Experts Explore Pros, Cons of USDA, SBA Loans

Paul Bosley

Editor's Note: For this article, author Paul Bosley interviewed Tricia Hoffman, senior vice president and business development officer at Gulf Coast Small Business Lending and Michael Oppel, vice president of government guaranteed lending at Stone Bank.

Two government-guaranteed loan programs, the U.S. Dept. of Agriculture (USDA) and Small Business Administration (SBA) programs, are designed to help small companies grow, including franchisee-owned businesses. This article is designed to highlight the strengths of both USDA and SBA loans when RV park and glamping business owners are either leasing their location or purchasing real estate.

Key Advantages of USDA Loans

Upper Loan Limits

"Five million dollars is not what it used to be, especially the way inflation has been lately. The cost and size of projects have ballooned," noted Oppel. "The USDA allows for a $25 million loan maximum per project. That's larger than what other government loan programs can offer. Franchisees need that efficiency to be more successful."

This is a key advantage to USDA loans because the SBA 504 loans cap at $10 million and the SBA 7(a) loan program caps at $5 million.

No Aggregate Loan Cap

"Let's say we had a $5 million SBA loan, and we wanted to do something else," Oppel said. "I could not use the SBA going forward because I reached the SBA loan limit. Once I've done that, I am no longer eligible for more."

With the USDA program you can access that program again and again.

"There are people out there with hundreds of millions of dollars in USDA loans," Oppel reported, adding that he has one convenience store customer who has accessed $3 million or $4 million per store.

"And he will come to us for more because he understands the program and integrates it into his growth plan," Oppel explained, "If you are creating economic growth in rural areas, you can continue to access these loans."

Once a client has financed the maximum amount allowed by the SBA 504 or SBA 7(a) program, they are only allowed to finance the amount they have reduced their loan balance to by making payments. For example, if someone closes a $5 million SBA 7(a) loan and pays down the balance to $4 million, they are eligible to apply for a $1 million SBA loan.

Repayment Term

If the majority of the loan is real estate based, Oppel says a franchise operator will be able to have a repayment term of 30 years.

"USDA loans have to be fully secured," he reported. "If you have a $1 million piece of property, we can lend you $800,000 on it. A lot of borrowers are getting creative and using local and state grants, subordinated or mezzanine debt, to make their projects work. Creativity is at an all-time high right now."

SBA loans involving real estate offer a 25-year repayment term which is five years less than USDA loans. SBA loans are not restricted to real estate loans so SBA loans for home-based businesses or businesses leasing retail space have 10-year repayment terms.

Interest Rate

Oppel reports the USDA interest rate is usually a little lower than the SBAs.

"We are still at an index, prime or treasury, plus some variable," he said. "The going rate is usually 175 basis points and 2.5 over prime. The ability for the USDA to use a treasury rate is good right now. They move differently than prime does. We can adjust the treasury rate every year, and about 40% of my borrowers choose to do that."

SBA loans are all based upon the prime lending rate which varies based upon rates set by the Federal Board of Governors at their periodic meetings. The risk premium assigned to any given SBA lender will vary and is capped at 2.75%, a fixed rate.

Interest-Only Period

Having an interest-only period, where the borrower pays only the interest on the loan, is "more prevalent for a start-up or new construction," Oppel said. "The USDA likes to see interest-only payments during construction. It is a little more forgiving than SBA. If it takes you 12 months to construct, it may take three, six or 12 months after that to stabilize the business where interest only comes into play, too."

He adds that these payments must be supported by the franchisee's feasibility studies.

SBA loan payments typically begin one month after the loan closes. Borrowers can request interest-only payments for the first three to six months which can be approved at the discretion of the lender.

Oppel's key tip for franchisees wanting to access USDA funding:

"Be sure to tell your story when you present your business to the USDA," he said. "How will you impact your local community through jobs or the economy when you launch your franchise location? As a lender, that's the story I help curate for the borrower — the USDA wants to see how your business will benefit rural America."

Key Advantages of SBA Loans

Smaller Loan Amounts

"The SBA 7(a) can go as low as $100,000, but most banks have a minimum of $300,000 on up to $5 million," explained Hoffman. "We look at these leasehold loans, and there's not a lot of collateral. But the SBA loan program allows us to loan up to what the borrower needs without the balance of collateral on that side."

USDA loans are typically real estate loans with improvements, so these loans are rarely less than $1 million.

For equipment or working capital loans NOT involving the purchase of real estate, Hoffman noted the SBA is beneficial for smaller borrowers, because it doesn't require real estate as collateral, which is perfect for borrowers unwilling to refinance their mortgage or are leasing their space.

"The loan is based on cash flow, and there isn't really a collateral requirement," she said.

USDA loans must be fully collateralized with real estate and improvements so loans that do not involve the purchase of real estate are ineligible.

Environmental & Feasibility Studies

"It is really project-specific when we require environmental and feasibility studies," Hoffman said. "Usually when real estate is involved, then we do, but in the 7(a) program, the environmental report requirement is based on the type property, industry and proposed use of the property. Basically, it varies by project, bank credit policy and SBA program."

USDA loans always require feasibility and environmental studies that cost $25,000 to $30,000. These studies must be completed before submitting the loan request to the USDA district or national office.

Geographic Limitations

"We are a national, preferred SBA lender," reported Hoffman. "Some lenders have geographical limitations, but most of the larger lenders in the franchise space don't. We can lend in all 50 states, Puerto Rico and the Virgin Islands — especially to franchises."

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Open Road Resorts – from page 20

THOR noted that this partnership aligns with its mission to provide campers great experiences.

Renee Jones, senior vice president of marketing for THOR Industries, said the company sees Open Road Resorts as a great partner as they work together to improve campgrounds and RV parks across the country.

"Open Road Resorts' vision aligns well with THOR's goal of providing consumers with the best possible RV experience," she said, adding, "Their RV destinations offer safe and clean environments and best-in-class amenities and services, allowing RVers to create positive outdoor experiences."

Moreover, Jones said, THOR sees value in making investments to improve the RVers' experience.

"We believe any opportunity to improve the RV user experience is a positive," she said. "Today's consumer demands that the RV lifestyle meet or exceed their expectations, however wide-ranging those expectations are, or we risk losing them. Investing to elevate the comprehensive experience is beneficial to our industry as a whole. While we can't speak for other RV manufacturers, maximizing opportunities to improve consumer experiences so we collectively continue to attract and retain RVers is important across the THOR family of companies." **WCM**

CALENDAR OF EVENTS

OCTOBER

27-30: Campground Owners of New York Exposition
Doubletree by Hilton
Binghamton, NY
Contact: (585) 586-4360

29-30: OCOA's Fall Conference & Campground Tour
Embassy Suites Airport
Columbus, Ohio
Contact: info@ohiocampers.com

NOVEMBER

4-6: OHI's Outdoor Hospitality Conference & Expo (OHCE)
Oklahoma, Okla.
Contact: (303) 681-0401

11-14: Camp Jellystone Symposium
Knoxville Convention Center
Knoxville, Tenn.

17-20: CampEx/Canadian Outdoor Hospitality Conference
Niagara Falls Convention Centre
Niagara Falls, Ontario
Contact: (403)690-5642

20-21: Kampgrounds of America Inc.'s International Convention
Henry B. Gonzales Convention Center
San Antonio, Texas

DECEMBER

4-7: Campground Owners Expo
Hilton Branson Convention Center
Branson, Mo.
Contact: (608) 525-2323

9-12: Pennsylvania Campground Owners Association Convention
Doubletree by Hilton Pittsburgh/Cranberry
Mars, Pa.
Contact: (610) 767-5026

FEBRUARY 2025

8-11: Carolinas Association of RV Parks & Campgrounds Conference & Expo (CARVC)
Embassy Suites Myrtle Beach Oceanfront
North Myrtle Beach, S.C.
Contact: carvcmembership@outlook.com or 803-569-1986

MARCH

7-8: OCOA's Spring Conference & Trade Show
Embassy Suites Airport
Columbus, Ohio
Contact: info@ohiocampers.com **WCM**

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toll that constant noise can take on your well-being. As an operator, maintaining a work-life balance is essential for your mental and physical health. Take time to disconnect from the business and enjoy the environment you've created and recharge. A well-rested, focused operator is more effective in managing the noise and leading the business to success.

In today's fast-paced, chaotic world, the noise can feel overwhelming, especially for those of us managing businesses in the wild environments of campgrounds and RV parks. But by understanding the sources of this noise and implementing strategies to manage it, we can turn down the volume and focus on what truly matters — providing exceptional experiences for our guests and running a successful, sustainable business.

As Kenny Chesney sings in "Noise," we can choose to "turn it off, start again" and cut through the distractions that surround us. By prioritizing our online presence, preparing for environmental challenges, streamlining operations and maintaining balance, we can break through the noise and thrive in the wild environment we call our workplace.

Mark Koep is the founder and CEO of Campground Views, a platform that offers virtual tours of campgrounds across North America. With a professional marketing background, an MBA and years of hands-on entrepreneurship, Mark has been dedicated to helping park operators enhance their guest experiences and drive more bookings. Combining his expertise with his personal experience as an avid RVer, Mark brings a unique perspective to the industry, offering valuable insights and practical advice to both park operators and campers alike. **WCM**

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USDA loans are designed to encourage lending to rural areas. The property being financed must be in an approved USDA area.

"It's worth noting that the 7(a) program provides longer-term financing; we can go up to 10 years," she says. "And it is fully amortizing, with no balloons or maturities, which is truly a benefit to the borrower. The fact that we can budget in their interim interest, and not making payments until 30 days after opening — these are all benefits you cannot get with a conventional loan."

Paul Bosley, the founder of Business Finance Depot, is known for his expertise in RV parks and glamping industries. Bosley can be reached by emailing paul@businessfinancedepot.com or calling 561-702-5505. Michael Oppel and has nearly 15 years of experience in loan origination, portfolio management, underwriting and servicing USDA Business and Industry guaranteed loans. Oppel can be reached by emailing moppel@stonebank.com or calling 912-552-3389. Tricia Hoffman has been actively involved in SBA lending for over 25 years and can be reached by emailing triciahoffman@gulfbank.com or by calling 813-774-4954. **WCM**