SBA Finance Options for Grocers

Wayne Bell
US Small Business Administration

Vanessa Klein
US Small Business Administration

Follow this and additional works at: https://newprairiepress.org/cecd

This work is licensed under a Creative Commons Attribution-Noncommercial-No Derivative Works 4.0 License.


This Event is brought to you for free and open access by the Conferences at New Prairie Press. It has been accepted for inclusion in Center for Engagement and Community Development by an authorized administrator of New Prairie Press. For more information, please contact cads@k-state.edu.
SBA Finance Options

Fourth National Rural Grocery Summit

June 9 – 10, 2014
Federal government agency created in 1953
Purpose – to help potential and existing small businesses start, grow & succeed
The three “C’s”:
- COUNSELING
- CONTRACTING
- CAPITAL
SBA Loan Programs

• Key source of financing for viable small businesses that cannot qualify for credit on reasonable terms from traditional sources

• Three Principal Players:
  • Small Business Applicant
  • A Lender
  • SBA

*SBA does not provide direct loans or grants to start or grow a small business*
SBA Loan Programs

• Loan programs:
  • 7(a) loan program
  • 504 loan program

• Benefits to borrowers:
  • Access to capital not otherwise available
  • Lower down payment
  • Longer repayment term; no balloon or demand notes
  • Reasonable interest rate
  • Term loans & revolving lines of credit available
7(a) Loan Program

- SBA’s primary loan program
- Broad eligibility requirements
- Meets wide range of financing needs
- SBA guarantees loans made by private lenders, such as banks, credit unions or non-bank lenders
- SBA guaranty: 50 – 85%
  - Reduces lender’s risk of borrower non-payment
  - Borrower still obligated for full loan amount
7(a) Loan Program

- **Use of loan funds**
  - New start-up, change of ownership or existing businesses
  - Acquire land, building, equipment, fixtures
  - Inventory
  - Working capital
  - Refinance of existing debt
- **Maximum amount** - $5,000,000
- **Interest rate set by lender w/in SBA maximums**
  - Prime + 2.25% for loans < 7 yrs; prime + 2.75% for loans > 7 yrs; rates can be higher for smaller loans

www.sba.gov
7(a) Loan Program

- **Maximum maturities**
  - Up to 25 years for real estate
  - Up to 10 years or useful life for equipment
  - 7 – 10 years for working capital, inventory

- **Fees**
  - SBA charges one-time “guaranty fee” (2-3.75% of guaranteed portion of loan)
  - Tiered structured based upon loan amount
  - **NO FEE on loans of $150,000 and less through 9/30/2014**

www.sba.gov
7(a) Loan Program

• Procedure
  • Prepare business plan or loan proposal
  • Submit to lender of your choice
  • Lender decides to: 1) make loan themselves; 2) make loan with SBA guaranty or 3) decline
  • Lender gathers necessary information from applicant and submits request for guaranty to SBA
  • If approved by SBA, lender responsible for closing loan, disbursing funds, collecting payments and servicing loan
7(a) Loan Program – SBA Express

- SBA guarantees 7(a) loans through several different delivery methods/sub-programs
- SBA Express (most popular)
  - Lender must be approved to use the program
  - SBA delegates credit decision entirely to the lender
  - Minimal SBA paperwork for applicant
  - Quicker response time
  - Lender receives 50% guaranty from SBA
  - Maximum loan amount - $350,000
7(a) Loan Program – SBA Express

- “Veterans Initiative”
  - For businesses owned at least 51% by members of the military community and/or their spouses
  - NO GUARANTY FEE on loans of $350,000 and less originated through SBA Express program
  - Initiative good through 9/30/2014
504 Loan Program

- Long-term, fully amortizing, *fixed rate, subordinate* financing for purchase, renovation or construction of *fixed assets* (land, building, machinery & equipment)

- Two-tiered project financing
  - Private lender
    - 50% of project cost; 1\(^{st}\) lien on project assets (no SBA guaranty)
  - SBA 504 loan
    - Finances 30 – 40% of project cost; 2\(^{nd}\) lien on project assets
- Small business applicant provides 10 – 20%
504 Loan Program

- Provided through Certified Development Companies (CDCs)
- Funded by monthly sale of 100% SBA-guaranteed debentures/bonds to investors on Wall Street
- Can be for new start-up, change of ownership, or existing business
- 504 & 7(a) can be used together to meet current & fixed asset financing needs
- Amount (504 share): $125,000 to $5 - $5.5 million

www.sba.gov
504 Loan Program

• Interest Rate
  • Private lender loan: set by lender & must be w/in SBA maximum (currently 6%)
  • 504 loan: low, fixed rate based upon debenture rate in month loan is funded

• Maturity
  • Private lender loan: Must be at least 10 yrs for Real Estate; at least 7 yrs for Machinery & Equipment
  • 504 loan: 20 yrs for Real Estate; 10 yrs for Machinery & Equipment
SBA Wichita District Office

For more information on SBA’s programs and services
Please contact:
Vanessa Klein
220 W. Douglas, Suite 450
Wichita, KS 67202
Telephone: 316-269-6571 ext. 220
Email: vanessa.klein@sba.gov
Or visit our office web site at www.sba.gov/ks