

SBA
U.S. Small Business Administration

The Small Business Loan Prequalification Program

Designed especially for:

- Armed forces veterans
- Borrowers in specially designated geographic areas
- Exporters
- Minorities
- Rural businesses
- Selected industries
- Women

Inquire at your local SBA office as to availability.

The program —

- helps you prepare your loan prequalification application;
- provides you with an SBA-guaranty commitment letter upon application approval;
- allows for a maximum SBA guaranty of 80 percent for loans up to \$100,000, and 75 percent for loans above \$100,000;
- provides up to \$250,000; and
- speeds lender consideration of your loan.

The U.S. Small Business Administration has created this program to help all small business and to assist “new markets” in particular with the small business loan-application process. New markets are those segments of the small business community that traditionally may have been underserved by the lending community.

How It Works

- Step 1: The prospective borrower works with an intermediary* — a technical-assistance organization designated by the SBA — to prepare a business plan and complete a loan prequalification application.
- Step 2: The intermediary reviews the applicant’s credit information, performs a loan analysis and submits the application to the SBA.
- Step 3: The SBA reviews the completed application to determine whether it meets the requirements for a guaranteed loan and makes an approval decision.
- Step 4: If the application is approved, the SBA issues a prequalification letter stating the agency’s intent to authorize a loan guaranty.
- Step 5: The applicant “shops” the prequalified loan to lenders interested in making SBA-guaranteed loans — often with the intermediary’s assistance.

* Intermediaries may charge a fee for some or all of their services. Check on fees prior to engaging an intermediary.

Interest Rates

The borrower and the lender may negotiate the interest rate. The interest rate can be either fixed or variable, is tied to the prime rate (as published in The Wall Street Journal) and may not exceed the following SBA maximums:

- 2.25 percent over prime for loans of less than seven years, and 2.75 percent over prime for loans of seven years or longer.
- For loans up to \$25,000, there may be an additional charge of up to 2 percent; for loans over \$25,000 and up to \$50,000, there may be an additional charge of 1 percent.

Collateral

- To secure the loan, the borrower must pledge available assets; generally, loans are not declined when inadequate collateral is the only unfavorable factor.
- Personal guaranties of the principals are required.

Loan Maturity

The length of time for repayment depends on —

- the borrower's ability to repay, and
- the use of the loan proceeds.

Maturity is generally five to 10 years. For fixed-asset loans it can be up to 25 years.

Eligibility

A business is generally eligible for the program if —

- the purpose of the loan is to start or grow a business;
- the existing business has average annual sales for the preceding three years not exceeding \$5 million, and the business employs no more than 100 people, including affiliates;
- the business and the owners have good credit; and
- the business owners are of good character.

For More Information

SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory, or contact:

- SBA Answer Desk: 1-800-U-ASK-SBA
- Fax: 202-205-7064
- TDD: 704-344-6640
- Your rights to regulatory fairness: 1-800-REG-FAIR
- OnLine Electronic Bulletin Board
(modem and computer required)
1-800-697-4636 (limited access)
1-900-463-4636 (full access)
202-401-9600 (D.C. metro area)
- Internet
Home page: www.sba.gov
Gopher: <gopher://gopher.sba.gov>
Telnet: <telnet.sba.gov>
U.S. Business Advisor: www.business.gov

SBA Affiliates

Inquire at your local SBA office for the location nearest you.

- BICs — Business Information Centers
- TBICs — Tribal Business Information Centers
- OSCs — One Stop Capital Shops

- SCORE — Service Corps of Retired Executives
- SBDCs — Small Business Development Centers
- USEACs — U.S. Export Assistance Centers
- WBCs — Women's Business Centers

SBA Publications

- The Resource Directory for Small Business Management — a listing of low-cost business management publications and videotapes
- The Facts About . . . SBA Publications — a listing of free SBA publications

Did you know that America's
23 million small businesses —

- employ more than 50 percent of the private workforce,
- generate more than half of the nation's gross domestic product, and
- are the principal source of new jobs?

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

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