

SMALL BUSINESS ADMINISTRATION LOAN PROGRAMS

LOAN PROGRAMS

7(a) Loans

The Small Business Administration (SBA) basic guaranty program makes loans available for many business purposes, such as real estate, expansion, equipment purchases, working capital or inventory. The SBA guarantees up to \$425,000 on loan amounts up to \$500,000 at an interest rate generally not to exceed 2.75 percent over the prime lending rate.

504 Certified Development Company

The 504 Loan Program provides long-term, fixed-asset financing through certified development companies (CDCs), non profit organization sponsored by private interest or by state or local governments. Typically, 504 loan proceeds are provided as follows: 50 percent by an unguaranteed bank loan, 40 percent by an SBA guaranteed debenture, 10 percent by the small business customer. The maximum SBA debenture is \$1 million.

LowDoc

Reduces the paperwork involved in loan request of \$100,000 or less. Under the Low Documentation Loan Program (LowDoc), the SBA uses a one-page application and relies on the strength of the individual applicant's character and credit history. The lender may require additional information. Those who hate paperwork will love LowDoc. (Eligibility - A small business with less than \$5 million in annual sales and less than 100 employees).

Greenline

Meets short-term, cyclical, working-capital needs of small businesses. Loans advances can be made against a borrower's certified level of inventory and accounts receivable. Generally, SBA regulations governing the 7(a) Loan Guaranty Program also govern this program.

LOAN GUIDELINES

Eligibility

To be eligible, the business generally must be operated for profit and fall within size standards set by SBA. Loans cannot be made to businesses engaged in speculation or investment in rental real estate. SBA determines if the business qualifies as a small business based on the average number of employees for the preceding 12 months or on sales volume averaged over a three-year period.

Manufacturing: Maximum number of employees may range from 500 to 1,500 depending on the type of product manufactured.

Wholesaling: Maximum number of employees may not exceed 100.

Services: Average annual receipts may not exceed \$2.5 million to \$14.5 million, depending on the industry.

Retailing: Average annual receipts may not exceed \$5 million to \$21 million, depending on the industry.

General Construction: Average annual receipts may not exceed \$13.5 million to \$17 million, depending on the industry.

Special Trade Construction: Average annual receipts may not exceed \$7 million.

Agriculture: Average annual receipts range from \$0.5 million to \$7 million, depending on the industry.

LOAN TERMS

The small business submits a loan application to the lender for initial review. If the lender finds the application acceptable, it forwards the application and its credit analysis to the nearest SBA office. After SBA approval, the lending institution closes the loan and disburses the funds. The borrower then make loan payments to the lender.

The length of time for repayment depends on the use of the proceeds and the ability of the business to repay. Working capital loans generally have maturities of up to 7 years. Longer maturities, up to 10 years, are used to finance fixed assets such as the purchase or major renovation of business premises. Real estate and refinancing have maturities of up to 25 years.

Interest rates on the guaranteed loan program are negotiated between the borrower and the lender, subject to SBA maximums. Generally, interest rates for loans cannot exceed 2.75 percent over the prime rate.

ADDITIONAL INFORMATION

The SBA offices located around the country. For the one nearest you, please consult the "U.S. Government" section of your telephone directory, or call the Small Business Answer Desk at 1-800-U-ASK-SBA. For the hearing impaired, the TDD number is (202) 205-7333. FAX (202) 205-7064.