Document Checklist

What to Prepare Before You Apply

Having documents ready in advance is the fastest way to close. Use this checklist to prepare before your first lender submission.

Business Documents

- ✓ Business tax returns, 3 years (all entities)
- ✓ Year-to-date profit and loss statement (within 60 days)
- ✓ Year-to-date balance sheet (within 60 days)
- ✓ Business debt schedule with all loans and terms
- ✓ Business bank statements, 3 months
- ✓ Business licenses, registrations, and formation documents

Personal Documents (all owners with 20% or more)

- ✓ Personal tax returns, 3 years
- ✓ Personal financial statement (SBA Form 413)
- ✓ Personal bank statements, 3 months
- ✓ Government-issued photo ID and a resume or management bio

For Business Acquisitions

- ✓ Purchase agreement or letter of intent
- ✓ Seller's tax returns (3 yrs) and year-to-date financials
- ✓ Business valuation and franchise disclosure, if applicable

For Real Estate Transactions

- ✓ Purchase agreement and preliminary title report
- ✓ Phase I Environmental Site Assessment
- ✓ Commercial appraisal (ordered by the lender) and any leases

CHAPTER 10

Mistakes That Kill Approvals

Seven Costly Errors to Avoid

Most declines are avoidable. Here are the seven mistakes that most often kill commercial loan approvals, and how to stay clear of them.

- ✕ **Applying to the wrong lender.** A bank unfamiliar with your property type will decline a strong deal. The right specialist saves weeks.
- ✕ **Undercapitalized down payment.** SBA requires equity from liquid, non-borrowed sources. Borrowed down-payment funds kill the deal.
- ✕ **Tax returns that do not show income.** Lenders verify income from returns, so returns showing losses lead to declines regardless of actual cash flow.
- ✕ **Missing documents.** Every missing item pauses underwriting. Prepare the full package before applying.
- ✕ **Financial changes mid-process.** New debt, large deposits, or transfers trigger scrutiny. Keep finances stable until closing.
- ✕ **No management experience.** First-time buyers in unfamiliar industries face harder underwriting, so experience or a transition plan helps.
- ✕ **Skipping environmental reports.** For gas stations and similar properties, Phase I and II reports are required, so order them early.

CHAPTER 11

Working With Us

Your Strategic Partner in Commercial Finance

$250M+	100+	65+
FUNDED	TRANSACTIONS CLOSED	COMBINED YEARS

We are not a lender. We are your advisor and advocate. We structure your request correctly, place it with the right lender from our network, and guide you from application to closing.

The Commercial Capital Partners team

- ✓ Evaluate your profile and identify the optimal program
- ✓ Structure your request to maximize approval likelihood
- ✓ Match your transaction with the right lender from our network
- ✓ Prepare and package your documentation for submission
- ✓ Manage communication between you, the lender, and all parties
- ✓ Represent your interests through underwriting and closing

Recent Deals Closed

Amount	Loan Type	Transaction
$3,637,500	SBA Owner-Occupied	Two industrial buildings, Corona, CA
$3,386,200	SBA 7(a)	Industrial property purchase, Riverside, CA
$3,375,900	SBA 7(a)	Gas station construction, Bakersfield, CA
$3,250,000	Conventional	Industrial refinance, Ontario, CA
$3,007,500	SBA 504	Gas station refinance and cash-out, Colton, CA
$2,750,000	Conventional	Hotel refinance, West Covina, CA
$2,500,000	Conventional	Retail strip purchase, San Bernardino, CA
$1,908,000	SBA 504	Medical office purchase, Temple City, CA
$1,539,900	SBA 7(a)	Gas station purchase, Bakersfield, CA
$850,000	SBA 7(a)	Bar and Grill refinance, Riverside, CA
$850,000	Conventional	Retail refinance, Jurupa Valley, CA
$500,000	SBA 7(a)	Working capital, Anaheim, CA

A selection from more than 100 closings. Every deal is structured to the client's specific situation. Loans are subject to lender approval and terms vary.

READY TO GET STARTED?

Let's Structure Your Financing the Right Way

Schedule a free, no-obligation strategy call with our team. We will tell you exactly what your options are, and what it will take to close.

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