

# U.S. Small Business Administration Programs & Services



New Hampshire

# Advantage of SBA's Guaranty

## Factors that determine this range:

- ✓ Overall economy
- ✓ Lenders' regulatory environment
- ✓ Lenders' liquidity (or lack thereof)
- ✓ Lenders' competitive environment

### Most Viable Business Profile

- ✓ Experienced management
- ✓ High Debt Service Cash flow
- ✓ Sterling credit
- ✓ Generous collateral
- ✓ Sound business idea
- ✓ Financial reserve

### Least Viable Business Profile

- ✓ No management experience
- ✓ No repayment ability
- ✓ Impractical business idea
- ✓ No financial reserves
- ✓ No equity investment

↑ **Lender's Comfort Range** ↑

Lenders are comfortable making loans without SBA's Guaranty

↑ **SBA Range** ↑

↑ **"No Go" Range** ↑

# Why Do Lenders Use the SBA Guaranty

- ❖ New Ownership/Business Acquisition
- ❖ Start-up or certain types of businesses
- ❖ Collateral may be inadequate to meet normal underwriting
- ❖ Longer maturities are needed
- ❖ Mitigate risk exposure
- ❖ Lender's legal or policy limit
- ❖ Business leverage
- ❖ Business Expansion
- ❖ Projections based cash flow

# Financing—What Does SBA Look For

- ❖ Owners and operators with good credit & character
  - Feasible business plan, possess management ability and have experience in field.
  - Sufficient funds, including SBA guaranteed loan, to operate the business on a sound financial basis
  - Adequate equity investment in the business
  - Sufficient collateral, however, SBA is a cash flow lender and not a collateral lender.
  - Demonstrate repayment ability
  - Be operated for profit & not engaged in lending, real-estate development, investments or speculation

# Eligible Use of Loan Proceeds

- ❖ SBA loans may be used to:
  - Purchase machinery, equipment, fixtures, buildings and land for business;
  - Finance receivables and augment working capital;
  - Refinance existing debt - including credit card debt (with compelling reason);
  - Finance seasonal lines of credit; and/or
  - Expand, renovate facilities;
  - Construct commercial buildings.
  - Change of ownership/purchase of a business
  - Most legitimate business purposes

# 7(a) Loan Guarantee Program

- ❖ Maximum 7(a) Loan Amount of \$5 million
  - ❖ 50%-85% SBA Guaranty available depending on program and loan amount
    - 85% guarantee on loans of \$150,000 or less
    - 75% guarantee on loans >\$150,000
    - 50% guarantee on SBA Express loans up to \$350,000
  - ❑ Guarantee Fees based on guaranteed portion of the loan
    - **NO FEES FOR LOANS UNDER \$125K APPROVED DURING FY'18 (Oct 1 2017 thru Sept 30 2018)**
    - 3% loans of \$150K - \$700K
    - 3.5% up to \$1M
    - Plus 3.75% on portion over \$1M

# 7(a) Loan Guarantee Program- cont.

## ❖ SBAExpress Program

- Maximum Loan \$350,000
- 50% SBA Guaranty (LOC or Term)
- Rates higher than traditional 7a loan rates can be charged

## ❖ Small 7a Loan Program

- Credit Scored - Must meet minimum score of 140
- Maximum Loan Amount: \$350,000
- Term loans only
- Abbreviated submission requirements
- Lender loan documents OR SBA documents may be used

# SBA Community Advantage

## Community Advantage Loans

Community Advantage is a pilot loan program introduced by the U.S. Small Business Administration (SBA) to meet the credit, management, and technical assistance needs of small businesses in underserved markets. Community Advantage provides mission-based lenders access to 7(a) loan guaranties as high as 85% for loans up to \$250,000.

- **Strafford Economic Development Corp (SEDC)**
- **Northern Community Investment Corp (NCIC)**



# LOAN PROCESSING

## SBA's New Streamlined Online Lending Platform

### *SBA One*

#### Key Features:

- End to end Loan Origination Solution that currently supports 7a Standard, 7a Small, SBA Express and Community Advantage loans
  - Intuitive screens that offer context-sensitive help
    - Platform use at no cost to lenders

# Fixed Asset Financing

## **SBA 504 Loan Program in a Nut Shell**

Maximum debenture - \$5,000,000

50% of project cost is typically financed by a Bank- 1<sup>st</sup> Mortgage

40% of project cost is financed by CDC – 2<sup>nd</sup> Mortgage

10% of project cost is equity from borrower

### **USE of PROCEEDS:**

Purchase equipment, Acquisition of land & buildings, New Construction, Building Expansion, Refinance

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