

SBA LOANS - FACT SHEET

7 (a) Loan Guaranty Program

SBA may guarantee loans to small businesses that cannot obtain financing on reasonable terms through normal lending channels. Specialized loan programs are available under the 7(a) program. Some are useful for contract financing, particularly the *CAPLines* Program. Others are the Low Documentation Loan Program, the *SBAExpress* Program, the SBA Loan Prequalification Program, and the International Trade Loan Program (discussed below) plus several more.

The SBA can guarantee up to 85 percent of a loan that is \$150,000 or less and 75 percent on loans greater than \$150,000. The maximum size loan that the SBA can guarantee is \$2 million, and the maximum guaranty that the SBA can provide is \$1 million, unless it is international trade related in which the guaranty is \$1.25 million.

Loan repayment depends on the borrower's ability to repay the loan. General terms are –

- 5 to 10 years for working capital; and
- Generally up to 25 years for fixed assets such as the purchase or major renovation of real estate or the purchase of equipment (not to exceed the useful life of the equipment).

Both fixed and variable interest rates are available. The maximum rate is generally 2.25 percent over the lowest prime rate for a loan with a maturity of less than seven years and 2.75 percent over prime for a maturity of seven years or longer. For loans of \$50,000 or less, or the *SBAExpress* and *Community-Express* programs, the lender's rate may be slightly higher.

Collateral – Must be adequate to secure the loan. Personal guarantees are generally required from all principals owning 20 percent or more of the business. No loan will be declined for insufficient collateral alone, as long as all available and worthwhile collateral (both business and personal) is pledged as security for the loan.

For more information, visit: www.sba.gov/financing/fr7aloan.html

CAPLines

CAPLines is the 7(a) umbrella program under which the SBA helps small businesses meet their short-term and cyclical working-capital needs. SBA can generally guarantee loans up to \$1 million, with a maximum interest rate for loans over \$50,000 of prime + 2.25%. Total loan amounts may be as high as \$2 million. One of the five short-term working-capital loan programs for small businesses under the *CAPLines* umbrella is the Contract Line, which may be used to finance the direct labor and material costs associated with performing assignable contracts. The loan may be revolving or non-revolving. Due to the flexibility of the Contract Line, it is appropriate for indefinite delivery, indefinite quantity and cost reimbursement contracts as well as fixed price contracts. It may also be used for private sector contract financing.

SBAExpress:

Under the *SBAExpress* Program, another 7(a) loan, a limited number of lenders have SBA-delegated authority to streamline loan approval, and primarily use their own paperwork. Loans may not exceed \$250,000, and may be used for revolving credit or for a term loan. This program may be an option for contract financing. It should also be considered when financing subcontract requirements. The period of the loan is no more than 5 years for a revolving line of credit, up to 10 years for working capital, and can extend up to 25 years for fixed assets and real estate.

(over)

Low Documentation Loan Program

A “Low Doc” loan reduces the paperwork currently involved in 7(a) loan requests. The current limit is \$150,000. The SBA portion of this application is one page.

The International Trade Loan Program

Under this program, small businesses engaged in or ready to begin international trade – or adversely affected by competition from imports – may qualify for short or long term financing. The SBA can guarantee up to \$1.25 million for a combination of fixed asset financing and Export Working Capital Program assistance.

7(m) MicroLoan Program

This is a program in which short-term loans of up to \$35,000 are made by nonprofit community-based lenders (intermediaries) to start-up, newly established, or growing small business concerns. Start-ups OK with 25% injection, collateral required, reasonable credit with no major derogatories. Interest rate is Prime + (4% to 4 ½%) -fixed. Terms are 3 – 5 years. San Diego’s local intermediary for this program is **CDC Small Business Finance Corp., 925 Fort Stockton Drive, San Diego, CA 92103. Contact Person: Alex Robinson at (619) 291-3594, Ext. 311.**

504 Certified Development Company Loans

Certified Development Companies (CDCs) are nonprofit corporations set up to contribute to the economic development of their communities. The CDCs partnering with SBA provide small businesses long-term, fixed-rate financing to acquire real estate, machinery and equipment for business expansion or to modernize facilities. The SBA will guarantee debentures funding CDC assistance up to \$1 million, which may not exceed forty percent of the project cost. An SBA guarantee of up to \$1.3 million is possible for loans which meet stated public policy goals. (See www.sba.gov/financing, and click on “CDC – 504 Loans” for more information.) Recipient small businesses must contribute a minimum of ten percent equity as part of the loan package. The private lender’s portion of these loans is unlimited. These loans are only available through CDCs and must create at least one job per every \$35,000 loaned under SBA’s guarantee. San Diego’s local CDC is **CDC Small Business Finance Corp., 925 Fort Stockton Drive, San Diego, CA 92103, (619) 291-3594.**

Equity Investments: The Small Business Investment Company Program

Small Business Investment Companies (SBIC’s), licensed and regulated by the SBA, make venture capital investments with their own funds plus funds obtained through SBA participation. The incentive for SBICs is to share in the success of the funded small business as it grows and prospers. The SBA publishes a regularly updated directory of all current SBIC licensees. It is available at www.sba.gov/inv.

More information is available through SBA district offices in all 50 states and Puerto Rico, the U.S. Virgin Islands and Guam. Locations and phone numbers are available on this website at <http://www.sba.gov/regions/states.html>. They may also be found under “U.S. Government” in telephone directories, or are available through 1-800 U ASK SBA; TDD: 1-704 344-6640 – or by e-mail: answerdesk@sba.gov. Women business owners may consult the SBA On-line Women’s Business Center for assistance at <http://www.onlinewbc.gov>. In addition to program specific information at SBA’s website at www.sba.gov/financing, SBA also provides its publications online. To access these, enter www.sba.gov, click on “Online Library”, then on “Publications”, and scroll down to the tables at the bottom. Please note the table entitled “Publications – Guides”, which includes a “Borrower’s Guide”.