

SMALL BUSINESS ADMINISTRATION
2329 NORTH CAREER AVENUE, SUITE 105
SIOUX FALLS, SD 57107

GENERAL INFORMATION ON SBA BUSINESS LOAN PROGRAMS

Your first contact in considering an SBA loan should normally be your bank of account or a local bank in the community in which your business is located.

SBA loans offer some distinct advantages and terms to the borrower such as longer term financing and regulated interest rates. In the case of larger loans, SBA's guarantee cannot exceed 75%. For loans of \$150,000.00 or less, SBA's guarantee can be 85%.

Interest rates on guaranteed loans are set by the bank subject to maximum limitations established by SBA.

SBA loans can be used to help finance new or existing businesses. **For the most part, terms and conditions of the loan are negotiated between the borrower and lender.** SBA has no 'minimum' loan amount. It is always a good idea for a new business to have a business plan.

Businesses should be independently owned and operated for profit. SBA loans cannot be made to speculative businesses, for floor-plan financing, real estate development and investment, or to certain businesses engaged in gambling.

SBA loans can be made only to small businesses. As a general rule, retail and service businesses are "small" if annual receipts do not exceed \$5.0 million; wholesale firms, if they employ 100 or fewer employees; manufacturers, if they employ no more than 500 people.

Generally, businesses that are involved in the production of crops or livestock are subject to annual receipts not exceeding \$750,000.00

HOW TO APPLY FOR A LOAN

Loan packets are available from your bank. They contain forms and formats of some of the necessary information that is required, as indicated below.

Those already in business should:

1. Prepare interim (year-to-date) financial statements (profit and loss statement showing all revenues and expenses, and balance sheet listing all assets and liabilities).
2. Have accountant-prepared profit and loss statements (income tax returns), along with balance sheets for the past 3 years.
3. Prepare a current personal financial statement of the owner, or each partner or stockholder owning 20% or more of the stock of the business.
4. List collateral to be offered as security for the loan, giving estimated present market value.
5. State the amount of the loan requested and the proposed purposes for which it will be used.

Those wanting to start a business should:

1. Describe the type of business you plan to establish.
2. Describe your experience and management capabilities.
3. Prepare cost figures, indicating how much you or others will be investing in the business versus how much you will need to borrow.
4. Prepare a current personal financial statement of each owner, partner or stockholder owning 20% or more stock.
5. Prepare detailed projection of earnings for first two years.

Take the foregoing material to your banker and discuss your needs. The banker will then submit your application or contact SBA to discuss the application. SBA generally deals directly with the bank on guaranteed loans.

For additional information or assistance, please contact the Small Business Administration at 2329 North Career Avenue, Suite 105, Sioux Falls, SD 57107; phone 605 330-4243.

Other resources: If management assistance is desired in assessing your venture or in the preparation of business plans or loan packages, SBA has several resources available. You may call the SBA office to determine the resource partner located most conveniently to you in order to obtain free consultation services.