

Getting Started with an SBA 7(a) Loan

SBA's guaranteed loan program benefits small businesses by helping fund either long or short-term loans. By participating with SBA, the Lender will be able to lend small businesses the capital required to begin or expand their operations on terms consistent with their cash needs. The guarantee program facilitates the leveraging of SBA's appropriated funds with private-sector capital, thereby enlarging the pool of funds available to small business. It is SBA's hope that this greater accessibility of capital will promote a healthy, expanding small business community and a vibrant, productive economy.

Benefits to the Lender

Benefits to the Lender of active participation in SBA's guarantee loan program include:

- **Assist in developing new accounts.** By offering loans that are consistent with both the useful lives of the assets being financed and the ability of the customer to repay, a lender can often attract customers who have been unable to find longer-termed loans from its competitors. By receiving a **longer maturity**, the borrower will experience less of a drain on its working capital, thereby becoming a stronger depositor and a healthier borrower. Extended maturities are available for working capital, equipment and commercial real estate transactions.
- **Help meet Community Reinvestment Act provisions (Bank only).** Active participation in the SBA guaranteed loan program will improve the local economy by fostering the growth of the businesses financed and the level of employment gained by that growth. Federal examiners will often see a lender's portfolio of SBA-backed loans as demonstrating its commitment to the community.
- **Increase profits and value of capital stock.** An active Secondary Market exists for SBA backed loans and taking part in it can generate substantial earnings. The Lender can sell an individual loan (guaranteed portion) or a group of loans directly to an investor. It can sell through a broker or it can sell to an organization that pools loans with similar characteristics for sale to institutional investors. The Lender negotiates the sale terms, generally receiving a premium at the time of sale and a servicing fee on the full outstanding balance during the term of the loan.
- **Greatly reduces risk.** The lender can reduce risk in the type or amount of collateral or lower risk in the small business applicant's industry or the startup phase of the business that the lender typically does not lend.

The following two credit elsewhere rules cannot be used solely by themselves but can be used in conjunction with other credit elsewhere justifications.

- **Lend in excess of legal lending limit.** The SBA guaranteed portion of a loan generally is not included when calculating a lender's legal lending limit to individual or affiliated borrowers, thereby permitting larger loans than would otherwise be allowed.
- **Improve liquidity.** While this benefit applies primarily to small lenders, all lenders can report improved liquidity ratios, since the SBA-guaranteed portion of a long-term loan is saleable and, therefore, carried as a current asset on the Lender's books. Nor is the guaranteed portion reflected as a loan in calculating the loan to deposit ratio, thereby reducing this ratio, permitting the lender to make additional loans.

Common SBA Forms to get started

- **SBA Form 1919** – Borrowers Information Form – Completed by Owners and Key non-owner managers.
- **SBA Form 912** - Statement of Personal History (ONLY if “Yes” to questions 2 and/or 3 on Form 1919)
Addendum B Required Explanations Have borrower fill out and sign both form 912 and Addendum B and send to SBA District Office for processing.
- **IRS Form 4506-T** Request for Tax Transcript (*If applicable*) required for existing business tax returns (including seller in a change of ownership) and must verify the tax returns to the IRS Transcripts prior to disbursement. Lenders should retain a copy of the 4506-T, along with the date and name of the person verifying the transcript in their file. Lenders can hire a 3rd party or sign up and use the IRS online site: [IRS Income-Verification-Express-Service \(IVES\)](#)
- **SBA Form 1920** – Lenders Application for Guaranty – Completed by the Lender
- **SOP 5010 5 (H)** – Lender and Development Company Loan Programs
- **E-TRAN** – Capital Access Login System