



LIFE INSURANCE REQUIREMENTS FOR SBA 504 LOANS

What we need from Borrower:

- Copy of full life insurance policy (NOTE: Existing life insurance policy can be used IF it meets minimum term requirements)
- Minimum death benefit on life policy must be equal to the required amount in SBA Authorization (NOTE: If policy amount exceeds required amount, policy can still be used and pledge amount will be limited to the amount required by SBA)
- Policy type may be either a Term, Whole Life or Variable (NOTE: Any policy loans or any other collateral assignees must be disclosed)
- Minimum term (NOTE: Term is defined as policy expiration date)
 - 10-year Loan requires 10-year expiration date from the SBA funding date
 - 20-year or 25-year Loan requires 20-year expiration date from the SBA funding date
- Dual assignments: Policies can be shared with participating lender or another assignee's if:
 - The policy amount is sufficient to cover the total assignment amount required by each assignee.
 - The life company allows dual/multiple assignments. Some life companies do not allow more than one assignment.

What steps are handled by WBD:

- WBD will work with insurance company to obtain their Collateral assignment of life insurance form which needs to be executed by policy owner
 - Our assignee is listed as WBD, Inc. and US Small Business Administration (NOTE: SBA/WBD should not be listed on life insurance policy as beneficiary)
 - If life insurance company is unable to use 'and' then either of the following are acceptable: WBD, Inc. / US Small Business Administration
US Small Business Administration c/o WBD, Inc.
 - Life insurance company needs to provide life insurance assignment acknowledgement

Tips for smooth closing process:

- New Life Insurance Policy - Initiate application process early as it can take up to 3 months for new policy to be issued (NOTE: WBD team has list of life insurance companies who offer expedited process for SBA Loans available when needed)
- Existing Life Insurance Policy – provide a copy of life insurance police early to ensure policy meets term requirements above