

Programs and services to help you start, grow and succeed

Whalen & Company  
Business Seminar 2010

## SBA Loan Programs & Jobs Act 2010

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## SBA Districts In Ohio



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## U.S. Small Business Administration (SBA)

**Established in 1953 to aid and protect the interests of small business.**

**Disaster Assistance** (Sm. Bus. Jobs Act 2010 expanded coverage)

**Loan programs** (Details on following slides.)

**Microloan program** (Sm. Bus. Jobs Act 2010 raised maximum from \$35,000 to \$50,000. Also created a new pilot program for underserved communities with loans to \$200,000)

**Office of Advocacy**

**Procurement Programs:** 8(a) Contracting, HubZone. (chg's here too.)

**Small Bus. Development Centers-S.C.O.R.E.** (Jobs Act Allocated \$50 million additional funding to support SBDC's)

**Small Business Investment Co. program**

**Surety Bond program**

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## Popular loan programs:

### 7a Guarantee programs:

*"Standard" 7a* Normally 75% to 85% guarantees.  
(90% & fees waived to 12/31/2010 per Sm. Bus. Jobs Act 2010.  
Maximum loan size **permanently** increased from \$2 Million to \$5 Million.)

Preferred Lenders Program

*SBAExpress/Community & Patriot Express*

*Export Programs-Export Working Capital & Export Express*  
(Sm. Bus. Jobs Act 2010 increased SBAExpress maximum from \$350,000 to \$1 Million for 1 year. Export Express made a permanent program with 90% guarantees & \$500,000 max.)

**504 Program:** (Sm. Bus. Jobs Act 2010 increased SBA share from \$1.5 to \$5 Million, \$5.5 for Mfg. Some fees waived to 12/31/2010. Permits refinancing until 9/27/2012.)

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## To be Eligible

- **BUSINESS MUST:**
- Be organized for profit.
- Meet SBA size standards. (Sm. Bus Jobs Act 2010 increase alternative size to \$15 Million tangible net worth & \$5 Million net profit last 2 years average.)
- Demonstrate a need of the financing.
- Establish that the financing is not available elsewhere under conventional loan structures.

## APPLICATION PROCESS

- Borrower applies for a loan with a private lender.
- Lender approves the loan contingent on an SBA guarantee.
- Borrower & Lender complete an SBA application.
- Lender submits the SBA application.
- Lender funds & services the 7(a) loan.  
(SBA 504's have two Lenders in a project.)

## 504 Loan Program

- **Maximum debenture is \$5 million.** (Sm. Bus Jobs Act 2010)
- **Maximum debenture for manufacturing firm \$5.5 million.**
- **There is a job creation component. One per \$65k of debenture unless manufacturing then one per \$100K.**
- **Administered through a certified development co (CDC).**
- **Strictly for fixed asset financing construction or acquisition.** (Sm. Bus Jobs Act 2010 permits debt refinancing)
- **Allows for lower equity injection than conventional financing.**
- **SBA debenture is a fixed interest rate with a 10 or 20 year maturity.**
- **Lender is in first lien position on the project asset.**
- **Business must have under \$15 million net worth & less than \$5.0 million average in net profit after tax over last two years.**

## Loan Officers Need to:

- Understand your business.
- Understand your total project and loan request.
- Understand how the loan will be repaid.
  - Have a backup source of repayment.

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## **The C's of Credit**

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- Character
- Capital
- Capacity
- Collateral
- Conditions

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## **When to Use the SBA**

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### **7(a) Loan**

- Many situations may apply but most common are:
- Collateral is insufficient.
- Historical cash flow does not support repayment. Projections do.
- New, Rapidly Expanding Business
- Start Up Businesses.

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## **Use of Proceeds**

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- 7(a) loans may be used to:
  1. Expand, renovate facilities;
  2. Buy machinery, equipment, Fixtures, Land & Buildings
  3. Finance A/R & augment Working Capital;
  4. Refinance existing debt (special rules apply)
  5. Provide Lines of Credit.

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## **SBA Requirements**

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- Good Character
- Management expertise and commitment to succeed
- Feasible Business Plan
- Ability to repay from cash flow
- Reasonable Equity Injection
- Sufficient Collateral (SBA never declines for lack of Collateral.)

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## Guarantee Fee FY 2011

- Guarantee Fees Waived thru 12/31/2010 (Sm. Bus. Jobs Act 2010)
- Loans to \$150,000= 2% of the guaranteed amount.
- Loans to \$700,000 = 3% of the guaranteed amount.
- Loans above \$700,000 = 3.5% of the guaranteed amount. (Additional % on amount over \$1 million.)
- Example: Loan amount \$100,000. X 85%=\$85,000 x.02=\$1700. fee.

## Interest Rates

- Bank sets the Interest Rate.
- Wall Street Journal Prime, Libor Swap or Libor Based Fixed are the base rates for SBA loans.
- Loans may be fixed or variable rate

## TERMS

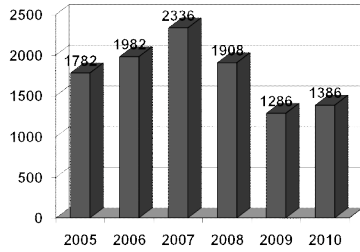
- Flexible maturity:
- Up to 10 years for Working Capital Up to 25 years for fixed assets:
  - Real Estate
  - Construction
  - Equipment
- Term may be blended for multi-purpose loans.
- Term must fully amortize the loan.

## Collateral

- Personal guaranties from principals owning 20% or more are required.
- Liens on personal assets are usually required.
- Borrower is expected to pledge **all** available collateral.

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## COLUMBUS DISTRICT OFFICE APPROVALS



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## District Volume FY 10/1/2009 thru 9/30/2010

- Total 7(a) volume:  
1240 loans \$213 Million
- Total 504 volume:  
146 loans \$ 52 Million
- Total Volume:  
1386 loans \$270 Million

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## SBA Volume-SBJA-2010 (Oct. 2010)

- Total 7(a) volume:  
5291 loans \$1.9 Billion
- Total 504 volume:  
635 loans \$ .4 Billion
- Total Volume:  
5926 loans \$ 2.3 Billion

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## District Volume-SBJA-2010 (Oct 2010)

- Total 7(a) volume:  
135 loans \$22 Million
- Total 504 volume:  
15 loans \$ 6 Million
- Total Volume:  
150 loans \$28 Million

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**Whalen & Company Bus. Seminar-2010  
“SBA Loan Programs & Small Business Jobs Act  
2010”**

**• THANK YOU!**

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