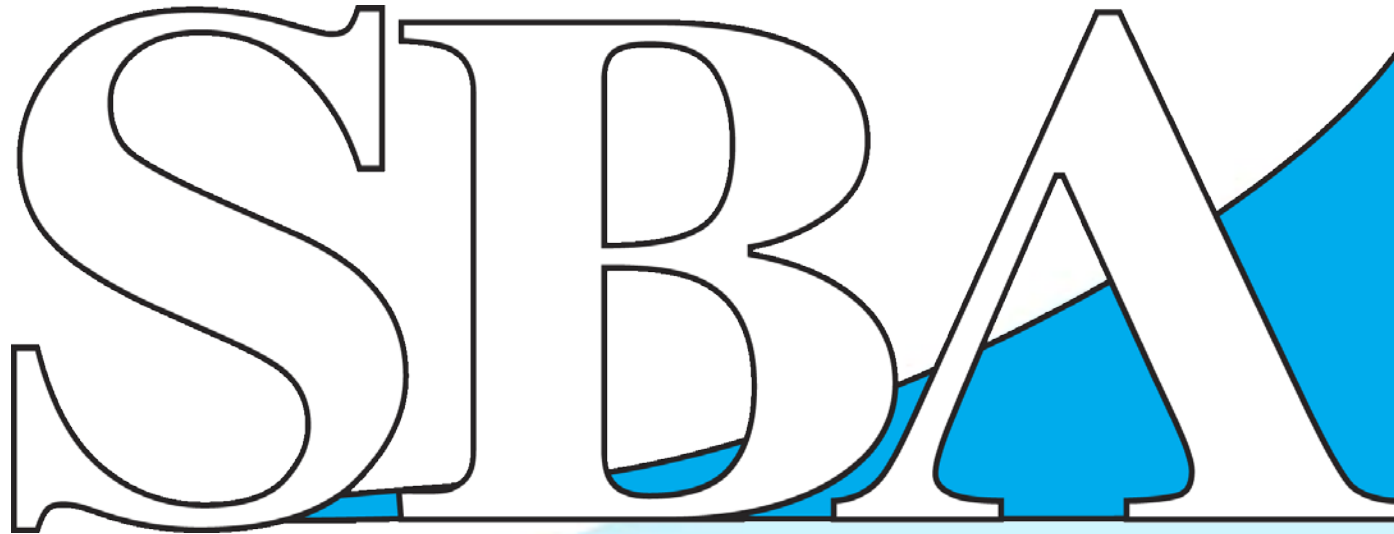


Loan Programs and Process



Meet the Lenders

A Financial Forum for Small Business Owners

November 12, 2009

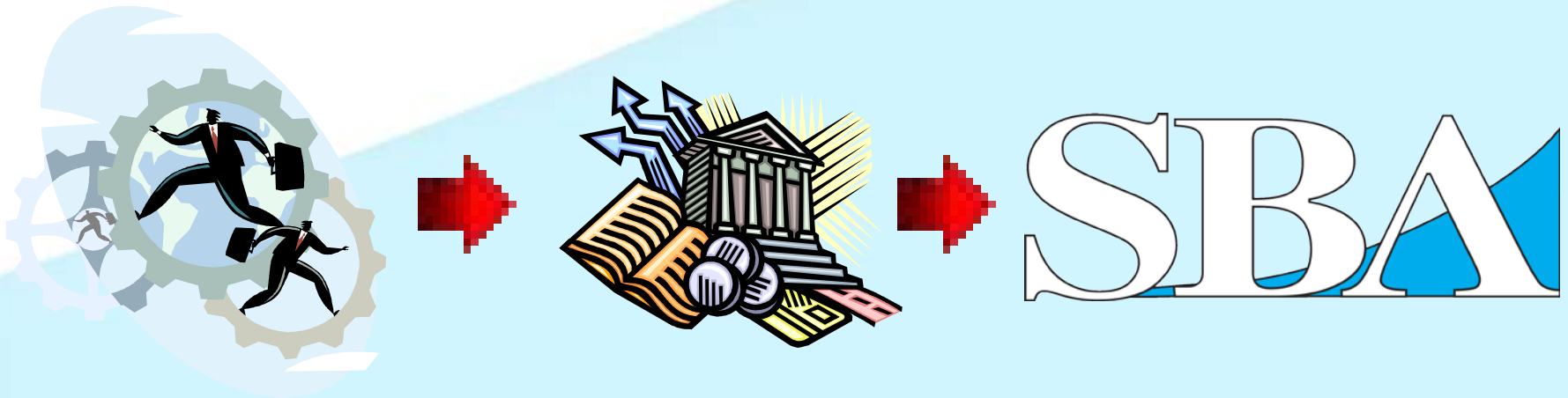


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How the SBA Loan Process Works

- ◆ Borrower applies to Qualified Lender for a Business Loan
- ◆ Lender approves loan subject to SBA Guaranty
- ◆ Lender submits guaranty request to SBA



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Eligibility Issues

- ◆ **Must be for profit**
- ◆ **Must be “small” as defined by NAICS or Alternative Size Standard)**
- ◆ **Available outside sources of capital?**
- ◆ **Must have an eligible purpose:**
 - **no investment**
 - **no speculation**
 - **no lending**
 - **must be a legal activity**



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Borrower Requirements

- ◆ Good Character
- ◆ Management expertise and commitment to succeed
- ◆ Reasonable personal contribution or business equity
- ◆ A feasible business plan
- ◆ Adequate working capital
- ◆ Ability to repay the loan
- ◆ LPR Status



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Utilization of Personal Resources

- ◆ An applicant for a business loan must show the desired funds are not available from the personal resources of any owner (and spouse) of 20% or more.
- ◆ Total Financing Package (TFP) is any SBA loans and any other loans from other sources
- ◆ Allowable Personal Liquid Assets (APLA):
- ◆ If the TFP of \$250,000 or less:
APLA = 2 x TFP or \$100,000, whichever is greater
- ◆ If the TFP between \$250,001 and \$500,000:
APLA = 1.5 x TFP or \$500,000, whichever is greater
- ◆ If the TFP >\$500,000:
APLA = 1 X TFP or \$750,000, whichever is greater



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Collateral

- ◆ **Sufficient assets must be pledged to adequately secure the loan to the extent available.**
- ◆ **Personal guarantees of all 20% or more owners of the business.**
- ◆ **Liens on personal assets are considered if under-collateralized by business assets**
- ◆ **Lack of collateral, in and of itself, is not a reason for decline.**



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Standards for 7(a) Loan

◆ Use of Proceeds:

- ❖ Must be an accepted Business Purpose

◆ Loan Repayment Terms:

- ❖ Working capital - 5 - 7 years
- ❖ Machinery & Equipment - useful life
- ❖ Real Estate - up to 25 years

◆ Maximum guaranty*:

- ❖ \$150,000 or less - 85%
- ❖ \$150,001 or greater - 75%

* SBA Guaranty for most 7(a) loans temporarily increased to 90 percent through Recovery Act.



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Guaranty Fee

SBA charges the lender a guaranty fee. This fee may be passed on to the borrower. The fee is higher than at loan disbursement.

◆ \$150,000 and less:

Fee

◆ Loan:

Fee

◆ Loan:

Fee

◆ For Guaranty amounts greater than \$150,000:

Fee is 3.5% of the loan amount up to \$1,000,000 plus 3.75% for any guaranty amount over \$1,000,000.

SBA Fees are temporarily waived through December 31, 2009 (or until funding runs out) as a result of the ARRA



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Maximum Interest Rates - Variable

- ◆ Less than 7 years Base + 2.25%
- ◆ 7 years or more Base + 2.75%
- ◆ \$25,001- \$50,000 Base +3.25-3.75%
- ◆ 25,000 or less Base + 4.25-4.75%

Loans approved under the *SBA Express* and *Export Express* Programs may have a higher rate

Base rate may be WSJ Prime Rate, LIBOR+3.0%, or SBA Peg Rate



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Maximum Interest Rates - Fixed

Based on LIBOR Base + Spread based on the difference between the LIBOR 5 and 10 Year Rate. Current (10/1/2009) rates

- ◆ Less than 7 years 8.44%
- ◆ 7 years or more 8.94%
- ◆ \$25,001- \$50,000 9.44% or 9.94%
- ◆ 25,000 or less 10.44% or 10.94%

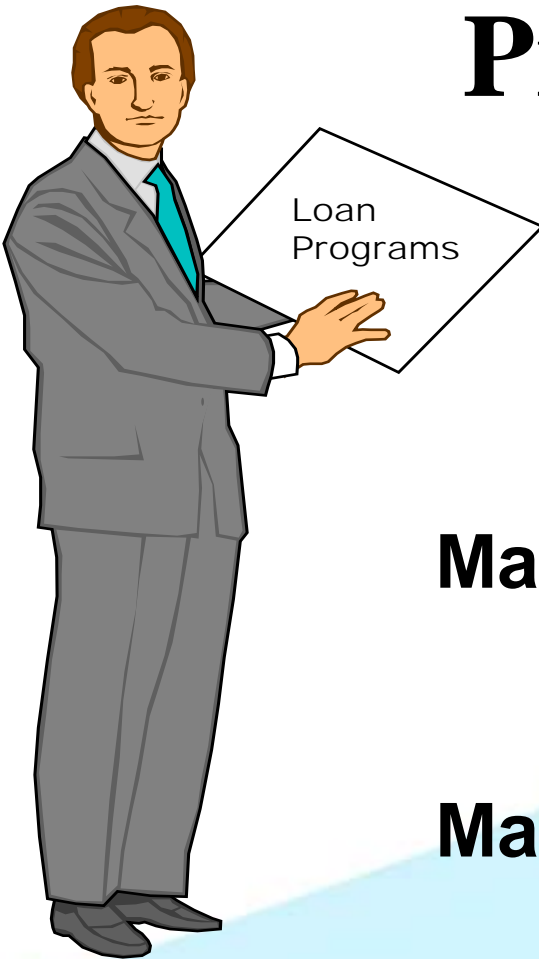
Does not apply to loans approved under the SBA*Express* and Export*Express* Programs .



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Primary Loan Program



7(a) Guaranty Loan Program*

Maximum Loan Amount
\$2,000,000

Maximum SBA Guaranty Amount
\$1,500,000

*** As of October 30, 2009**



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7(a) Loan Sub-Programs

- ◆ **Capline**
- ◆ **SBA Express**
- ◆ **Community Express**
- ◆ **Patriot Express**
- ◆ **Export Working Capital (EWCP)**
- ◆ **Export Express**
- ◆ **International Trade Loan**



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CAPLines

Working Capital Line of Credit Program

- ◆ **For short-term working capital needs**
- ◆ **Five subprograms (Standard Asset-Based; Small Asset-Based; Contract; Seasonal; and Builders)**
- ◆ **Advanced against inventory or accounts receivable; or for labor and materials (for Contract and Builders Caplines)**
- ◆ **Maximum maturity of five (5) years**



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SBA *Express* Loan

- ◆ **Maximum Loan Amount - \$350,000**
- ◆ **Usually Instant SBA Approval Response**
- ◆ **Revolving Lines Eligible**
 - ❖ **Maximum - Seven Years with term-outs available**
- ◆ **Lenders utilize their own application forms**
- ◆ **Interest Rates up to:**
 - ❖ **6.5% over Base for Loans of \$50,000 or less**
 - ❖ **4.5% over Base for Loans above \$50,000**
- ◆ **Collateral: Lender's policy for \$150,000 or less**



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SBA Community *Express*

- ◆ **Maximum Loan Amount - \$250,000**
- ◆ **Eligibility: Businesses located in low to moderate income areas**
- ◆ **Interest Rates may be fixed or variable, but they may not exceed SBA maximums.**
- ◆ **Usually “Instant” SBA Response**
- ◆ **Collateral – Lender’s policy of loans \$150,000 or less, but must have collateral pledged for loans over \$150,000**
- ◆ **Technical assistance arranged/provided by lender**



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Patriot Express

- ◆ **Maximum Loan Amount - \$500,000**
- ◆ **Usually Instant SBA Approval Response**
- ◆ **Revolving Lines Eligible**
 - ❖ **Maximum - Seven Years with term-outs available**
- ◆ **Lenders utilize their own application forms**
- ◆ **Interest Rates may be fixed or variable, but they may not exceed SBA maximums.**
- ◆ **Collateral: Lender's policy for \$350,000 or less**
- ◆ **Who is Eligible?: Veterans, Service-Disabled Veterans; Active-duty TAP Members; Reservists and National Guard Members; current spouses or widowed spouses of a service member who died during service or of a service-connected disability.**



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Export Working Capital (EWCPC)

- ◆ **Short-term working capital to exporters**
- ◆ **The loan can finance a single or multiple export transaction or multiple sales on a revolving basis**
- ◆ **Loan limit \$1,666,000 (For needs exceeding \$1,666,000 SBA and EX-IM Bank will work together on financing.)**
- ◆ **90 percent guaranty**



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SBA Export Express

- ◆ **Combines loan with technical assistance**
- ◆ **Finances export development activities**
- ◆ **Must demonstrate that the loan will enable them to enter a new export market or expand an existing export market, and**
- ◆ **Business in operation for at least 12 months**



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International Trade Loans

- ◆ **Finances business preparing for or involved in international trade or adversely affected by competition from imports**
- ◆ **Must expand or develop an export market**
- ◆ **Upgrade assets to improve competitive position**
- ◆ **Cannot use IT Loan for working capital**
- ◆ **Maximum guaranty amount of \$1,750,000 (Combination of IT, other 7(a) and/or 504)**



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Other SBA Financing Programs

- ◆ **7(m) Microloan Program**
- ◆ **504 Fixed Asset Financing**
- ◆ **Disaster Loan Program**
- ◆ **Small Business Investment Companies**
- ◆ **Surety Bonding**
- ◆ **America's Recovery Capital (ARC)**



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Microloan Program

- ◆ **Loans made through Non-Profit Community Based Lending Institutions**
- ◆ **Loans range from \$500 to \$50,000**
- ◆ **Proceeds used for: working capital; equipment; inventory; fixtures; and leaseholds**
- ◆ **Cannot use to acquire real estate or for debt refinancing**
- ◆ **Up to six (6) years to repay**
- ◆ **Technical assistance available**
- ◆ **Collateral normally required by Micro-Lender**



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504 Fixed-Asset Financing

- ◆ **Financing for fixed-asset only**
 - ❖ **Land, Building and Improvements**
 - ❖ **Machinery & Equipment**
 - ❖ **Furniture & Fixtures**
 - ❖ **Professional Fees (appraisals, environmental, etc)**
 - ❖ **Contingency Funds**
- ◆ **Longer term**
 - ❖ **10 years for M&E**
 - ❖ **20 years for real property**
- ◆ **Low fixed-rate interest (set by debenture sale each month)**
- ◆ **Generally requires job creation within two years of financing (1 job per \$65,000, small manufacturers (NAICS series 31, 32, and 33) are excluded from the job creation requirement)**
- ◆ **SBA may waive this requirement the project meets a community development or public policy goal**



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504 Fixed-Asset Financing

- ◆ **Typical project funding is 50/40/10**
 - ❖ **50% Bank financing required for eligible project costs**
 - ❖ **Up to 40% financing from CDC/SBA**
 - ◆ **+ 5% If “Start-Up” Business**
 - ◆ **+ 5% If Project is a Special Use Facility**
 - ◆ **+ 10% If both Start-up and Special Use Facility**
 - ❖ **Borrower provides the balance (10, 15, or 20%) of project costs**
- ◆ **No limit on total project amount;**
- ◆ **CDC/SBA portion cannot exceed \$1,500,000, unless Public Policy Goals are met (\$2,000,000 limit), or if loan is provided to a “small manufacturer” (\$4,000,000 limit)**



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504 Fixed-Asset Financing Community Development Goals

- ◆ **Improving, diversifying or stabilizing the economy of the locality**
- ◆ **Stimulating other business development**
- ◆ **Brining new income into the community**
- ◆ **Assisting Manufacturing Firms (NAICS Sections 31, 32 or 33)**
- ◆ **Assisting businesses in a Labor Surplus Area (LSA) as defined by the Department of Labor**



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504 Fixed-Asset Financing

Public Policy Goals

- ◆ Revitalizing a business district of a community with a written revitalization or redevelopment plan
- ◆ Expansion of Exports
- ◆ Expansion of women-owned small business
- ◆ Expansion of veteran-owned small business
- ◆ Expansion of minority enterprise development
- ◆ Aiding rural development
- ◆ Increasing productivity and competitiveness (retooling, robotics, modernization, competition with imports)
- ◆ Modernization of facilities to meet health, safety and environmental requirements
- ◆ Assisting businesses affected by Federal budget reductions (base closings)



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504 Fixed-Asset Financing Public Policy Goals (Continued)

- ◆ **Increased use of sustainable designs (up to \$2.0 MM Debenture)**
- ◆ **Reduction of existing energy consumption by at least 10% (up to \$4.0 MM Debenture)**
- ◆ **Plant, equipment and process upgrades of renewable energy sources such as the small-scale production of energy for individual buildings or communities consumption, commonly known as micro-power, or renewable fuel producers including biodiesel and ethanol producers (up to \$4.0 MM Debenture)**



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504 Fixed-Asset Financing

New Construction

- ◆ **Borrower may be the Operating Company, or an “Eligible Passive Concern” (EPC).**
 - ❖ **If Borrower is an EPC, Borrower must lease 100% of rentable property to OC;**
 - ❖ **OC must immediately occupy at least 60% of the rentable property**
 - ❖ **OC will lease long term no more than 20% of the rentable property to one or more occupants**
 - ❖ **OC must plan to occupy within three years some of the remaining rentable property not immediately occupied or leased long term**
 - ❖ **OC must plan to occupy within ten years all of the rentable property not leased long term.**



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504 Fixed-Asset Financing

Existing Building

- ◆ **Borrower may be the Operating Company, or an “Eligible Passive Concern” (EPC). If an EPC:**
 - ❖ **If Borrower is an EPC, Borrower must lease 100% of rentable property to OC;**
 - ❖ **OC must immediately occupy at least 51% of the rentable property**
 - ❖ **OC will lease long term no more than 49% of the rentable property to one or more occupants**



504 Fixed-Asset Financing

For Leased Property Situations

- ◆ **When leasing part of an existing building to another business, the cost of interior finishing of space to be leased out are not eligible project costs.**
- ◆ **Third-party loan proceeds used to renovate leased space do not count towards the 504 first mortgage requirement or the borrower's contribution.**



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504 Fixed-Asset Financing

Benefits to the Small Business

- ◆ **Low down payment (as little as 10%) preserves cash for working capital and business growth**
- ◆ **Competitive, 20 year fixed interest rate helps cap occupancy costs and provide a consistent payment**
- ◆ **20 year fully amortizing loan reduces monthly cash requirements**
- ◆ **Project financing can include both hard and soft costs (banks typically require that you fund soft costs out-of-pocket)**
- ◆ **Low risk for first trust lender allows for competitive pricing on that portion of the transaction**



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Certified Development Companies

- ◆ **Business Finance Group (Formerly Virginia Asset Financing Co)**
(703) 352-0504
Services: Washington DC , Maryland, and Virginia
- ◆ **Chesapeake Business Finance Corporation**
(301) 342-2973
Services: Washington DC , Maryland, and Virginia
- ◆ **Mid-Atlantic Business Finance Company**
(800) 730-0017
Services: Washington DC , Maryland, and Virginia
- ◆ **Prince George's Financial Services Corporation**
(301) 429-3044
Services: Prince George's and Montgomery Counties in Maryland
- ◆ **Rappahannock Economic Development Corporation (REDCO)**
(540) 373-2897
Services: Virginia



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Disaster Assistance

- ◆ To help people recover from disasters and rebuild their lives by providing affordable, timely and accessible financial assistance to homeowners, renters and businesses.
- ◆ Applicant must be in declared disaster area and a victim of the disaster.
- ◆ Disaster may be either physical or economic.
- ◆ Loans over \$10,000 require collateral to secure the loan.

For further information go to www.sba.gov/disaster



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Small Business Investment Companies

- ◆ **SBIC's provide equity capital to small businesses in return for percentage of ownership, or lend funds earning interest.**
- ◆ **Angel Investors**
- ◆ **Venture Capital Firms**
- ◆ **Usually provides funding from \$250,000 to \$5,000,000.**
- ◆ **Can be either debt or equity**



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Surety Bonds

- ◆ Provides bond guaranty up to \$5,000,000
- ◆ Covers bid, performance, and payment
- ◆ Must be executed in connection with an eligible contract
- ◆ Guarantees 90% of losses on bonds up to \$100,000 and 80% of losses on all other bonds issued.
- ◆ Preferred Surety Bond (PSB) provides 70% guaranty.



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America's Recovery Capital (ARC) Loan Program

- ◆ Designed for viable small businesses that need help making payments on existing, qualifying loans for up to six months
- ◆ Maximum loan \$35,000
- ◆ 100 percent guarantee by SBA
- ◆ Deferred payments – repayment begins 12 months after final disbursement
- ◆ CANNOT cover payments on existing SBA loans approved before Feb. 17, 2009



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Recovery Act Efforts and Impact

As of October 26, 2009:

- ◆ 34,959 7a and 504 Loans totaling \$13,412,524,266 under the Recovery Act
- ◆ Average Weekly Loan Volume increased 75% compared to weekly averages before Recovery Act.
- ◆ 1,260 Re-Activated Lenders
- ◆ 3,500+ ARC Loans Approved for \$115.0MM



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Recovery Act Efforts

Additional Change and Proposed Changes

- ◆ New Fixed Rate Alternative for Lenders
- ◆ Increased Debenture amounts under 504 for “Green” Initiatives
- ◆ Job Creation Waiver for Manufacturers
- ◆ Proposed 7a Limit increase to \$5.0 MM
- ◆ Proposed 504 limit increase to \$5.5 MM



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U.S. Small Business Administration

SBA
Your Small Business Resource

Programs and services to help you **start, grow and succeed**

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SBA Recovery Stories Economic Recovery Stories
SBA's programs are helping to keep small businesses' dreams alive...[More](#)

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Keep your business healthy during flu season with H1N1 preparedness tips...[More](#)

Loan Programs SBA Loan Program
Information on SBA's loan guarantee programs...[More](#)

New Loan Program Dealer Floor Plan (DFP)
SBA announces new program for eligible dealerships...[More](#)

ARC LOANS Interest-Free Capital
If your small business is stressed meeting expenses, there's a new loan program...
[For lenders](#) | [For borrowers](#)

FREE CONTRACTING COURSE Win Federal Contracts
Two new courses on Federal contracting for women/entrepreneurs ... [More](#)

EXPORTS LIVE! 8 City Seminar Tour
Learn how local businesses grew their sales with government solutions... [More](#)

Assessment Tool Starting a Business
SBA's new assessment tool will help you determine if you're ready... [More](#)

PATRIOT EXPRESS Patriot Express
A new loan program for the military community... [More](#)

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Programs and services to help you **start, grow and succeed**

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Washington DC District Office

Washington Metropolitan Area District Office
740 15th Street NW, Suite 300
Washington, D.C. 20005-3544
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Local Success Story



Proctor's Auto Service Center located on Annapolis Road in New Carrollton, Maryland [More...](#)

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MARKETING AND OUTREACH

MOST REQUESTED ITEMS

Spotlight



- > [Patriot Express Loan Initiative](#)
- > [Do you need a business loan of \\$5,000 to \\$35,000?](#)
- > [Lenders and Program Activities](#)
- > [Export Assistance Program](#)
- > [Teen Business Link](#)
- > [Press Kit](#)

Resources

- > [Urban Entrepreneur Partnership \(UEP\)](#)
- > [Washington Metropolitan Area District Office Resource Guide](#)
- > [Federal Procurement Assistance](#)
- > [Community Business Events](#)
- > [8\(a\) Portfolio Administration](#)
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- Resource Guides
- Recovery.GOV
- FOIA
- Recovery Act
- Inspector General
- SBA RESOURCE PARTNERS



THE END



THANK YOU FOR YOUR PARTICIPATION



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