



U.S. Small Business  
Administration

# U.S. Small Business Administration

**SBA was created in 1953 as an independent agency of the federal government to:**

- aid, counsel, assist, and protect the interests of small business concerns
- to preserve free competitive enterprise
- to maintain and strengthen the overall economy of our nation.



**SBA directly supports small businesses and small business resource providers in all 50 states and U.S. territories.**

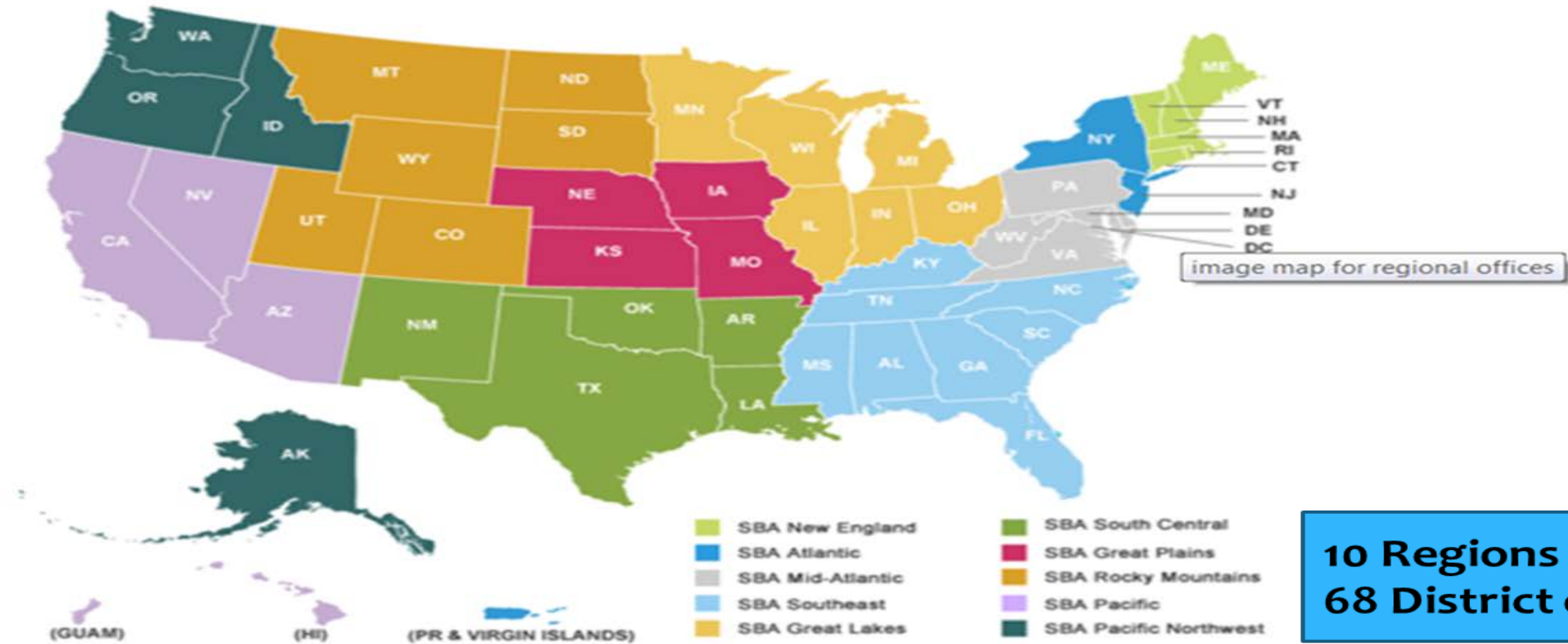
# Powering the American Dream

- The U.S. Small Business Administration makes the American dream of business ownership a reality.
- We empower entrepreneurs and small business owners with the resources and support they need to start and grow their businesses.
- And, the SBA is the only go-to resource and voice for small businesses that is backed by the strength of the federal government.

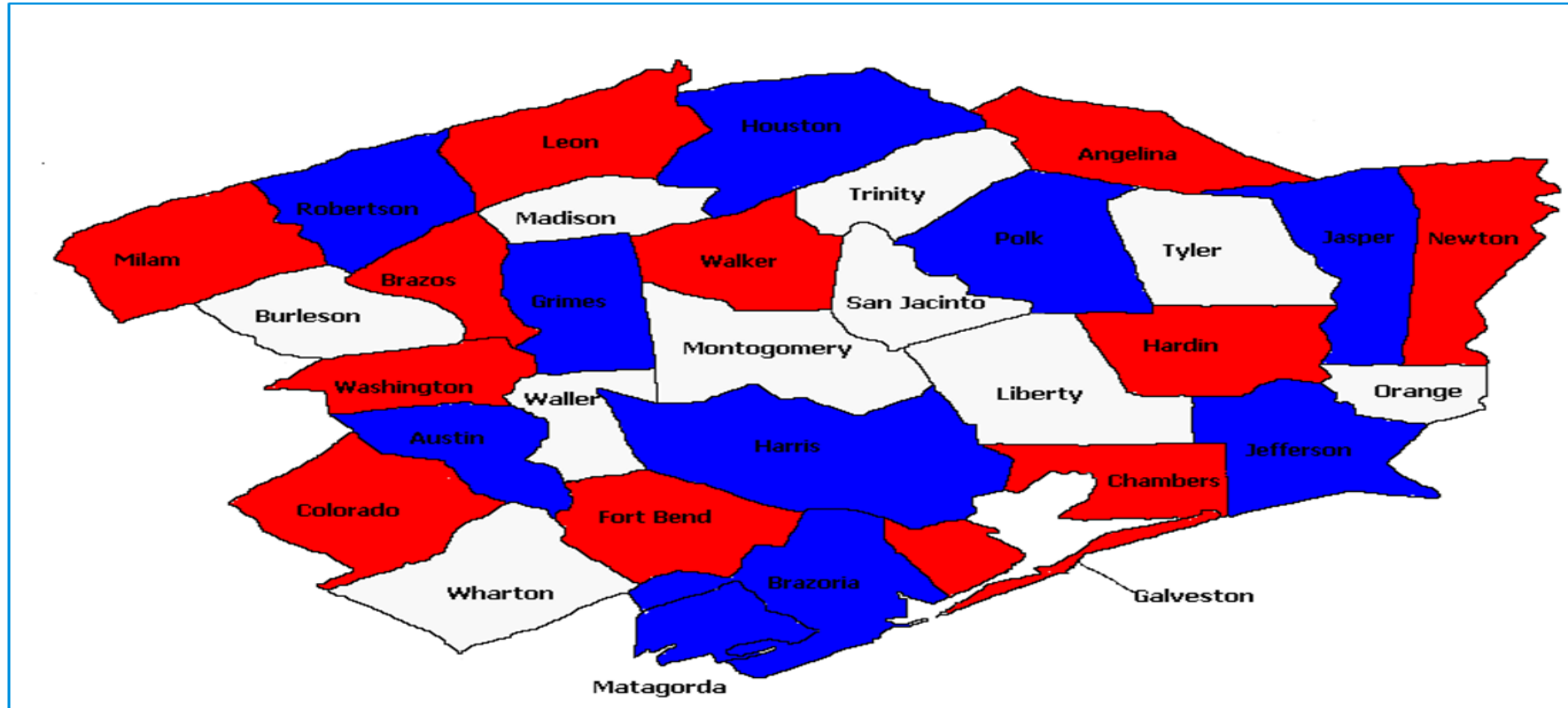
# US Small Business Administration

## Regional Offices

To further the mission of helping small businesses succeed, SBA has established offices across the country.



# 32 Counties Around Houston



# Why Does US Government Care About Small Business?

**99.8% of TX Business is Small**

Per SBA Office of Advocacy

**99.5% of Houston MSA Business is Small**

Per US Census Bureau

| # Empl  | # Biz  |
|---------|--------|
| 1-5     | 560313 |
| 5-9     | 17839  |
| 10-19   | 11726  |
| 20-99   | 10413  |
| 100-499 | 3298   |
| 500+    | 3278   |
| Total   | 606867 |

***Drives Economic Growth and Prosperity!***

# The 4 C's of the SBA

- Counseling
- Contracting
- Capital
- Crisis (Disaster Assistance)

# Counseling

## Resource Partners Powered by the SBA

### **SCORE:**

<http://houston.score.org>

### **Small Business Development Center (SBDC):**

<http://www.sbdc.uh.edu/sbdc/>

### **Women's Business Center (WBC):**

<http://www.wbea-exas.org/womens-business-center>



# Contracting

- The U.S. Government is one of the largest buyers of goods and services in the world. 2017 ~ \$400Bn
- Federal agencies are required to establish small business contracting goals; 23% to small businesses
  - The SBA '8(a)' Program
  - Historically Underutilized Business Zone (HUBZone)
  - Women-Owned Small Business (WOSB) Small Disadvantaged Business (SDB)
  - Service- Disabled Veteran-Owned Small Business (SDVOSB)

**\*Procurement Technical Assistance Center (PTAC)**



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# 7a Loan Program

# Office of Capital Access

## Office of Financial Assistance

7(a) Standard

7(a) Small

Express

504

504 Loan Refinancing Program

CapLines

Veterans Advantage

Express Bridge Loan (Disaster)

## Office of Economic Opportunity

Community Advantage

Micro Loans

## Office of International Trade

International Trade Loans

Export Express

Export Working Capital Program

| Program  | Maximum Loan Amount  | Percent of Guaranty   | Use of Proceeds   | Maturity  | Maximum Interest Rates   | Guaranty Fees   |
|--|--|---|---|---|--|---|
| <b>7(a) Loans</b>  | \$5 million  | 85% guaranty for loans of \$150,000 or less;<br>75% guaranty for loans greater than \$150,000 (up to \$3.75 million maximum guaranty) | Term Loan. Expansion/renovation; new construction, purchase land or buildings; purchase equipment, fixtures, lease-hold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit, inventory or starting a business | Depends on ability to repay. Generally, working capital & machinery & equipment (not to exceed life of equipment) is 5-10 years; real estate is up to 25 years. When loan proceeds are used for multiple purposes maturity may be a blended maturity. | <b>Loans less than 7 years:</b><br>\$0 - \$25,000 Prime + 4.25%<br>\$25,001 - \$50,000 P + 3.25%<br>Over \$50,000 Prime + 2.25%<br><br><b>Loans 7 years or longer:</b><br>0 - \$25,000 Prime + 4.75%<br>\$25,001 - \$50,000 P + 3.75%<br>Over \$50,000 Prime + 2.75%<br><br>Fixed Rate:<br><a href="http://www.colsonservices.com">www.colsonservices.com</a><br>Click: News & Rates | <b>(No SBA guaranty fees on loans of \$125,000 or less approved in FY 2018.)</b><br>Fee charged on guarantied portion of loan only.<br>\$125,001-\$150,000=2.0%<br>\$150,001-\$700,000=3.0%<br>above \$700,000= 3.5%<br>up to 1st million; plus 3.75% on guaranty portion over \$1 million, 12 months or less .25%<br>Ongoing fee of 0.55%. |
| <b>(7a)Small Loans</b><br>Is any 7a 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  |
| <b>SBAExpress</b>  | \$350,000  | 50%   | May be used for revolving lines of credit (must have term out period not less than draw period) or for a term loan. Same as 7(a)  | Same as 7(a) except LOC: Revolving plus term out can only have a maturity up to 10 years.   | Loans \$50,000 or less; prime+ 6.5%<br>Loans over \$50,000; prime + 4.5%   | Same as 7(a) Loans  |
| <b>SBA Veterans Advantage</b>  | Processed under SBAExpress \$350,000<br><br>Processed under SBA 7(a) Loans \$5 million | Same as SBAExpress<br><br>Same as 7(a) Loans  | Same as SBAExpress<br><br>Same as 7(a) Loans  | Same as SBAExpress<br><br>Same as 7(a) Loans  | Same as SBAExpress<br><br>Same as SBA 7(a) Loans   | No guaranty fee.<br><br>Ongoing fee of 0.55%<br><br>Same as 7(a) Loans<br>Except guaranty fee for non SBAExpress loans \$125,001- \$350,000 will be reduced by 50%.<br><br>Ongoing fee of 0.55%   |
| <b>CapLines:</b><br>1. Working Capital;<br>2. Contract;<br>3. Seasonal; and<br>4. Builders                     | \$5 million  | Same as 7(a) Loans  | Finance seasonal and/or short-term working capital needs; cost to perform; 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  |

| Program   | Maximum Loan Amount   | Percent of Guaranty  | Use of Proceeds  | Maturity  | Maximum Interest Rates   | Guaranty Fees  |
|---|---|--|--|---|--|--|
| <b>International Trade</b>  | \$5 million   | 90% guaranty (up to \$4.5 million maximum guaranty) (Up to \$4 million maximum guaranty for working capital )  | Term loan for permanent working capital, equipment, facilities, land and buildings and debt refinance related to international trade   | Up to 25 years.   | Same as 7(a) Loans   | Same as 7(a) Loans   |
| <b>Export Working Capital Program</b>   | \$5 million   | 90% guaranty (up to \$4.5 million maximum guaranty)  | Short-term, working-capital loans for exporters. May be transaction based or asset-based. Can also support standby letters of credit   | Generally one year or less, may go up to 3 years  | No SBA maximum interest rate cap, but SBA monitors for reasonableness  | Same as 7(a) Loans   |
| <b>Export Express</b>   | \$500,000   | 90% guaranty for loans of \$350,000 or less; 75% guaranty for loans greater than \$350,000   | Same as SBAExpress plus standby letters of credit  | Same as SBAExpress except LOC: Revolving plus term out can only have a maturity up to 7 years.  | Same as SBAExpress   | Same as 7(a) Loans   |
| <b>504 Loans</b><br>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:<br>CDC: up to 40%<br>Lender: 50% (Non-guaranteed)<br>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- or 20-year term fixed interest rate.<br><br>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 backing loan is sold.<br>Declining prepayment penalty for 1/2 of term. | SBA guaranty fee on debenture is 0.0%. A participation fee of 0.5% is on lender share, plus CDC may charge up to 1.5% on their share. CDC charges a monthly servicing fee of 0.625%-2.0% on unpaid balance. Ongoing guaranty fee is 0.642% of principal outstanding. Ongoing fee % doesn't change during term. |
| <b>504 Loan Refinancing Program</b><br>(Permanent)<br>Provided through Certified Development Companies (CDCs) which are licensed by SBA | Same as 504<br><br>(see SBA Policy Notices <a href="#">5000-1382 dated 05/26/16</a> and <a href="#">5000-1939 dated 11/17/2016</a> for program information) | Loan to Value (LTV) Qualified and Secured Debt 90%. For projects that include "Business Operating Expenses (BOE)" the LTV is 85%. BOE may not exceed 15% of the fixed asset. | At least 85% of the proceeds of the loan(s) to be refinanced had to be originally used for eligible fixed assets.<br><br>May include the financing of eligible business expenses as part of the refinancing.       | Same as 504   | Same as 504  | Same as 504 except, ongoing guaranty fee is 0.682% of principal outstanding.   |

# Eligibility for all SBA Loans

- ❑ To be eligible for an SBA business loan, a small business applicant must:
  - 1) Demonstrate a need for the desired credit (Credit Elsewhere)
  - 2) Be small based on regulatory size requirements ([13 CFR Part 121 and 120.150](#))
  - 3) Organized for profit
  - 4) Be an operating business
  - 5) Located in the United States
  - 6) Owners must be of “good character”
  - 7) Demonstrate repayment ability

# Size Standards

- ❑ The 2010 Jobs Bill expands the number of businesses eligible for SBA loans by increasing the alternate size standard to those small businesses with **less than \$15 million in net worth and \$5 million in average net income**
- Manufacturing from 500 to 1,500 employees
- Wholesaling 100 employees
- Services from \$4.5 million to \$32.5 million in average annual receipts
- Retailing from \$6.5 million to \$26.5 million
- General construction from \$6.5 million to \$32 million

[www.sba.gov/size](http://www.sba.gov/size)

# Eligible Uses

- ❑ SBA's primary financing program, 7(a) loans can be used for most business expenses, including:
  - Purchase machinery, equipment, fixtures, buildings and land for business use
  - Expand or renovate facilities
  - Construct commercial buildings
  - Finance receivables and augment working capital
  - Refinance eligible business debt
  - Finance eligible change of ownership/purchase of a business



# Loan Guaranty FEES

| Gross Loan Size   | FEES (See Note 1)   | NOTES                             |
|---|---|-----------------------------------|
| Loans of \$150,000 or less<br>(See Note 2)                        | 2% of guaranteed portion<br>Lender is authorized to retain 25% of the fee.                            | Maturities that exceed 12 months. |
| SBA Express loans to qualified Veterans & Spouses up to \$350,000 | Zero (When program is zero subsidy.)  |                                   |
| \$150,001 to \$700,000  | 3% of guaranteed portion  |                                   |
| \$700,001 to \$5,000,000<br>(See Note 3)                          | 3.5% of guaranteed portion up to \$1,000,000<br>PLUS 3.75% of the guaranteed portion over \$1,000,000 |                                   |
| Short Term Loans – up to \$5 million                              | 0.25% of the guaranteed portion   |                                   |

Note 1: SBA specifies the amount of certain fees each fiscal year for all loans approved during that year.

Note 2: For example, the guaranty fee on a \$100,000 loan with an 85% guaranty would be 2% of \$85,000 or \$1,700, of which the Lender may retain \$425.

Note 3: For example, the guaranty fee on a \$5,000,000 loan with a 75% guaranty (\$3.75 million guaranteed portion) would be 3.5% of \$1,000,000 (\$35,000) PLUS 3.75% of \$2,750,000 (\$103,125), which totals \$138,125.

# Maturity

The maximum maturities are as follows:

- **Working Capital or Inventory** - up to 10 years (with sufficient justification)
- **Equipment, Fixtures or Furniture** - generally not more than 10 years, but allowable up to 25 years, and not to exceed the useful economic life of the acquired asset(s)
- **Real Estate** - 25 years, plus the additional time needed to complete construction
- **Refinancing** - based on the use of proceeds of the loan(s) being refinanced
- **Mixed Purposes** - the blended maturity based on the use of proceeds, or up to the maximum for the asset class comprising the largest percentage of the use of proceeds

## Borrower must Submit

- Personal Financial Statement dated within 90 days of submission to SBA (SBA Form 413 optional)
- Business or Equipment Valuations (if necessary)
- Business Financials or Tax Returns dated within 120 days of submission to SBA
- Business Plan (if necessary)

## Borrower Must Submit

- Year End Balance Sheet for last 3 years including debt schedule
- Year End P & L for last 3 years
- Reconciliation of Net Worth
- Interim Balance Sheet
- Interim P & L

# Borrower Must Submit

For Business Acquisitions:

- Business Valuation (detail dependent upon size of the transaction)
- Pro-Forma (Day One) balance sheet
- 3 years of financials for the seller
- Sources & Uses of Funds Breakdown
- Copy of buy-sell agreement

# Lender Match

Free online referral tool that connects small businesses with participating SBA-approved lenders.

- Describe your needs
- Get matched in 2 days
- Talk to lenders
- Apply for a loan

[www.sba.gov/lendermatch](http://www.sba.gov/lendermatch)

# Helpful Websites

There are a number of resources available to help answer questions about the SBA programs:

- SBA website: [www.sba.gov](http://www.sba.gov)
- List of SBA Lenders: [www.haggl.com](http://www.haggl.com)
- S.C.O.R.E. Volunteers: [www.scorehouston.org](http://www.scorehouston.org)
- Houston Galveston Women's Business Center: [www.wbea-texas.org/wbc](http://www.wbea-texas.org/wbc)
- Small Business Development Centers: [www.sbdcnetwork.uh.edu](http://www.sbdcnetwork.uh.edu)
  - Local SBDC – University of Houston SBDC – (713) 752-8444, 2302 Fannin, St. #200, Houston, TX 77002 [www.sbdc.uh.edu/sbdc/default.asp](http://www.sbdc.uh.edu/sbdc/default.asp)
- Procurement Technical Assistance Centers
  - Find your local center at: [www.aptac-us.org/new/](http://www.aptac-us.org/new/)  
University of Houston PTAC – (713) 752-8466 2302 Fannin, St. #200, Houston, TX 77002

# Houston District Office Contact

## **SBA Houston District Office**

8701 South Gessner,

Suite 1200

Houston, TX 77074

(713)773-6500

[www.sba.gov/tx/houston](http://www.sba.gov/tx/houston)

Mark Winchester, Deputy District Director

(713)773-6508

Email: [Mark.Winchester@sba.gov](mailto:Mark.Winchester@sba.gov)