

504 Loans

The 504 Program provides small businesses long-term, fixed-rate financing for fixed assets: land, building, and equipment. The 504 finance package consists of two loans: one from a bank and the other from an SBA licensed Certified Development Company. Maximum loan size is \$5 million (\$5.5 million for manufacturing).

Example Loan Structure for \$2 Million Project

| | | |
|----------------------|-------------|--------|
| Bank Loan (1st Lien) | \$1,000,000 | (50%) |
| SBA/CDC (2nd Lien) | \$ 800,000 | (40%) |
| Borrower | \$ 200,000 | (10%) |
| Total Project | \$2,000,000 | (100%) |

For more information visit www.sba.gov and click on the Loans tab or call one of the nine CDC's in North Carolina.

Avista Business Development Corporation
Asheville (828) 645-0439

Business Expansion Funding Corporation
- Charlotte (704) 414-3000
- Raleigh (919) 366-6441

Carolina Business Capital
(formerly Centralina Development Corporation)
Charlotte (704) 373-1233

Neuse River Development
New Bern (252) 638-6724

Piedmont Triad Regional Development Corp.
Kernersville (336) 904-0300

Self-Help Ventures Fund (919) 956-4400
- Charlotte (800) 394-7428
- Wilmington (910) 254-9988

The 3 C's of the SBA

SBA focuses on giving small businesses the tools needed to grow and create jobs. We like to talk about our 3 C's — capital, contracting, and counseling.

The first C is capital. If you're looking for a way to finance your growth, an SBA loan might be what you need. The SBA doesn't actually make the loans. Instead, we guarantee a percentage of each loan made by lenders who partner with us. Our guarantee reduces the risk, which means these SBA lending partners are more likely to help small businesses that can't get access to conventional loans.

The second C is contracts. The federal government spends \$500 billion a year in contracts. We work with all federal agencies to put at least 23 percent of that money in the hands of small businesses. We also work with small business directly, through training and business development programs, to help them compete for and win contracts.

The third C is counseling. North Carolina has 16 Small Business & Technology Development Centers, 2 Women's Business Centers, a Veteran Business Outreach Center, and SCORE chapters located around NC. These business experts offer counseling and training (nearly always free) to entrepreneurs.

You can find contact information for lenders and resource partners, and sign up for NC newsletters at "Email Updates" on www.sba.gov/nc.

Business Loan Checklist

Before you start applying for a loan, you should get some basic documentation together. The following are a few typical items that will be required for any small business loan application:

- Your cash to invest
- Business Plan with Cash Flow Projections
- Personal Financial Statement
- Personal and Business Credit Report
- Personal and Income Tax Returns
- Financial Statements-P&L, Balance Sheet, Income Statements
- Bank Statements
- List of Collateral



U.S. Small Business Administration

Loan Programs

North Carolina District
6302 Fairview Road
Charlotte, NC 28210
www.sba.gov/nc

(704) 344-6563

Asheville (828) 747-7727

Raleigh (919) 923-6688

Wilmington (910) 398-0746

How to Get a Loan

Obtaining financing for your business venture is often challenging for an entrepreneur. In addition, SBA offers no grants to start or expand a business. From being in the startup phase to growing your business, you may face difficulties with the requirements of traditional bank loans. The 7(a) Program may be able to help.

Am I eligible?

To be considered eligible for the SBA 7(a) Loan Program, your business must meet SBA's size standards and be considered small within your particular industry, operate for profit and you must have reasonable equity to invest.

How can I use 7(a) funds?

The 7(a) Program lets you secure loan amounts up to \$5 million to fund startup costs, buy equipment and more.

What are the benefits?

The 7(a) Program offers flexibility, longer terms and potentially lower down payments compared to other financing options. There are specialized programs for individuals interested in exporting; those located in underserved communities; members of the military community; and small businesses owners looking to meet their short-term and cyclical working capital needs.

What are the repayment terms?

Most 7(a) term loans are repaid with monthly payments of principal and interest.

What else should I know?

Keep in mind that SBA doesn't fund these loans directly to small business owners, but banks receive a guarantee that the SBA will repay a portion of the loan after all collateral has been liquidated if you default on payments.

7(a) Loans

SBA works with large and small banks, credit unions and non-bank lenders to provide government-guaranteed small business loans to start-ups and existing businesses. A list of lenders can be found at www.sba.gov/nc.

The 7(a) Loan Guaranty Program serves as SBA's primary business loan program to help qualified small businesses obtain financing when it is not available elsewhere.

Loan proceeds can be used for most business purposes including working capital, equipment, inventory, land and building. Loan maturities are up to 10 years for working capital and up to 25 years for real estate.

SBA's 7(a) Loan Guaranty Program has a maximum loan amount of \$5 million, with maximum exposure of \$3.75 million. Thus, if a business receives an SBA guaranteed loan for \$2 million, the maximum SBA guaranty to the lender will be \$1.5 million or 75%. SBA charges a guaranty fee on the guaranteed portion of the loan.

Interest rates on business loans are usually variable. Rates are negotiated between the lender and the borrower but are subject to SBA maximums. Depending on the size, loan program and term of the loan, the SBA maximum interest rate can range from prime+ 2¼ % to prime+ 6½ %. In North Carolina, the interest rates have typically been less than the maximum allowed.

To be eligible for a 7(a) loan, a business must:

- Operate for profit
- Not exceed SBA size standards
- Not be involved in lending, real estate development, investment or speculation.
- Not be involved in pyramid schemes, gambling, and illegal operations.

Visit www.sba.gov and click on the Loans tab for more details involving size, eligibility, use of proceeds, guaranty percentage, fees, and other questions.

Types of Loans

SBAExpress Loans: Lenders obtain a 50% guaranty on loans up to \$350k. Lenders use their own paperwork.

Community Advantage: This pilot program is aimed at helping lenders which support entrepreneurs in underserved communities gain access to capital by opening up 7(a) lending to mission-focused, community-based financial institutions which were previously not able to offer SBA loans. Maximum loan size is \$250,000. Visit www.sba.gov/advantage for more information.

- The Support Center (919) 803-1437
www.thesupportcenter-nc.org
- Mountain BizWorks (828) 253-2834
www.mountainbizworks.org

Microloans: This program provides loans up to \$50,000 through a network of intermediaries. The SBA makes funds available to nonprofit intermediaries that, in turn, make small loans directly to start-up and existing businesses. In NC, those lenders include:

- Mountain BizCapital (828) 253-2834
www.mountainbizworks.org

Intermediary Lending Pilot: similar to the Micro-loan program, this program can lend up to \$200,000.

- NC CEED, Fayetteville (910) 323-3377
www.nceed.org
- The Support Center (919) 803-1437
www.thesupportcenter-nc.org

International Trade Loans/Export Express:

Lenders receive a guaranty up to 90% for loans used to finance exporting operations of a small business.

CAPLines: Financing through a participating lender for seasonal or short term working capital needs.

SBA Veterans Advantage: Through 9/30/2015, lenders will waive the SBA loan guaranty fee for loans under \$350,000.