



U.S. Small Business
Administration

SBA Loan Guarantee Program

Presented By:

**United States Small Business
Administration**

**Washington D.C. Metro Area District Office
(WMADO)**

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Mission of SBA Guaranteed Loans

“SBA will not make a bad loan good, but will make a good loan possible”

SBA’s purpose is to help small businesses with a reasonable chance of succeeding, obtain financing on equitable terms.



How the SBA Loan Process Works

- Small Business applies for Loan to Bank
 - The SBA is not a lender
- Bank Approval - Subject to SBA Guaranty
- Bank submits Guaranty Request to SBA
 - SBA will guarantee the loan and your lender will service the loan



Benefits To Small Businesses

- **Gives small businesses a flexible financing alternative when funding is not otherwise available on reasonable terms.**
- **Allows for longer terms and lower payments than traditional loans**
- **Equity/Down payment requirements may be more flexible than traditional financing**

When a SBA Guaranty May Be Necessary

- Startup Businesses
- Lack of Collateral
- Lower Than Normal Down payment/Equity
- Longer Term/Lower Payments Required to Meet Debt Coverage Requirements
- Riskier Industries
 - (Entertainment, High-Tech, Service, Retail)
- Uneven Historical Revenues or Profits
- Tighter Than Normal Debt Coverage
- Change of Ownership / Management
- Lending Limits
- Reliance on Projections

Eligibility

- Only Small Businesses defined by NAICS
- Good Character
- Ability to Repay
- Feasible Business Plan
- Management Expertise
- Adequate Working Capital
- Citizen or Legal Resident
- Eligible use of loan proceeds
- Credit history



6 C's Of Credit

How Lenders Evaluate Applicants

- Character
- Capacity (cash flow)
- Capital
- Collateral
- Conditions
- Commons Sense



Eligible Uses Of SBA Loan Proceeds

- Real Estate
 - Acquire land and/or buildings
 - Construction, Renovation or Leasehold Improvements
- Purchase of Fixed Assets (M&E,F/F)
- Inventory
- Working Capital
- Debt Refinancing
- Some franchises: see [SBA.gov](https://www.sba.gov)

Ineligible Uses Of SBA Loan Proceeds

- Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs
- (whether in a religious or secular setting)
- Investment oriented businesses:
- Stocks/Real estate investments
- No speculative business
- Businesses engaged in lending:
- banks, finance companies, and factors
- A business or applicant defaulted on a Federal loan
- Non-profit businesses
 - (for profit subsidiaries are eligible)
- Life insurance companies
- Pyramid sales distribution plans
- Private clubs and businesses
- limit memberships for reasons other than capacity
- Stocks/Real estate investments
- Passive businesses owned by developers and landlords

Guaranty Fee

No Fee on Loans < \$125,000

Veteran Fee Waiver - SBA Express <\$350,000

LOAN AMOUNT	GUARANTY FEE
\$125,000 & Under	0%
\$125,000 - \$150,000	2.0%
\$150,001 - \$700,000	3.0%
\$700,001 - \$1,000,000	3.5%
\$1,000,001 & Over	3.75%
12 months or less	0.25%

SBA Loan Programs

- 7(A) LOAN GUARANTY PROGRAM
- Maximum Loan Amount: \$5,000,000
- Repayment Terms: 12 months - 25 years
- Average Guaranty: 75% - 85%
- (SBA Express 50% & Exporting 90%)
- Interest Rates: determined by the lender with an allowable maximum

7(a) Loan Sub-programs

- SBA Express
- CAPLine
- International Trade Loan
- Export Working Capital (EWCP)
- Export Express
- Community Advantage
- Microloan Program



SBA Express Loan

- VETERANS ADVANTAGE
 - SBA Guaranty Fee for Veteran owned businesses waived
- Up to \$350,000
- Term & Revolving
- Expedited SBA Approval
- Lender uses their own application process
- Reduced SBA Guaranty of 50%

CAPLine

SBA Working Capital Programs

- Contract CAPLine
 - Funds all contract costs as contract is completed
 - No longer requires assignment of contract in all cases
- Seasonal CAPLine
 - Finance seasonal increases in accounts receivable and inventory
- Builder's CAPLine
 - Funds construction or substantial renovation of residential or commercial buildings for resale
- Working Capital CAPLine
 - Fund short term working capital need
 - Up to 10 year maturity
- Governed by a borrowing base certificate or must be fully collateralized on a 1:1 collateral ratio
 - Advances allowed up to 80% of A/R and 50% of Inventory

International Trade/ Export Express/ EWCP

- Variety of loan programs to support US Exporting efforts based on the needs of the business
- 90% Guaranty and \$5,000,000 max loan amount
- Export Express: up to \$500,000
 - May be used to enhance a firms export development
 - In operation at least 12 months
- Export Working Capital (EXCP)
 - Short-term working capital needs of exporters
 - 90 % guaranty
- International Trade:
 - Helps US businesses to enter & expand into international markets



Community Advantage

Launched in 2011, the Community Advantage program intends to expand access to capital in underserved communities by allowing mission-focused, community-based financial institutions – including a Certified Development Company – to offer this loan to small businesses. Greater access to credit can help spur firms to grow and hire, giving the economy a boost

- Offer technical assistance & economic development support to underserved areas
- Loans up to \$250,000
- SBA processing time: Generally 5–10 days

Microloan Program:

\$500 - \$50,000

- Purpose: To assist small businesses in need of small amounts of financial assistance.
- Entrepreneurs work directly with the Intermediaries to receive financing and business knowledge support.
- Interest rates are negotiated between the borrower and the Intermediary
- Maximum term = 6 years
- Loan Uses:
 - Working capital, equipment, inventory, fixtures, and leaseholds
 - Not for real estate or debt refinancing

504 Loan Program

- Purpose: Fixed Assets Only - No working capital
- Apply directly through participating CDC
- Borrower brings to table - at least 10% of project cost - up to 20% injection may be required
- CDC - maximum of 40% of project cost - from sale of SBA guaranteed Debentures - second mortgage on assets being acquired.
- Private-sector lender - 50% of project cost - first mortgage on assets being acquired.
- Maximum SBA participation is \$5,000,000
- \$5.5,000,00 for Manufacturers & Energy Efficient Projects.
- Minimum SBA participation is \$50,000.
- Maturity for Debenture is 10 or 20 years.
- Must create or retain one job for every \$65,000 guaranteed (\$100,000 for manufacturers) or meet SBA public policy goals.

Certified Development Companies

- Business Finance Group (Formerly Virginia Asset Financing Co)
 - (703) 352-0504
 - Services: Washington DC , Maryland, and Virginia
- Chesapeake Business Finance Corporation
 - (202) 625-4373
 - Services: Washington DC , Maryland, and Virginia
- Prince George's Financial Services Corporation
 - (301) 883-6900
 - Services: Prince George's and Montgomery Counties in Maryland
- Rappahannock Economic Development Corporation (REDCO)
 - (540) 373-2897
 - Services: Virginia

Other SBA Financing Programs

- Disaster Loan Program
 - Nationally declared disasters
 - For damage to business and personal residence
- (SBIC) Small Business Investment Companies
- Surety Bonding Guarantee Program



Other SBA Resources

- SBA.gov
 - Free online learning center
 - Free business plan and financial templates
 - Find your local District Office and SBA Resource Partners
- MATCH
 - The free online tool allows small business owners to fill out a quick online form, without registration, and then connects them with lenders within 48 hours.
 - There are currently more than 800 lenders in the SBA's lending programs that participate in Lender Match throughout all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. To date, the online tool has made more than two million lender referrals, and lenders have followed up with more than 70,000 referrals, connecting potential small business borrowers to capital.

Thank You & Good Luck!

Contact your local district office for more information or questions

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