



U.S. Small Business  
Administration

# U.S. Small Business Administration

**SBA was created in 1953 as an independent agency of the federal government to:**

- aid, counsel, assist, and protect the interests of small business concerns
- to preserve free competitive enterprise
- to maintain and strengthen the overall economy of our nation.



**SBA directly supports small businesses and small business resource providers in all 50 states and U.S. territories.**

# What We Do

**SBA provides assistance primarily through its four programmatic functions:**

1. Access to Capital (Business Financing)
2. Entrepreneurial Development (Education, Information, Technical Assistance & Training)
3. Government Contracting (Federal Procurement)
4. Advocacy (Voice for Small Business)

# The State of American Small Business:

- Recent surveys show that there is high optimism among small businesses in America, fueled by a high number of small business saying that now is a good time to expand
- SBA is committed to improving access to capital for all of America's small businesses that cannot obtain credit elsewhere
- The Office of Capital Access has many products and resources available to small businesses





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# Overview of the Office of Capital Access and SBA Loan Programs

# Office of Capital Access Mission

The mission of the Office of Capital Access is to make capital available through financing partners to small businesses who cannot otherwise obtain financing to start-up or expand existing small businesses on reasonable terms and conditions and to ensure program integrity.

# Capital Access Programs - Overview:



# SBA Business Loan Programs

- SBA's Business Loan Programs
  - **7(a) Loan Program, including the Community Advantage Pilot Program**
  - **504 Loan Program**
  - **Microloan Program**
- All programs offer competitive terms and have unique benefits to eligible borrowers.



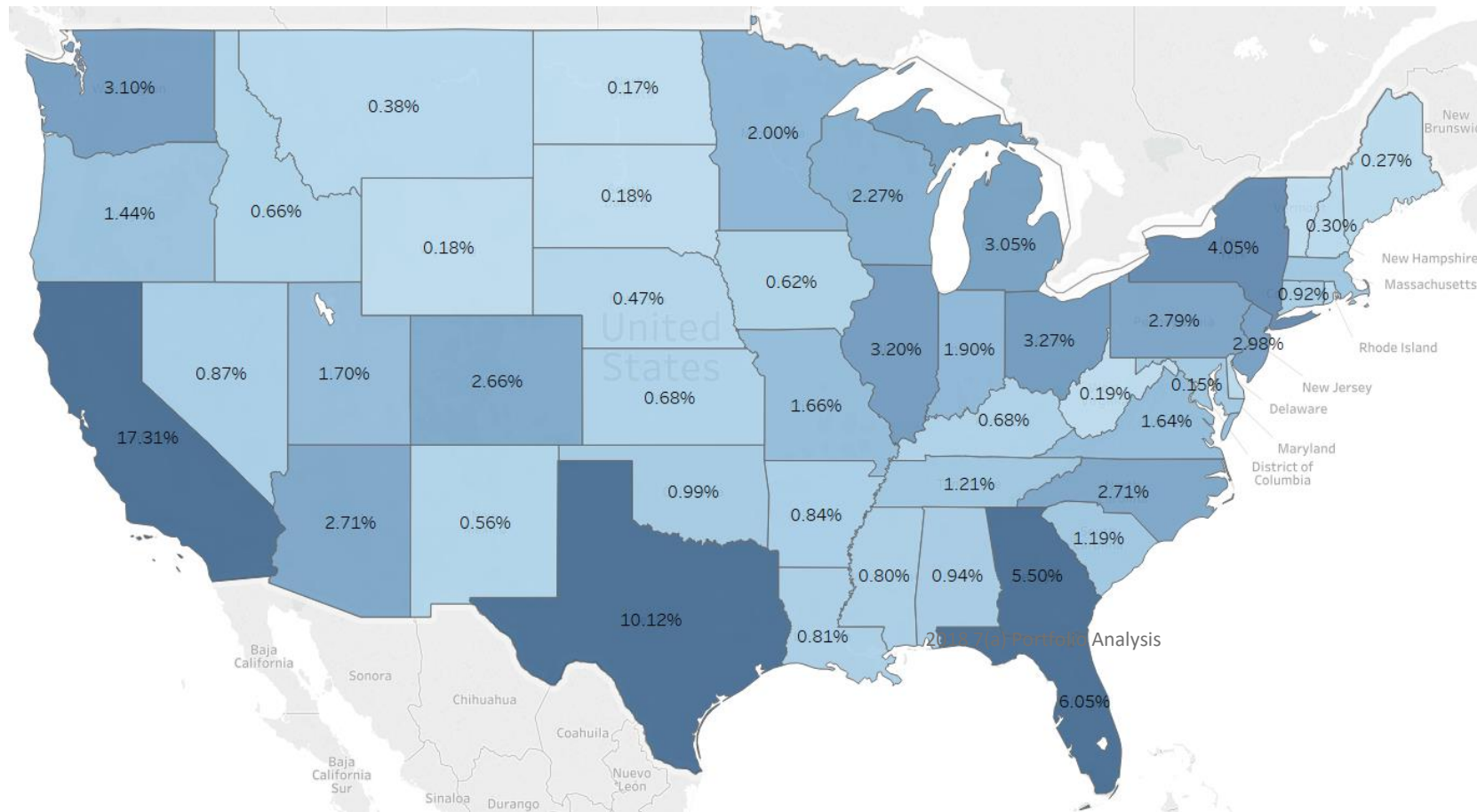
## 7(a) Loan Program

The 7(a) Loan Program, can be used for most business expenses, including:

- Purchase and/or construction of buildings and land, machinery, equipment, and fixtures for business use;
- Finance receivables and augment working capital;
- Refinance business debt;
- Finance change of ownership/business acquisition; and
- Finance domestic costs of export activities and transactions.

## 7(a) Geographic Concentration

- The map below shows the 7(a) Portfolio concentration in 2018 by state as a percentage of the total portfolio.
- California has the highest percentage of the total portfolio at 17.3%, followed by Texas, Florida, and Georgia. These 4 states together make up almost 40% of the total 7(a) portfolio.



## 7(a) Loans – Terms

Maximum Loan Amount:

- Loan amount - \$5 million
- Guaranty Amount – Max \$3.75 million to one borrower, including affiliates
  - (Max \$4.55 million for OIT loans)
- Borrower contribution 10% minimum
- Guaranty Percentage:
  - 85% on Standard 7(a) Loans up to \$150K
  - 75% on Standard 7(a) Loans over \$150k
  - 50% on SBA Express loans
  - 90% on International Trade loans

## 7(a) Loans – Personal Guaranty

SBA requires at least one personal guaranty for each 7(a) loan.

Personal Guaranties: Individuals who own 20% or more of an Applicant must provide an unlimited full personal guaranty.

SBA can require a personal guaranty from less than 20% owners.

## 7(a) Loans - Collateral

### **For SBAExpress and 7(a) Small Loans:**

Loans up to \$25K:

- Lenders are not required to take collateral

Loans over \$25K-\$350K:

- Lenders must follow the collateral policies and procedures that it has established and implemented for its similarly sized non-SBA guaranteed commercial loans.

### **Additionally For 7(a) Small Loans:**

- Must obtain a 1<sup>st</sup> lien on purchased assets and lien on borrower's fixed assets
- Lender must take a lien on all of the Applicant's fixed assets, including real estate, up to the point that the loan is fully secured.

## 7(a) Loans - Collateral

### **For Standard 7(a) loans over \$350,000K:**

- all available fixed assets of the Applicant
- Must take available equity in the personal real estate (residential and investment property) of the principals. Liens on personal real estate may be limited to the amount of the collateral shortfall.
- SBA does not require a Lender to collateralize a loan with real estate (including commercial, residential and investment properties owned by the Applicant or personally by the owners) when the equity in the real estate is less than 25% of the property's fair market value.
- May include trading assets as necessary (using 10% of current book value for the calculation).
- a first security interest in those assets must be obtained.
- Assets owned by an owner of the Applicant and Spouse:
  - When an individual alone or together with his or her spouse owns 20% or more of the Applicant, the Lender must consider taking as collateral a lien on personal real estate (including commercial and investment properties not occupied by the Applicant business) that is owned individually by the Applicant owner, or jointly owned by the individual and his or her spouse.

## 7(a) Loans Variable Interest Rates

Program	Maximum Interest Rates
<b>7(a) Loans</b>	
Standard 7(a) Loans \$25,000 or less (Maturity 7 years or more)	Cannot exceed Prime, Libor Base Rate or SBA Optional Peg rate + 4.75
Standard 7(a) Loans more than \$25,000 up to \$50,000 (Maturity less than 7 Years)	Cannot exceed Prime, LIBOR Base Rate, or SBA Optional Peg Rate + 3.25%
Standard 7(a) Loans more than \$25,000 up to \$50,000 (Maturity 7 Years or more)	Cannot exceed Prime, LIBOR Base Rate, or SBA Optional Peg Rate+ 3.75%
Standard 7(a) Loans greater than \$50,000 (Maturity less than 7 years)	Cannot exceed Prime, LIBOR Base Rate, or SBA Optional Peg Rate+ 2.25%
Standard 7(a) Loans greater than \$50,000 (Maturity 7 years or more)	Cannot exceed Prime, LIBOR Base Rate, or SBA Optional Peg Rate+ 2.75%
<b>Export Working Capital Loans</b>	No SBA Maximum. SBA does not prescribe interest rates for the EWCP but does monitor the rates charged for reasonableness.
<b>SBA Express and Export Express Loans - \$50,000 or less (All maturities)</b>	Cannot exceed Prime + 6.5%
<b>SBA Express and Export Express - More than \$50,000 (All maturities)</b>	Cannot exceed Prime + 4.5%
<b>Community Advantage</b>	Cannot exceed Prime + 6

## 7(a) Loan Fees for 2019

GROSS LOAN SIZE	FEES
Loans of \$150,000 or less	2% of guaranteed portion
SBA Express loans to qualified Veterans & Spouses up to \$350,000	Zero (When program is zero subsidy.)
\$150,001 to \$700,000	3% of guaranteed portion
\$700,001 to \$5,000,000	3.5% of guaranteed portion up to \$1,000,000 PLUS 3.75% of the guaranteed portion over \$1,000,000
Short Term Loans – up to \$5 million	0.25% of the guaranteed portion Maturity must be under 12 months



## **SBA Capital Access Agency Priority Goal for Rural and HUBZone Areas**

The President has placed an emphasis on rural development as part of his core agenda to promote stronger businesses and agricultural economies

### **7(a) Loans under \$150,000:**

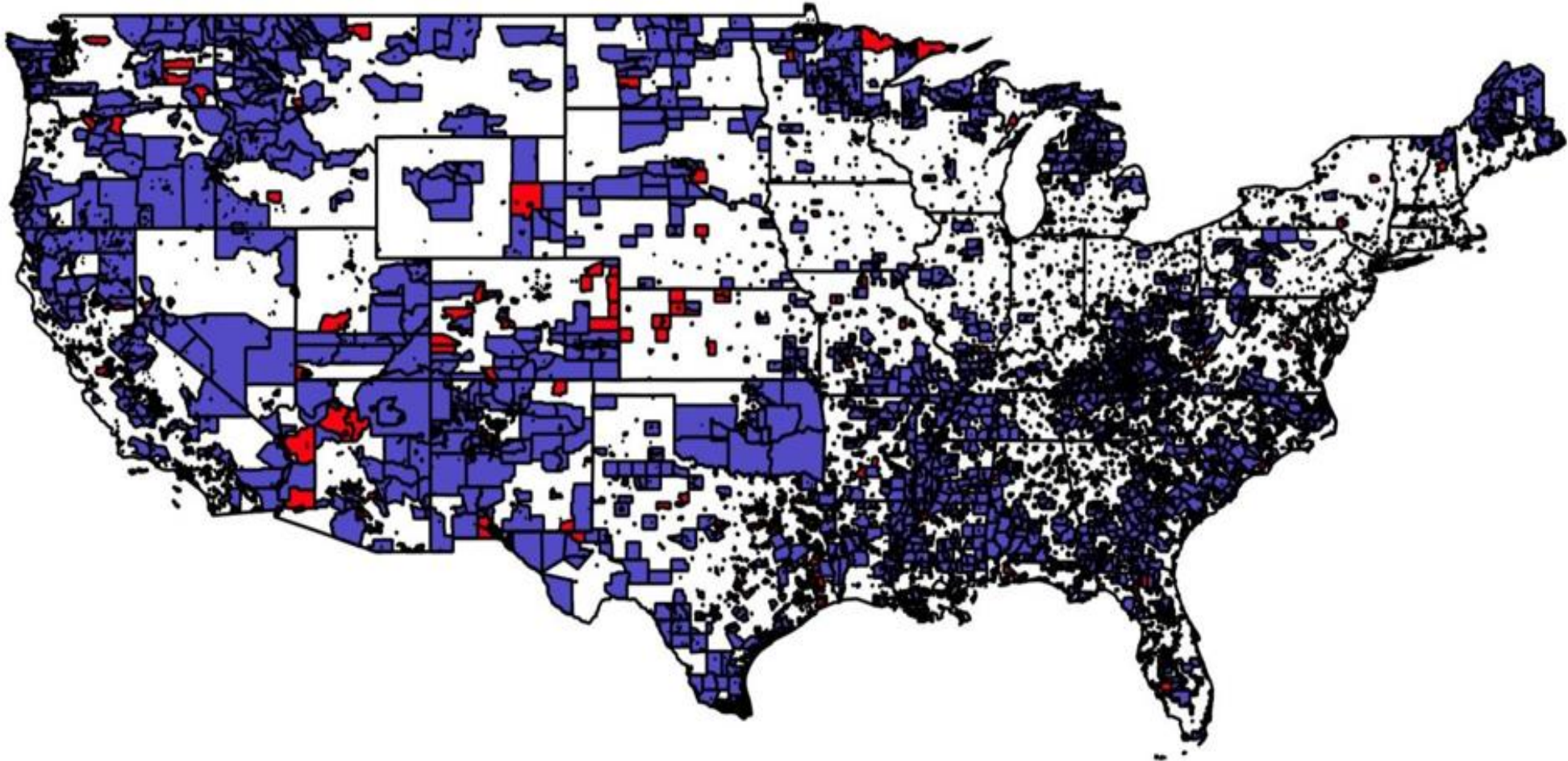
- **Fee Relief on loans made to small businesses in rural areas and HUBZones**
  - No annual services fee paid by Lenders
  - Upfront guaranty fee typically paid by small business applicant lowered to .6667% of the guaranteed portion of the loan.

# Rural and HUBZones Fee Relief for 7(a) Loans

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# HUBZone Map



HUBZone Map and Locations found at [www.sba.gov](http://www.sba.gov) under Federal Contracting

# Community Advantage

- Community Advantage (CA) is a 7(a) Pilot Program aimed at increasing loans to underserved communities.
- CA lenders are mission-oriented lenders, primarily nonprofit financial intermediaries focused on economic development.
- CA lenders are required to make at least 60% of their CA loans in underserved areas, which include various geographic areas as well as “new” businesses.
- The maximum loan size is \$250,000.
- CA loans, like most other 7(a) loans, are guaranteed up to 85% for loans not exceeding \$150,000 and up to 75% for loans greater than \$150,000.
- Interest rate up to PRIME plus 6%

## 7(a) Loan Program: International Trade Loans

- Helps small businesses expand globally
- Guaranties from 75 percent to to 90 percent
- Offers three specific loan programs:
  - International Trade Loan Program
  - Export Working Capital Program
  - Export Express



# 504 Loan Program

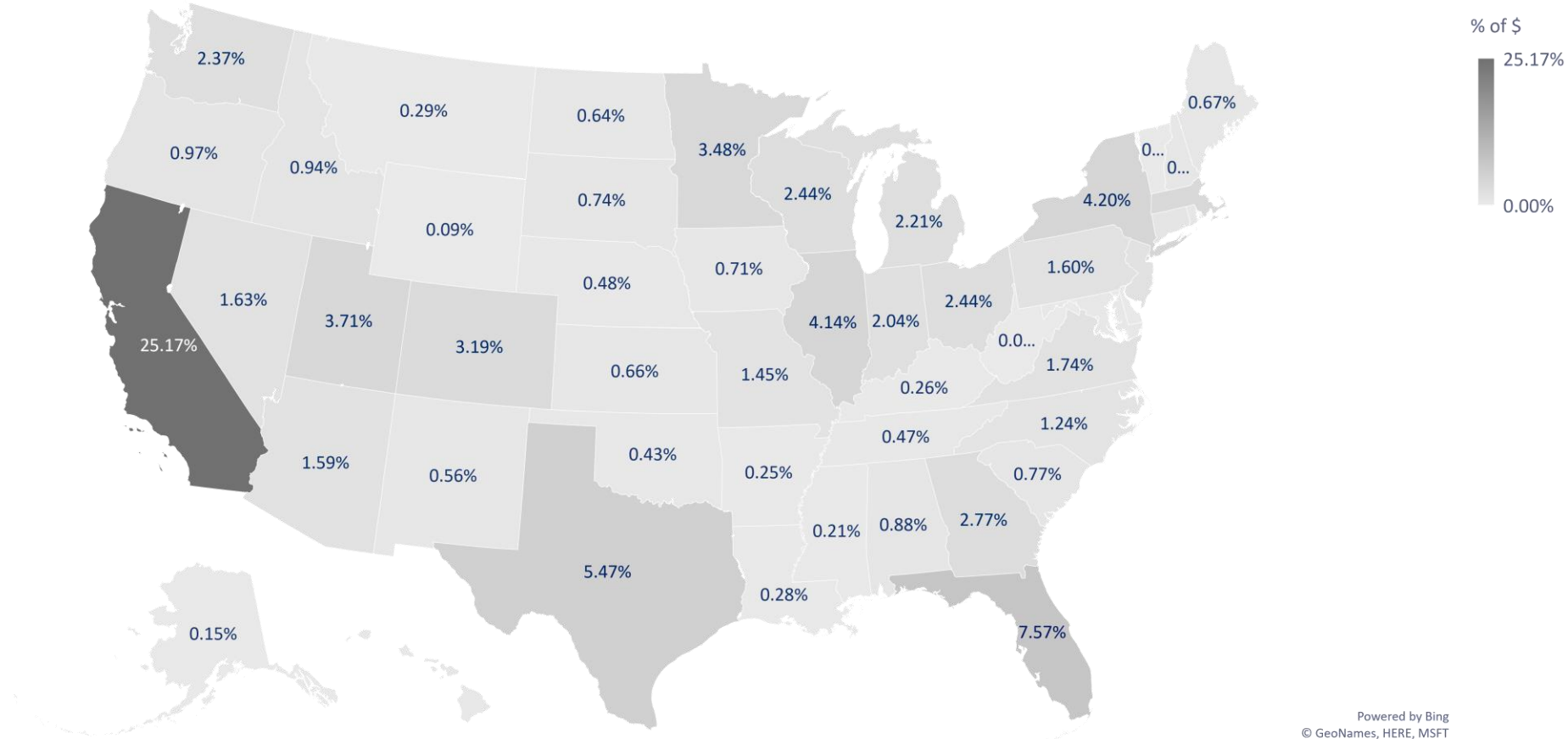
- Local Economic Development - 504 loans are made available through Certified Development Companies (CDCs), SBA's community based partners for providing 504 Loans.
- Loan Proceeds for long-term fixed assets – commercial real estate and heavy equipment
- CDC partner with a third party lender that provides 50% of project financing in the form of a senior loan and the SBA 504 Loan Program provides up to 40% in a subordinate position (the 504 loan). The business owner provides a minimum 10% equity injection.

## 504 Program

- **Interest Rate:** 504 portion of project is a fixed rate for life of 504 loan
- **Terms:** Land/Building – 20 or 25 years; Equipment – 10 years or maximum useful life
- **504 Loan Size:** \$25,000 to \$5,000,000 (up to \$5.5 million for manufacturing companies)

# 504 Geographic Concentration

- The map below shows the 504 Portfolio concentration in 2018 by state as a percentage of the total portfolio.
- California has the highest percentage of the total portfolio at 25.17% followed by Florida, Texas, and New York.



## 504 Loans – Collateral and Personal Guaranty

Loan is secured by the Project Collateral (real estate, equipment, or both)

SBA requires at least one personal guaranty for each 504 loan.

Personal Guaranties: Individuals who own 20% or more of an Applicant must provide an unlimited full personal guaranty.

SBA can require a personal guaranty from less than 20% owners.



# 504 Loan Interest Rates and Fees

## **Interest Rates for all 504 loans:**

Long term fixed rate is established when the debenture is sold

## **For 504 loans (other than 504 Debt Refinance loans) approved in FY2019:**

- 1) The upfront guaranty fee will be 0.50% (50 basis points).
- 2) The annual service fee will be 0.368% (36.8 basis points) of the outstanding balance of the loan (added to the loan payment).

## **For 504 Debt Refinance loans approved in FY19:**

- 1) The upfront guaranty fee will be 0.50% (50 basis points).
- 2) The annual service fee will be 0.368% plus 0.027%, for a total of 0.395% (36.8 basis points plus 2.7 basis points) of the outstanding balance of the loan (added to the loan payment).

# Microloans

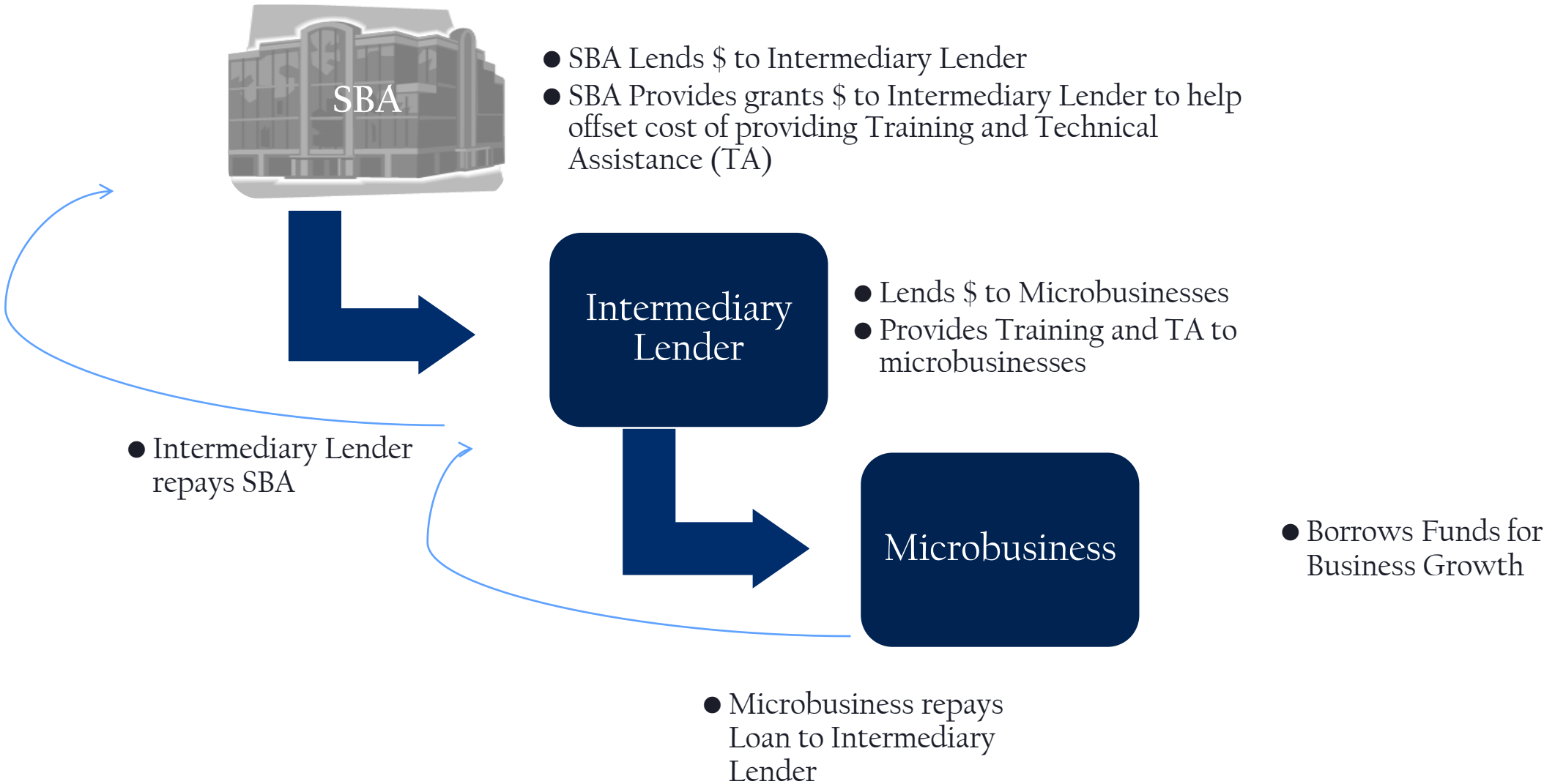
- The SBA Microloan Program is important to ensure that the full spectrum of small businesses and entrepreneurs have access to the capital and technical assistance needed for business survival and growth.

**Target:** Lending to socially and economically disadvantaged

Minority and Women-owned businesses

- Low/Mod. Income, HUBZone, Empowerment Zone
- Enterprise Communities and Promise Zone
- Veteran-owned businesses
- Startups

# Microloans



# Microloans

**Microloans** – flexible underwriting (parolees and probationers may be eligible)

- \$500 to \$50,000
- The average SBA Microloan just over \$14,000
- Currently, there are approximately 150 SBA Microloan Intermediaries serving rural, suburban, and urban communities headquartered in 46 States, Puerto Rico, and the District of Columbia
- Maximum loan term is 6 years
- Interest rates
  - \$10,000 or less - up to 8.5% above the intermediary cost of funds
  - More than \$10,000 - up to 7.75% above the intermediary cost of funds
- Fees – up to 2.3% up front fee
- Personal guaranty is typically required by the intermediary
- Collateral may be required – determined by the intermediary

# Where to apply for an SBA Loan:

## 7(a) Lenders

- Banks
- Credit Unions
- Certain Non-Bank Lenders

## 504 Loan Lenders

- Certified Development Companies (CDCs)

## Microlenders

- Certain CDCs
- Non-for-profit lenders

## Community Advantage Lenders

- Certain CDCs
- Microlenders
- Community Development Financial Institutions (CDFIs)

# Surety Bond Guarantee Program

**“We Open Doors to Bonding”**

**SBA’s bond  
guarantee opens  
doors to  
contracting  
opportunities**



Guarantees up to **\$10 million** per project

Public & private contracts & subcontracts

Small construction, service, supply & manufacturing firms eligible

Obtain 1<sup>st</sup> time bonding or increase your bond limits

SBA fee **.6%** of contract amount

## Contact an SBA Authorized Bond Agent to Apply



[www.sba.gov/osg](http://www.sba.gov/osg)



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# Overview of Lender Match



# Lender Match is an online referral tool to connect small businesses with SBA lenders

## Background

- Lender Match (formerly LINC) was launched in May 2015
  - Prospective borrowers complete a short questionnaire on an sba.gov hosted application
  - Responses to that questionnaire are forwarded to participating SBA lenders that operate within the small business' county
  - Lenders interested in the referral 'opt-in' to receive the borrower's contact information and pursue a deal
- **Activity to date:**
  - Lender Match has produced over 4 million email leads for small business borrowers in search of financing assistance
  - These leads have resulted in 185,206 small business borrowers receiving a "lending match" with an approved SBA lender.

### How it works



#### 1. Describe your needs

Answer a few questions about your business in as little as five minutes.

#### 2. Get matched in 2 days

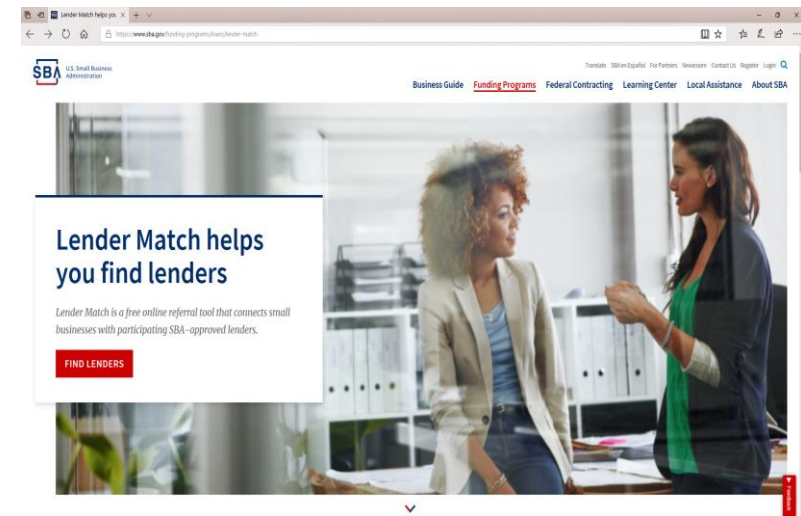
Receive an email with contact information of lenders who express interest in your loan.

#### 3. Talk to lenders

Compare rates, terms, fees, and more.

#### 4. Apply for a loan

Submit loan applications and paperwork. You're well on your way to securing a business loan!



# Lender Match enhancements for 2019

## Improved Matches

- New Lender Match filters will enable SBA lenders to pinpoint the perfect leads
- Lenders will be able to refine their Lender Match referrals based on:
  - Use of Proceeds
  - Loan Amount
  - County
  - Industry
  - Business Age

## Seamless Applications

- New Lender Match feature will let lenders turn leads into loan applications without leaving SBA's system
- Lenders will be able to request additional loan application data from the prospective borrower
- SBA will begin validating the loan thus increasing the certainty of both parties' financing expectations

# Contact SBA

- SBA has District or Branch Offices in every state and territory.
- For assistance and questions following this presentation should be directed to a local SBA District Office.
- The local SBA District Office may be found on the Local Assistance page of SBA's website: <https://www.sba.gov/local-assistance>
- Lender Match: [www.sba.gov/lendermatch](http://www.sba.gov/lendermatch)



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**Thank you!**