

U.S. Small Business Administration



SBA Overview

www.sba.gov



Montana District Office

406.441.1081

Billings Satellite Office

406.869.8421



The 3 C's of the SBA

- **Capital**
- Contracting
- Counseling

Capital

All SBA loans require involvement of a local bank or other commercial lender.

We advise prospective loan applicants:

- Talk with your banker
- Bank will provide a checklist
- A written business plan

Small Business Borrower Advantages

- Tool to assist creditworthy small businesses that do not qualify for conventional credit
- SBA loans reduces a lender's risk - encouraging more loans to small businesses
- Streamlined application processes
- Speedy response with electronic submission
- SBA loans may not require full collateralization
- SBA loans offer flexible terms
 - Longer maturities
 - Lower down payment
 - Competitive interest rates



Universal SBA Loan Requirements

- Must be a “**For Profit**” business
- **Type** of business must be eligible
- Must qualify as small under SBA **size** standards
www.sba.gov/size
- Applicant must be unable to borrow on reasonable terms from conventional lenders without government help
- Must be of good character/good credit

Types of SBA Loans

- 504 Certified Development Company Loan Program
- 7(a) Loan Guaranty Program

(SBA no longer makes direct loans, except disaster loans)

Major Loan Guaranty Programs

- Standard 7(a) Loans
 - Term loans
 - Lines of Credit (revolving/non-revolving)
 - Special loans for businesses engaged in exporting

Maximum Loan Amount: \$5,000,000
(some programs have special loan limits)



7(a) – Use of Loan Proceeds

- Real estate – purchase or construction
- Machinery and equipment
- Inventory
- Working capital
- Finance start-ups
- Some debt refinancing

7(a) cont. – Loan Maturities/Rates

- Up to 10 years for working capital
- Up to 15 years for equipment (useful life)
- Up to 25 years for real estate
- Rates are negotiated with lender

(SBA sets max. 2 ¾% over NYP in most cases. Lenders may charge higher rates on loans less than \$50,000)

- RLOC 5 -10 years depends on program

What the Bank/SBA Wants

- Equity investment (generally 10%-30%)
- Sound record of credit-worthiness
- Do you have the training and experience?
- Do you have a proposal/package put together?
- How much money do you need?
- What's the purpose of the loan?
- How will this help the business?

What the Bank/SBA Wants (cont.)

- **When** will you pay it back?
- **Can** your business pay it back?
- **What** happens if plans don't work out?
- **The 5 C's** of credit.
 1. Character of individual
 2. Capital or amount of equity
 3. Capacity to repay the loan
 4. Collateral that secures the loan
 5. Condition(s) externally and internally that affect the loan

Other Needs

- Make an appointment and visit with banker
- Assume they know nothing about your business or industry
- Understand your financials and how they relate to the loan and the business
- Invite the lender out to look at your business
- Be patient, don't pressure the lender
- Keep your lender informed during the loan process and after

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