



# Small Business Programs

An example of an online applications for various loans and applications can be seen on <http://www.bcloftexas.org>

## SBA 7 (a) Loan Guaranty

The eligibility requirements 7 (a) Loan Guaranty are designed to be as broad as possible in order that this lending program can accommodate the most diverse variety of small business financing needs. All businesses that are considered for financing under SBA's 7(a) loan program must: meet SBA size standards, be for-profit, not already have the internal resources (business or personal) to provide the financing, and be able to demonstrate repayment.

Maximum Loan Amount is \$2,000,000

## Small Business Administration's 504 Loan Program (SBA 504)

This program is designed to help expanding small businesses get long-term financing at below-market interest rates. Most for-profit, owner-occupied small businesses within the U.S. can qualify if they have a net worth of less than \$7.5 million and a net profit after tax (a two-year average) of no more than \$2.5 million or if they are a manufacturer with fewer than 500 employees. The funds may be used for the following:

- Acquisition of land or an existing building
- New construction
- Fixed assets from business acquisition
- Building expansion
- Long-term equipment
- Professional fees
- Lender's interim points and interest

The program offers fixed rates that are locked in when the SBA funds the debenture. They are based on treasury rates and are fully amortized over the life of the loan (there is no balloon). Real estate fixed rates may have a 10- or 20-year term. Machinery and equipment fixed rates may also have a 10- or 20-year term depending upon if they have useful lives.

### **The maximum gross debenture (SBA portion) is defined as:**

- \$1.5 million for a typical project
- \$2 million if a public-policy goal is met
- \$4 million for manufacturers
- No maximum limit is placed on participating lender's loan portion

The borrower's injection is defined as:

- 10 percent in most cases
- 15 percent for start-up businesses (less than two years in operation) or special-purpose properties
- 20 percent if the project is both a start-up and a special-purpose property
- Equipment-only loans may qualify with 10 percent or 15 percent injections

Required job creation/retention is defined as:

- One job for every \$50,000 of the debenture for most projects
- One job for every \$75,000 of the debenture for Enterprise Zones and Labor Surplus areas
- One job for every \$100,000 of the debenture for manufacturers
- No job requirements if a public-policy goal is fulfilled