

THE COMPLETE GUIDE TO Commercial Loan Financing for California Business Owners

Everything you 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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■ Questions? Call Fernando Guzman directly at **(909) 721-5915** or visit **commercialcapitalpartner.com**

Chapter 1: SBA 7(a) Loans

The Most Flexible SBA Program

The SBA 7(a) loan program is the U.S. Small Business Administration's flagship lending program and the most widely used source of small business financing in the country. With over \$30 billion in loans approved annually, the 7(a) program gives small business owners access to capital that would otherwise be difficult or impossible to obtain through conventional bank financing.

The key advantage of the SBA 7(a) program is its flexibility. Unlike the SBA 504 program — which is restricted to real estate and major equipment — the 7(a) loan can be used for almost any legitimate business purpose, making it an ideal solution for a wide range of financing needs.

What Can SBA 7(a) Loans Be Used For?

- Purchase of 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 buildouts
- Ground-up construction of owner-occupied commercial buildings
- Acquire inventory for your business

SBA 7(a) Loan Terms at a Glance

| Loan Feature | Details |
|--------------------------------|--|
| Maximum Loan Amount | \$5,000,000 |
| Minimum Down Payment | 10% (higher for startups or special-use properties) |
| Real Estate Repayment Term | Up to 25 years |
| Equipment/Working Capital Term | Up to 10 years |
| Interest Rate | Variable: Prime Rate + 2.75% (loans over \$50K) |
| SBA Guarantee Fee | 0% for loans under \$150K; up to 3.5% for larger loans |
| Collateral | Required to extent available; not a disqualifier if insufficient |

■ **Pro Tip:** SBA 7(a) loans allow borrowers to combine multiple needs into one loan — for example, purchasing a gas station (real estate + business) AND including working capital and equipment, all in a single transaction. This simplifies your financing and keeps payments manageable.

Chapter 2: SBA 504 Loans

Best for Real Estate and Major Equipment

The SBA 504 loan program is specifically designed for the acquisition of major fixed assets — primarily owner-occupied commercial real estate and long-life equipment. It uses a unique 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 Type | Purpose |
|----------------------------|---------|---------------------|------------------|
| Bank / Conventional Lender | ~50% | Market rate | First mortgage |
| CDC (SBA Debenture) | ~40% | Fixed, below-market | Second mortgage |
| Borrower (You) | ~10% | Down payment | Equity injection |

Key Benefits of SBA 504

- Fixed below-market interest rate locks in your cost of capital for 10–25 years
- Down payment as low as 10% (preserves cash for operations)
- Loan amounts up to \$5.5 million for manufacturers and energy projects
- Fully amortizing — no balloon payments
- Rate certainty protects against rising interest rates

SBA 504 Eligibility Requirements

To qualify for SBA 504 financing, your business must: (1) Operate as a for-profit company in the United States; (2) Have a tangible net worth under \$20 million; (3) Have average net income after taxes under \$6.5 million for the past two years; (4) 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 • Hotel and hospitality real estate

Chapter 3: Loan Program Comparison

SBA 7(a) vs. SBA 504 vs. Conventional — Side by Side

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

| Feature | SBA 7(a) | SBA 504 | Conventional |
|--------------------------|--|---|-------------------------------------|
| Max Loan Amount | \$10 Million | \$5.5 Million | Varies |
| Down Payment | 10–15% | 10–15% | 20–35% |
| Real Estate Terms | Up to 25 years | Up to 25 years | 5–20 years |
| Equipment Terms | Up to 10 years | Up to 10 years | 3–7 years |
| Interest Rate | Variable (Prime+) | Fixed (CDC portion) | Fixed or Variable |
| Best For | Business acquisitions, working capital | Owner-occupied real estate, major equipment | Investment properties, larger loans |
| Speed to Close | 30–90 days | 45–90 days | 30–60 days |

Which Program Is Right for You?

| Your Situation | Recommended Program |
|--|--|
| Buying a business with real estate | SBA 7(a) — combines both in one loan |
| Purchasing or refinancing owner-occupied real estate | SBA 504 — best rates and terms for real estate |
| Need working capital or equipment only | SBA 7(a) — most flexible for non-real estate |
| Investment property (not owner-occupied) | Conventional — SBA requires owner occupancy |
| Loan above \$5M | Conventional — SBA caps at \$10M (\$5.5M for 504) |
| Gas station (with real estate) | SBA 7(a) or 504 depending on deal structure |

Chapter 3: Conventional Loans — Owner-Occupied CRE

Non-SBA Financing for Business Owners Who Own Their Building

Conventional commercial loans are bank-funded loans that do not carry an SBA government guarantee. For owner-occupied commercial real estate — meaning a business owner purchases or refinances a building they operate their business from — conventional financing is a strong alternative when SBA programs are not a fit, loan amounts exceed SBA limits, or the borrower prefers speed and flexibility over maximum leverage.

Key Terms for Owner-Occupied Conventional Loans

| Feature | Typical Terms |
|-----------------------|---|
| Loan Amounts | \$500,000 – No set maximum |
| Down Payment | 20–30% of purchase price |
| Loan-to-Value (LTV) | 65–75% LTV on owner-occupied CRE |
| Amortization | 15–30 years (fully amortizing or balloon) |
| Interest Rate | Fixed or adjustable; market-based |
| Occupancy Requirement | Business occupies 51%+ of the building |
| Speed to Close | 30–60 days for clean deals |

When Conventional Beats SBA for Owner-Occupied

- Loan amounts above \$10 million (exceeds SBA 7a limit)
- Borrower wants a 30-year fully amortizing loan (some lenders offer this)
- Business operates in an industry that SBA restricts (cannabis-adjacent, certain financial services, etc.)
- Faster closing timeline is critical — conventional can close in 30 days vs. 60-90 for SBA
- Borrower has significant equity and does not need the lower down payment SBA provides
- Refinancing existing debt where SBA seasoning rules create complications

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

Chapter 4: Conventional Loans — Investor CRE Properties

Financing for Commercial Real Estate Investment Properties

SBA loans are exclusively for owner-occupied properties — businesses that occupy the building they are purchasing. If you are buying commercial real estate as an investment (tenants occupy the building), you need conventional investment property financing. This is a distinct credit product with different underwriting criteria, loan terms, and qualification standards.

How Investor CRE Loans Are Underwritten

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

Key Terms for Investor CRE Loans

| Feature | Typical Terms |
|-----------------------|--|
| Loan Amounts | \$500,000 – No set maximum |
| Down Payment | 25–35% (higher than owner-occupied) |
| DSCR Requirement | 1.20x – 1.35x (property income vs. debt) |
| Amortization | 20–30 years (balloon in 5–10 years common) |
| Interest Rate | Fixed or adjustable; slightly higher than OO |
| Occupancy Requirement | No occupancy requirement — tenants only |
| Speed to Close | 30–60 days for stabilized assets |

Property Types We Finance as Investor CRE

- 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/warehouse investment properties
- Mixed-use commercial buildings
- Self-storage facilities

- 1031 exchange replacement properties

■ **Key difference:** Owner-occupied = SBA eligible (business in building). Investor CRE = conventional only (tenants in building). The distinction determines which loan programs are available and the down payment required.

Chapter 5: Which Loan Is Right for You?

SBA vs. Conventional — Making the Right Choice

Use this quick guide to identify the right program based on your situation. When in doubt, the best approach is a 15-minute call with a commercial lending advisor who can evaluate your specific deal.

| 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 — tenants occupy it | Conventional Investor CRE |
| Loan amount above \$10 million | Conventional |
| Need 30-year amortization | Conventional (some lenders) |
| Gas station purchase (business + real estate) | SBA 7(a) or 504 |
| Multifamily 5+ units | Conventional / Agency |
| Fast close needed (30 days) | Conventional |
| Low down payment is critical (10%) | SBA 7(a) or 504 |

Chapter 6: How to Qualify

What Lenders Look For in an SBA Loan Application

SBA lenders evaluate loan applications across five main categories. Understanding what they look for — and preparing accordingly — dramatically increases your chances of approval and speeds up the process.

1. Cash Flow (Most Important)

Lenders want to see that the business generates enough income to cover the new loan payment with a comfortable margin. The debt service coverage ratio (DSCR) is typically required to be at least 1.25x — meaning for every \$1.00 in debt payments, the business earns \$1.25 in net operating income. For acquisitions, lenders look at the target business's historical cash flow. For startups, they project forward based on industry data and your business plan.

2. Credit Score

A personal credit score of 680+ is generally preferred for SBA loans, though some lenders will go lower with compensating factors. Business credit history is also reviewed. Negative items like recent bankruptcies, foreclosures, or judgments can disqualify an application — but a good explanation and time since the event matters.

3. Management Experience

Lenders want to know you can run the business you're borrowing to buy or grow. Industry experience is a significant plus. If you're buying a gas station, prior experience in petroleum retail, convenience retail, or business operations strengthens your application.

4. Equity / Down Payment

Most SBA loans require 10–20% equity injection from the borrower. This can come from personal savings, retirement accounts (ROBS arrangement), gifts from family, or equity in another property. Lenders want to see that you have "skin in the game."

5. Collateral

SBA loans are collateralized to the extent available — meaning the SBA requires lenders to take available collateral but will not decline a loan solely because of insufficient collateral. Real estate, equipment, and personal assets may be pledged. A personal guarantee from all owners with 20%+ ownership is required.

Chapter 7: The Application Process

Step-by-Step: From Application to Closing

Understanding the SBA loan process helps you set realistic expectations and prepare the right documents at the right time. Here is what to expect from start to finish.

Step 1: Initial Consultation (Week 1)

Discuss your goals, loan amount, use of proceeds, and financial profile with your loan advisor. This is where we determine the right program and structure for your situation. No cost, no obligation.

Step 2: Pre-Qualification (Week 1–2)

Review preliminary financials, credit, and business information to gauge lender appetite and identify the best lenders for your transaction. A strong pre-qualification saves months of wasted effort.

Step 3: Document Collection (Week 2–4)

Compile the required documentation package. See the document checklist in Chapter 6.

Step 4: Lender Submission (Week 3–4)

Your advisor submits the loan package to the most competitive lender for your transaction. Multiple submissions may be made simultaneously.

Step 5: Lender Underwriting (Week 4–8)

The lender reviews and underwrites the loan. They may request additional documents (conditions). Respond promptly — delays in document delivery extend timelines.

Step 6: SBA Approval (Week 6–10)

For SBA Preferred Lenders (PLP), the lender can issue final approval without submitting to the SBA. For standard SBA lenders, the package goes to the SBA for review, adding 2–4 weeks.

Step 7: Closing (Week 8–12)

Escrow opens, title and environmental reports are ordered (for real estate), and loan documents are prepared. You sign loan documents and fund the transaction.

■ **Typical Timeline:** 30–45 days for Preferred Lenders on clean deals. 60–90 days for standard SBA submissions. Complex transactions (construction, multi-business) may take 90–120 days. Starting early and having documents ready is the single biggest factor in closing on time.

Chapter 8: Document Checklist

What You Need to Prepare for Your SBA Loan Application

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

Business Documents

- Business tax returns - 3 years (all entities)
- Year-to-date profit & loss statement (within 60 days)
- Year-to-date balance sheet (within 60 days)
- Business debt schedule (all existing loans with terms)
- Accounts receivable and payable aging reports
- Business bank statements - 3 months
- Business licenses and registrations
- Articles of incorporation / organization
- Operating agreement or bylaws

Personal Documents (All Owners with 20%+ Ownership)

- Personal tax returns - 3 years (all owners 20%+)
- Personal financial statement (SBA Form 413)
- Personal bank statements - 3 months
- Government-issued photo ID
- Resume or management bio

For Business Acquisitions (Additional)

- Purchase agreement or letter of intent (LOI)
- Seller's tax returns - 3 years
- Seller's year-to-date financials
- Business valuation (if required)

- Franchise disclosure document (if applicable)

For Real Estate Transactions (Additional)

- Purchase agreement or listing information
- Preliminary title report
- Phase I Environmental Site Assessment
- Commercial appraisal (ordered by lender)
- Lease agreements (if property has tenants)
- Construction contracts and plans (for construction loans)

Chapter 9: Common Mistakes That Kill Loan Approvals

What to Avoid in Your Commercial Loan Application

X Applying to the Wrong Lender

Not all lenders understand all property types. A bank unfamiliar with gas stations will decline a strong deal. An advisor who knows which lenders specialize in your deal type saves weeks.

X Undercapitalized Down Payment

SBA requires equity from liquid, non-borrowed sources. Trying to use borrowed funds as your down payment will kill the deal.

X Tax Returns That Don't Show Income

Lenders use tax returns to verify income. Returns showing losses will result in a decline regardless of actual cash flow.

X Missing Documents

Every missing document pauses underwriting. Prepare your full package before applying.

X Financial Changes During the Process

New debt, large deposits, or transfers during the loan process can trigger additional scrutiny. Keep finances stable from application to closing.

X No Management Experience

First-time buyers in unfamiliar industries face harder underwriting. Having industry experience or a transition plan helps significantly.

X Skipping Environmental Reports

For gas stations and similar properties, Phase I and Phase II Environmental reports are required. Order them early.

Chapter 10: Working With Commercial Capital Partners

Your Strategic Partner in Commercial Finance

At Commercial Capital Partners, we are not a lender - we are your advisor and advocate. We structure your loan request correctly, place it with the right lender, and guide you from application to closing.

Evaluate your profile and identify the optimal loan program

Structure your request to maximize approval likelihood

Match your transaction with the right lender from our network

Prepare your documentation package for submission

Manage communication between you, the lender, and all parties

Represent your interests through underwriting and closing

Provide clear, honest guidance at every step

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 property refinance - Ontario, CA |
| \$3,007,500 | SBA 504 | Gas station refinance/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 | Conventional | Retail property refinance - Jurupa Valley, CA |
| \$850,000 | SBA 7(a) | Bar & Grill refinance - Riverside, CA |
| \$500,000 | SBA 7(a) | Working capital - Manufacturing, Anaheim, CA |

Ready to Get Started?

Schedule a free, no-obligation strategy call with Fernando Guzman.

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