

U.S. Small Business Administration

The Small Business Loan Prequalification Program

The Small Business Loan Prequalification Program is designed especially for –

- borrowers in specific designated geographic areas,
- armed forces veterans,
- exporters,
- minorities,
- rural businesses and
- women.

Inquire at your local SBA office as to availability.

The program –

- helps you prepare your loan prequalification application;
- allows your application to be analyzed by the SBA before you go to a lender;
- has a maximum SBA guaranty of 85 percent for loans up to \$150,000, and 75 percent for loans above \$150,000;
- provides up to \$250,000; and
- speeds lender consideration of your loan.

The U.S. Small Business Administration has created this program to help small businesses with the small business loan-application process.

How It Works

Step 1: The applicant 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 which outlines the conditions under which the SBA expects to issue a formal guaranty.

Step 5: The applicant "shops" the prequalified loan to lenders interested in making SBA-guaranteed loans. Often the intermediary assists the applicant.

* Intermediaries may charge a fee for some or all of their services. The applicant inquire as to fees prior to engaging an intermediary.

Interest Rates

The applicant 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, the maximum interest may be an additional 2 percent; for loans over \$25,000 and up to \$50,000, the maximum interest may be an additional 1 percent.

Collateral

- To secure the loan, the applicant must pledge available assets; generally, loans are not declined when inadequate collateral is the only unfavorable factor.
- Personal guaranties are normally required for all owners of twenty percent or more of the business.

Loan Maturity

The length of time for repayment depends on –

- the applicant'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, operate 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 applicant and the owners are credit worthy;
- the applicant and owners are of good character;
- the applicant is organized for profit; and
- the applicant cannot obtain the loan on reasonable terms from non-federal sources.

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:

- Phone: 1-800 U ASK SBA
- Fax: 202-481-6190
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness: 1-888-REG-FAIR
- Internet
SBA Home page: <http://www.sba.gov>
Gopher: <http://www.sba.gov/gopher>
U.S. Business Advisor: <http://www.business.gov>

SBA Partners

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

- Business Information Centers (BICs)

- Tribal Business Information Centers (TBICs)
- One Stop Capital Shops (OSCSs)
- Service Corps of Retired Executives (SCORE)
- Small Business Development Centers (SBDCs)
- U.S. Export Assistance Centers (USEACs)
- Women's Business Centers (WBCs)

Publications

- *The Facts About ... SBA Publications* – a listing of free SBA publications

SBA – America's Small Business Resource

Did you know that in fiscal 2000 the SBA –

- backed a record of nearly \$18 billion in financing to America's small businesses?
- approved more than 50,400 small business loans totaling almost \$12.4 billion?
- made more than 4,600 investments worth \$5.6 billion through its venture capital program – a 33 percent gain over fiscal 1999?
- provided more than 28,000 loans totaling approximately \$1 billion to disaster victims for residential, personal-property and business loans?
- extended management and technical assistance to an estimated 1.23 million entrepreneurs through its resource-partner programs?
- responded to almost a quarter million telephone and e-mail inquiries at the SBA Answer Desk?

Did you know that America's 25 million small businesses –

- employ more than 58 percent of the private work force?
- generate more than 51 percent of the nation's gross domestic product?
- are the principal source of new jobs?

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

CO-0076 (06/01)