

## II. BUSINESS RESOURCES

### SMALL BUSINESS ADMINISTRATION

**Web Address:** <http://www.sba.gov>

**Local Contact:** Small Business Development Center (SBDC)  
Washington State University  
200 SE Park Plaza Drive, Suite 1005  
Vancouver, WA 98684  
Janet Harte, 360-260-6372  
[harte@vancouver.wsu.edu](mailto:harte@vancouver.wsu.edu)

**Resource Type:** Financial and technical resources geared toward small businesses.

**Overview:** The U.S. Small Business Administration provides financial, technical and management assistance to help people start, run, and grow businesses. With a portfolio of business loans worth more than \$45 billion, in addition to a venture capital portfolio of \$13 billion, SBA is the nation's largest single financial backer of small businesses. In 2002, the SBA offered management and technical assistance to more than one million small business owners.

#### Key Financial Resources

The Small Business administration offers a number of loan opportunities as well as several grants. Grants are primarily geared toward technical capacity building as opposed to financial or physical asset building.

#### **Micro Loan Program**

The Micro Loan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$10,500. Applications are submitted to the local intermediary and all credit decisions are made on the local level. The maximum term allowed for a micro loan is six years. However, loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. Interest rates vary, depending upon the intermediary lender and costs to the intermediary from the U.S. Treasury. Each intermediary lender has its own lending and credit requirements. However, business owners contemplating application for a micro loan should be aware that intermediaries will generally require some type of collateral, and the personal guarantee of the business owner. Each intermediary is required to provide business based training and technical assistance to its micro- borrowers. Individuals and small businesses applying for micro loan financing may be required to fulfill training and/or planning requirements before a loan application is considered.

## SBALowDoc Loan Program

Once a small business borrower meets a lender's requirements for credit, the lender may request a guaranty from the SBA through SBALowDoc procedures. It's a quick, two-step process: The borrower completes the front of the one-page application, and the lender completes the back. The lender submits a complete application to the SBA and receives an answer within 36 hours. The maximum loan available is \$150,000. Interest rates can be negotiated between the borrower and lender. To secure the loan, the borrower must pledge available business and personally owned assets. Loans are not declined when inadequate collateral is the only unfavorable factor. Length of time for repayment depends on ability to repay and the use of the loan proceeds. Maturity is usually 5 to 10 years. For fixed-asset loans it can be up to 25 years. A business is usually eligible for the SBALowDoc if: A) The purpose of the loan is to start or grow a business; or B) The existing business employs no more than 100 people, has average annual sales for the preceding three years not exceeding \$5 million, and the business including affiliates; the business and its owners have good credit; and the business owners are of good character.

## Enhanced SBAExpress Loan Program

The newly enhanced SBAExpress makes it faster and easier for lenders to provide SBA guaranteed small business loans of \$250,000 or less. It allows most lenders to use SBA's more efficient / streamlined loan review processes, includes fewer forms and procedures, and offers special lender incentives to provide very small SBA loans, especially revolving lines of credit. Loans are processed centrally with instantaneous SBA response. Lenders use mostly their own forms and procedures for loans up to \$250,000, utilize a newly streamlined process to request a 50 percent Agency guaranty, take most servicing actions without prior SBA approval, and may request expedited SBA purchase on small loans or in situations where liquidation may be delayed. Lenders can participate if they currently participate with SBA and meet certain portfolio standards; are a non-SBA lender that currently makes a reasonable number of commercial loans of \$50,000 or less, and; meet certain other requirements. The SBA's general collateral policy requires guaranteed loans to be fully secured; with SBAExpress, lenders are not required to take collateral for loans up to \$25,000 and may use their existing collateral policy for loans over \$25,000 up to \$150,000. Loan maturity generally depends on the borrower's ability to repay and the use of the loan proceeds. The new SBAExpress allows revolving loans up to 7 years with maturity extensions permitted at the outset. Lenders and borrowers can negotiate the interest rate. Rates are tied to the prime rate and may be fixed or variable, but they may not exceed SBA maximums: Lenders may charge up to 6.5 percent over prime rate for loans of \$50,000 or less and up to 4.5 percent over the prime rate for loans over \$50,000. To qualify, a business must meet the SBA's industry size standards. These standards are based on the average number of employees over the preceding 12 months or average sales over previous three years.

## Certified Development Company (504) Loan Program

The 504 Certified Development Company (CDC) Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide. For Camas, the CDC is:

REGION 10: Evergreen Community Development Association  
CONTACT: Philip T. Eng, President  
ADDRESS: 900 Fourth Avenue, Suite 2900, Seattle WA 98164  
PHONE#: (206) 622-3731

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped. The maximum SBA debenture is \$1,000,000 for meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$35,000 provided by the SBA. The maximum SBA debenture is \$1.3 million for meeting a public policy goal:

- Business district revitalization
- Expansion of exports
- Expansion of minority business development
- Rural development
- Enhanced economic competition
- Restructuring because of federally mandated standards or policies
- Changes necessitated by federal budget cutbacks
- Expansion of business concerns owned / controlled by veterans
- Expansion of business concerns owned / controlled by women

Proceeds from 504 loans must be used for fixed asset projects such as: purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernizing, renovating or converting existing facilities. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing. Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately three (3) percent of the debenture and may be financed with the loan. Generally, the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required. To be eligible, the business must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, the business qualifies as small if it does not have a net worth in excess of \$7 million and does not have average net income in excess of \$2.5 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

## 7(A) Loan Guaranty Program

The 7(a) Loan Guaranty Program is one of SBA's primary lending programs. It provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans which are, in turn, guaranteed by the SBA -- the Agency has no funds for direct lending or grants. Most lenders are familiar with SBA loan programs so interested applicants should contact their local lender for further information and assistance in the SBA loan application process. Information on SBA loan programs, as well as the management counseling and training services offered by the Agency, is also available from the local SBA office. Effective December 22, 2000, a maximum loan amount of \$2 million has been established for 7(a) loans. However, the maximum dollar amount the SBA can guaranty is generally \$1 million. Repayment ability from the cash flow of the business is a primary consideration in the SBA loan decision process but good character, management capability, collateral, and owner's equity contribution are also important considerations. All owners of 20 percent or more are required to personally guarantee SBA loans.

Although most small businesses are eligible for SBA loans, some types of businesses are ineligible and a case-by-case determination must be made by the Agency. The proceeds of SBA loans can be used for most business purposes. These may include the purchase of real estate to house the business operations; construction, renovation or leasehold improvements; acquisition of furniture, fixtures, machinery, and equipment; purchase of inventory; and, working capital. Proceeds of an SBA loan cannot be used to finance floor plan needs; purchase real estate where the participant has issued a forward commitment to the builder/developer, or where the real estate will be held primarily for investment purposes; make payments to owners or pay delinquent withholding taxes; or pay existing debt unless it can be shown that the refinancing will benefit the small business and that the need to refinance is not indicative of imprudent management.

## 7(j) Management and Technical Assistance Program

Under Section 7(j) of the Small Business Act, SBA is authorized to provide management and technical assistance, through grants and cooperative agreements to qualified service providers. The Agency is not authorized to award grants to assist individuals to start, operate, expand, rebuild, or purchase a business. The management and technical assistance includes specialized training, professional consulting and executive development. The qualified service providers, deliver the training and technical assistance to, eligible firms and individuals participating in SBA's Business Development program, other small disadvantaged businesses, low income individuals, and firms in either labor surplus areas or areas with a high proportion of low-income individuals.

## [Key Technical Resources](#)

### **EMERGING BUSINESS PRIMERS:**

- [Transferring Management/Family Businesses \(Link\)](#)
- [Marketing Strategies for Growing Businesses \(Link\)](#)
- [Management Issues for Growing Businesses \(Link\)](#)
- [Human Resource Management for Growing Businesses \(Link\)](#)
- [Audit Checklist for Growing Businesses \(Link\)](#)
- [Strategic Planning for Growing Businesses \(Link\)](#)
- [Financial Management for Growing Businesses \(Link\)](#)

### **FINANCIAL MANAGEMENT PRIMERS:**

- [ABC's of Borrowing \(Link\)](#)
- [Understanding Cash Flow \(Link\)](#)
- [A Venture Capital Primer for Small Business \(Link\)](#)
- [Budgeting in a Small service Firm \(Link\)](#)
- [Record keeping in a Small Business \(Link\)](#)
- [Pricing Your Products and Services Profitably \(Link\)](#)
- [Financing for Small Business \(Link\)](#)

### **MARKETING PRIMERS:**

- [Creative Selling: The Competitive Edge \(Link\)](#)
- [Marketing for Small Business: An Overview \(Link\)](#)
- [Researching Your Market \(Link\)](#)
- [Advertising \(Link\)](#)

### **MANAGEMENT AND PLANNING SERIES PRIMERS:**

- [Problems in Managing a Family-Owned Business \(Link\)](#)
- [Business Plan for Small Manufacturers \(Link\)](#)
- [Planning and Goal Setting for Small Business \(Link\)](#)
- [Business Plan for Retailers \(Link\)](#)
- [Business Plan for Small Service Firms \(Link\)](#)
- [Checklist for Going Into Business \(Link\)](#)
- [How to Get Started With a Small Business Computer \(Link\)](#)
- [Business Plan for Home-Based Business \(Link\)](#)
- [Developing a Strategic Business Plan \(Link\)](#)
- [Inventory Management \(Link\)](#)
- [Selecting the Legal Structure for Your Business \(Link\)](#)
- [Evaluating Franchise Opportunities \(Link\)](#)
- [Small Business Risk Management Guide \(Link\)](#)
- [Handbook for Small Business \(Link\)](#)
- [How to Write a Business Plan \(Link\)](#)

### **PRODUCTS/IDEAS/INVENTIONS PRIMERS:**

- [Ideas Into Dollars \(Link\)](#)
- [Avoiding Patent, Trademark and Copyright Problems \(Link\)](#)
- [Trademarks and Business Goodwill \(Link\)](#)

### **PERSONNEL MANAGEMENT PRIMERS:**

- [Employees: How to Find and Pay Them \(Link\)](#)
- [Managing Employee Benefits \(Link\)](#)

## **SBA FACT SHEETS:**

- Micro Loan Program for Entrepreneurs ([Link](#))
- Small Business Investment Company Program ([Link](#))
- Starting a Small Business ([Link](#))
- Low Documentation Smaller Business Program ([Link](#))
- Small Business Loan Pre-qualification Program ([Link](#))

## **WORKBOOKS:**

- Business Plan ([Link](#))
- Marketing Plan ([Link](#))
- Financing ([Link](#))
- Franchising ([Link](#))

## **FAQ'S RE: BUSINESS START-UPS:**

<http://www.sba.gov/starting/indexfaqs.html>

## **SMALL BUSINESS DEVELOPMENT CENTERS**

The SBDC Program is designed to deliver up-to-date counseling, training and technical assistance in all aspects of small business management. SBDC services include, but are not limited to, assisting small businesses with financial, marketing, production, organization, engineering and technical problems and feasibility studies. Assistance from an SBDC is available to anyone interested in beginning a small business for the first time or improving or expanding an existing small business, who cannot afford the services of a private consultant. In addition to the SBDC Program, the SBA has a variety of other programs and services available. They include training and educational programs, advisory services, publications, financial programs and contract assistance. The agency also offers specialized programs for women business owners, minorities, veterans, international trade and rural development.

## **BUSINESS INFORMATION CENTERS**

Business Information Centers (BICs) provide the latest in high-technology hardware, software, and telecommunications to assist small businesses. BICs use state-of-the-art personal computers, graphic work stations, CD-ROM technology, and interactive videos that allow the small business entrepreneur access to market research databases, use of planning and spreadsheet software, and use of vast libraries of information to help them start or build their businesses. The BICs also offer one-on-one counseling with seasoned business veterans through SCORE who can help in developing personalized business plans for prospective small business owners. Between the counseling and technology, BICs provide one-stop shopping for the latest in business trends and information. The BIC will enhance the Agency's efforts to increase small business productivity and competitiveness by linking them with commercial, on-line data services and technical information. The closest BIC for Camas is: [U.S. Small Business Administration Business Information Center; 1515 SW Fifth Avenue, Suite 1050; Portland, OR 97201-6695; \(503\) 326-5206.](#)