



**SBA Can Help You  
Finance Your  
Small Business**

U.S. Small Business Administration



**Presented by:**

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**U.S. Small Business Administration**

**Tennessee District Office**



# Who is SBA

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**SBA was created in 1953** to give small business owners a business partner to assist them in overcoming the traditional barriers they face in expanding their companies.



# What is a SBA loan guarantee

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- \* The SBA loan guaranty is between SBA and financial institutions.

**SBA operates through guaranty agreements with banks across the state. By reducing the bank's risks, SBA guaranties expand the lenders ability to make small business loans.**



# Why an SBA loan guaranty

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- **SBA loans can provide longer terms for borrowers.**
- **SBA loan guarantees allow banks to provide funds when bank policy prohibits a loan.**



# How to get it

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- 1. A small business owner presents a loan proposal and applies for a SBA guaranteed loan with a bank.**
- 2. The lender will provide you with all the necessary additional documentation needed for the loan.**
- 3. The lender will review the application to determine whether or not an SBA guaranty is needed.**



This is where  
SBA comes in

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1. If the guaranty is needed, the **lender will forward** the application packet to SBA for review and approval.
2. The first thing SBA does is review the applicant to **determine eligibility.**

# What is Eligible

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## Business must:

- be operated for profit
- not exceed small business size standards ([www.sba.gov](http://www.sba.gov))
- operate in legal activity



# What is Ineligible

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## Businesses must:

- not be engaged in lending, real-estate development, investments, or speculation
- not be engaged in promotion of a specific religion
- not restrict patronage
- not engage in prurient sexual materials or services
- not be a gambling enterprise
- not sell through a pyramid plan
- not have caused prior loss to the government
- not be incarcerated, on probation, on parole, or have been indicted for a felony or a crime of moral turpitude



# What SBA Looks for?

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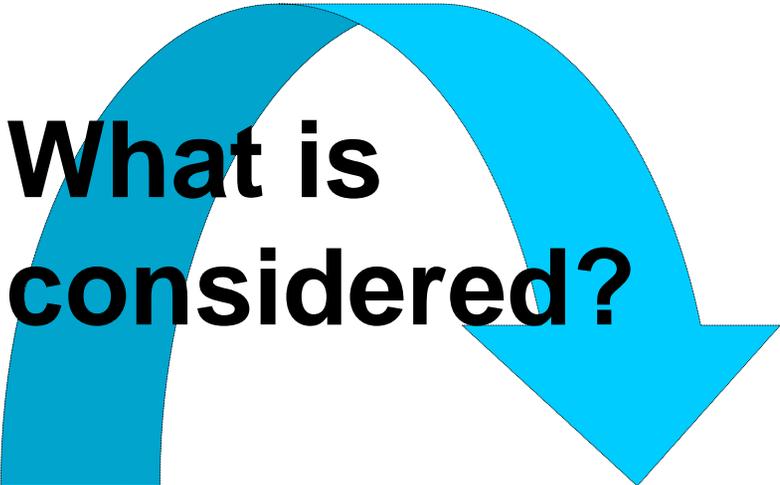


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**Good Character** – business credit report and personal credit reports on principals

**Management Expertise and Commitment** – resumes for principals and key managers

**Feasible Business Plan** – Startups



# What is considered?

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**Sufficient Funds** – business must show the ability to repay the loan through historical financial statements and/or projections including the SBA guaranteed loan

**Adequate equity or investment in the business** – each principal owning 20% or more of the business must provide the injection

**Sufficient collateral** – business or owner must have some collateral though they do not have to have 100% collateral coverage

**Ability to repay the loan** – the business must show the capacity to carry more debt; Repayment must come from operating cash flow of the business

**You are  
APPROVED!**

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**After SBA approval:**

- **lender closes**
- **disburses funds**
- **and services the loan**

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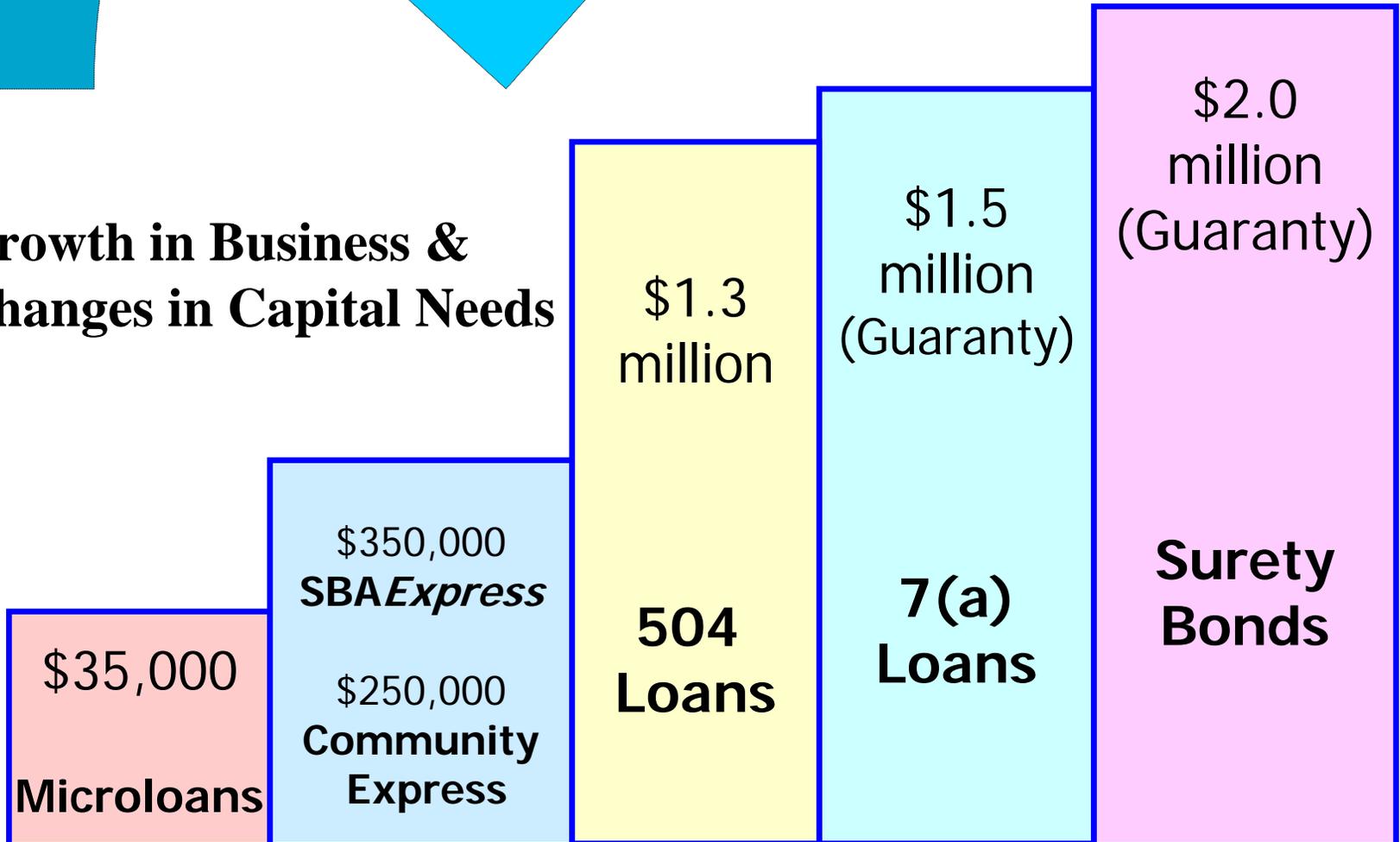
# SBA Financial Programs

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**Growth in Business &  
Changes in Capital Needs**





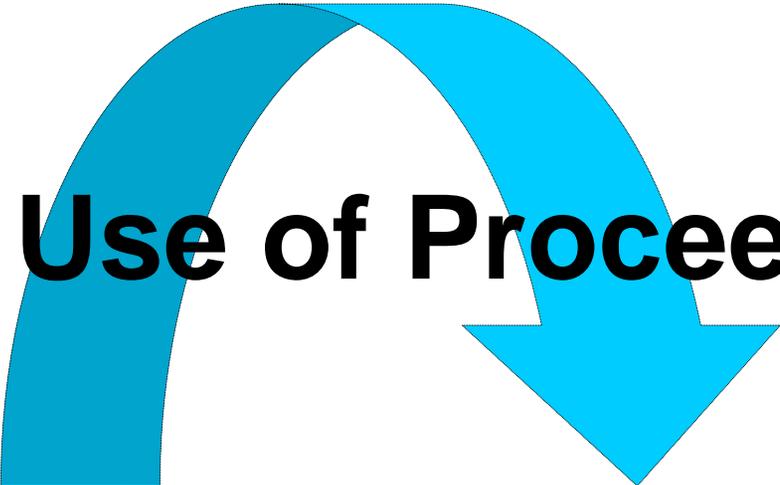
# **7a Loan Guaranty Program Key Features**

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- **Proceeds can be used for a wide variety of business purposes**
- **Maximum guaranty is 85% for loans of \$150,000 or less**
- **75% guaranty for loans above \$150,000**
- **Maximum guaranteed dollars is \$1.5 million**
- **Total loan cannot exceed \$2.0 million**



# Use of Proceeds

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## 7(a) loans may be used to:

- Expand, renovate facilities
- Buy machinery, equipment, fixtures, land and building for business purposes
- Finance receivables and augment working capital
- Refinance existing debt (with compelling reason)
- Finance seasonal lines of credit
- Construct commercial buildings
- Finance direct costs on contracts



# Loan Maturities and Interest Rates

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## Maximum maturities:

- Generally 7 to 10 years for working capital and equipment (Not to exceed useful life of equipment)
- Generally up to 25 years for Real Estate

## Interest Rates:

- Negotiated between borrower and lender
- Typically cannot exceed prime rate plus 2.75%

# What to take to the Bank



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- **Purpose of the Loan**
- **History of the business**
- **Financial statements for 3 years. (existing business)**
- **Schedule of term debts. (existing business)**
- **Aging of accounts receivable and payable. (existing business)**
- **Projected opening-day balance sheet. (new business)**
- **Lease details**
- **Amount of investment in the business by the owner.**
- **Projections of income, expenses and cash flow.**
- **Signed personal financial statements.**
- **Personal resume**



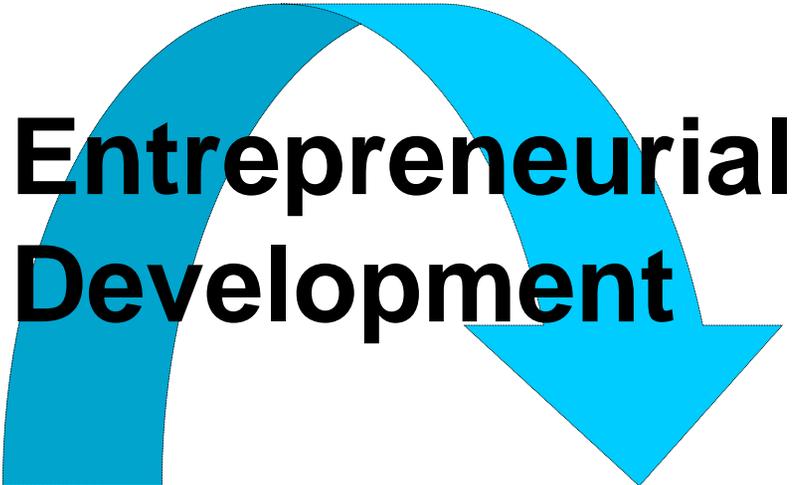
**The SBA Homepage**

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



# Entrepreneurial Development

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**Financial Assistance**

**Federal Government Contracting Assistance**

**Research & Assistance**

**Counseling & Technical**

**Advocacy Development Assistance**

**Disaster Assistance**

**And Targeted Assistance for**

- ❖ Veterans
- ❖ Exporters
- ❖ Native Americans
- ❖ Small Disadvantaged Businesses
- ❖ Women
- ❖ Empowerment Zones/Enterprise Communities
- ❖ Franchisors/Franchisees
- ❖ Historically Underutilized Business Zones



**Contact SBA's  
Tennessee  
District Office**

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**50 Vantage Way, Suite 201  
Nashville, Tennessee 37228**

**615/736-5881**

**615/736-7232 fax**

**[www.sba.gov/tn](http://www.sba.gov/tn)**

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## Thank You!



1-800 U ASK SBA

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