



U.S. Small Business
Administration

Today's Presenter



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Overview

- Conventional vs. SBA Lending
 - SBA Loan Programs
 - Benefits of SBA Loans
 - Resources

Conventional vs. SBA Lending

U.S. Small Business Administration Office of Capital Access



Conventional Lending Model: Low-Risk Clients

Lenders Ideal Client:

- Established businesses
- Stable cash flow
- Proven financials



SBA Guaranteed Loan Programs

U.S. Small Business Administration Office of Capital Access



SBA Loan Programs



504 Loan



7(a) Loan



Microloan



Community
Advantage
Loans



International
Trade Loans

SBA Guarantee Loan Process

- Business applies to the lender
- Lender applies to SBA
- Lender closes and services the loan
- SBA pays guaranty in event of default
- Usually there is no interaction between SBA and borrower

Where Does the SBA Loan Fit?

Business Profile

Most Viable

Least Viable

Experienced Management
High Debt Service Cash flow
Sterling Credit
Fully Collateralized
Growth/Mature Industry
High Retained Earnings

Cash flows w/ longer terms
Covers Reasonable
Collateral Shortfall
Quality Start-up

No Management experience
No potential chance of
repayment
Impractical business idea
No financial reserves
No equity investment
Bad Credit

Lender Range

SBA Range

No Range

7(a) Loan Program

- Provides funds for a variety of uses
- Federally-guaranteed loans up to \$5 Million
- Competitive loan terms
- Term loans or revolving lines of credit



Uses of 7(a) Loans

- Term loans for working capital, inventory, payables
- Lines of credit for operating expenses
- Term loans for equipment, tenant improvements, new or existing facilities
- Term loans for debt refinance, change of ownership



7(a) Loan Program: International Trade Loans

- Helps small businesses expand globally
- Guaranties from 75 percent to to 90 percent
- Offers three specific loan programs:
 - International Trade Loan Program
 - Export Working Capital Program
 - Export Express



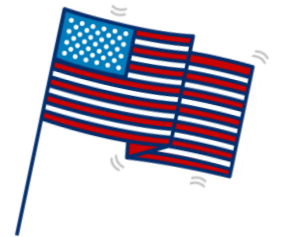
7(a) Loan Program: Community Advantage Pilot

- Originated and serviced by mission-based lenders
- Focus on underserved markets
- Receive loan guaranties up to 90 percent



7(a) Loan Program: Veterans Advantage

- Standard 7(a) loan structure and terms
- At least 51-percent ownership by veterans or military spouses
- Fee relief on small dollar SBA guaranteed loans



FY2022 Upfront Guaranty Fees for 7(a) Loans

a) For loans with a maturity that exceeds 12 months, the upfront guaranty fees are:

- i) For loans of \$350,000 or less: 0.00%.
- ii) For loans of \$350,001 to \$700,000: 2.77% of the guaranteed portion.
- iii) For loans of \$700,001 to \$1,000,000: 3.27% of the guaranteed portion.
- iv) For loans of \$1,000,001 to \$5,000,000: 3.5% of the guaranteed portion up to \$1,000,000, plus 3.75% of the guaranteed portion over \$1,000,000.

b) For loans with a maturity of 12 months or less, the upfront guaranty fees are:

- i) For loans of \$350,000 or less: 0.00%.
- ii) For loans greater than \$350,000: 0.25% of the guaranteed portion.



504 Loan Program

- Provide lower down payments
 - Lower fixed rates
 - Longer amortizations
 - Retains working capital
- Doesn't tie up other business assets

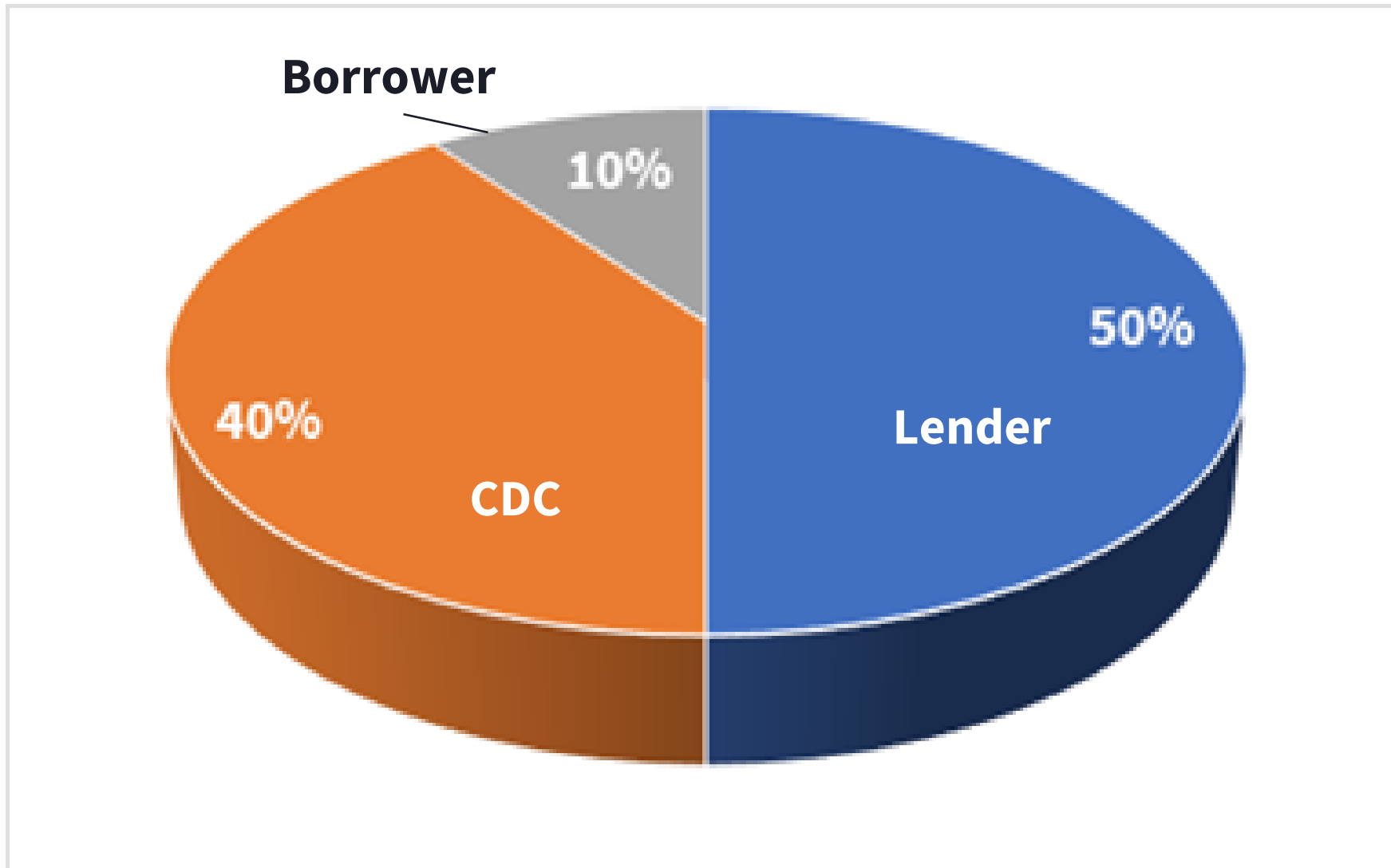


504 Loan Uses

- Buy or construct an owner-occupied building.
 - Existing building: 51%+ occupancy by business
 - New construction: 60%+ occupancy by business, 80% within 3-10 years
 - Any fees associated with purchase (i.e. appraisal, title, architect, engineer, some loan fees, etc.)
- Buy machinery & equipment
 - Includes costs associated with purchase, transportation, dismantling or installation
 - Must have a useful life of at least 10 years



504 Loan Program



Microloan Program



- Mission-based lenders and nonprofits
- Microloans of up to \$50,000
- Interest rates negotiated by lender
- Loan funds can be used for working capital, inventory, supplies, equipment, and furniture.
- Have more flexible credit requirements



Local Microlenders

Mercy Corps Northwest

(503) 896-5070

info@mercycorpsnw.org

Micro Enterprise Services of Oregon

(503) 841-3351

meso@mesopdx.org

Oregon Association of Minority Entrepreneurs

(503) 249-7744

oame.org

Business Impact NW

(503) 214-2837

info@businessimpactnw.org

Benefits of SBA Lending

Benefits for Borrowers

- Reasonable term loans for which they may not otherwise qualify
- Smaller equity requirements mean lower down payments
- Longer repayment terms mean lower monthly payments and increased cash flow



Benefits for the Community

- Promotes economic growth
- Generates tax revenue for the community
- Creates jobs
- Encourages innovation



Portland District Lending Activity



SBA Lending Highlights in Portland District Office

- 870 and \$603,913,400 of 7(a) loans in FY21
- 134 and \$109,276,000 of 504 loans in FY21
- 162 and \$1,731,418 of SBA microloans in FY21

How it works.

Lender Match

1



Describe your needs

Answer a few questions about your business in as little as five minutes.

2



Get matched in 2 days

Receive an email with contact information of lenders who express interest in your loan.

3



Talk to lenders

Compare rates, terms, fees, and more.

4



Apply for a loan

Submit loan applications and paperwork. You're well on your way to securing a business loan!

The SBA Resource Partner Network

Access the right tools at the right time—wherever you are.
Approved and funded by the SBA



www.sba.gov

www.sba.gov/or



www.score.org



<https://oregonsbdc.org/>



<https://nw.mercycorps.org/>



Want to Learn More?

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U.S. Small Business Administration Office of Capital Access