

SBA 504 LIFE INSURANCE REQUIREMENTS

SBA requires a determination of whether the viability of the business is tied to an individual or individuals and whether a written succession plan exists. SBA requires life insurance for the principals of sole proprietorships, single member LLCs or for businesses otherwise dependent on one owner's active participation, consistent with the size and term of the loan.



REQUIRED INSURANCE

1. Consistent with size and term of the SBA loan.
2. Borrower may pledge an existing policy. If a new policy, a decreasing term policy is most appropriate. Credit life insurance or whole life insurance would not be required.
3. Each policy must have a collateral assignment for SBA.
4. Evidence of the policy remaining active must be provided throughout the life of the loan.

UNINSURABLE

If the principal is uninsurable, written documentation from a licensed insurer must be provided.

Requirements are subject to changes by SBA.
For most recent guidelines, please contact BLP.

COLLATERAL ASSIGNMENT REQUIREMENTS

1. Typically on SBA form. Alternative forms must be approved by Business Lending Partners legal counsel.
2. Must list Business Lending Partners/U.S. Small Business Administration as assignee.
3. Must be acknowledged by the Home Office of the insurer.
4. Documentation of sufficient coverage amount and other lienholders is required

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