

EQUITY INJECTION PROCESS

For SBA 7(a) Loans

What is an equity injection? The amount of your own cash or assets you contribute towards the overall project is often referred to as your "equity injection." Below are the two main equity paths, but all loans are unique. Your Live Oak loan team will guide you through your specific situation. The intention of this information is to provide you with high-level details on the process.

1

Assemble your eligible funds — these must be approved by your loan team in advance. Eligible funds include:

- Cash that is not borrowed (personal bank accounts, 401K, investment accounts)
- Gifted funds (no repayment)
- Cash that is borrowed under limited circumstances:
 - Must show that repayment of a personal loan used for injection will come from sources other than the cash flow of the business
 - Live Oak Bank strongly discourages the use of credit cards due to the required sourcing of funds

Funds Injected at Closing

2

Move the eligible funds to a bank account *or* keep it stationary in your current account for 60 days or more.

- *Helpful tip* - the SBA requires that we show a clear, unbroken path of funds. To minimize the amount of documentation that will be required, please minimize the movement of funds from account to account.
- Note - Live Oak Bank will request three months of bank statements to show evidence of funds.

3

Wire the funds to the appropriate party. This could be Live Oak, a title company or an attorney.

- Once the wire is sent you will need to send the wire confirmation and account transaction history showing the funds leaving your account to your Live Oak team.

Prepaid Costs

2

If you have been paying project costs out of pocket and would like those to be counted as equity instead, the first step is providing canceled check images with the corresponding invoices to verify the cost.

3

Next, we will need to source the funds used to pay those costs. That means that we will need statements starting 60 days before the first check was issued and all the statements through the last cost verified.

- If the account's balance to pay the pre-paid costs drops below the amount being sourced, we will have to source the deposits into the account.