Take the Mystery out of SBA Loans

Michael Foutch
Business Development Specialist
Nebraska District Office
Michael.foutch@sba.gov
How do we help entrepreneurs?

- Financing
- Technical assistance and counseling
- Government contracting
- Advocacy
- Disaster assistance

So, why small business?
• Over the past 20 years, Nebraska has seen a decided shift toward small business growth, and away from job growth in bigger businesses.

  – From 1992 to 2001, Nebraska saw a **jump** of nearly a quarter of a million jobs.

  – But from 2002 to 2008, we saw a **loss** of nearly 84,000 jobs

    • 62,000 of those from businesses with greater than 500 employees.
On the other hand:

– From 1992 to 2001, Nebraska saw a growth of 78,000 jobs from small businesses (those less than 100 employees)

– And from 2002 to 2008, we saw an increase of another 50,000 from small businesses (those less than 100 employees).

Source: Nebraska Workforce Development
Nebraska District Office

In Fiscal Year 2011, we helped our entrepreneurs to:

Obtain $167.5 million in 581 SBA loans;
Win tens of millions in government contracts for 8(a) firms;
As a result, companies hired more than 2,000 people
Bankers and borrowers

Banker

• Conservative by nature
• Observes the results of others in the market
• Lacks technical knowledge of the business

Borrower

• Riskier by nature
• Observes the market opportunity and how they can make a profit
• Generally has a strong technical knowledge base of the business
Financing

• What are banks looking for?
  • Payment history (35%)
  • Amounts owed (30%)
  • Length of credit history (15%)
  • New credit (10%)
  • Types of credit used (10%)
Business Plan

A good one should have:

• Mission statement and goals.
• Basic research on the industry and your market position.
• Where are funds for the project coming from and where will they be spent?
• How will your operations achieve your goals?
• Include a breakeven analysis by sales and units sold by the time period.
• Have a backup plan.
Financing

• SBA Loan Guarantee Program

  • Guarantees the loan for the bank
  • Helps start-ups and businesses with little collateral
  • SBA loans have been made through 90 banks alone this year.
  • Every bank in the state can do business with the SBA.
Financing

• Why are guarantee loans important?
  • Allows lenders to diversify lending portfolio
  • Guaranty amount doesn’t count against lending limits
  • Interest rate is negotiated between the borrower and lender, capped by the SBA.
What does the SBA consider unreasonable terms in debt restructuring?

- Term Debt with Demand Feature or Balloon Payment
- Debt with Interest Rate Over SBA’s Maximum
- Credit Card Debt
- Over-collateralized Debt
- Revolving Lines of Credit
SBA Guaranteed Loans

7(a) SBA's Primary Loan Program
• Small business owners meet with their lenders
• Lender determines SBA support is needed
• Lender certifies it cannot provide funding on reasonable terms without SBA guaranty

SBA may guarantee
• Up to 85% of a loan of $150,000 or less
• 75% on loans greater than $150,000.

FEES
2 to 3.75 percent on the guarantee amount (sliding scale) depending on the size of the loan.
Express Loans

- **SBA Express**: $350,000 loan amount, SBA guaranty is 50 percent.
- **Patriot Express**: $500,000, guaranty follows 7(a) guidelines, business must be at least 51 percent owned by a veteran (spouse or widow also qualifies).
SBA Guaranteed Loans

Small Loan Advantage
• Open to Preferred Lender Program banks and credit unions
• Up to $250,000 -- same guarantee terms as 7(a)
• Most applications approved within 5-10 days
• Two-page application for borrowers

Community Advantage
• Also up to $250K with same terms as 7(a)
• Non-profit lenders expected to maintain at least 60 percent of SBA portfolio in underserved markets
SBA Guaranteed Loans

- **Rural/Small Lender Advantage:** Streamlined process for $350,000 following the 7(a) program guidelines for the guaranty.
504 loans
Designed as an economic development program to support small business growth
Helping communities with:
• Business expansion
• Job creation
Provides long-term, fixed-rate, subordinate mortgage financing for acquisition and/or renovation of capital assets.
• In some circumstances can be used to refinance existing commercial debt without fulfilling requirement of expansion or job growth
Microloans

Omaha Small Business Network
24th and Lake, Omaha
(402) 453-5336 x160

Rural Enterprise Assistance Project (REAP)
Monica Braun
(402) 643-2673

Community Development Resources
Lincoln
(402) 436-2386
Government Contracting

SBA programs assist specific groups in securing federal contracts:
These certifications provide eligibility to receive special procurement opportunities:

- Women-owned Small Business
- Service-Disabled Veteran-owned Small Business
- Veteran-owned Small Business (for Veteran’s Administration procurements and subcontracts).

Begin your registration here, at www.ccr.gov
Procurement Technical Assistance Centers

- Work with federal agencies to identify prime contracting opportunities.
- Recommend reserving procurement for competition among small businesses.
- Provide small business sources to federal buying agencies.

Identifying Contracting Opportunities

- Announces available business opportunities
- Identifies contracts over $25,000
- Government uses simplified procedures for purchases between $3,000 and $100,000.
- These purchases are generally reserved for small businesses.

Go to: www.fbo.gov
Outreach events

Procurement workshops
Third Thursday of each month
10675 Bedford Avenue
8-10 a.m.

Omaha Empowerment Breakfasts
Second Friday of each month
Regency Lodge, 107th & Pacific
7:15 to 8:30 a.m.

Veterans in Business Forum breakfast
First Friday of every month, Mammel Hall
7:45 to 9:15 a.m.
www.sba.gov/NE
Michael.foutch@sba.gov
(402) 221-7211