



SBA Loan Descriptions



7(A) Loan Guarantee Program

The 7(a) Loan Guaranty Program is the SBA's primary lending program. It serves to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. It is also the agency's most flexible business loan program, since financing under this program can be guaranteed for a variety of general business purposes.

Proceeds: This loan is for most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements, and debt refinancing (under special conditions).

Guarantee Percentage: SBA can guarantee as much as 85 percent on loans of up to \$150,000 and 75 percent on loans of more than \$150,000. 7(a) loans have a maximum loan amount of \$2 million. SBA's maximum exposure is \$1.5 million. SBA Express loans have a maximum guaranty set at 50 percent.

Interest Rates: Rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the prime rate, the LIBOR rate, or an optional peg rate. Interest rates may be fixed or variable. These are the interest rates for fixed rate loans:

- Fixed rate loans of \$50,000 or more must not exceed the base rate plus 2.25 percent if the maturity is less than seven years, and the base rate plus 2.75 percent if the maturity is seven years or more.
- For loans between \$25,000 and \$50,000, maximum rates must not exceed the base rate plus 3.25 percent if the maturity is less than seven years, and the base rate plus 3.75 percent if the maturity is seven years or more.
- For loans of \$25,000 or less, the maximum interest rate must not exceed the base rate plus 4.25 percent if the maturity is less than seven years, and the base rate plus 4.75 percent, if the maturity is seven years or more.

For more specific terms and conditions, visit

http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/FINANCIAL_GLP_7A_TERMS.html

Types of 7(a) Loans:

SBA Express – SBA Express gives small business borrowers an accelerated turnaround time for SBA review; a response to an application will be given within 36 hours.

Community Express - The Community *Express* loan program allows approved SBA lenders to provide a unique combination of financial and technical assistance to borrowers located in the nation's underserved communities. Eligible communities include SBA's Historically Underutilized Business Zones ([HUBZones](#)) and those communities identified as distressed through the Community Reinvestment Act ([CRA](#)). To encourage small businesses start-ups, SBA makes eligible loans of \$25,000 or less, regardless of where small businesses are located.

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LowDoc Program - The overall target market for the SBA LowDoc program is small businesses and entrepreneurs wanting to start small businesses which need to borrow amounts of \$150,000 or less. Authorized lenders whose practice is "relationship lending" - that is, they really know the people they are lending to and whether they are credit worthy. They are empowered to make loans with less documentation than normally required. Obviously, this speeds up the process. SBA particularly wants to target under served markets such as small businesses owned or being started by eligible, credit worthy women and minorities and small businesses located in rural and labor surplus areas.

Rural Lender Advantage - The Small/Rural Lender Advantage (S/RLA) initiative is designed to accommodate the unique loan processing needs of small community/rural-based lenders by simplifying and streamlining loan application process and procedures, particularly for smaller SBA loans. It is part of a broader SBA initiative to promote the economic development of local communities, particularly those facing the challenges of population loss, economic dislocation, and high unemployment.

Micro Loans Program

The MicroLoan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$50,000. The average loan size is about \$13,000. Applications are submitted to the local intermediary and all credit decisions are made on the local level. For more specific terms and conditions, visit

<http://www.sba.gov/financialassistance/borrowers/guaranteed/mlp/index.html>

Disaster Assistance Loan Program

This program provides low-interest loans to homeowners, renters, businesses of all sizes and most private non-profit organizations to repair or replace real estate, personal property, machinery and equipment, inventory and business assets that have been damaged or destroyed in a declared disaster. For more specific terms and conditions, visit

http://www.sba.gov/financialassistance/borrowers/guaranteed/dalp/FINANCIAL_B_GLP_DALP_OVERVIEW.html

SBA 504 loan

This is a long term, fixed asset financing program for small businesses - specifically for land, buildings, and equipment. Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business.

The maximum Debenture amount is \$1,000,000 (\$1,300,000 in some cases) and Lenders generally want to fund no more than 50% of the project cost.

For more specific terms and conditions, visit

<http://www.sba.gov/financialassistance/borrowers/guaranteed/CDC504lp/index.html>

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