

SBA Financial Assistance Programs

Women-Owned Small Businesses (WOSBs) use their own resources, including credit cards, far more often than men who own small businesses for everything from start-up expenses to expansion plans. This difference -- plus the added complexity of financing the costs of performing government prime or subcontracts -- points to a need to educate and assist WOSBs about available contract and other small business financing.

The SBA assists the nation's small businesses in meeting their financing needs. The majority of this financing assistance is provided through loans guaranteed by the SBA. However, the loans are actually provided by the participating banks and certified development companies (CDCs) that partner with SBA, making financing available to customers who might not qualify through normal lending channels.

There are basically two types of SBA guaranteed loan programs available to borrowers: the 7(a) Loan Guaranty Program and the 504 Certified Development Company Loan Program. In addition, SBA offers the 7(m) MicroLoan Program. Equity investment is available through the Small Business Investment Company Program. More information about all of SBA's financing programs is provided via the Agency's website, at www.sba.gov/financing/. SBA district offices serve as a direct source of information and assistance concerning these programs, and can familiarize applicants with participating lending partners. Some of SBA's lending programs are as follows:

7 (a) Loan Guaranty Program

SBA may guarantee loans to small businesses that cannot obtain financing on reasonable terms through normal lending channels. Specialized loan programs are available under the 7(a) program. Some are useful for contract financing, particularly the *CAPLines* Program. Others are the Low Documentation Loan Program, the *SBAExpress* Program, the SBA Loan Prequalification Program, and the International Trade Loan Program -- discussed below -- plus several more.

CAPLines

CAPLines is the 7(a) umbrella program under which the SBA helps small businesses meet their short-term and cyclical working-capital needs. SBA generally can guarantee up to \$1 million, with a maximum interest rate for loans over \$50,000 of prime + 2.25%. Total loan amounts may be as high as \$2 million. One of the five short-term working-capital loan programs for small businesses under the *CAPLines* umbrella is the Contract Line.

The Contract Line finances the direct labor and material costs associated with performing assignable contracts. The loan may be revolving or non-revolving. Due to the flexibility of the Contract Line, it is appropriate for Indefinite Delivery Indefinite Quantity and cost reimbursement contracts as well as fixed price contracts. It may also be used for private sector contract financing.

SBAExpress

Under the SBAExpress Program, another 7(a) loan program, a limited number of lenders have SBA-delegated authority to streamline loan approval, and primarily use their own paperwork. **Loans may not exceed \$250,000, and may be used for revolving credit or for a term loan. This program may be an option for contract financing. It should also be considered when financing subcontract requirements.** The period of the loan is no more than five years for a revolving line of credit, up to ten years for working capital, and can extend up to 25 years for fixed assets and real estate.

Low Documentation Loan Program

A “Low Doc” loan reduces the paperwork currently involved in 7(a) loan requests. The current limit is \$150,000. The SBA portion of this application is one page.

SBA Prequalification Pilot Loan Program

This program is designed to address markets identified by SBA as underserved via traditional lending programs. These markets include Women-Owned Small Businesses. Applicants are assisted in preparing loan applications by intermediaries, who can be located through the nearest SBA district office. The intermediaries may charge a fee for some or all of their services. SBA issues prequalification letters to successful applicants, based in part on the applicant’s character and credit history. These letters expedite lenders’ decisions. The maximum loan amount is \$250,000, with a flexible term. The loan interest rate can be fixed or variable, and is negotiable with the lender. Loan maturity is usually five to ten years, but may extend to 25 years for fixed asset loans.

The International Trade Loan Program

Under this program small businesses engaged in or ready to begin international trade – or adversely affected by competition from imports – may qualify for short or long term financing. The SBA can guarantee up to \$1.25 million for a combination of fixed asset financing and Export Working Capital Program assistance.

7(m) MicroLoan Program

This is a program in which short-term loans of up to \$35,000 are made by nonprofit community- based lenders (intermediaries) to start up, newly established, or growing small businesses concerns.

504 Certified Development Company Loans

Certified Development Companies (CDCs) are nonprofit corporations set up to contribute to the economic development of their communities. The CDCs partnering with SBA provide small businesses long-term, fixed-rate financing to acquire real estate, machinery and equipment for business expansion or to modernize facilities. The SBA will guarantee debentures funding CDC assistance up to \$1 million, which may not exceed forty percent of the project cost. An SBA guarantee of up to \$1.3 million is possible for loans which meet stated public policy goals. (See www.sba.gov/financing, and click on “CDC – 504 Loans” for more information.) Recipient small businesses

must contribute a minimum of ten percent equity as part of the loan package. The private lender's portion of these loans is unlimited. These loans are only available through CDCs and must create at least one job per every \$35,000 loaned under SBA's guarantee.

Department of Transportation Short Term Lending Program

This DOT STLP financing is available to firms DOT certified as Disadvantaged Business Enterprises (DBEs), including Women-Owned Business Enterprises (WBEs) – and to 8(a), HUBZone, Small Disadvantaged Business, or Service Disabled Veteran-owned firms. The firm must be in business three years to qualify. DOT provides guarantees for these loans which are made through participating banks. **Loans are available, up to \$500,000, for transportation-related contracts, at a rate of prime plus one percent.** STLP financing can be used for any public, commercial, federal, state, or local agency contract – for any of the nation's transportation modes. See information and contacts at <http://osdbuweb.dot.gov/about/index.html>.

Equity Investments: The Small Business Investment Company Program

Small Business Investment Companies (SBICs), licensed and regulated by the SBA, make venture capital investments with their own funds plus funds obtained through SBA participation. The incentive for SBICs is to share in the success of the funded small business as it grows and prospers. The SBA publishes a regularly updated directory of all current SBIC licensees. It is available at www.sba.gov/inv.

More information is available through SBA district offices in all 50 states and Puerto Rico, the U.S. Virgin Islands and Guam. Locations and phone numbers are available on this website at <http://www.sba.gov/regions/states.html>. They may also be found under "U.S. Government" in telephone directories, or are available through 1-800 U ASK SBA; TDD: 1-704 344-6640 – or by e-mail: answerdesk@sba.gov. Women business owners may consult the SBA On-line Women's Business Center for assistance at <http://www.onlinewbc.gov>. In addition to program specific information at SBA's website at www.sba.gov/financing, SBA also provides its publications online. To access these, enter www.sba.gov, click on "Online Library," then on "Publications," and scroll down to the tables at the bottom. Please note the table entitled "Publications – Guides," which includes a "Borrower's Guide."