

PROGRAM: SBA Loan Guarantee Program

AGENCY: Small Business Administration (SBA)

DESCRIPTION: Often referred to as the 7(A) Program. Guarantees loans made by lenders to small businesses. The lender may sell the guaranteed portion into the secondary market or retain the asset.

ELIGIBLE USES:

- Includes the purchase of fixed assets or inventory; leasehold improvements; working capital; and debt refinancing.

PROGRAM/LOAN STRUCTURE:

- Maximum Program Benefits: Guarantees up to \$1 million; maximum guaranty is 85% on loans up to \$150,000 and 75% on loans greater than \$150,000.
- Maturities: Normally seven years for working capital and up to 25 years for real estate.
- Rates: Interest rates may be fixed or variable. Fixed rate loans of \$50,000 or more must not exceed Prime Plus 2.25 percent if the maturity is less than 7 years, and Prime Plus 2.75 percent if the maturity is 7 years or more.
 - For loans between \$25,000 and \$50,000, maximum rates must not exceed Prime Plus 3.25 percent if the maturity is less than 7 years, and Prime Plus 3.75 percent if the maturity is 7 years or more.
 - For loans of \$25,000 or less, the maximum interest rate must not exceed Prime Plus 4.25 percent if the maturity is less than 7 years, and Prime Plus 4.75 percent, if the maturity is 7 years or more.
- Fees: For loans of \$150,000 or less, a 2 percent guarantee fee will be charged. Lenders are again permitted to retain 25 percent of the up-front guarantee fee on loans with a gross amount of \$150,000 or less.
 - For loans more than \$150,000 but up to and including \$700,000, a 3 percent guarantee fee will be charged.
 - For loans greater than \$700,000, a 3.5 percent guarantee fee will be charged.
 - For loans greater than \$1,000,000, an additional .25 percent guarantee fee will be charged for that portion greater than \$1,000,000. The portion of \$1,000,000 or less would be charged a 3.5 percent guarantee fee. The portion greater than \$1,000,000 would be charged at 3.75 percent.
- The annual on-going servicing fee for all 7(a) loans approved on or after October 1, 2005 shall be 0.545 percent of the outstanding balance of the guaranteed portion of the loan. The legislation provides for this fee to remain in effect for the term of the loan.

QUALIFICATION CRITERIA/COMMENTS:

- The SBA defines a small business as follows:
 - Manufacturing - Maximum number of employees may range from 500 to 1,500,
 - Wholesale - Maximum number of employees may not exceed 100,
 - Retail/Service - Average annual receipts may not exceed \$6 million to \$29 million, and
 - Construction - Average annual receipts may not exceed \$12 million to \$28.5 million.
- Applications are generally processed by the participating lender and the SBA in 20 working days or less. Certified lenders have a three-day turnaround from SBA and Preferred Lenders may unilaterally decide to originate, guarantee, service and liquidate loans.
- For more information on the loan guarantee program, visit <http://www.sba.gov/financing/sbaloan/7a.html> or visit the SBA homepage at http://www.sba.gov/starting_business/index.html .