

SBA Loan Programs in a Nutshell

Learn How SBA Loans Help Small Businesses





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“ *Small businesses form the backbone of the U.S. economy. Helping small companies grow, is of vital importance to the nation’s employment and economic development. Of critical importance in the success of every venture, is the availability of capital at the various stages of a company’s life cycle and that’s where SBA loans come into picture* ”

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Understanding SBA Loans

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SBA Loan Program: Concept Breakdown in 5 Quick Points

The general small business, or 7(a) loan program is the most popular business loan program of the SBA. Because of its availability, flexibility in loan structure and the diverse loan proceed usage, 7(a) loans remain a preferred choice of financial assistance amongst small business owners. Below are five pointers that breakdown the concept of the 7(a) loan program in simple terms.

- 1 Loans are funded by banks/SBA approved lenders, not the SBA itself
- 2 Banks/SBA approved lenders enjoy the discretionary power of approving loans
- 3 The SBA guarantees a certain percentage of the loan to the lender which SBA deems to pay in case a debtor defaults
- 4 With the SBA being a guarantor, a lender can be sure of recovering a portion of the loan granted
- 5 To get an SBA loan sanctioned, a small business needs to meet the lender's criteria as well as the 7(a) requirements



Why SBA Loans are Perfect for Small Businesses?

SBA loans are a great option for small business owners to meet their financial needs and also to get the capital needed for kick starting any new business venture. Mentioned below are several examples that explain why SBA loans are perfect for financing small businesses:



- 1 High Probability of Loan Approval:**
Since the government guarantees a part of the SBA loan, one has a higher probability of loan approval as compared to a regular business loan.
- 2 Less Down Payment, More ROI:**
Generally, the down payment for an SBA loan is less than 20% of the total project cost thus, allowing a larger amount of money for infusing in business and also increasing the rate of return on investment.
- 3 Negotiable Interest Rates:**
Interest rates for SBA loans can be negotiated within the set SBA maximums as suggested by the government. Hence, a business franchisee can work out easy repayment plans that are in line with his projected payment capacity.
- 4 Poor Credit History is Not a Constraint:**
Individuals with poor credit history can still secure an SBA loan but with a higher annual repayment rate. Also, SBA loans do not have any early balloon payments and hence, unlike non-SBA business loans from banks, one is not required to renew the loan every few years.

For detailed information, please visit www.sba.gov

SBA Express Loan Program: The Basics

BA Express is a specialized loan program for up to \$350,000 wherein an application is reviewed and responded within 36 hours. The accelerated turnaround time under this category makes it a lucrative option for borrowers looking for quick business funds. The SBA Express Loan Program details are explained below:

Maximum Loan Amount Allowed: \$350,000

Maximum SBA Guarantee Offered: 50%

Interest Rate: Interest rates can be fixed or variable, as per the mutual consent of borrower and lender. Actual rate is fixed with reference to the Prime Rate (as published in The Wall Street Journal), LIBOR or the optional peg rate (published quarterly in the Federal Register). Also, the allowable spread over base rate may not exceed the set SBA maximums.



<i>Loan Amount</i>	<i>Maximum Spread Allowed</i>
Less than \$50,000	Less than \$50,000
More than \$50,000	More than \$50,000

Eligibility Decision: The eligibility decision is set by the SBA; accepted lenders can be granted the authorization to determine the eligibility.

Revolving Lines of Credit: Up to 7 years with maturity extensions allowed at the outset.

SBA Turnaround Time: Within 36 hours.

Process Forms: In addition to the SBA form 1919, 'Borrower Information' Form, lenders use their own forms and procedures only.

For detailed information, please visit www.sba.gov



Collateral: Lenders need not take collateral for loans up to \$25,000, while for loans ranging from \$25,000 to \$350,000, lenders may use their existing collateral policy.

Credit Decision: Decisions are made by the lender.

Purchase: Expedited SBA purchases on small loans can be requested, also possible in cases where liquidation might get delayed.

In general, the standard norms applied to SBA's 7(a) Loan Program are followed for SBA Express Loan Program as well.



An Analysis

SBA Loans vs. Non-SBA Loans: Pros & Cons

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Recent SBA Loan Trends

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SBA Loan vs. Non-SBA Loans: Pros & Cons

Small business owners have a number of loan options available for a variety of purposes such as startup loans, equipment loans, disaster recovery loans, business credit cards, business line of credit, etc. With traditional SBA and non-SBA loans being the major categories to choose from, business owners are often faced with the dilemma of which one to opt for. Read below for a comparison between SBA and non-SBA loans:

<i>Pros of SBA Loans</i>		<i>Pros of Non-SBA Loans</i>	
1	Backed by the SBA, a federal government agency	1	Lenders free to use loan proceeds as needed
2	Offered by trustworthy SBA partner lenders	2	No government restrictions on the loan proceeds
3	With SBA guarantee, lender is at reduced risk	3	Loans can be sought for any and every reason that lender agrees to fund
4	Wider scope for small business owners to secure loans		

<i>Cons of SBA Loans</i>		<i>Cons of Non-SBA Loans</i>	
1	Strict regulations on loan proceeds	1	Low credit stellar can be a hindrance in acquiring a loan
2	Cap on the amount allowed to be lent	2	Heavy red tapism involved
3	Relatively inflexible procedures	3	Loan can be denied on a number of petty factors

For detailed information, please visit www.sba.gov

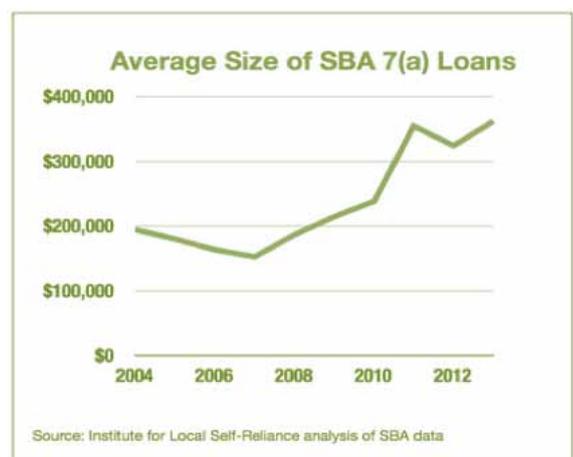
Recent SBA Loan Trends

Loans guaranteed by the SBA (Small Business Administration) are an integral part of the small business credit market. The purpose of SBA-guaranteed loans is to provide leverage to the small business enterprises that often face difficulties in securing loans or financing options.

The Stats:

SBA’s flagship loan programs – 7(a) program and 504 program are quite popular among small business owners. As per the 2013 statistics, under the 7(a) and 504 loan program, SBA approved loans amounting to a total of \$23 billion, which made 3.7 percent of the overall small business lending.

Since 2000, the 26 percent expansion of per capita business lending at banks (adjusted for inflation) has benefited only the large business entities. Conversely, during in the same period, the volumes for small business loans and micro loans dropped by 14 percent and 33 percent respectively. As a result, credit flows to large businesses have registered a pre-recession high while the small business lending perpetually declines to hit levels lower than the pre-recession times.



SBA’s Shifted Focus:

These recent trends have been alarming as the SBA has shifted its focus to large businesses while dramatically reducing its support for small business entities. Going by the statistics, 7(a) loans below \$150,000 have declined drastically over the years. In the mid 2000s, the SBA guaranteed about 80,000 such loans annually; amounting to one quarter of the total loans made under the program. By 2013, the figures stooped down to 24,000 loans making only 8 percent of the total loan volume. On the flip side, the average loan size under the program doubled from \$180,000 in 2005 to \$362,000 in 2013.

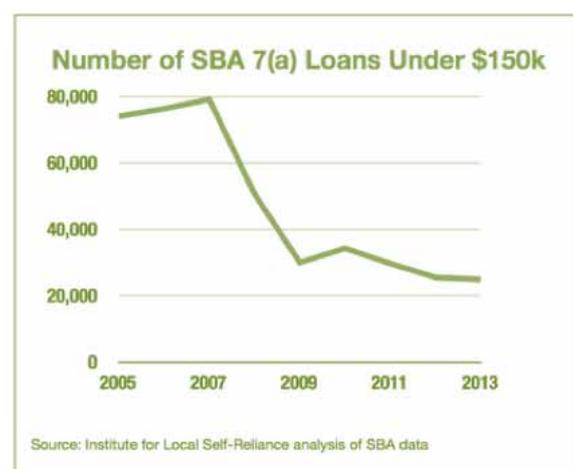


Image Courtesy: Institute for Local Self Reliance

For detailed information, please visit www.sba.gov



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Biz2Credit Facilitates SBA Lending



Biz2Credit has been helping small business owners and entrepreneurs secure financing through SBA loan programs for years. We specialize in helping business owners successfully apply for the right type of funding to accomplish their short-term and long-term goals. To date, we have helped thousands of small businesses secure SBA loans for their business needs. Our SBA loan experts will help you at every step along the way to funding.

It is a Simple process:



Tell us your business



Get matched with SBA lenders



Make your choice

SBA LOAN PROGRAMS IN A NUTSHELL

Powered by Biz2Credit

Biz2credit's credibility speaks for itself!

<i>No. of SBA Loans Facilitated</i>	<i>Types of Businesses Aided</i>	<i>Other Factors</i>
<p>General Small Business Loans – 7(a): 450</p> <p>Microloan Program: 700</p>	<p>Gas Station</p> <p>Liquor Store</p> <p>Franchises</p> <p>Health Care Services</p> <p>IT Companies</p> <p>Industrial Equipments</p> <p>Transportation & Logistics</p> <p>Alternative Energy</p> <p>Consultation Companies (IT/Professional)</p> <p>Light Manufacturing</p>	<p>Number of SBA Lenders in Our Network: 200</p> <p>Average Loan Amount Sanctioned: 7(a): \$450,000</p> <p>Microloan: \$40,000</p> <p>Average Credit Score: 670</p>

Biz2Credit Small Business Lending Statistical Report

The Biz2Credit Small Business Lending Index is an analysis of 1,000 monthly loan applications on Biz2credit.com. The Index reports the loan approval rates of small business financing requests at big banks (\$10 billion+ in assets), local and regional banks and non-bank lenders (credit unions, Community Development Financial Institutions (CDFI), micro lenders, and others).

Results of the Biz2Credit Small Business Lending Index have been reported by The Wall Street Journal, Bloomberg BusinessWeek, Entrepreneur.com, Bloomberg Radio’s “The Hays Advantage”, SBA Radio, NY Daily News, Crain’s NY Business, Michigan Banker, and other media.

Below is the statistical report of small business lending in U.S. for past six months:

<i>Month</i>	<i>Big Bank Approval %</i>	<i>SBA Loans Approval %</i>	<i>Credit Union Approval %</i>	<i>Alternative Lenders Approval %</i>
May 2014	19.6%	51.6%	43.6%	63.3%
April 2014	19.4%	51.1%	43.5%	63.5%
March 2014	18.8%	51.6%	43.6%	63.6%
February 2014	19.1%	51.4%	43.3%	63.9%
January 2014	17.8%	50.9%	43.4%	64.1%
December 2013	17.6%	48.7%	43.9%	67.3%
November 2013	17.4%	49.7%	44.5%	67.2%
October 2013	14.3%	44.3%	43.4%	67.3%
September 2013	17.5%	50.1%	45.4%	63.2%
August 2013	17.6%	50.7%	45.3%	63.1%
July 2013	17.4%	49.4%	45.1%	63.2%
June 2013	16.9%	49.8%	44.8%	63.4%
May 2013	17.3%	49.5%	45.0%	63.3%

For detailed information, please visit www.biz2credit.com

Thank you !

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