



U.S. Small Business Administration

# **SBA Financing Options**

**Frank Demarest, Deputy District Director**



# 7(a) Loan Program

SBA's primary business loan program

- ❑ Broad eligibility requirements
  - ❑ Wide range of financing needs
  - ❑ Increase in the maximum 7(a) loan amount to \$5MM, guaranty amount to \$3.75MM.
  - ❑ Maximum guaranty 85% up to \$150k
  - ❑ Maximum guaranty 75% over \$150k



All loans \$350,000 and under now use simplified credit scoring



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# 7(a) Loan Program

## Updates

- ❑ Fee relief on loans \$150,000 and under **extended through 9/30/2015**
- ❑ Up front fees waived on 7 (a) Express Loans to Veterans for under \$350,000 **extended through 9/30**
- ❑ **Fees reduced by 50% on loans \$350,000-\$5 million for veterans through 9/30**
- Not just vets, but spouses, transitioning service members, and widow(er)s of SDVs
- ❑ ***More than 1000 Wisconsin borrowers have saved an average \$990 in fees- over \$1 million***



# *Financing Your Business*

## *7(a) Loan Program Maturities and Size*

- Maximum Maturities
  - 5 – 10 years for working capital, machinery, and equipment
  - Up to 25 years for real estate, construction
- \$15MM in tangible net worth; \$5MM in net profits



# ***Export Loan Programs Higher Loan Limits President's National Export Initiative***

- **Export Express is now a permanent program**
  - Max loan is \$500,000
  - 90% guarantees for loans up to \$350,000 and 75% for loans between \$350,000 and \$500,000
- **Export Working Capital Program**
  - Maximum amount is increased to \$5,000,000
  - Maximum guaranty of 90%
- **International Trade loans**
  - Increased to a maximum amount of \$5,000,000
  - Maximum guaranty of 90%



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## *Express Loans*

- 50% Guarantee
- Up to \$350,000
- Includes Lines of Credit
- Lender makes credit decision
- **Up-front fees waived for vets**



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## ***CAPLines of Credit***

- **Contract Loan Program**-materials/labor/overhead for specific contracts.
- **Seasonal Line of Credit Program**-support inventory buildup/ accounts receivable/labor/materials above normal.
- **Builders Line Program**-construction or rehabilitation of residential or commercial property.
- **Working Capital Line**-revolving line of credit for working capital.
  
- Maximum loan amount: \$5,000,000
- Maximum guaranty: 75%-85%
- Uses: revolving line of credit/term loan
- Guaranty fees: vary with amount/type of loan

# Capital: 7(a) loans

## *Community Advantage*

*Opens 7(a) lending to community based, mission-focused lenders  
CDFIs, CDCs, and Micro-lenders*

- **Maximum Loan Size:** \$250,000
- **Guarantee:** 85% up to \$150,000; 75% for more.
- **Approval Times:** 5-10 days for most Community Advantage loans  
**Paperwork:** Two-page application for borrowers
- **Lender Requirements:** Expected to maintain 60% of their portfolios in underserved markets
- **Time Frame:** 3 Year Pilot Initiative; extended to 3/15/17



# ***Financing Your Business***

## **504/Certified Development Company**

- Maximum loan amount: \$5.0 to \$5.5 million
- Project costs:
  - » financed by 504 loan 40%
  - » lender finances 50%
  - » equity finances 10-20%
- Uses: long-term; fixed assets
- Maturity: generally 10-20 years
- Maximum interest: fixed rate established when debenture backing sold; some exceptions

# Capital: 7(a) loans

## *Community Advantage*

*Community based, mission-focused CDFIs, CDCs, and Micro-lenders*

Wisconsin Women's Business Initiative Corporation

Milwaukee Economic Development Corporation

Legacy Redevelopment Corporation

Lincoln Opportunity Fund-**new in 2014**

***FY2014: 12 loans/\$1.5 million***

***FY2015 (ytd): 36 loans/\$3.6 million***

# Capital: Lending

*Wisconsin 7(a) and 504 lending  
FY2014*

**1674 loans guaranteed  
\$542.4 million**

**534 startups/\$130 million**

Loans \$150K or less: 960/\$65 million

*Fee relief: average \$950 or \$729,000 statewide*

Loans to veterans: 73/\$19.6 million

# Capital: Lending

## *Lending Industries FY2014*

<b>GROSS 7(a) &amp; 504 Loans (Dollars) FY2014 FINAL NAICS Description</b>	<b>\$\$\$</b>	<b>###</b>
Manufacturing	\$ 93,525,900	213
Accommodation and Food Services	\$ 92,214,300	239
Retail Trade	\$ 82,182,300	214
Health Care and Social Assistance	\$ 52,128,900	152
Professional, Scientific, and Technical Services	\$ 35,391,500	151
Other Services (except Public Administration)	\$ 35,020,900	141
Construction	\$ 33,304,700	153
Arts, Entertainment, and Recreation	\$ 24,556,500	58
Wholesale Trade	\$ 23,693,300	78
Real Estate and Rental and Leasing	\$ 17,874,200	50
Transportation and Warehousing	\$ 16,942,400	62
Administrative and Support and Waste Manage	\$ 12,781,100	72
Agriculture, Forestry, Fishing and Hunting	\$ 11,876,000	25
Information	\$ 4,567,900	21
Finance and Insurance	\$ 3,431,100	27
Educational Services	\$ 2,814,200	16
Mining	\$ 130,000	2
<b>Grand Total</b>	<b>\$ 542,435,200</b>	<b>1,674</b>

# Capital: Lending

*Wisconsin 7(a) and 504 lending  
FY2015 (1<sup>st</sup> 8 months)*

**1137 loans guaranteed**  
**\$354.3 million**

380 startups/\$96.4 million

Loans \$150K or less: 478/\$34 million

Loans to veterans: 56/\$19.3 million



# LENDING INDUSTRIES

## 7(a) and 504 LOANS FY 2015 (to 6/5)

GROSS 7(a) & 504 Loans Wisconsin 6/5/2015	\$\$\$	###
NAICS Description		
<b>Grand Total</b>	<b>\$ 394,346,900</b>	<b>1137</b>
Manufacturing	\$ 87,559,700	168
Retail Trade	\$ 55,919,600	136
Accommodation and Food Services	\$ 50,635,100	149
Health Care and Social Assistance	\$ 32,476,700	92
Administrative and Support and Waste Management and Remediation Services	\$ 25,748,200	76
Construction	\$ 24,297,400	111
Other Services (except Public Administration)	\$ 23,013,500	104
Wholesale Trade	\$ 17,715,600	55
Professional, Scientific, and Technical Services	\$ 16,745,300	78
Arts, Entertainment, and Recreation	\$ 13,489,500	38
Agriculture, Forestry, Fishing and Hunting	\$ 13,447,800	18
Transportation and Warehousing	\$ 12,160,600	49
Real Estate and Rental and Leasing	\$ 10,627,500	26
Educational Services	\$ 4,288,500	9
Information	\$ 3,258,500	9
Finance and Insurance	\$ 1,724,400	17
Mining	\$ 1,239,000	2

# Capital: Micro-loans

## Terms

- Max amount: \$50,000
- Rate: negotiated by borrower/intermediary
- No guarantee
- Maturity: up to 6 years
- Uses: purchase equipment, fixtures, working capital, leasehold improvements; increased receivables

# Capital: Micro-loans

## *Lenders*

- **Advocap**, Fond du Lac and Oshkosh
- **First American Capital Corp.**, West Allis (American Indian Chamber)
- **Green Bay Area Chamber of Commerce Foundation - Advance Brown County Micro Loan Program**, Green Bay
- **Impact Seven, Inc.**, Almena
- **Entrepreneur Fund**, Serving Douglas County
- **WI Women's Business Initiative Corp.**, Milwaukee, Racine, Kenosha & Madison
- **CAP Services**, Stevens Point

New in 2014:

- **Lincoln Opportunity Fund**, Milwaukee
- **Northwest Regional Planning Commission**, Spooner

# Capital: Micro-loans

## *Lending*

**FY2013:** 119 loans/\$2.8 million/67 startups

**FY2014:** 122 loans/\$2.4 million/64 startups

**FY2015 (to 4/30):** 51 loans/\$1.1 million/29 startups

# Capital: LINC-*New*

## *Online tool connects prospective borrowers with lenders*

- Program rollout: Micro-lenders, Community Advantage lenders, 504 CDCs; NOW open to 7(a) lenders
  - Prospective borrower answers 21 questions
- Lenders will respond within 48 hours if any interest
- To apply: look for LINC at [www.sba.gov/wi](http://www.sba.gov/wi)

# Capital: SBA One-*New*

- *“Turbotax for lending”-fully automated loan application—in testing now*
  - reduce paperwork for borrowers
  - lower lender transaction costs
  - provide better guarantee assurance
  - expand access to capital—help one thousand lenders make more than 10 SBA loans per year, up from the historical annual average of just 500 to 700 lenders producing this type of loan volume.



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