



SBA Programs to Help You Start & Grow Your Small Business



U.S. Small Business Administration

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The Mission of SBA

- **Provide reduced risk management through technical resource mentoring for small businesses**
- **Minimize lender risk with loan guarantees (40 - 85%)**
- **Job Creation and Economic Development**
- **US Government Contracting Assistance (8A and HUBZone Certifications)**
- **Winning situations for client, bank, and community and small business advocacy**



2009 Economic Recovery Act

- Nearly \$800 million in emergency funding
- Fees reduced or eliminated (temporary)
- 7a loan program guaranty of up to 90%
- Microloan guaranty may be up to 100% at \$50,000 unsecured
- Final plan to be completed March, 2009



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IMPORTANCE OF SMALL BUSINESS

- 99.7% of U.S. businesses are “small”
- U.S. small businesses contribute:
 - 52% of GDP
 - 51% of private sector jobs
 - 3 of every 4 net NEW jobs
 - 2 of every 3 tech innovations



SBA Resource Providers

- The majority (over 50%) of businesses fail within the first 3 years
- Most are out of business within 5 years
- They fail NOT due to lack of capital – instead due to lack of strategic and operational management skills
- SBA resource providers and cooperating partners are here to help your small business grow and succeed TALK TO THEM!



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BUSINESS PLANNING RESOURCES

RESOURCE HELP IN WRITING THE PLAN

- Small Business & Technology Development Centers (UNCP)
- SCORE - Service Corps of Retired Executives (Wilmington)
- Women's Business Centers (Fayetteville)
- Community College Small Business Centers (Robeson)

ACCESS TO CAPITAL
Or
**“How To Finance Your
Small Business”**

FREE MONEY??

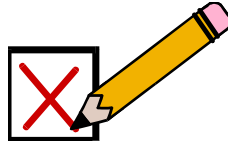




MUST THE LENDER USE SBA?

- Always lender's option
- If lender doesn't mention - ASK!
- Lenders have applications
- Lender sends request to SBA
- Lender closes and services loan
- If turned down twice, may qualify for other business lending assistance

WHO'S ELIGIBLE?



- Small businesses (size standards apply)
- For profit
- Independently owned
- Most types of firms
- U.S. Citizen/Legal Resident



WHAT IS A SMALL BUSINESS?

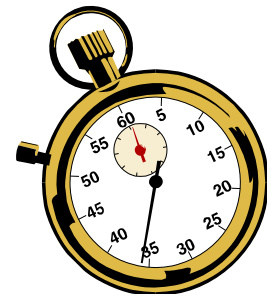
- Manufacturing: 500-1,500 employees*
- Wholesalers: 100-500 employees*
- Retail Trade: \$ 6.5 - \$23 Million Sales**
- Service: \$ 4.5 - \$25 Million**
- Construction: \$14 - \$33.5 Million**
- Special Trade: \$14 Million**
- Agriculture: \$ 7 - \$17 Million*

* Based on average over previous 12 months

** Based on average over previous 3 calendar years

Longer Loan Terms Help With Cash Flow:

- Working capital 10 years
- Machinery & equipment 10 years
- Real estate 25 years



Slightly Higher Interest Rates:

- Maximum interest rate is prime + 6 ½%
- Will vary by loan program

HOW CAN YOU USE THE SBA?

Loans For Any Good Business Purpose

- Working capital
- Machinery & equipment
- Construction
- Inventory
- Refinancing business debt
- Change in Ownership





SBA LOAN PROGRAMS

- 7a
- SBA *Express*
- CAPLines
- Microloan
- Community *Express*
- Patriot *Express*
- Export Financing
- 504 Loan
- Disaster Assistance
- SBIC



COMMUNITY EXPRESS LOANS

Loans available to businesses located in low and moderate income areas.

Approved list of SBA lenders

Also requires counseling and technical assistance from an approved technical assistance provider.



PATRIOT EXPRESS

Businesses must be 51% controlled owned by:

- **Veteran or Service Disabled Veteran**
- **Active duty member eligible for TAP**
- **Current Reserve or National Guard member**
- **Current spouses of any of the above**
- **The widowed spouse of a:**
 - (a) **service member killed in line of duty**
 - (b) **veteran who died from service connected disability**



PATRIOT EXPRESS

SBA GUARANTY

- **85% for loans of \$150,000 or less**
- **75% for loans of \$151,000 to \$500,000**

LOAN AMOUNTS

- **\$25,000 may be unsecured**
- **\$25,001 to \$350,000 must follow SBA reasonable collateral requirements**
- **\$351,001 - \$500,000 lender must take all available collateral**



SBA PATRIOT LOAN EXAMPLE

\$100,000

Based on cash flow projections, this is the amount needed to get business to **breakeven** point.

- \$15,000

15% Cash Injection by business owners (Bank may require more)

\$ 85,000

Bank Loan: All owners personally guaranty loan

SBA Guarantees up to 85% of the \$100,000 bank loan (\$85,000)



MICROLOAN PROGRAM

Small loans up to \$35,000 available through SBA intermediaries:

- **Self-Help Credit Union - Statewide**
- W.A.M.Y. Community Action - Boone
- Mountain Biz Capital - Asheville

504 LOAN PROGRAM

- Long term, fixed asset loan: 10 or 20 years
- Eligibility: Under \$8.5M net worth and under \$3M net profit
- Fixed rate on SBA portion
- Used for land, buildings, equipment
- 10 NC SBA Certified Development Companies
- **Typical Loan Structure:**
 - 50% Private lender (1st lien position)
 - 40% SBA (2nd lien position)
 - 10% Borrower (lender may require more)**



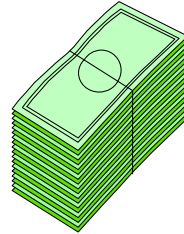
SBA DISASTER PROGRAM

Physical Disaster Business Loans

Direct loans for uninsured losses up to \$1.5 million to repair or replace business property to pre-disaster conditions.

Economic Injury Disaster Loans

(EIDLs) - Direct loans of up to \$1.5 million for small businesses that sustain economic injury as a direct result of a disaster (drought, storm, flood, etc.)



- SBA provides small business loan guaranties
- **Reduces lender risk**
- Loans up to \$ 150,000 – up to 85%
- Loans over \$ 150,000 – up to 75%
- Example: SBA *Express* = 50% guaranty
- Example: Patriot Express = 75% to 85%



- **Lender Won't Assume Total Risk**
- Start-up - you contribute about 20-30%
- On-going business (maximums) are:
- \$1 Equity for each \$3 loaned debt
- The stronger the historical cash flow – the lower the borrower equity requirement



FINANCING YOUR BUSINESS

- Personal savings
- Friends & relatives
- Bank & credit union lenders
- Venture capital firms
- Disaster recovery assistance



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HOW DO I START?

Bring to your commercial lender:



- Business plan
- Business/personal tax returns (3 years)
- Personal financial statement
- Ask your Resource Provider to attend

WHAT'S REQUIRED?

Good Character and Credit

***CASH FLOW**

Capital Equity

Capability (Management)

Collateral



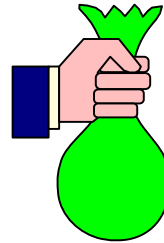
- **No Criminal Activity**
- Not on Probation
- Not on Parole
- Not Incarcerated



Good personal & business credit

- Beacon of 600+ as a general rule
- Track record of meeting obligations
- Mitigating circumstances should be explained
- www.annualcreditreport.com

REPAYMENT ABILITY



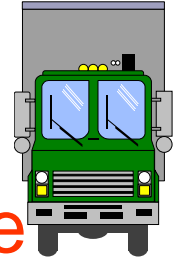
- Reasonable projected earnings for a startup
- Historical performance of an ongoing business
- SBA is a **CASH FLOW** guaranty lender

ABILITY TO MANAGE THE BUSINESS



- Business management background
- Substitute educational credentials
- Franchisor assistance
- Hired manager - experience

COLLATERAL



SBA will not decline a loan solely on the basis of inadequate collateral, but the owners must be willing to pledge all available business and personal collateral to adequately secure the loan



SBA IS A CASH FLOW LENDER!



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