Raising Capital: How To Get Money For a Small Business

In addition to drive, ambition and a great deal of planning, starting and expanding a small business generally requires capital. Capital may come from family, friends, lenders or others. This Financial Guide provides an overview of how to get the capital you need to start or grow your business.

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One key to successful business start-up and expansion is your ability to obtain and secure appropriate financing. Raising capital is one of the most basic of all business activities. But as many new entrepreneurs quickly discover, raising capital may not be easy; in fact, it can be a complex and frustrating process.

However, if you are informed and have planned effectively, raising money for your business will not be a painful experience. Professional guidance should be considered in this quest, especially as to the financial information for the loan proposal.

This Financial Guide focuses on ways a small business can raise money and explains how to prepare a loan proposal.

Finding Sources of Money

There are several sources to consider when looking for financing. It is important to explore all of your options before making a decision. These include:

- *Personal Savings.* The primary source of capital for most new businesses comes from savings and other forms of personal resources. While credit cards are often used to finance business needs, there may be better options available, even for very small loans.
- *Friends and Relatives.* Many entrepreneurs look to private sources such as friends and family when starting out in a business venture. Often, money is loaned interest free or at a low interest rate, which can be beneficial when getting started.
- *Banks and Credit Unions.* The most common source of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.
- *Venture Capital Firms.* These firms help expanding companies grow in exchange for equity or partial ownership.

Borrowing Money

It is often said that small business people have a difficult time borrowing money, but this is not necessarily true. Banks make money by lending money; however, the inexperience of many small business owners in financial matters often prompts banks to deny loan requests.

Requesting a loan when you are not properly prepared sends a signal to your lender. That message is: "High Risk!" To be successful in obtaining a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it, and how you will pay it back. You must be able to convince your lender that you are a good credit risk.

Terms of loans may vary from lender to lender, but there are two basic types of loans: short-term and long-term.

A short-term loan generally have has a maturity of up one year. These include working-capital loans, accounts-receivable loans and lines of credit.

Long-term loans have maturates greater than one year but usually less than seven years. Real estate and equipment loans may have maturates of up to 25 years. Long-term loans are used for major business expenses such as purchasing real estate and facilities, construction, durable equipment, furniture and fixtures, vehicles, etc.

How to Write a Loan Proposal

Approval of your loan request depends on how well you present yourself, your business and your financial needs to a lender. Remember, lenders want to make loans, but they must make loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written proposal.

A good loan proposal will contain the following key elements:

General Information

- Business name, names of principals, social security number for each principal, and the business address.
- Purpose of the loan: exactly what the loan will be used for and why it is needed.
- Amount required: the exact amount you need to achieve your purpose.

Business Description

- History and nature of the business: details of what kind of business it is, its age, number of employees and current business assets.
- Ownership structure: details on your company's legal structure.

Management Profile

Develop a short statement on each principal in your business; provide background, education, experience, skills and accomplishments.

Market Information

Clearly define your company's products as well as your markets. Identify your competition and explain how your business competes in the marketplace. Profile your customers and explain how your business can satisfy their needs.

Financial Information

- Financial statements: balance sheets and income statements for the past three years. If you are just starting out, provide projected balance sheets and income statements.
- Personal financial statements on yourself and other principal owners of the business.
- Collateral you would be willing to pledge as security for the loan.

How Your Loan Request Will Be Reviewed

When reviewing a loan request, the bank official is primarily concerned about repayment. To help determine this ability, many loan officers will order a copy of your business credit report from a credit-reporting agency. Therefore, you should work with these agencies to help them present an accurate picture of your business. Using the credit report and the information you have provided, the lending officer will consider the following issues:

- Have you invested savings or personal equity in your business totaling at least 25% to 50% of the loan you are requesting? (Remember, a lender or investor will not finance 100% of your business.)
- Do you have a sound record of credit-worthiness as indicated by your credit report, work history and letters of recommendation? This is very important.
- Do you have sufficient experience and training to operate a successful business?
- Have you prepared a loan proposal and business plan that demonstrate your understanding of and commitment to the success of the business?
- Does the business have sufficient cash flow to make the monthly payments on the amount of the loan request?

SBA Programs

The SBA offers a variety of financing options for small businesses. The SBA's assistance usually is in the form of loan guaranties, - i.e., it guarantees loans made by banks and other private lenders to small business clients. Generally, the SBA can guarantee up to $750,000 or 75% of the total loan value, whichever is less. The average size of an SBA-guaranteed loan is $175,000, and the average maturity is about eight years.

Whether you are looking for a long-term loan for machinery and equipment, a general working capital loan, a revolving line of credit, or a "microloan," the SBA has a financing program to fit your needs.

Note: The SBA has a portfolio guaranteeing over $27 billion in loans to 185,000 small businesses that otherwise would not have had such access to capital. It guaranteed over 60,000 loans totaling $9.9 billion to America's small businesses in fiscal year 1995. It also gives management and technical assistance to nearly 1 million small businesses through its 950 Small Business Development Centers and 13,000 Service Corps of Retired Executives volunteers.

The 7(a) Loan Guaranty Program, financing that can satisfy the requirements of almost any new or growing small business. The SBA offers a number of specialized loan and lender delivery programs.

- The 7(m) MicroLoan Program(very small loans to small businesses.)
- CAPLines - short-term lending for short-term needs.
- Export Working Capital and International Trade loans short- and long-term financing for exporters.
- DELTA - loans to fund defense conversion.
- Pre-qualified Loans for Minorities and Women loan packaging support and the SBA's commitment before going to a lender.
- LowDoc a one-page application with fast turnaround.
- SBA Express (FA$TRAK) - Increased lender authority to provide an SBA guaranty on small loans no extra paperwork, no waiting for SBA approval.
- The Certified and Preferred Lenders Program faster service through licensed lenders.

The 7(a) Loan Guaranty Program

The **7(a) Loan Guaranty Program** is the SBA's primary loan program. The SBA reduces risk to lenders by guaranteeing major portions of loans made to small businesses. This enables the lenders to provide financing to small businesses when funding is otherwise unavailable on reasonable terms.

The eligibility requirements and credit criteria of the program are very broad in order to accommodate a wide range of financing needs.

When a small business applies to a lending institution for a loan, the lender reviews the application and decides if it merits a loan on its own or if it requires additional support in the form of an SBA guaranty. SBA backing on the loan is then requested by the lender. In guaranteeing the loan, the SBA assures the lender that, in the event the borrower does not repay the loan, the government will reimburse the lender for its loss. By providing this guaranty, the SBA helps tens of thousands of small businesses every year get financing they would not otherwise obtain.

To qualify for an SBA guaranty, a small business must meet the 7(a) criteria and the lender must certify that it could not provide funding on reasonable terms except with an SBA guaranty. The SBA can then guarantee as much as 80% on loans of up to $100,000 and 75% on loans of more than $100,000. In most cases, the maximum guaranty is $750,000 (75% of $1 million). Exceptions are the International Trade, DELTA and 504 loan programs, which have higher loan limits.

How The Procedure Works. You submit a loan application to a lender for initial review. If the lender approves the loan subject to an SBA guaranty, a copy of the application and a credit analysis are forwarded by the lender to the nearest SBA office. After SBA approval, the lending institution closes the loan and disburses the funds; you make monthly loan payments directly to the lender. As with any loan, you are responsible for repaying the full amount of the loan. There are no balloon payments, prepayment penalties, application fees or points permitted with 7(a) loans. Repayment plans may be tailored to each individual business.

Permissible Use of Proceeds. You can use a 7(a) loan to: expand or renovate facilities; purchase machinery, equipment, fixtures and leasehold improvements; finance receivables and augment working capital; refinance existing debt (with compelling reason); finance seasonal lines of credit; construct commercial buildings; and/or purchase land or buildings.

Terms. The length of time for repayment depends on the use of the proceeds and the ability of your business to repay:

- Usually up to 7 years for working capital
- Up to 25 years for fixed assets such as the purchase or major renovation of real estate or purchase of equipment (not to exceed the useful life of the equipment).

Interest Rates. Both fixed and variable interest rates are available. Rates are pegged at no more than 2.25% over the lowest prime rate (the lowest prime rate as published in The Wall Street Journal on the day the application is received by the SBA) for loans with maturates of less than seven years and up to 2.75% for seven years or longer. For loans under $50,000, rates may be slightly higher.

Fees. The SBA charges the lender a nominal fee to provide a guaranty, and the lender may pass this charge on to you. The fee is based on the maturity of the loan and the dollar amount that the SBA guarantees. On any loan with a maturity of one year or less, the fee is just 0.25% of the guaranteed portion of the loan. On loans with maturates of more than one year where the portion that the SBA guarantees is $80,000 or less, the guaranty fee is 2% of the guaranteed portion. On loans with maturates of more than one year where the SBA's portion exceeds $80,000, the guaranty fee is figured on an incremental scale, beginning at 3%.

Collateral. You must pledge sufficient assets, to the extent that they are reasonably available, to adequately secure the loan. Personal guaranties are required from all the principal owners of the business. Liens on personal assets of the principals also may be required. However, in most cases a loan will not be declined where insufficient collateral is the only unfavorable factor.

Eligibility. Your business generally must be operated for profit and fall within the size standards set by the SBA. The SBA determines if the business qualifies as a small business based on the average number of employees during the preceding 12 months or on sales averaged over the previous three years. Loans cannot be made to businesses engaged in speculation or investment.

Maximum Size Standards. The precise ceiling depends upon your company's Standard Industrial Classification (SIC) code.

- Manufacturing - from 500 to 1,500 employees;
- Wholesaling - 100 employees;
- Services - from $2.5 million to $21.5 million in annual receipts;
- Retailing - from $5 million to $21 million;
- General construction - from $13.5 million to $17 million;
- Special trade construction - average annual receipts not to exceed $7 million;
- Agriculture - from $0.5 million to $9 million;

Here are the ceilings at which businesses are ineligible to participate:

What You Need to Take to the Lender. Documentation requirements may vary; contact your lender for the information you must supply. Common requirements include the following:

- Purpose of the loan
- History of the business
- Financial statements for three years (existing businesses)
- Schedule of term debts (existing businesses)
- Aging of accounts receivable and payable (existing businesses)
- Projected opening day balance sheet (new businesses)
- Lease details
- Amount of investment in the business by the owner(s)
- Projections of income, expenses and cash flow
- Signed personal financial statements
- Personal resume(s)

What the SBA Looks For. Here are the qualifications the SBA is on the lookout for:

- Good character
- Management expertise and commitment necessary for success
- Sufficient funds, including the SBA-guaranteed loan, to operate the business on a sound financial basis (for new businesses, this includes the resources to withstand start-up expenses and the initial operating phase)
- Feasible business plan
- Adequate equity or investment in the business
- Sufficient collateral
- Ability to repay the loan on time from the projected operating cash flow

In addition to the standard loan guaranty, the SBA has targeted programs under 7(a) that are designed to meet specialized needs. Unless otherwise indicated, they are governed by the same rules, regulations, interest rates, fees, etc. as the regular 7(a) loan guaranty.

The CAPLines Program

The CAPLines Loan Program is the program under which the SBA helps small businesses meet their short-term and cyclical working-capital needs. A CAPLines loan can be for any dollar amount (except for the Small Asset-Based Line), and the SBA will guarantee 75% up to $750,000 (80% on loans of $100,000 or less).

There are five short-term working-capital loan programs for small businesses under CAPLines:

1. *Seasonal Line.* This line advances funds against anticipated inventory and accounts receivables for peak seasons and seasonal sales fluctuations. It can be revolving or non-revolving.

2. *Contract Line.* This line finances the direct labor and material costs associated with performing assignable contract(s). It can be revolving or non-revolving.
3. *Builders Line.* If you are a small general contractor or builder constructing or renovating commercial or residential buildings, this line can finance your direct labor and material costs. The building project serves as the collateral, and loans can be revolving or non-revolving.
4. *Standard Asset-Based Line.* This is an asset-based revolving line of credit that provides financing for cyclical, growth, recurring, and/or short-term needs. Repayment comes from converting short-term assets into cash, which is remitted to the lender. Businesses continually draw, based on existing assets, and repay as their cash cycle dictates. This line generally is used by businesses that provide credit to other businesses. Because these loans require continual servicing and monitoring of collateral, additional fees may be charged by the lender.
5. *Small Asset-Based Line.* This is an asset-based revolving line of credit of up to $200,000. It operates like a standard asset-based line except that some of the stricter servicing requirements are waived, providing the business can consistently show repayment ability from cash flow for the full amount.

Use of Proceeds. CAPLines may be used to:

- Finance seasonal working-capital needs
- Finance direct costs needed to perform construction, service and supply contracts
- Finance direct costs associated with commercial and residential building construction without a firm commitment for purchase
- Finance operating capital by obtaining advances against existing inventory and accounts receivable
- Consolidate short-term debt.

Terms. Each of the five lines of credit has a maturity of up to five years, but, because each is tailored to your individual needs, a shorter initial maturity may be established. You may use CAPLines funds as needed throughout the term of the loan to purchase assets, as long as sufficient time is allowed to convert the assets into cash by maturity.

Interest Rates

Interest rates are negotiated with your lender, up to 2.25% over the prime rate. The guaranty fee is the same as for any standard 7(a) loan. The SBA places no servicing-fee restrictions on the lender for the Standard Asset-Based Line but requires full disclosure to ensure that fees are reasonable. On all other CAPLines, the servicing fee is restricted to 2% based on the average outstanding balance.

Collateral. The primary collateral will be the short-term assets financed by the loan.

The International Trade Program

The International Trade Program helps small businesses that are engaged in international trade, preparing to engage in international trade, or adversely affected by competition from imports.

The SBA can guarantee as much as $1.25 million in combined working-capital and fixed-asset loans. The working-capital portion of the loan may be made according to the provisions of the Export Working Capital Program (see below) or other SBA working-capital programs.

Use of Proceeds. Proceeds may be used for:

- Working capital; and/or
- Purchasing land and buildings, building new facilities; renovating, improving or expanding existing facilities; purchasing or reconditioning machinery, equipment and fixtures; and making other improvements that will be used within the United States to produce goods or services for export.

Proceeds may not be used to repay existing debt.

Terms, Interest Rates and Fees. Loans for facilities or equipment can have maturates of up to 25 years. The working capital portion of a loan under Export Working Capital Program provisions has a maximum maturity of three years. Rates and fees are the same as for the general 7(a) loan.

Collateral. The lender must take a first-lien position (or first mortgage) on items financed under an international trade loan. Only collateral located in the United States, its territories and possessions is acceptable as collateral under this program. Additional collateral may be required, including personal guaranties, subordinate liens or items that are not financed by the loan proceeds.

The Export Working Capital Program

The Export Working Capital Program was developed in response to the needs of exporters seeking short-term working capital. The SBA guarantees 90% of the principal and interest, up to $750,000.The EWCP uses a one-page application form and streamlined documentation, and turnaround is usually within 10 days. You may also apply for a letter of pre-qualification from the SBA.

You may have other current SBA guaranties, as long as the SBA's exposure does not exceed $750,000 for all of your loans. When an EWCP loan is combined with an international trade loan, the SBA's exposure can go up to $1.25 million.

Terms. Typically, EWCP loan maturates either match a single transaction cycle or support a line of credit, generally with a term of 12 months. Unlike other 7(a) programs, interest rates and fees are negotiated between you and your lender. The SBA charges the lender a nominal guaranty fee, which may be passed on to you.

DELTA (Defense Loan and Technical Assistance) Program

If you own a defense-dependent small firm adversely affected by defense cuts, DELTA can help you diversify into the commercial market. **The DELTA (Defense Loan and Technical Assistance) Program** provides both financial and technical assistance. A joint effort of the SBA and the Department of Defense, it offers about $1 billion in gross lending authority.

The SBA processes, guarantees and services DELTA loans through the regulations, forms and operating criteria of the 7(a) Program and the 504 Certified Development Company Program. **Maximum Loan Amount.** The maximum gross loan amount under 7(a) is $1.25 million for a DELTA loan. The maximum guaranty under 504 is $1 million. If both types of loans are used or if there is an existing SBA loan, the combined total may not exceed $1.25 million.

Collateral. DELTA loans may not be typical 7(a) or 504 loans and may require special handling because of complicated credit analyses. While you may have significant collateral, you may not be able to show the ability to repay based on past operations because of your firm's state of transition. New revisions to the law allow the SBA to resolve reasonable doubts in your favor.

Eligibility. If seeking a DELTA loan, you will be required to certify that your company meets DELTA eligibility standards as well as 7(a) criteria. To be eligible, your business must

- Meet SBA size standards
- Have derived at least 25% of total company revenues during the preceding fiscal year from Department of Defense contracts, defense-related contracts with the Department of Energy, or subcontracts in support of defense-related prime contracts.

In addition, your business must be adversely impacted by reductions in defense spending and use the loan to retain jobs of defense workers; or be located in an adversely impacted community and create new economic activity and jobs; or modernize or expand your plant so it can diversify operations while remaining in the national technical and industrial base.

Minority and Women's Pre-qualification Programs

If you are a woman or minority who owns or wants to start a business, **The Minority and Women's Pre-qualification Programs** can help. Intermediaries assist you in developing a viable loan application package and securing a loan. On approval the SBA provides a letter of pre-qualification you can take to a lender. The women's program uses only nonprofit organizations as intermediaries; the minority program uses for-profit intermediaries as well.

Once your loan package is assembled, the intermediary submits it to the SBA for expedited consideration; a decision usually is made within three days.

If your application is approved, the SBA issues a letter of pre-qualification stating the agency's intent to guarantee the loan. The intermediary will then help you locate a lender offering the most competitive rates.

Maximum Loan Amount

The maximum amount for loans under the women's program is $250,000; under the minority program, it is generally the same, although some district offices set other limits. With both programs, the SBA will guarantee up to 75% (80% on loans of $100,000 or less).

Intermediaries may charge a reasonable fee for loan packaging. These programs are available through a number of SBA district offices nationwide. To find out if these programs are available in your area, contact your nearest SBA district office.

Here are the eligibility rules for these programs.

- Businesses at least 51% owned, operated and managed by people of ethnic or racial minorities, or by women
- Businesses with average annual sales for the preceding three years that do not exceed $5 million
- Businesses that employ fewer than 100, including affiliates
- Businesses that are not engaged in speculation or investment.

Low Documentation Loan Program

The LowDoc Loan Program, which helps streamline delivery of the SBA's quarterly, is one of the SBA's most popular programs. Once you have met your lender's requirements for credit, LowDoc offers a simple, one-page SBA application form and rapid turnaround on approvals for loans of up to $100,000 (for loans over $50,000, you must also provide a copy of U.S. Income Tax Schedule C or the front page of the corporate or partnership returns for the past three years). The SBA will guarantee up to 80% of the loan amount. Completed applications are processed quickly by the SBA, usually within two or three days. Proceeds may not be used to repay certain types of existing debt.

The following businesses are eligible:

- Businesses with average annual sales for the past three years not exceeding $5 million and with 100 or fewer employees, including affiliates, or
- Business start-ups

SBA EXPRESS (FA$TRAK) Loan Program

The **SBA Express (FA$TRAK) Loan Program** makes capital available to businesses seeking loans of up to $100,000 without requiring the lender to use the SBA process. Lenders use their existing documentation and procedures to make and service loans. The SBA guarantees up to 50% of a FA$TRAK loan. Your local SBA office can provide you with a list of FA$TRAK lenders.

Like most 7(a) loans, maturates are usually five to seven years for working capital and up to 25 years for real estate or equipment. For revolving credits, you may take up to five years after the first disbursement to repay the loan.

Certified and Preferred Lenders Program

The most active and expert lenders qualify for SBA's Certified and Preferred Lenders Program. Participants are delegated partial or full authority to approve loans, which results in faster service.

Certified lenders are those that have been heavily involved in regular SBA loan-guaranty processing and have met certain other criteria. They receive a partial delegation of authority and are given a three-day turnaround on their applications (they may also use regular processing). Certified lenders account for 10% of all SBA business loan guaranties.

Preferred lenders are chosen from among the SBA's best lenders and enjoy full delegation of lending authority. This authority must be renewed at least every two years, and the lender's portfolio is examined by the SBA periodically. Preferred loans account for 18% of SBA loans. A list of participants in the Certified and Preferred Lenders Program may be obtained from your local SBA office.

7(m) MicroLoan Program

The 7(m) MicroLoan Program provides small loans ranging from under $100 to $25,000. Under this program, the SBA makes funds available to nonprofit intermediaries; these, in turn, make the loans. The average loan size is $10,000. Completed applications usually are processed by the intermediary in less than one week. This is a pilot program available at a limited number of locations.

Use of Proceeds. Microloans may be used to finance machinery, equipment, fixtures and leasehold improvements. They may also be used to finance receivables and for working capital. They may not be used to pay existing debts.

Terms Interest Rates and Fees. Depending on the earnings of your business, you may take up to six years to repay a microloan. Rates are pegged at no more than 4% over the prime rate. There is no guaranty fee.

Collateral. Each nonprofit lending organization will have its own requirements, but must take as collateral any assets purchased with the microloan. In most cases, the personal guaranties of the business owners are also required.

Eligibility. Virtually all types of for-profit businesses that meet SBA eligibility requirements qualify.

The Certified Development Company (504) Loan Program

The Certified Development Company (504) Loan Program enables growing businesses to secure long-term, fixed-rate financing for major fixed assets, such as land and buildings. A certified development company is a nonprofit corporation set up to contribute to the economic development of its community or region. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. There are about 290 CDCs nationwide.

The program is designed to enable small businesses to create and retain jobs; the CDC's portfolio must create or retain one job for every $35,000 of debenture proceeds provided by the SBA. Typically, a 504 project includes:

- A loan secured with a senior lien from a private-sector lender covering up to 50% of the project cost,
- A second loan secured with a junior lien from the CDC (a 100% SBA-guaranteed debenture) covering up to 40% of the project cost
- A contribution of at least 10% equity by the borrower.

The maximum SBA debenture generally is $750,000 (up to $1 million in some cases).

Use of Proceeds. Proceeds from 504 loans must be used for fixed-asset projects such as:

- Purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping
- Construction, modernizing, renovating or converting existing facilities
- Purchasing machinery and equipment.

The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or most refinancing.

Terms, Interest Rates and Fees. Interest rates on 504 loans are based on the current market rate for five-year and 10-year U.S. Treasury issues plus an increment above the Treasury rate, based on market conditions. Only maturates of 10 and 20 years are available. Fees total approximately 3% of the debenture and may be financed with the loan.

Collateral. Generally the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required.

Eligibility. To be eligible, the business generally must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, a business qualifies as small if it does not have a tangible net worth in excess of $6 million and does not have an average net income in excess of $2 million after taxes for the preceding two years, or if it meets standard 7(a) criteria. Loans cannot be made to businesses engaged in speculation or investment.

Small Business Investment Company Program

There are a variety of alternatives to bank financing for small businesses, especially business start-ups. The Small Business Investment Company Program fills the gap between the availability of venture capital and the needs of small businesses that are either starting or growing. Licensed and regulated by the SBA, SBICs are privately owned and managed investment firms that make capital available to small businesses through investments or loans. They use their own funds plus funds obtained at favorable rates with SBA guaranties and/or by selling their preferred stock to the SBA.

SBICs are for-profit firms whose incentive is to share in the success of a small business. In addition to equity capital and long-term loans, SBICs provide debt-equity investments and management assistance.

The SBIC Program provides funding to all types of manufacturing and service industries. Some investment companies specialize in certain fields, while others seek out small businesses with new products or services because of the strong growth potential. Most, however, consider a wide variety of investment opportunities.

Surety Bond Program

By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at $100,000 or more. Many state, county, city and private-sector projects require bonding as well. The SBA can guarantee bid, performance and payment bonds for contracts up to $1.25 million for small businesses that cannot obtain bonds through regular commercial channels. Bonds may be obtained in two ways:

- *Prior Approval.* Contractors apply through a surety bonding agent. The guaranty goes to the surety.
- *Preferred Sureties.* Preferred sureties are authorized by the SBA to issue, monitor and service bonds without prior SBA approval.

Quick Reference to SBA Loan Programs

Here is a handy guide to the various SBA loan programs. Click here to review synopses of SBA Loan Programs. If you are interested in obtaining further information for a specific Loan Program listed below, click on the Loan Program and you will be brought to the SBA Web site.

PROGRAM: 7(a) Loan Guaranty Program (the SBA's primary loan program).

- *Maximum Amount Guaranteed:* $750,000 in most cases Percent of Guarantee (Max.): 75% (80% if total loan is $100,000 or less)
- *Use of Proceeds:* Expansion or renovation; construction of new facility; purchase land or buildings; purchase equipment, fixtures, leasehold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit; inventory acquisition
- *Maturity.* Depends on ability to repay; generally working capital is up to 7 years; machinery/equipment, real estate, construction, up to 25 years (not to exceed life of equipment) Maximum Interest Rates: Negotiable with lender: loans under 7 years, max. prime + 2.25%; 7 years or more, max. 2.75% over prime; under $50,000, rates may be slightly higher Guaranty and Other Fees: Paid by lender (usually passed onto borrower).
- Amount of *SBA* exposure (based on maturity): 1 year or less - 0.25%
- Over 1 year and SBA share $80,000 or less - 2%;
- Over 1 year and SBA share more than $80,000 - figured on incremental scale
- Eligibility: Must be operated for profit; meet SBA size standards; show good character, management expertise and commitment, and always show ability to repay; may not be involved in speculation or investment

PROGRAM: CAPLines, Short-Term and RLCs; Seasonal, Contract, Builders, Standard Asset-Based, Small Asset-Based

- *Maximum Amount Guaranteed:* $750,000 (except Small Asset-Based); Small Asset-Based $200,000 (total loan amount)
- *Percent of Guarantee* (maximum): 75%, see 7(a)
- *Use of Proceeds:* Finance seasonal working-capital needs; costs to perform; construction costs; advances against existing inventory and receivables; consolidation of short-term debts possible
- *Maturity:* Up to 5 years
- *Maximum Interest Rates:* 2.25%
- *Guaranty and Other Fees:* See 7(a); Under Standard Asset-Based, no restrictions on servicing fees
- *Eligibility:* Existing businesses, see 7(a)

PROGRAM: International Trade Loan Program, Short- and Long-Term Financing

- *Maximum Amount Guaranteed:* $1.25 million
- *Percent of Guarantee* (maximum): 75%, see 7(a)
- *Use of Proceeds:* Working capital; improvements in U.S. for producing goods or services; may not be used to repay existing debt
- *Maturity:* Up to 25 years
- *Maximum Interest Rates:* See 7(a)
- *Guaranty and Other Fees:* See 7(a)
- *Eligibility:* Small businesses engaged or preparing to engage in international trade or adversely affected by competition from imports; see 7(a) for other qualifications

PROGRAM: Export Working Capital Program

- *Features:* 1-page application, fast turnaround; may apply for pre-qualification letter
- *Maximum Amount Guaranteed:* $750,000 (may be combined with International Trade Loan)

- *Percent of Guarantee* (maximum): 90%, see 7(a)
- *Use of Proceeds:* Short-term working-capital loans to finance export transactions
- *Maturity:* Matches single transaction cycle or generally 1 year for line of credit
- *Maximum Interest Rates:* No cap
- *Guaranty and Other Fees:* See 7(a); no restrictions on servicing fees
- *Eligibility:* Small business exporters who need short-term working capital; see 7(a) for other qualifications

PROGRAM: DELTA, Defense Loan and Technical Assistance Program

- *Features:* Provides financial and technical assistance to help defense-dependent firms diversify into commercial market; joint effort of SBA and DoD
- *Maximum Amount Guaranteed:* 7(a) or combined with 504: $1.25 million (total loan amount). 504: $1 million SBA share (up to 40% of project)
- *Percent of Guarantee* (maximum): Depends on whether done under 7(a) or 504; see both
- *Use of Proceeds*: Defense conversion; see 7(a), 504
- *Maturity:* See 7(a), 504
- *Maximum Interest Rates:* See 7(a), 504
- *Guaranty and Other Fees:* See 7(a), 504
- *Eligibility:* Defense-dependent small firms adversely affected by defense cuts; see 7(a), 504 for qualifications (program authority will expire 9/30/98)

PROGRAM: Minority and Women's Pre-qualification Loan Program

- *Features:* Help to prepare application and secure loan; SBA pre-qualification letter; pilot programs, limited sites
- *Maximum Amount Guaranteed:* Minority Pre-qualification Loan Program $250,000 generally (total loan amount); Women's Pre-qualification Loan Program $250,000 (total loan amount)
- *Percent of Guarantee* (maximum): 75%, see 7(a)
- *Use of Proceeds:* See 7(a)
- *Maturity:* See 7(a)
- *Maximum Interest Rates:* See 7(a)
- *Guaranty and Other Fees:* See 7(a); plus minority program may use for-profit intermediaries; women's program uses nonprofit only; both may charge fees
- *Eligibility:* Must be at least 51% owned and operated by racial/ethnic minority or women; $5 million or less annual sales for past 3 years; employ 100 or fewer, focus on credit history, ability to repay, probability of success

PROGRAM: LowDoc Loan Program

- *Features:* One-page SBA application to obtain guaranty, quick turnaround after applicant meets lender requirements
- *Maximum Amount Guaranteed:* $100,000 (total loan amount)
- *Percent of Guarantee* (maximum): 80%
- *Use of Proceeds:* Same as 7(a) except may not be used to repay certain types of existing debt
- *Maturity:* See 7(a)
- *Maximum Interest Rates:* See 7(a)
- *Guaranty and Other Fees:* See 7(a)
- *Eligibility:* Start-ups and businesses with $5 million or less annual sales for past 3 years; employ 100 or fewer; program relies on applicant's character and credit history

PROGRAM: SBA EXPRESS (FA$TRAK)

- *Features:* Lender approves loan, no additional paperwork for SBA; pilot program, limited sites

- *Maximum Amount Guaranteed:* $100,000 (total loan amount)
- *Percent of Guarantee* (maximum): 50%
- *Use of Proceeds:* Same as 7(a); limitations on real estate and construction; may be used for term loans or revolving credits
- *Maturity:* Term loan same as 7(a); no more than 5 years on revolving line of credit
- *Maximum Interest Rates:* See 7(a)
- *Guaranty and Other Fees:* See 7(a)
- *Eligibility:* See 7(a)

PROGRAM: 7(m) MicroLoan Program

- *Maximum Amount Guaranteed:* $25,000 (total loan amount)
- *Percent of Guarantee* (maximum): NA
- *Use of Proceeds*: Purchase equipment, machinery, fixtures, leasehold improvements; finance increased receivables; working capital; may not be used to repay existing debt
- *Maturity:* Shortest term possible, not to exceed 6 years
- *Maximum Interest Rates:* Negotiable with intermediary
- *Guaranty and Other Fees:* No guaranty fee
- *Eligibility:* Same as 7(a)

The Certified Development Company (504) Loan Program

- *Features:* Long-term, fixed-asset loans through nonprofit development companies; must create or retain 1 job per $35,000 of *debenture proceeds*
- *Maximum Amount Guaranteed:* Limit on SBA portion of project is $750,000 to $1 million
- *Percent of Guarantee* (maximum): 40% of project (100% SBA-backed debenture); private lender unlimited
- *Use of Proceeds:* Purchase of major fixed assets such as land, buildings, improvements, long-term equipment, construction, renovation
- *Maturity:* 10 or 20 years only
- *Maximum Interest Rates:* Based on current market rate for 5- and 10-year Treasury issues, plus an increment above Treasury rate
- *Guaranty and Other Fees:* Fees related to debenture, approx. 3%
- *Eligibility:* For-profit businesses that do not exceed $6 million in tangible net worth and did not have average net income over $2 million for past 2 years

Government and Non-Profit Agencies

- U.S. Small Business Administration
  The SBA has offices located throughout the United States. For the one nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk at (800) 8-ASK-SBA. To send a fax to the SBA, dial (202) 205-7064. For the hearing impaired, the TDD number is (704) 344-6640.