



U.S. Small Business
Administration



Show Me the Money: Financing Options for Small Businesses

First Things First...

- There are no government grants
- There is no 100% financing
- Most lenders will ask for some kind of collateral
- Your personal and business credit history are critical

Let's Discuss

- ❑ What Lenders Are Looking For
- ❑ How Loan Guarantees Work
- ❑ Micro Loans

What are Lenders Looking For?

- Character
- Capacity
- Capital
- Collateral
- Conditions



A Lender Will Want to Know...

- Specific purpose of the loan
- Loan amount you are requesting
- When and how long you will need the funds
- How the loan will be repaid
- What collateral can be used
- Will the business owners provide a personal guaranty

Things That May Disqualify:

- A bankruptcy that hasn't been discharged for at least two years.
- A bankruptcy for something other than health or divorce reasons.
- More than one bankruptcy.
- Non-payment of student loans (not current).
- Arrearages in child support.



You will be asked for...

- Professionally prepared tax returns for 3 years
- Financial Statements
- List and value of collateral
- Accounts Receivable
- Accounts Payable

Business Plan

Essential in the process of obtaining financing

- Business Plan (or Plan excerpts)
- Business description & vision
- Marketing definition, analysis & sales
- Products and services
- Organization and management

Loan Packaging Tips

- Be brief, to the point and easy to read
- Emphasize management strength
- Present attractive projections
- Weave in the theme: 'This is how you get your money back'
- Proofread what you prepare
- Get help*

SBA's Resource Partners

No-Cost Business Coaching & Mentoring



FOR THE LIFE OF YOUR BUSINESS

www.wvscore.org

304-347-5463

<https://Pittsburgh.score.org>

412-395-6560 x130



www.wvsbdc.org

888-982-7232

<http://pasbdc.org>

877-472-7232

About SBA Loan Guaranties

7(a) Loan Program

- The Small Business Administration guarantees loans made by banks to small businesses
- Financing options Up to \$5 million
- 90% / 50% Government guaranty
- Up to 25 years repayment
- Can be used to finance long and short-term needs
- **Applicant and banker negotiates interest rate**



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Other SBA Loan Programs

504 Loan Program

- Leverage loan for fixed-rate financing for owner-occupied real estate and heavy equipment
- Lender 50% of project cost; CDC up to 40% and borrower 10% (can go to 20% depending if startup and limited use property)
- CDC loan portion up to 25 years at a fixed rate

Surety Bonds Guarantee Program

- Provides Surety Bonds guarantees up to \$6.5 million covering Bid, Performance, Payment and Ancillary bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels
- More info at: www.sba.gov/osg



QUICK OVERVIEW OF SBA LOAN GUARANTY PROGRAMS

Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
7(a) Loans	\$5 million	85% guaranty for loans of \$150,000 or less; 75% guaranty for loans greater than \$150,000 (up to \$3.75M maximum guaranty)	Term Loan. Expansion/renovation; new construction, purchase land or buildings; purchase equipment, fixtures, lease-hold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit, inventory or starting a business	Depends on ability to repay. Generally, working capital & machinery & equipment (not to exceed life of equipment) is 5-10 years; real estate is 25 years.	VARIABLE Loans less than 7 years: \$0 - \$25,000 Prime + 4.25% \$25,001 - \$50,000 P + 3.25% Over \$50,000 Prime + 2.25% Loans 7 years or longer: 0 - \$25,000 Prime + 4.75% \$25,001 - \$50,000 P + 3.75% Over \$50,000 Prime + 2.75% FIXED RATE www.cslspservices.com Click: News & Rates	Charged on guaranteed portion of loan only. \$150,000 or less = 2%; \$150,001-\$700,000 = 3%; \$700,001-\$1,000,000 = 3.5%; plus 3.75% on guaranty portion over \$1 million. Loans 12 months or less .25%. Ongoing lender fee of 0.55%. (SBA fees on loans of \$150,000 or less if physical address in rural or HUBZone, 0.6667% borrower fee and zero ongoing lender fee)	Must be a for-profit business & meet SBA size standards; show good character, credit, management, and ability to repay. Must be an eligible type of business. Prepayment penalty for loans with maturities of 15 years or more if prepaid during first 3 years. (5% year 1, 3% year 2 and 1% year 3)	Long-term financing; Improved cash flow; Fixed maturity; No balloons; No prepayment penalty (under 15 years)
7(a) Small Loans is any 7(a) loan \$350,000 and under, except the Community Advantage and Express loans	\$350,000	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Plus, all loan applications will be credit scored by SBA. If not an acceptable score, the loan can be submitted via full standard 7(a) or Express.	Same as 7(a) Loans
SBA Express	\$350,000	50%	May be used for revolving lines of credit (<u>must have term-out period not less than draw period</u>) or for a term loan.	LOC: Max period Revolver = 60 mo.; Max term out period = 60 mo. For total of 10 yrs. Term loan: same as 7(a)	Loans \$50,000 or less; Prime + 6.5% Loans over \$50,000; Prime + 4.5%	Same as 7(a) Loans	Same as 7(a) Loans	Fast turnaround; Streamlined process; Easy-to-use line of credit
SBA Veterans Advantage	Processed under SBA Express \$350,000	Same as SBA Express	Same as SBA Express	Same as SBA Express	Same as SBA Express	No guaranty fee Ongoing lender fee of 0.55%	Same as 7(a) Plus, small business must be owned and controlled (51%+) by one or more of the following groups: veteran, active-duty military in TAP, reservist or National Guard member or a spouse of any of these groups, or a widowed spouse of a service member or veteran who died during service, or a service-connected disability.	Same as SBA Express and no guaranty fee
CapLines: 1. Working Capital; 2. Contract; 3. Seasonal; and 4. Builders	\$5 million	Same as 7(a) Loans	Finance seasonal and/or short-term working capital needs; cost to perform; construction costs; advances against existing inventory and receivables; consolidation of short-term debts. May be revolving.	Up to 10 years, except Builder's CAPLine, which is 5 years	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans. Plus, all lenders must execute Form T50 & T50B (short-term loans)	1. Working Capital - (LOC) Revolving Line of Credit 2. Contract - can finance all costs (excluding profit). 3. Seasonal - Seasonal working capital needs. 4. Builder - Finances direct costs in building a commercial or residential structure
Community Advantage Mission-focused lenders only. Expires 09/30/2022	\$250,000	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans	Prime plus 6%	Same as 7(a) Loans	Same as 7(a) Small Loans	Same as 7(a) PLUS lenders must be CDFIs, CDCs, micro-lender or SBA Intermediary Lenders targeting underserved market.

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Information current as October 2018—SBA Programs and services are provided on a nondiscriminatory basis. See the SOP for the most up to date detailed information





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Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
International Trade	\$5 million	90% guaranty (up to \$4.5M maximum guaranty) (Up to \$4M maximum guaranty for working capital)	Term loan for permanent working capital, equipment, facilities, land and buildings and debt refinancing related to international trade.	Up to 25 years.	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans. Plus, engaged or preparing to engage in international trade or adversely affected by competition from imports.	Long term financing to allow small business to compete more effectively in the international marketplace.
Export Working Capital Program	\$5 million	90% guaranty (up to \$4.5M maximum guaranty)	Short-term, working-capital loans for exporters. May be transaction based or asset-based. Can also support standby letters of credit	Generally one year or less, may go up to 3 years	No SBA maximum interest rate cap, but SBA monitors for reasonableness	Same as 7(a) Loans	Same as 7(a) Loans. Plus, need short-term working capital for direct or indirect exporting.	Additional working capital to increase export sales without disrupting domestic financing and business plan.
Export Express	\$500,000	90% guaranty for loans of \$350,000 or less; 75% guaranty for loans greater than \$350,000	Same as SBAExpress plus standby letters of credit	Same as SBAExpress	Same as SBAExpress	Same as 7(a) Loans	Applicant must demonstrate that loan will enable them to enter a new, or expand in an existing export market. Business must have been in operation for at least 12 months (though not necessarily in exporting).	Fast turnaround; Streamlined process; Easy-to-use line of credit. Loan can be for direct or indirect exporting.
504 Loans Provided through Certified Development Companies (CDCs) which are licensed by SBA	504 CDC maximum amount ranges from \$5 million to \$5.5 million, depending on type of business or project.	Project costs financed as follows: CDC: up to 40% Lender: 50% (Non-guaranteed) Equity: 10% plus additional 5% if new business and/or 5% if special use property	Long-term, fixed-asset loans; Lender (non-guaranteed) financing secured by first lien on project assets. CDC loan provided from SBA 100% guaranteed debenture sold to investors at fixed rate secured by 2nd lien.	CDC Loan: 10, 20 or 25-year term fixed interest rate. Lender Loan: Unguaranteed financing may have a shorter term. May be fixed or adjustable interest rate	Fixed rate on 504 Loan established when the debenture backed loan is sold. Declining prepayment penalty for 1/2 of term.	SBA guaranty fee on a debenture is 0.50% (50 basis points). The annual service fee will be 0.368% (36.8 basis points) of the outstanding balance.	Alternative Size Standard: For-profit businesses that do not exceed \$15M in tangible net worth, and do not have an average two full fiscal year net income over \$5M. Owner Occupied 51% for existing building or 60% for new construction.	Low down payment - equity (10,15 or 20 percent) (The equity contribution may be borrowed as long as it is not from an SBA loan) Fees can be financed; SBA /CDC Portion: Long-term fixed rate Full amortization and No balloons
504 Loan Refinancing Program (Permanent) Provided through Certified Development Companies (CDCs) which are licensed by SBA	Same as 504 (see SBA Website Notice 2000-1382 dated 05/26/16 and 5000-1010 dated 11/17/16 for complete information)	Loan to Value (LTV) with Qualified Debt(s) 90%. For projects that include "Eligible Business Expenses (EBE)" the LTV is 85%. EBE may not exceed 20% of the fixed asset appraisal value	Refinancing of Qualified Debt (85% of the proceeds must have been originally used to acquire an eligible fixed asset), and "Other Secured Debt" secured by the Eligible Fix Asset. May include the financing of eligible Business Operating Expenses as part of the refinancing.	Same as 504	Same as 504	SBA guaranty fee will be 0.50% (50 basis points). The annual service fee will be 0.368% plus 0.027% for a total of 0.395% (39.5 basis points) plus 2.7 basis points of the outstanding balance.	Loan(s) to be refinanced can't be subject to a guaranty by a Federal agency, can't be a Third Party Loan which is part of an existing SBA 504 project and must have been current on all payments for the past 12 months. Both the business and loan(s) to be refinanced must be at least 2 years old.	Business can access equity in their commercial real estate for business operating expenses or refinance property on reasonable terms. Fees can be financed; SBA /CDC Portion: Long-term fixed rate Full amortization and No balloons
Non-7(a) Loans Microloans Loans through nonprofit lending organizations; technical assistance provided.	\$50,000	Not applicable	Working capital, supplies, machinery & equipment, fixtures, etc. Intermediary may choose to refinance debt. Cannot be used for real estate.	Shortest term possible, not to exceed 6 years	Negotiable with intermediary. Subject to either 7.75% or 8.5% above intermediary cost of funds.	No guaranty fee	Same as 7(a) Loans	Direct loans from nonprofit intermediary lenders; Fixed-rate financing; Very small loan amounts; Technical assistance Available.

U.S. Small Business Administration
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SBA Answer Desk
1-800-827-5722
www.sba.gov

This is an overview and does not include full policy and procedures. See the current Lender and Development Company Loan Programs SOP 50 10 5 for more details.

October 2018



SBA Microloans

- ❑ Offered by local organizations (called intermediary lenders) in your community and approved by SBA
- ❑ Micro-loans range from \$5,000 to \$50,000
- ❑ Up to ~~6 years~~ 7 years repayment term. Fixed interest rate
- ❑ Funds may be used to purchase inventory, supplies, fixtures and furniture, equipment and long-term W/C
- ❑ Cannot be used for real estate purchases, as a Line of Credit, or payment of delinquent taxes (payroll, sales, etc.)
- ❑ Intermediary lender provides technical assistance to micro-borrower



What do I need to apply?

- Business Plan, with 3 years of financial projections
- Credit Report
- 3 Years Of Income Taxes (personal or business)

Can I qualify?

- Microlenders looks at a broad set of criteria including:
 - Credit
 - Collateral
 - Strength of the business plan/idea
 - Experience
 - Market area, etc.

- They look at bank turn-downs

SBA Microloan Program

- ❑ First Microloan of West Virginia
 - ❑ Tim James – 304-604-3560
 - ❑ T.james@firstmicroloanofwestvirginia.org
- ❑ Washington County Council on Economic Development
 - ❑ April Cacia – 724-225-8245
 - ❑ acacia@washingtoncountypa.org
- ❑ Bridgeway Capital – Pittsburgh
 - ❑ 412-201-2450
- ❑ Pursuit
 - ❑ 866-466-9232
- ❑ JARI
 - ❑ 814-535-8675
- ❑ Northside Community Development Fund
 - ❑ 412-322-0290

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