

# The Guerrilla Framer



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## *You've Got A Friend At The SBA*

One of the greatest resources for small business owners is the Small Business Administration, more commonly known as the SBA. While you may be familiar with the SBA's lending programs, what you may not realize is that the SBA offers many other helpful services and valuable information. Amongst its lesser known offerings are educational programs, business startup assistance, government contract procurement, workshops, and consulting.

However, since the SBA's greatest contribution to small business is its financing programs, we'll concentrate on those in this article. If you need money to start or expand your business, the federal government is ready and willing to help you. In fact, Uncle Sam is more than happy to help; he is doing everything he can to make it easier than ever for small business owners to borrow.

Each year, the SBA helps thousands of entrepreneurs obtain business financing through its loan guarantee programs. That's right, the SBA is now simply in the business of guaranteeing loans, unlike

the old days in which they made loans directly. Uncle Sam in effect becomes your co-signer.

There are three basic lending programs through the SBA. For amounts under \$35,000, there is the Microloan program. For larger loans to small businesses, there are the Section 7(a) loan guarantee program and the Section 504

Community Development Corporation tax credit program. All SBA guaranteed loans are made through your local bank.

The Microloan program is the SBA's most popular program for startup businesses. Microloan funds are SBA grants to approved, non-profit organizations that accept loan applications and make loan decisions.

The Section 7(a) Loan Guarantee Program can be found at

[www.toolkit.cch.com/text/P10\\_4240.asp](http://www.toolkit.cch.com/text/P10_4240.asp). Section 7(a) includes several specialized programs, but most popular has been LowDoc at [www.toolkit.cch.com/text/P10\\_4230.asp](http://www.toolkit.cch.com/text/P10_4230.asp). This program was initiated in 1993 to increase the availability of small loans (under \$150,000) to businesses by reducing the paperwork

*The Small Business Association has many programs available that enable the small business owner to borrow money.*

previously required for an SBA loan guarantee. The SBA LowDoc application is a one-page form that contains the applicant's SBA loan application on one side and the lender's request for a SBA guarantee on the other.

The Section 504 program at [www.toolkit.cch.com/text/P10\\_4400.asp](http://www.toolkit.cch.com/text/P10_4400.asp) is another popular program. It provides long-term, fixed-asset financing to small businesses.

If you are under the impression that it's difficult for a small business owner to borrow money, be aware that things have changed. An loan backed by the SBA is one of a bank's safest loans. Here's why: The SBA provides security for the lender. This makes banks and other lending institutions more willing to provide financing. In the event you fail to repay your loan, the lender can usually recoup up to 85% of the outstanding balance from your rich Uncle Sam.

In addition to reducing its financial risks, another advantage to your bank is that the SBA guarantee makes it easy for a lender to

resell your loan on the secondary market. Also, because the loan is federally guaranteed, it does not count against the federally mandated reserve funds that a bank must set aside to protect against loan losses.

Because these loans are so safe and profitable for the bank, you have leverage in shopping for the best deal on interest rates and other terms. Don't say yes just because the bank does.

Eligibility criteria for these are rather liberal. To be eligible for an SBA guaranteed loan, you must meet the following criteria:

- Be a small business, which amazingly enough means you must have less than 500 employees.
- You must be a for-profit business
- You must be independently-owned.
- You cannot be dominant within your industry.
- You must have been turned down for other financing. This is a formality, as the bank will simply require an SBA guarantee.

The normal lending process is quite similar to conventional

borrowing, which means that a well-written business plan helps to ensure your success in obtaining SBA guaranteed financing.

Because most banks prefer the security and other benefits of an SBA guarantee, meeting the requirement of being turned down for other financing is usually a very simple hurdle. Don't take it personally as this is just a formality.

Loan terms vary from bank to bank so be sure to shop around. Keep in mind that your business is valuable to a bank. Remember, an SBA loan represents one of the safest loans that banks can make. In essence it is really only lending you 15% of the money while the rest is being lent by Uncle Sam. Of course, you're the one who has to make the payments.

The time required to secure an SBA guaranteed loan varies from as little as one week to as much as several months. Be sure to allow yourself an adequate amount of time to obtain the funding you need. Visit the SBA website, [www.sba.gov](http://www.sba.gov), to learn more about these programs and services. ■