



SBA Loans

- **The State Bank is a Preferred SBA (Small Business Administration) Lender.**
 - The State Bank has delegated authority to underwrite and approve SBA loans on behalf of the SBA, thereby greatly expediting the loan process. This is part of the SBA's effort to streamline the procedures necessary to provide financial assistance to the small business community.

- **What is an SBA Loan?**
 - It is a government-backed loan. The SBA (Small Business Administration) works with lenders to provide a partial guarantee of the outstanding loan balance to reduce the lender's risk and increases small business lending which helps to expand small business economic activity.

- **Use of Proceeds?**
 - Purchase or expand a business
 - To provide long-term working capital to use to pay operational expenses, accounts payable and/or to purchase inventory
 - Short-term working capital needs, including seasonal financing, contract performance, construction financing and exporting
 - Revolving funds based on the value of existing inventory and receivables
 - To purchase equipment, machinery, furniture, fixtures, supplies or materials, vehicles, inventory
 - To purchase owner occupied real estate, including land and buildings
 - To construct a new building or renovate an existing building
 - To establish a new business or assist in the acquisition, operation or expansion of an existing business
 - To refinance existing business debt, under certain conditions

- **Benefits of SBA Loans?**
 - Easier qualifications than conventional loan
 - Lower down payments
 - No balloon payments
 - Longer terms
 - Flexible repayment terms
 - Designed for businesses with collateral that might not meet convention lending standards
 - No advance formula
 - Less covenants
 - Advantages to Veterans



- **SBA 7a Business Loans**
 - The most common SBA loan, this program offers up to \$5,000,000 for a variety of financing needs, with longer terms and lower collateral requirements than conventional lending.
- **SBA 7(a) Small Loans**
 - Targeted for smaller requests, up to \$350,000, allowing for an expedited and streamlined application process with fewer requirements.
- **SBA Express Loans**
 - Fast-expediting loans of up to \$350,000 provide fixed-asset purchase power, debt consolidation, or working capital.
- **SBA 504**
 - Designed for a growing business that needs a long-term fixed rate loan for a major acquisition, the projects range from \$125,000 to \$12,500,000 depending on business type.
 - The bank partners with a CDC (Certified Development Corporation) to provide financing. Typically, the bank will fund 50% of the loan amount, the CDC will fund 40% of the loan amount and the borrower will fund 10%.
- **Working Capital CAPLine**
 - Fulfills short-term needs such as inventory, receivables, or consolidating debt with this revolving credit line up to \$5,000,000.
- **What's needed to get started:**
 - Company Information - Name, Type, Ownership
 - Personal Financial Statement (all ownership 20% or more)
 - Federal Business Tax Returns for 3 prior years
 - Year-to-date Balance Sheet and Income Statement (within 120 days.)
 - Federal Personal Tax Returns for 3 prior years (all ownership 20% or more)
 - Projections, if applicable
 - Business Plan, if applicable
 - Purchase Agreement, if applicable



Common Myths of SBA Loans

Myth 1: Getting a SBA loan will take forever!

Truth: If you find the right qualified lender, getting an SBA loan shouldn't take longer than a conventional loan. There are also express programs like the Express SBA Loan.

Myth 2: I can get an SBA loan directly from the SBA, so why use a bank?

Truth: The SBA does not lend money. A lot of people think the SBA provides grants to small business owners, but that is not true. The SBA is a government guarantee program that issues guarantees to decrease the risk to the bank when lending to small businesses.

Myth 3: You need perfect credit to get a SBA loan.

Truth: Low credit scores on SBA loans do not necessarily translate to a denial. Which would be the case for conventional loans. Bad personal credit can create restrictions/hurdles, but does not always result in a denial.

Myth 4: SBA loans have high interest rates and fees.

Truth: The SBA actually works hard to keep fees and interest rates low for SBA loans. Typically, the SBA only charges guarantee fees, which are typically 0 to 3.75 percent of the guaranteed portion of the loan, depending on the loan amount. These fees can be financed over the term of the loan, which is typically longer than the term for a conventional loan and are only paid once.

The SBA also monitors interest rates. A borrower can get either a fixed or floating rate and the SBA limits how much interest a lender can charge on a loan, as well.

Myth 5: My business is doing well, and we are on the road towards success; therefore, I don't need a small business loan.

Truth: More and more small business owners have begun to use small business loans to help them grow and thrive. If you are on the path to success, chances are your business will be undergoing a lot of positive change, which could mean that you will need more funds to help fuel the growth.



Benefits of getting a small business loan include longer terms as well as lower down payments, increased cash flow, and flexible repayment options like monthly installments of principal and interest and no balloon payments.

Myth 6: You will be buried with the paperwork!

Truth: Yes, SBA does need certain types of information in order to provide a guarantee to the bank who will grant a loan to your business. But in many cases SBA loans require little more paperwork than a conventional loan of the bank.

Myth 7: SBA loan is a “last resort” source of funding.

Truth: Small Business Administration (SBA) is the government organization whose mission is to help small business owners to make financing easier and cheaper. Thus SBA provides guarantees to banks to facilitate the process of small business financing. The SBA loan programs insist that small businesses not be charged an application fee, or bank management fee. In addition, the SBA loan programs offer financing with much longer terms than traditional bank financing. Loans are fully amortized with no balloons or call dates. SBA places limits on how much interest can be charged by lender to the small business borrower.

FREQUENTLY ASKED QUESTIONS

What happens after I apply?

The loan application will go to a Small Loan Business Specialist to determine if you qualify under The State Bank’s credit standards, as well as, SBA eligibility guidelines.

Is collateral required?

Yes, we will take a secured interest in business assets and/or mortgage on real estate. Additionally, personal assets are sometimes required.

Is an SBA loan only for new business?

No. The State Bank provides SBA loans to many established businesses so they can grow and expand.

What is the difference between an SBA loan and a conventional business loan from TSB?

A conventional business loan from The State Bank is solely the bank’s risk and is subject to Bank lending guidelines. An SBAExpress or 7(a) program loan, on the other hand, is a



business loan that splits the risk between the Bank and the SBA, which guarantees a portion of those loans. Because of this split risk, SBA loans are subject to the lending guidelines of both the SBA and The State Bank, which in turn is able to take on more risk and provide more flexible terms.

SBA 504 is an SBA loan participation program in which The State Bank directly lends a portion of the total financing need, with the remainder being lent by the Certified Development Company (CDC). The CDC portion is guaranteed by the SBA.

Is an SBA Loan from one bank the same as from another?

No. An SBA loan must still be approved by the issuing bank, and each bank has its own lending criteria. You should discuss specific terms with a bank representative to understand all the terms of your loan. In addition, a bank that's an SBA Preferred Lender, like The State Bank, is likely to provide you with better terms and a smoother application and closing process than a bank that is not an SBA Preferred Lender.