AMERICA'S SBDC TEXAS SOUTH-WEST

ANGELO STATE UNIVERSITY®

Financing Options for Your Small Business Guide

PROVIDED BY THE ANGELO STATE UNIVERSITY SMALL BUSINESS DEVELOPMENT CENTER

Revised January 2025

The Angelo State University (ASU) Small Business Development Center (SBDC) does not recommend or endorse any of the service providers listed in this guide, they are being provided solely as a convenience to you. You are responsible for interviewing and selecting a suitable provider for your business. Links to third-party websites are the responsibility of the appropriate website owners.

ASU-SBDC: Funded in part through the State of Texas and a Cooperative Agreement with the U.S. Small Business Administration. Reasonable accommodations for persons with disabilities or limited English proficiency will be made if requested at least two weeks in advance. Contact ASU-SBDC at ASU Station #10910, San Angelo, Texas, 76909-0910, 325-942-2098. Any opinions, findings and conclusions or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the views of the U.S. Small Business Administration.

Download a digital copy of this guide at [www.angelo.edu/***biztools***](www.angelo.edu/biztools) or scan the QR Code

ASU Angelo State University | America's SBDC Accredited Member | Powered by SBA U.S. Small Business Administration

ASU is a Proud Member of the Texas South-West SBDC Network

Building the Texas economy one business at a time

ASU Small Business Development Center
69 N. Chadbourne St., San Angelo, TX 76903
325-942-2098 | sbdc.angelo.edu

CONTENTS

WELCOME!

This guide contains most known funding options for a small business in the San Angelo area. Use the guide as a "tool kit" and select the funding sources right for your business venture. Keep in mind most small business startups will require you to invest personal funds or other assets in the business. For an existing business, you likely have already invested heavily in the business.

The ASU Small Business Development Center assists many small businesses with finding financing for their business through face-to-face advising. Our advising is free and confidential. In addition, they regularly conduct a no-cost monthly seminar titled Financing Options for your Small Business that discusses financing options available. We hope you find this guide useful. Please contact us for any questions, to set up an advising session, or to attend one of our seminars. Phone 325-942- 2098, email sbdc@angelo.edu, or visit our website at www.sbdc.angelo.edu.

LOAN OR DEBT FINANCING

Conventional Lender Loans Through Banks

Local banks offer business loans such as start-up, expansion, lines of credit, equipment, working capital, commercial real estate, business acquisition, and debt consolidation. Visit with your local lender for information. SBDC advisors can offer guidance with understanding the available loan programs through local lenders and can also assist you with putting together a loan proposal or financial projections to present to the lender.

SBA Loan Programs (7(a) and 504)

SBA loans are provided through lenders. The SBA 7(a) Loan Program is the standard SBA loan guarantee program offering loans up to $5 million. The lenders receive a 75% to 85% guarantee depending on the amount of the loan. For a Quick Reference to SBA Loan Programs: see the attached SBA Loan chart at the end of this guide.

Eligible Use of SBA 7(a) Loan Proceeds Include:

- The purchase of land or buildings, to cover new construction as well as expansion or conversion of existing facilities
- The purchase of equipment, machinery, furniture, fixtures, supplies, or materials
- Long-term working capital, including the payment of accounts payable and/or the purchase of inventory
- Short-term working capital needs, including seasonal financing, contract performance, construction financing, and export production
- Financing against existing inventory and receivable under special conditions
- The refinancing of existing business indebtedness that is not already structured with reasonable terms and conditions
- To purchase an existing business

Other types of SBA 7(a) loan programs:

7(a) Small Loans The small business applicant applies for financial assistance from an SBA approved lender. The lender decides if the request will require an SBA guaranty. To help the lender decide creditworthiness for lower-dollar loans, the lender can obtain certain data from the applicant and then get a pre-qualification indication from SBA as to the acceptability of the applicant for a loan guaranty. If the pre-qualification comes back positive, the lender may complete a streamlined credit memo and make a formal request to SBA for guaranty. Small Loan Advantage is structured to encourage existing SBA lenders to make lower-dollar loans, which often benefit businesses in underserved markets. Loans up to $350,000.

7(a) Community Advantage is an initiative aimed at increasing the number of SBA 7(a) lenders who reach underserved communities, targeting community-based, mission-focused financial institutions which were previously not able to offer SBA loans. Most Community Advantage loans will be approved within 5 to 10 days. Community Advantage features streamlined paperwork, with a two-page application for borrowers**.** Community Advantage is open to mission-focused lenders, including Community Development Financial Institutions (CDFIs), SBA's Certified Development Companies, and SBA's nonprofit micro-lending intermediaries. Loans up to $250,000.

SBA 504 Fixed Asset Loan Program

SBA 504 fixed asset loan program is long-term financing, designed to encourage economic development within a community. It accomplishes this by providing small businesses with long- term, fixed-rate financing to acquire <u>major fixed assets for startup, expansion or modernization.</u> The SBDC can provide you with information on CDC's (Certified Development Corporation) that provide services to this area. The CDC will team up with a local lender, so you can also visit your local lender for information and interest. SBA 504 can also be used to refinance fixed assets. Loans up to $5 million.

Special Purpose SBA Loan Programs

CAPLines is an umbrella loan program that helps small businesses meet their short-term and cyclical working-capital needs. It features five lines, each with specific regulations concerning the use of the loan proceeds. Loans up to $5 million.

SBA Express loan guarantee program gives small business borrowers an accelerated turnaround time for SBA's review. You will receive a response to your application within 36 hours. In addition, lower interest rates are often available to you when you apply through an Express program. Loans up to

$500,000. Guarantee amount is 50%.

Export Express Program offers flexibility and ease of use to both borrowers and lenders. It is the simplest export loan product offered by the SBA and allows participating lenders to use their own forms, procedures and analyses. Any business that has been in operation, although not necessarily in exporting, for at least 12 full months and can demonstrate that the loan proceeds will support its export activity is eligible for Export Express. Loans up to $500,000.

Export Working Capital Program (EWCP) SBA provides lenders with up to a 90% guaranty on export loans as a credit enhancement so that the lenders will make the necessary export working capital available. The SBA delivers its export loan program through a network of SBA Senior International Credit Officers located in U.S. Export Assistance Centers throughout the country. Exporters can apply for EWCP loans in advance of finalizing an export sale or contract. With an approved EWCP loan in place, exporters have greater flexibility in negotiating export payment terms—secure in the assurance that adequate financing will be in place when the export order is won. Loans up to $5 million.

International Trade Loan Program offers term loans to businesses that plan to start or continue exporting, or that have been adversely affected by competition from imports. The proceeds of the loan must enable the borrower to be in a better position to compete. Loans up to $5 million.

SBA Lender Match Program

SBA Lender –Match Program connects borrowers with SBA approved lenders
https://www.sba.gov/funding-programs/loans/lender-match

Rural Business Loan Program (USDA)

Business & Industry Guaranteed Loan Program is maintained by the U.S. Department of Agriculture. Business and industrial loans can be guaranteed in rural cities up to 50,000 in population. Priority is given to applications for loans in rural communities of 25,000 or less. Any legal entity, including individuals, public and private organizations may qualify for this loan. Loan guarantees are limited to a maximum of $25 million per borrower.

https://www.rd.usda.gov/programs-services/business-industry-loan-guarantees

Texas Small Business Credit Initiative

The Texas Small Business Credit Initiative (TSBCI) seeks to foster small business development and job creation by enhancing access to capital. This program focuses on providing resources for small businesses, with a particular emphasis on helping traditionally underserved businesses and those affected by the COVID-19 pandemic. Small businesses obtain funding through loans from financial institutions, and TSBCI works with financial institutions to support this process.

With an allocation of $472 million, TSBCI represents a significant investment in Texas' small business ecosystem. The State of Texas is actively monitoring updates from the U.S. Department of the Treasury to ensure optimal implementation of this initiative.

https://gov.texas.gov/business/page/tsbci

Concho Valley Economic Development District (CVEDD) Revolving Loan Fund

Eligible Borrowers: for-profit businesses in the Concho Valley (13 counties). Contact the Concho Valley Council of Governments for further information 325-944-9666.

www.cvcog.org

CARES Revolving Loan Fund (CVEDD)

Eligible borrowers: for-profit businesses in Tom Green County only. The loan amounts can be up to $20,000. The maximum loan amount is $60,000. Loans may be used to finance land and building cost, machinery and equipment purchases and working capital needs. Contact the Concho Valley Council of Governments for further information 325-944-9666.

www.cvcog.org

Micro Loan Programs

Micro loans are a great option for startup businesses that might have issues with credit because these types of loans are more flexible, and often lend to individuals with lower credit scores. There are loans for up to 7 years and have no cap on the interest rate. These lenders do not have physical locations in San Angelo, but maintain a presence through their partnership event with the ASU SBDC.

LiftFund, provides flexible loans using various programs to small businesses throughout the state of Texas and beyond. Small business loan amounts up to $250,000. LiftFund is a CDFI (Certified Development Finance Institution) under the US Dept. of Treasury and an SBA 504 CDC

www.liftfund.com

PeopleFund, another micro loan program, provides flexible loans using various programs to small businesses throughout the state of Texas. Small business loan amount: up to $250,000. PeopleFund is a CDFI and an SBA 504 CDC.

https://peoplefund.org/get-a-loan/

BCL of Texas, another micro loan program, provides flexible loans using various programs to small businesses throughout the state of Texas. Small business loan amount: up to $250,000. BCL is a CDFI and an SBA 504 CDC.

https://bcloftexas.org/

Cash Flow Lending

A cash flow loan allows a business to borrow against its future revenue to pay for operational expenses. In other words, lenders primarily evaluate the historical and projected performance of the business to determine whether to approve an application — instead of relying more heavily on the business owner's credit history or available collateral. This underwriting process makes cash flow loans available to a wide variety of small businesses, including startups and those facing credit challenges. Interest rates on these products are often higher than on traditional small-business loans. Consider consulting with your accountant to fully understand how this will affect your business.

EQUITY OR INVESTOR FINANCING

"Angel" Investor Networks (providing equity financing)

Angel networks are groups of high-net-worth individuals seeking newly formed businesses to invest their own money. Most are former business owners and managers. They make their investments individually but often work together on conducting their investigation or "due diligence" on a business they are considering for an investment. They may also offer guidance and contacts for the business. In addition, most networks in Texas are part of a loose federation of angel networks. They often encourage entrepreneurs to present to networks within Texas to "fill out" their funding needs. Angel investors typically get their return on investment when the business sells or some other purchase of their shares.

Listing of Angel Investor Networks in Texas:
https://sbdc.mccoy.txst.edu/starting-a-business/funding-options/angel-investors.html

Crowdfunding

Crowdfunding is a relatively new funding option in which entrepreneurs use an internet-based launch site in order to promote their innovative ideas and give perks for funds. These ideas range from business ventures to science experiment and include proposals from various people such as artists, poets, singers, songwriters, politicians, dancers, and philanthropists. In essence, there are no limits to crowdfunding.

How does crowdfunding work? Crowdfunding begins when an innovator posts a project or an idea online for the world to see. This state-of-the-art method has opened the door for entrepreneurs, not only reducing transaction costs of business but broadening the potential audience. Once the idea or proposal is posted, millions of potential donors can contribute to the project if they so choose. Those who opt to donate are afforded the opportunity to provide valuable feedback and advice for the project, to make a more user-friendly and customized product. See the following websites for more information. There are many more.

www.crowdsourcing.org www.rockethub.com

www.kickstarter.com www.indegogo.com

Venture Capital

Venture Capital investors differ from angel investors in that they are a firm that invests other people's money in high growth potential firms. Typically, they want a large ownership share in the business and a say in the management and direction of the business. They get their return in the same way as angel investors but have usually invested a larger sum of money in the business. They also typically invest in the stages after angel investors when a business is ready to grow substantially. Venture capital firms are in larger cities in Texas such as Austin, Dallas, San Antonio, and Houston.

http://www.nvca.org/

https://www.sba.gov/starting-business/finance-your-business/venture-capital

Small Business Investment Corporations (SBIC's)

The SBIC Program is one of many financial assistance programs available through the U.S. Small Business Administration. The structure of the program is unique in that SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses. The U.S. Small Business Administration does not invest directly into small business through the SBIC Program. See the link below for SBIC's in Texas. Also, visit the SBA website for more information on SBIC's.

https://www.sba.gov/sbic

STATE OF TEXAS EQUITY PROGRAMS

Texas Enterprise Fund is used only as a final incentive tool where a single Texas site is competing with another viable out-of-state option. Additionally, the TEF will only be considered to help close a deal that already has significant local support behind it from a prospective Texas community.

https://gov.texas.gov/business/page/texas-enterprise-fund

Local Grants and other Business Incentives

Local Economic Development Corporation. The City of San Angelo Development Corporation (COSADC) provides grants and other incentives that are available for buildings, land, equipment, training, site infrastructure, moving expenses, lease subsidies, and other expansion costs. In addition, the Tax Increment Reinvestment Zone Board (TIRZ) may offer tax abatements, facade grants, sales tax rebates, and other fee reductions to qualified businesses. The Business Retention or Expansion Program (BREP) offers incentives to existing businesses in identified NAICS codes determined by state law.

BREP: https://economicdevelopmentsanangelo.com/business-retention-expansion-program-brep/

TIRZ: https://www.cosatx.us/departments-services/development-services/tax-increment-reinvestment-zone-board

FACTORING

Factoring (definition taken from Wikipedia) is a financial transaction whereby a business sells its accounts receivable (i.e., invoices) to a third party (called a factor) at a discount in exchange for immediate money with which to finance continued business. Factoring differs from a bank loan in various ways. First, the emphasis is on the value of the receivables (essentially a financial asset), not the firm's credit worthiness. Secondly, factoring is not a loan – it is the purchase of a financial asset (the receivable).

There are various firms in Texas that offer factoring financing. Ask one of our Certified Business advisors to provide you a list of factoring companies.

WHAT THE LENDER WILL REVIEW

Credit Analysis

Regardless of where you seek funding, from a bank, a local development corporation, or a relative-a prospective lender will review your creditworthiness. A complete and thoroughly documented loan request (including a business plan) will help the lender understand you and your business. The basic components of credit analysis, the "Five C's," are described below to help you understand what the lender will look for.

THE "FIVE C'S" OF CREDIT ANALYSIS

Capacity to repay is the most critical of the five factors. The prospective lender will want to know exactly how you intend to repay the loan. The lender will consider the cash flow from the business, the timing of the repayment, and the probability of successful repayment of the loan. Payment history on existing credit relationships, personal or commercial, is considered an indicator of future payment performance. Prospective lenders also will want to know about your contingent sources of repayment.

Capital is the money you personally have invested in the business and is an indication of how much you have at risk should the business fail. Prospective lenders and investors will expect you to have contributed from your own assets and to have undertaken personal financial risk to establish the business before asking them to commit any funding.

Collateral or guarantees are additional forms of security you can provide the lender. Giving a lender collateral means that you pledge an asset you own, such as your home, to the lender with the agreement that it will be the repayment source in case you can't repay the loan. A guarantee, on the other hand, is just that-someone else signs a guaranteed document promising to repay the loan if you can't. Some lenders may require such a guarantee in addition to collateral as security for a loan.

Conditions focus on the intended purpose of the loan. Will the money be used for working capital, additional equipment, or inventory? The lender also will consider the local economic climate and conditions both within your industry and in other industries that could affect your business.

Character is the general impression you make on the potential lender or investor. The lender will form a subjective opinion as to whether you are sufficiently trustworthy to repay the loan or generate a return on funds invested in your company. Your educational background and experience in business and in your industry will be reviewed. The quality of your references and the background and experience levels of your employees also will be taken into consideration.

WHAT'S IN YOUR FICO® SCORE

FICO Scores are calculated from many different credit data in your credit report. This data can be grouped into five categories as outlined below. The percentages in the chart reflect how important each of the categories is in determining your FICO score.

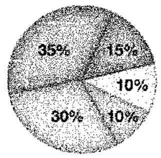
35% Payment history

30% Amounts owed

15% Length of credit

10% History new credit

10% Types of credit used



These percentages are based on the importance of the five categories for the general population. For particular groups, for example, people who have not been using credit long, the importance of these categories may be somewhat different.

Payment History

- Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.)
- Presence of adverse public records (bankruptcy. judgments. suits, liens, wage attachments, etc., collection items, and/or delinquency (past due items).
    - Severity of delinquency (how long past due)
    - Amount past due on delinquent accounts or collection items
- Time since (recency of) past due items (delinquency), adverse public records (if any). or collection items (if any)
    - Number of past due items on file
    - Number of accounts paid as agreed

Amounts Owed

- Amount owing on accounts
- Amount owing on specific types of accounts
- Lack of a specific type of balance in some cases
- Number of accounts with balances
- Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)
- Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)

Length of Credit History

- Time since accounts opened
- Time since accounts opened, by a specific type of account
- Time since account activity

New Credit

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- Number of recent credit inquiries
- Time since recent account opening(s), by type of account
- Time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

Types of Credit Used

- Number of (presence. prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

Please note that:

- A FICO score takes into consideration all these categories of information, not just one or two. No one piece of information or factor alone will determine your score.
- The importance of any factor depends on the overall information in your credit report.

For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your FICO score. Thus, it's impossible to say exactly how important any single factor is in determining your score- even the levels of importance shown here are for the general population and will be different for different credit profiles. What's important is the mix of information. Which varies from person to person, and for any one person over time.

- Your FICO score only looks at information in your credit report.

However, lenders look at many things when making a credit decision including your income, how long you have worked at your present job and the kind of credit you are requesting.

- Your score considers both positive and negative information in your credit report.

Late payments will lower your score, but establishing or re-establishing a good track record of making payments on time will raise your FICO credit score.

Source: myFICO.com

TYPES OF FINANCING

There are two basic types of existing business financing: equity financing and debt financing. When looking for money, you must consider your company's debt-to-equity ratio. This ratio is the relation between dollars you have borrowed and dollars you have invested in your business. The more money owners have invested in their business, the easier it is to obtain financing.

If your firm has a high ratio of equity to debt, you should probably seek debt financing. However, if your company has a high proportion of debt to equity, experts advise that you should increase your ownership capital (equity investment) for additional funds. This will prevent you from being over-leveraged to the point of jeopardizing your company's survival.

Equity Financing
Equity financing (or equity capital) is money raised by a company in exchange for a share of ownership in the business. Ownership accounts for owning shares of stock outright or having the right to convert other financial instruments into stock. Equity financing allows a business to obtain funds without incurring debt, or without having to repay a specific amount of money at a particular time.

Most small or growth-stage businesses use limited equity financing. Equity often comes from investors such as friends, relatives, employees, customers, or industry colleagues. The most common source of equity funding comes from angel investors. Venture Capitalists are institutional risk takers and may be groups of wealthy individuals, government-assisted sources, or major financial institutions. Most specialize in one or a few closely related industries.

Debt Financing
Debt financing means borrowing money that must be repaid over a period of time, usually with interest. Debt financing can be either short-term, with full repayment due in less than one year, or long-term, with repayment due over a period greater than one year. The lender does not gain an ownership interest in the business, and debt obligations are typically limited to repaying the loan with interest. Loans are often secured by some or all the assets of the company. In addition, lenders commonly require the borrower's personal guarantee in case of default. This ensures that the borrower has a sufficient personal interest at stake in the business.

Loans can be obtained from many different sources, including banks, savings and loans, credit unions, commercial finance companies, and SBA-guaranteed loans. State and local governments have many programs that encourage the growth of small businesses. Family members, friends, and former associates are all potential sources, especially when capital requirements are smaller.

Traditionally, banks have been the major source of small business funding. The principal role of banks includes short-term loans, seasonal lines of credit, and single-purpose loans for machinery and equipment. Banks generally have been reluctant to offer long-term loans to small firms. SBA's guaranteed lending programs encourage banks and non-bank lenders to make long-term loans to small firms by reducing their risk and leveraging the funds they have available.

Ability to Repay
The ability (or capacity) to repay the funds you receive from a lender must be justified in your loan package. Banks want to see two sources of repayment—cash flow from the business as well as a secondary source such as collateral. The lender reviews the past financial statements and projections of future financial statements of a business to help analyze its cash flow.

Generally, banks are more comfortable offering assistance to businesses that have been in existence for a number of years (typically two or more) and have a proven financial track record. If the business has consistently made a profit and that profit can cover the payment of additional debt, it is likely that the loan will be approved. If however, the business is a start-up or has been operating marginally and has an opportunity to grow, it is necessary to prepare a thorough loan package, sometimes called a loan proposal, with a detailed explanation including how the business will be able to repay the loan.

Credit History

When a small business requests a loan, one of the first things a lender looks at is personal and business credit history. So, before you even start the process of preparing a loan request, you want to make sure you have good credit.

Get your personal credit report from one of the credit bureaus, such as TransUnion, Equifax or Experian. You should initiate this step well in advance of seeking a loan. Personal credit reports may contain errors or be out of date, and it can take three to four weeks for errors to be corrected. It is up to you to see that corrections are made, so make sure you check regularly on progress. You want to make sure that when a lender pulls your credit report, all the errors have been corrected and your history is up to date.

Once you obtain your credit report, check to make sure that all personal information, including your name, Social Security number and address is correct. Then carefully examine the rest of the report, which contains a list of all the credit you obtained in the past such as credit cards, mortgages, student loans and information on how you paid that credit. Any item indicating that you have had a problem in paying will be toward the top of the list. These are the credits that may affect your ability to obtain a loan.

If you have been late by a month on an occasional payment, this probably will not adversely affect your credit. But it is likely that you will have difficulty in obtaining a loan if you are continuously late in paying your credit, have a credit that was never paid, have a judgment against you, or have declared bankruptcy in the last seven years.

A person may have a period of bad credit as a result of divorce, medical crisis, or some other significant event. If you can show that your credit was good before and after this event and that you have tried to pay back those debts, you should be able to obtain a loan. It is best if you write an explanation of your credit problems and how you have rectified them and attach this to your credit report in your loan package.

Each credit bureau has a slightly different way of presenting your credit information. Contact the bureau you used for more specific information on how to read your credit report. If you need additional help in interpreting or evaluating your credit report, ask your accountant or a local banker.

Equity Investment

Don't be misled into thinking that a start-up business can obtain all financing through conventional or special loan programs. Financial institutions want to see a certain amount of owner' equity in a business.

Equity can be built up through retained earnings or by the injection of cash from either the owner or investors. Most banks want to see that the total liabilities or debt of a business is not more than four times the amount of equity. So, if you want a loan for your business, make sure that there is enough equity in the company to leverage that loan.

Owners usually must put some of their own money into the business to get a loan. The amount of financing depends on the type of loan, purpose, and terms. Most banks want the owner to put in at least 20 to 40 percent of the total request.

Having the right debt to equity ratio does not guarantee your business will get a loan. There are a few other factors used to evaluate a business, such as net worth, which is the amount of equity in a business, which is often a combination of retained earnings and owner's equity.

Collateral
When a financial institution gives a loan, it wants to make sure it will get its money back. That is why a lender usually requires a second source of repayment called collateral. Collateral is personal and business assets that can be sold in case the cash generated by the small business are not sufficient to repay the loan. Every loan program requires at least some collateral. If a potential borrower has no collateral, he/she will need a co- signer who has collateral to pledge. Otherwise, it may be difficult to obtain a loan.

The value of the collateral is not based on market value; rather, it is discounted to consider the value that would be lost if the assets had to be liquidated. The table on page 14 gives a general approximation of how different forms of collateral are valued by a typical lender and the SBA:

COLLATERAL TYPE	LENDER	SBA
House	Market Value x 0.75 - Mortgage balance	Market Value x 0.80 - Mortgage balance
Car	Not applicable	Not applicable
Truck & Heavy Equipment	Depreciated Value x 0.50	Same
Office Equipment	Not applicable	Not applicable
Furniture & Fixtures	Depreciated Value x 0.50	Same
Inventory: Perishables	Not applicable	Not applicable
Jewelry	Not applicable	Not applicable
Other	10%-50%	10%-50%
Receivables	Under 90 days x 0.75	Under 90 days x 0.50
Stocks & Bonds	50%-90%	50%-90%
Mutual Funds	Not applicable	Not applicable
Individual Retirement Account (IRA)	Not applicable	Not applicable
Certificate of Deposit (CD)	100%	100%

Collateral Coverage Ratio
The bank will calculate your collateral coverage ratio as part of the loan evaluation process. This ratio is calculated by dividing the total discounted collateral value by the total loan request.

Management Experience
Managerial expertise is a critical element in the success of any business. In fact, poor management is most frequently cited as the reason businesses fail. Lenders will be looking closely at your education and experience as well as that of your key managers.

U.S. Small Business Administration

QUICK OVERVIEW OF SBA LOAN GUARANTY PROGRAMS

Program	Maximum Loan Amount	Percent of Guaranty	Eligible Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees (Based on Gtd. Portion)	Who Qualifies	Benefits to Borrowers
7(a) Loans	$5 million	85% guaranty for loans of $150,000 or less; 75% guaranty for loans greater than $150,000 (up to $3.75M maximum guaranty)	Term Loan. Expansion/renovation; new construction, purchase land or buildings; purchase equipment, fixtures, leasehold improvements; working capital; refinance debt for compelling reasons; for inventory or starting or purchasing a business. Only owner-occupied commercial real estate is eligible.	Depends on ability to repay. Generally, working capital not to exceed 10 years; Equipment, fixtures, or furniture not to exceed 10 years. Except term may be up to 15 years if IRS asset class useful life supports longer term. Lender must document in credit memo justification of any term that exceeds 10 years; real estate up to 25 years. No balloons or demand features permitted.	**Effective Aug. 1, 2022** $50,000 or less Prime + 6.5% $50,001 - $250,000 P + 6% $250,001—$350,000 P + 4.5% $350,001 and greater P + 3% Fixed Rate: https://catran.sba.gov/ftadistapps/ftawiki/index.cfm. See Downloads and Resources section.	**Charged on guaranteed portion Guaranty Fee**: **$500,000 or less= 0%;** $500,001 to $700,000= 0.55%; $700,001 to $1 million = 1.05%; $1,000,001 to $5,000,000= 3.5% up to $1 million, plus 3.75% of gtd. portion over $1 million. Loans 12 months or less of $500,000 or less = 0%; over $500K = 0.25% **Ongoing lender fee**: **$500,000 and less = 0.00%. $500,001 to $5,000,000 = 0.55%.**	Must be a for-profit business & meet SBA size standards; show good character, credit, management, and ability to repay. Must be an eligible type of business. Prepayment penalty for loans with maturities of 15 years or more if prepaid during first 3 years. (5% year 1, 3% year 2 and 1% year 3)	Long-term financing; Improved cash flow; Fixed maturity; No balloons; No prepayment penalty (under 15 years)
7(a)Small Loans Is any 7(a) loan $350,000 and under, except the Community Advantage and Express loans	$350,000	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Plus, all loan applications will be credit scored by SBA. If not an acceptable score, the loan can be submitted via full standard 7(a) or Express.	Same as 7(a) Loans
SBA*Express*	**$500,000**	50% regardless of loan amount.	May be used for revolving lines of credit (**must have term-out period not less than draw period**) or for a term loan.	LOC: Max period Revolver = 60 mo.; Max term out period = 60 mo. For total of 10 yrs. Term loan: same as 7(a)	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans	Fast turnaround; Streamlined process; Easy-to-use line of credit
SBA Loans to Veterans	Processed under SBA *Express* so same as above limit of $500,000	Same as SBA*Express*	Same as SBA*Express*	Same as SBA*Express*	Same as 7(a) Loans	For all SBA Express loans made to veteran-owned small businesses, upfront guaranty fee will be zero. Lenders must document in loan file with veteran eligibility using the documentation to Notice 5000-818641.	Same as 7(a) plus, small business must be owned and controlled (51%+) by one or more of the following groups: veteran, active-duty military in TAP, reservist or National Guard member or a spouse of any of these groups, or a widowed spouse of a service member or veteran who died during service, or a service-connected disability.	Same as SBA*Express* and no upfront guaranty fee.
CapLines: 1. Working Capital; 2. Contract; 3. Seasonal; and 4. Builders	$5 million	Same as 7(a) Loans	Finance seasonal and/or short-term working capital needs; cost to perform contract; construction costs; advances against existing inventory and receivables; consolidation of short-term debts. May be revolving.	Up to 10 years, except Builder's CAPLine, which is 5 years	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans. Plus, all lenders must execute Form 750	1. Working Capital - (LOC) Revolving Line of Credit 2. Contract - can finance all costs (excluding profit). 3. Seasonal - Seasonal working capital needs. 4. Builder - Finances direct costs in building a commercial or residential structure
Community Advantage Mission-focused lenders only. Expires 9/30/2024	$350,000	Same as 7(a) Loans	Same as 7(a) Loans. Approved CA Lenders by SBA may make revolving lines of credit.	Same as 7(a) Loans	0 - $50,000 Prime + 6.5% $50,001 - $250,000 P + 6% $250,001— $350,000 P + 4.5%	Same as 7(a) Loans **$350,000 or less= 0%**	Same as 7(a) Small Loans	Same as 7(a) Plus lenders must be CDFIs, CDCs, micro-lender or SBA Intermediary Lenders targeting underserved market.

U.S. Small Business Administration
Hipolito Garcia Federal Building
615 E Houston Street, Ste 298
San Antonio, Texas 78205

San Antonio District Office
(210) 403-5900
sado.email@sba.gov

www.sba.gov/district/san-antonio

Information current as OCTOBER 2022—*SBA Programs and services are provided on a nondiscriminatory basis. See the SOP for the most up to date detailed information.*

QUICK OVERVIEW OF SBA LOAN GUARANTY PROGRAMS

U.S. Small Business Administration

Program	Maximum Loan Amount	Percent of Guaranty	Eligible Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees (Based on Gtd. Portion)	Who Qualifies	Benefits to Borrowers
International Trade	$5 million	90% guaranty (up to $4.5M maximum guaranty) (Up to $4M maximum guaranty for working capital)	Term loan for permanent working capital, equipment, facilities, land and buildings, business acquisition, and debt Refinance that will improve applicant's competitive position.	Up to 25 years.	Same as 7(a) Loans	Same as 7(a) Loans	Same as 7(a) Loans. Plus, engaged or preparing to engage in international trade or adversely affected by competition from imports.	Long term financing to allow small business to compete more effectively in the international marketplace
Export Working Capital Program	$5 million	90% guaranty (up to $4.5M maximum guaranty)	Short-term, working-capital loans for direct and indirect exporters. May be transaction based or asset-based. Can also support standby letters of credit	Up to 3 years	No SBA maximum interest rate cap, but SBA monitors for reasonableness	Based on Maturity : 12 months or less: 0.25%; Between 13 months and 24 months: 0.525%; Between 25 months and 36 months: 0.80%. All based on guaranteed portion.	Same as 7(a) Loans. Plus, need short-term working capital for direct or indirect exporting.	Additional working capital to increase export sales without disrupting domestic financing and business plan
Export *Express*	$500,000. This amount is NOT reduced by any SBA Express Loan amounts.	90% guaranty for loans of $350,000 or less; 75% guaranty for loans greater than $350,000	Same as SBA*Express* plus standby letters of credit. No requirement for term out period	LOC: Max = 84 mo.; Term loan: same as 7(a)	Same as 7(a) Loans	Same as 7(a) Loans	Applicant must demonstrate that loan will enable them to enter a new, or expand in an existing export market. Business must have generally been in operation for at least 12 months (though not necessarily in exporting).	Fast turnaround; Streamlined process; Easy-to-use line of credit Loan can be for direct or indirect exporting.
504 Loans Provided through Certified Development Companies (CDCs) which are licensed by SBA	504 CDC maximum amount ranges from $5 million to $5.5 million, depending on type of business or project.	Project costs financed as follows: CDC: up to 40% Lender: 50% (Non-guaranteed) Equity: 10% plus additional 5% if new business and/ or 5% if special use property	Long-term, fixed-asset loans; Lender (non-guaranteed) financing secured by first lien on project assets. CDC loan provided from SBA 100% guaranteed debenture sold to investors at fixed rate secured by 2nd lien.	CDC Loan: 10, 20 or 25-year term fixed interest rate. Lender Loan: Unguaranteed financing may have a shorter term. May be fixed or adjustable interest rate	Fixed rate on 504 Loan established when the debenture backed loan is sold. Declining prepayment penalty for 1/2 of term.	Upfront guaranty fee = 0% (0 basis points). Annual service fee = 0.4405% (44.05 basis points) of outstanding balance of loan.	Alternative Size Standard: For-profit businesses that do not exceed $15M in tangible net worth, and do not have an average two full fiscal year net income over $5M. Owner Occupied 51% for existing building or 60% for new construction of a building.	Low down payment - equity (10,15 or 20 percent) (The equity contribution may be borrowed as long as it is not from an SBA loan) Fees can be financed; SBA /CDC Portion: Long-term fixed rate Full amortization and No balloons
504 Loan Refinancing Program (Permanent) Provided through Certified Development Companies (CDCs) which are licensed by SBA **See Notice 5000-808830 for details.**	Same as 504	Loan to Value (LTV) with Qualified Debt(s) 90%. For projects that include "Eligible Business Expenses (EBE)" the LTV is 85%. EBE may not exceed 20% of the fixed asset appraisal value	Refinancing of Qualified Debt (85% of the proceeds must have been originally used to acquire an Eligible Fixed Asset), and "Other Secured Debt" secured by the Eligible Fix Asset. May include the financing of eligible Business Operating Expenses as part of the refinancing.	Same as 504	Same as 504	Same as 504 above except annual service fee = 0.4405% plus 0.0145%, for a total of 0.4405% (44.05 basis points plus 1.54 basis points for a total of 45.59 basis points) of outstanding balance of loan.	Was incurred not less than 6 months prior to date of application. Has been secured by Eligible Fixed Asset(s) for at least six months; May include debt subject to a federal guarantee under certain conditions. Cannot be a 504 Third Party Loan which is part of an existing SBA 504 project.	Business can access equity in their commercial real estate for business operating expenses or refinance property on reasonable terms. Fees can be financed; SBA /CDC Portion: Long-term fixed rate Full amortization and No balloons
Non-7(a) Loans Microloans Loans through nonprofit lending organizations; technical assistance provided.	$50,000	Not applicable	Working capital, supplies, machinery & equipment, fixtures; etc. Intermediary may chose to refinance debt. Cannot be used for real estate.	Shortest term possible, not to exceed 7 years	Negotiable with intermediary. Up to 7.75% for loans over $10,000 or 8.5% for loans under $10,000 above intermediary cost of funds.	No guaranty fee	Same as 7(a) Loans	Direct loans from nonprofit intermediary lenders; Fixed-rate financing; Very small loan amounts; Technical assistance available

U.S. Small Business Administration
409 3rd Street, S.W.
Washington, DC 20416

SBA Answer Desk
1-800-827-5722
www.sba.gov

This is an overview and does not include full policy and procedures. See the current Lender and Development Company Loan Programs SOP 50 10 for more details.

OCTOBER 2022