SBA Loan Programs and Resources

U.S. Small Business Administration Seattle District Office
What We’ll Cover

- SBA Overview
- 7(a) Guaranteed Loan Program
- What Lenders Look For
- Other SBA Loan Programs
- Additional Resources
- Questions
General SBA Information

- Independent agency of Federal Government
- Established to help small business start, grow, and succeed.
- We accomplish our core mission by focusing on:
  - Capital
  - Contracting
  - Counseling
SBA Financing Programs

- **7(a) Guaranteed Program**
  - Over 100 participating lenders in FY16

- **504 Loan Program**
  - Evergreen Business Capital
  - Northwest Business Development Association
  - Ameritrust CDC

- **Microloan Program**
  - Business Impact NW
  - Ventures
  - MercyCorps NW
7(a) Guarantee Loans

- The agency’s “flagship” financing program
- Available from most commercial lenders
- SBA guaranties up to 85% of loan
- Mitigates risk to lender
- Facilitates otherwise unavailable financing
Common 7(a) Loan Situations

- New Business
- Lack of Earnings history
- Insufficient collateral
- Longer term than conventionally available
- Limited capital
- Industry considerations
7(a) Loan “Nuts and Bolts”

- Maximum loan amount
  - $5M, no minimum
  - Avg. loan = $370K

- Maximum guaranty = $4.5M

- Maximum interest rates
  - Prime + 2 ¼ to Prime + 2 ¾
  - higher spreads for smaller loans

- Maturities up to 25 years

- SBA charges a guaranty fee (2%-3.5%)
Uses of 7(a) Loans

- Term working capital, inventory, payables
- Lines of credit
- Equipment, tenant improvements, new or existing facilities
- Debt refinance, change of ownership
- About 1/4 of loans go to start-ups (businesses in operation 0-2 years)
# Top Volume Seattle District FY16 Lenders

<table>
<thead>
<tr>
<th>Lender Name</th>
<th>Number of Loans</th>
<th>Total Loan Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. BANK NATIONAL ASSOCIATION</td>
<td>202</td>
<td>$68,844,800</td>
</tr>
<tr>
<td>WELLS FARGO BANK NATL ASSOC</td>
<td>224</td>
<td>$43,434,000</td>
</tr>
<tr>
<td>BANNER BANK</td>
<td>168</td>
<td>$28,192,300</td>
</tr>
<tr>
<td>KEYBANK NATIONAL ASSOCIATION</td>
<td>101</td>
<td>$42,421,700</td>
</tr>
<tr>
<td>MOUNTAIN WEST BANK</td>
<td>81</td>
<td>$25,547,200</td>
</tr>
<tr>
<td>WASHINGTON TRUST BANK</td>
<td>72</td>
<td>$18,686,300</td>
</tr>
<tr>
<td>JPMORGAN CHASE BANK NATL ASSOC</td>
<td>52</td>
<td>$17,168,900</td>
</tr>
<tr>
<td>HERITAGE BANK</td>
<td>50</td>
<td>$21,131,000</td>
</tr>
<tr>
<td>COASTAL COMMUNITY BANK</td>
<td>37</td>
<td>$11,078,700</td>
</tr>
<tr>
<td>COLUMBIA STATE BANK</td>
<td>33</td>
<td>$13,279,800</td>
</tr>
<tr>
<td>UNIBANK</td>
<td>32</td>
<td>$40,118,700</td>
</tr>
<tr>
<td>PACIFIC CITY BANK</td>
<td>27</td>
<td>$26,813,000</td>
</tr>
<tr>
<td>INLAND NORTHWEST BANK</td>
<td>26</td>
<td>$5,339,600</td>
</tr>
<tr>
<td>HANA SMALL BUS. LENDING INC.</td>
<td>26</td>
<td>$19,946,500</td>
</tr>
<tr>
<td>KITSAP BANK</td>
<td>24</td>
<td>$6,537,600</td>
</tr>
</tbody>
</table>
### Top Seattle District FY 2016 Loan Recipients by Industry

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>NAICS Description</th>
<th>Count of NAICS</th>
<th>Sum Of NAICS Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>722511</td>
<td>Full-Service Restaurants</td>
<td>77</td>
<td>$24,690,800</td>
</tr>
<tr>
<td>722513</td>
<td>Limited-Service Restaurants</td>
<td>46</td>
<td>$13,501,800</td>
</tr>
<tr>
<td>621210</td>
<td>Offices of Dentists</td>
<td>31</td>
<td>$15,116,600</td>
</tr>
<tr>
<td>721110</td>
<td>Hotels (except Casino Hotels) and Motels</td>
<td>23</td>
<td>$47,797,000</td>
</tr>
<tr>
<td>447110</td>
<td>Gasoline Stations with Convenience Stores</td>
<td>21</td>
<td>$25,240,500</td>
</tr>
<tr>
<td>621310</td>
<td>Offices of Chiropractors</td>
<td>21</td>
<td>$8,173,800</td>
</tr>
<tr>
<td>238990</td>
<td>All Other Specialty Trade Contractors</td>
<td>18</td>
<td>$7,995,000</td>
</tr>
<tr>
<td>621340</td>
<td>Offices of Physical, Occupational and Speech Therapists, and Audiologists</td>
<td>17</td>
<td>$3,926,000</td>
</tr>
<tr>
<td>811111</td>
<td>General Automotive Repair</td>
<td>15</td>
<td>$3,562,600</td>
</tr>
<tr>
<td>312120</td>
<td>Breweries</td>
<td>15</td>
<td>$4,348,700</td>
</tr>
<tr>
<td>238910</td>
<td>Site Preparation Contractors</td>
<td>14</td>
<td>$4,968,200</td>
</tr>
<tr>
<td>238220</td>
<td>Plumbing, Heating, and Air-Conditioning Contractors</td>
<td>14</td>
<td>$5,067,800</td>
</tr>
<tr>
<td>722515</td>
<td>Snack and Nonalcoholic Beverage Bars</td>
<td>13</td>
<td>$3,690,300</td>
</tr>
<tr>
<td>238210</td>
<td>Electrical Contractors and Other Wiring Installation Contractors</td>
<td>12</td>
<td>$2,835,500</td>
</tr>
<tr>
<td>531120</td>
<td>Lessors of Nonresidential Buildings (except Minwarehouses)</td>
<td>12</td>
<td>$8,989,800</td>
</tr>
<tr>
<td>541990</td>
<td>All Other Professional, Scientific, and Technical Services</td>
<td>11</td>
<td>$2,178,400</td>
</tr>
<tr>
<td>624410</td>
<td>Child Day Care Services</td>
<td>11</td>
<td>$8,900,400</td>
</tr>
</tbody>
</table>
7(a) Loan Eligibility

- Size
- Type of business
- Use of proceeds
- Character
- Credit elsewhere
The SBA Loan Process

- Business makes application to bank
- Bank applies to SBA
- Bank closes and services the loan
- SBA pays guaranty in event of default
- Usually no interaction between SBA and borrower
## Quick Reference to Loan Guarantee Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Maximum Loan Amount</th>
<th>Percent of Guaranty</th>
<th>Use of Proceeds</th>
<th>Maturity</th>
<th>Maximum Interest Rates</th>
<th>Guaranty Fees</th>
<th>Who Qualifies</th>
<th>Benefits to Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBA Advantage (previously known as 7(a))</td>
<td>$5 million</td>
<td>85% guaranty for loans of $150,000 or less; 75% guaranty for loans greater than $150,000 up to $3.75 million maximum guaranty</td>
<td>Term Loan, Expansion/renovation, new construction, purchase land or buildings, purchase equipment, fixtures, lease-pool improvements, working capital, franchise cost or competing reasons, seasonal line of credit, inventory or starting a business</td>
<td>Depends on ability to repay. Generally, working capital &amp; machinery &amp; equipment (not to exceed life of equipment) is 5-10 years, real estate is 25 years.</td>
<td>Loans less than 7 years: $0 - $25,000 Prime + 4.25% $25,001 - $50,000 Prime + 3.15% Over $50,000 Prime + 2.25% Loans 7 years or longer: 0 - $25,000 Prime + 4.75% $25,001 - $50,000 Prime + 3.75% Over $50,000 Prime + 2.75%</td>
<td>No SBA fee on loans of $150,000 or less approved in FY 2017. Fee charged on guaranteed portion or loan only. $150,001-$700,000 = 3.0%, $700,001-$1,000,000 = 3.35%, plus 3.75% on guaranty portion over $1 million, 12 months or less = .25% Ongoing fee of 0.54%.</td>
<td>Must be a for-profit business &amp; meet SBA size standards; show good character, credit, management, and ability to repay. Must be an eligible type of business.</td>
<td>Long-term financing; improved cash flow; no balloon; no prepayment penalty (under 15 years).</td>
</tr>
<tr>
<td>SBA Advantage (7a) Small Loans is any 7a loan $350,000 and under, except the community Advantage and Express loans</td>
<td>$550,000</td>
<td>Same as SBA Advantage (7a)</td>
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<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a) Plus, all loan applications will be scored by SBA. If not an acceptable score, the loan can be submitted via standard 7(a) or Express.</td>
<td>Same as SBA Advantage (7a)</td>
</tr>
<tr>
<td>SBAExpress</td>
<td>$350,000</td>
<td>50%</td>
<td>May be used for revolving lines of credit (up to 7 year maturity) for a term loan (same as 7(a))</td>
<td>Up to 7 years for Revolving Lines of Credit including term out period. Otherwise, same as 7(a).</td>
<td>Loans $50,000 or less: Prime + 6.5% Loans over $50,000: Prime + 4.5%</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a)</td>
</tr>
<tr>
<td>SBA Veterans Advantage 10/01/16 - 08/31/16</td>
<td>Processed under SBA50896</td>
<td>Same as SBA Advantage (7a)</td>
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<td>SBAExpress</td>
<td>Processed under SBA Advantage (7a) $5 million</td>
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<td>Calloans 1. Working Capital; 2. Contract; 3. Seasonal; and 4. Builders</td>
<td>$5 million</td>
<td>Same as SBA Advantage (7a)</td>
<td>Finance seasonal and/or short-term working capital needs, cost to perform, construction costs, advances against existing inventory and receivables; consolidation of short-term debts. May be revolving.</td>
<td>Up to 10 years, except Builders, which is 5 years</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a) Plus, all lenders must execute Forms 750 &amp; 750B (short-term loans).</td>
<td>Same as SBA Advantage (7a)</td>
</tr>
<tr>
<td>Community Advantage Mission-focused lenders only. Expires 03/31/2020</td>
<td>$250,000</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as 7(a)</td>
<td>Prime plus 1%</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a) Small Loans</td>
<td>Same as SBA Advantage (7a)</td>
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<td>International Trade</td>
<td>$5 million</td>
<td>90% guaranty (up to $4.5 million maximum guaranty) (Up to $3 million maximum guaranty for working capital)</td>
<td>Term loan for permanent working capital, equipment, facilities, land and buildings and debt refinancing related to international trade</td>
<td>Up to 25 years</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a) Plus, engaged or preparing to engage in international trade or adversely affected by competition from imports.</td>
<td>Long term financing to allow small businesses to compete more effectively in the international marketplace.</td>
</tr>
<tr>
<td>Export Working Capital Program</td>
<td>$5 million</td>
<td>90% guaranty (up to $4.5 million maximum guaranty)</td>
<td>Short-term, working-capital loans for exporters. May be transaction based or asset-based. Can also support standby letters of credit.</td>
<td>Generally one year or less, may go up to 3 years</td>
<td>No SBA maximum interest rate cap, but SBA monitors for reasonableness</td>
<td>Same as SBA Advantage (7a)</td>
<td>Same as SBA Advantage (7a) Plus, need short-term working capital, direct or indirect exporting.</td>
<td>Additional working capital to increase export sales without disrupting domestic financing and business plan.</td>
</tr>
<tr>
<td>Export Express</td>
<td>$500,000</td>
<td>90% guaranty for loans of $350,000 or less; 75% guaranty for loans greater than $350,000</td>
<td>Same as SBAExpress plus standby letters of credit</td>
<td>Same as SBAExpress</td>
<td>Same as SBAExpress</td>
<td>Same as SBAExpress</td>
<td>Applicant must demonstrate that loan will enable them to enter a new or expand in an existing export market. Government must have been in operation for at least 180 months (though not necessarily in exporting).</td>
<td>Fast turnaround; Streamlined process; Easy to use; Credit Line can be for direct or indirect exporting.</td>
</tr>
<tr>
<td>SBA Grow (previously known as 504) Provided through Certified Development Companies (CDCs) which are licensed by SBA</td>
<td>$5 million to $35 million, depending on type of business or project</td>
<td>Project costs financed as follows: CDC: up to 40% of project; SBA: up to 50% (non-guaranteed) or 20% (guaranteed). Equity: 10% plus additional 5% if special use property.</td>
<td>Same as SBAGrow (504)</td>
<td>Long-term, fixed-asset loans. Lender (non-guaranteed) financing secured by first lien on project assets. SBA loan provided from SBA 100% guaranteed debenture sold to investors at fixed rate secured by 2nd lien.</td>
<td>CDC Loan: 10- or 20-year term fixed interest rate; SBA guaranty fee on debt is 0.65% of principal outstanding.</td>
<td>Same as SBAGrow (504)</td>
<td>Same as SBAGrow (504)</td>
<td>Low down payment - equity (10%, 10 to 20%)</td>
</tr>
<tr>
<td>SBA Grow (504) Refinancing Program (Formerly 504) Provided through Certified Development Companies (CDCs) which are licensed by SBA</td>
<td>Same as SBA Grow (504)</td>
<td>Loan to Value (LTV) Qualified and Secured Debt 90%. For projects that include “Business Operating Expenses” (BOE) the LTV is 75%. BOE may not exceed 25% of the fixed asset.</td>
<td>Same as SBA Grow (504)</td>
<td>At least 85% of the proceeds of the (gge) to be refinanced must be used to refinance fixed assets. May include the financing of eligible business expenses as part of the refinancing.</td>
<td>Same as SBA Grow (504)</td>
<td>Same as SBA Grow (504)</td>
<td>Same as SBA Grow (504)</td>
<td>Loan(s) to be refinanced can be subject to a guaranty by a Federal agency, cannot be a Third Party Loan which is part of an existing SBA 504 project and must have been current on all payments for the past 12 months. Both SBA and (gge) to be refinanced must be at least 2 years old.</td>
</tr>
<tr>
<td>Non-7(a) Loans Microloans Loans to nonprofit lending organizations</td>
<td>$50,000</td>
<td>Not applicable</td>
<td>Working capital, supplies, machinery, equipment, fixtures, etc. Intermediary may choose to refinance debt. Cannot be used for real estate.</td>
<td>Short-term, possible, not to exceed 6 years</td>
<td>Negotiable with intermediary. Subject to either 7.75% or 8.5% above or equal to intermediate cost of funds.</td>
<td>Same as (7a)</td>
<td>Same as (7a)</td>
<td>Direct loans from nonprofit intermediary; Intermediary pays rate; Vary small loan amounts; Technical assistance available.</td>
</tr>
</tbody>
</table>
What Lenders Look For

- Capacity
- Cash Flow
- Character / Credit
- Contribution
- Collateral
Capacity: Management Ability

- Experience
  - In the industry
  - As a manager or owner
  - In that specific business
- Education
- Resume – Classes, Training, etc.
- Capable Management Team (staff & advisors)
- Action plan to get necessary skills
Cash Flow for Start-up Business

- New or less than two-years in business
- Show that projected earnings can repay loan
- What are your cash flow assumptions: where did you get those numbers?
- How?
  - Check Industry Trade Associations for your stats (National Restaurant Association, local chambers, other businesses in your field, etc.
  - Find your NAICS* code and check the RMA** Annual Statement Studies (*North American Industry Classification System; **Risk Management Association, formerly Robert Morris and Associates)

- The “Sixth” C: Customers …
  - demonstrate your market
Cash Flow for Existing Business

- Historical cash flow / income statements
- Purchase of existing business: changes with new ownership
- Debt service to seller who finances some part of existing business purchase
Character/Credit

- Payment history
- Personal and business credit history
- Bankruptcy and bad credit
- Criminal history (SBA Form 912)
  - May delay processing of loan
- If married or separated
  - By regulation spouse must sign financials (in community property states)
Contribution: Your Investment

- You must use some of your own money/cash
- Indicator of stability, ownership commitment
- How much?
  - New business average 20-35%
- From where?
  - Borrowing from friends and family
  - Borrowing against personal assets
  - Other capital: seller financing or investors
Collateral: Security for the Loan

Collateral are the assets you may lose if your business fails

- SBA loans secured to the extent possible
- Lenders discount collateral value
- Lack of collateral does not preclude SBA financing
  - SBA guaranteed loans are generally more flexible, in situations where collateral is limited
Other Financing Sources

- SBA Microloan Program
  - Business Impact Northwest (formerly CCD)
  - Ventures (Formerly Washington CASH)
  - Mercycorps NW

- Other Government Funded Programs
  - USDA
  - SBA Community Advantage

- Newer funding platforms
Other Resources

- **SCORE** [www.score.org](http://www.score.org)
- **SBDC Network** [www.wsbdc.org](http://www.wsbdc.org)
- **Women’s Business Centers**
  - Seattle: (206) 324-4330
  - Lacey: Traci Hansen [Thansen@thurstonedc.com](mailto:Thansen@thurstonedc.com) (360) 754-6320
  - Spokane: Cara Weipert [Weipert@snapwa.org](mailto:Weipert@snapwa.org) (509) 456-7106 x123
Final Thoughts

- Be Prepared
  - Business plan/loan proposal
  - Be ready to discuss (with confidence)
  - Anticipate lender’s questions
  - Bring supporting documents
    - Personal/Business Tax Returns
    - Personal/Business Financial Statements
    - Resume
    - Cost Documents
    - Executive Summary
    - Business Plan
Questions?

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