



What is the SBA?

U.S. Small Business Administration

Created in 1953 as an independent agency of the federal government

Aid, counsel, assist and protect the interests of small business concerns

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Support job growth

Provides counseling, training, advocacy, contract opportunities, financing support

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Why are Small Businesses Important?

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- **Largest Employer - small businesses account for 51.5% of private sector jobs in Michigan**
- **Create virtually all of the net new jobs in Michigan**
- **Culture of Entrepreneurship**

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Program Areas

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- **Entrepreneurial Development**
- **Government Contracting**
- **Financial Assistance**

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Entrepreneurial Development

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- **SCORE, Counselors to America's Small Businesses**
- **Michigan Small Business & Technology Development Centers**
- **U.S. Export Assistance Centers**
- **Women's Business Centers**
- **Small Business Training Network**
www.sba.gov/services/training/onlinecourses/index.html

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SBA Family Tree

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Loan Programs

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- **Loan Guaranty programs**
 - SBA 7(A)
 - SBA Express
 - Patriot Express
 - ARC
- **Other programs**
 - Microloan
 - SBA 504



What is the SBA's Loan Guaranty Program?

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- The SBA guaranty is to the lender, not to the borrower
- Loans are *made* by the bank and *guaranteed* by SBA

SBA ← Lender → Borrower

- SBA forms are originated by the lender

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What is the SBA's Loan Guaranty Program?

- **SBA's guaranty to the lender reduces risk in three areas:**
 - **New or very young businesses**
 - **A risky industry**
 - **When there is a shortfall in collateral**
 - **When cash flow is tight and a longer term to repay the loan is needed**
- **The SBA guaranty allows the bank to make a loan it otherwise could not make on "conventional terms"**
- **SBA is a "cash flow" lender**

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Loan Amounts & Interest Rates

- SBA can guarantee up to \$1,500,000
- Loans cannot exceed \$2,000,000
- SBA guaranty ranges from 50% to 90%
- Lenders set interest rates
- SBA sets a maximum that a bank cannot exceed
- Interest rates can be set between 2.25% – 6.5% over prime, depending on the loan program, size and term of the loan

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Eligibility

- **Must be a small business according to SBA size standards**
- **Ineligible businesses include:**
 - **Real estate investment companies**
 - **Speculative businesses**
 - **Non-profit organizations**
 - **Lending institutions**

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General Terms and Conditions

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- **Collateral Requirements**
 - Pledge of business assets
 - Personal guaranty
- **Credit Requirements**
 - Adequate working capital
 - Reasonable down payment
 - Repayment ability from cash flow
- **Management Requirements**
 - Business/Industry Knowledge
 - Overall Character (Credit and Personal)



SBA Support

Example

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- Request - \$250,000 Term Loan

- Purpose – support growth

- Rapidly expanding service company, with good cash flow and strong principals

- Collateral totals only \$150,000

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SBA Support

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Collateral Shortfall

Add Collateral

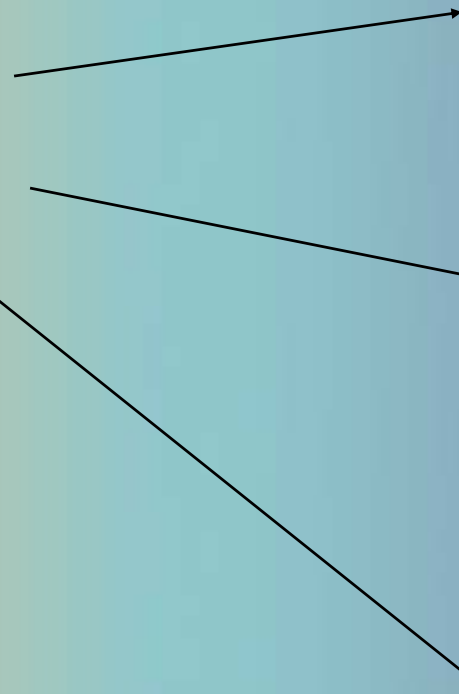
Reduce Loan Amount

Add SBA Guaranty

Decline

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SBA Advantages

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	Conventional	With SBA
Machinery & Equipment	5-7 years	Up to 10 years
Real Estate	15-20 years	Up to 25 years
Working Capital	1-2 years	Up to 10 years



504 Loans

- **Partnership with the Bank, Borrower and Certified Development Company**
- **Fixed asset financing only**
- **Lender provides up to 50%**
- **Certified Development Company packages the loan and provides up to 40% from SBA-backed debenture**
- **Borrower contributes at least 10%**

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504 Loans

- **Very favorable fixed interest rate**
- **20 Year terms for real estate**
- **10 Years for machinery, equipment, and leasehold improvements**
- **Must be at least one job created/retained for every \$50,000 SBA guarantees**
 - **\$100,000 for manufacturers**

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Microloans

- **Alternative financing for non bankable business owners**
- **Loans are administered by a non-profit organization that borrows money from SBA to “re-lend” to small business owners**
- **Maximum loan: \$35,000**
- **Maximum term: 6 years**
- **Interest rate: set by intermediary**

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Recovery Act

American Recovery and Reinvestment Act

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A plan to grow our economy by:

Jump-starting job creation

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Restarting lending

Investing in small business

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Recovery Act - SBA Components

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- Temporary Elimination of Loan Fees
- Temporary 90 Percent Guaranty
- Secondary Market Liquidity for 7(a) loans
- Expanded Microloans
- Surety Bond Program Expansion
- ARC Loan Program



Recovery Act – Fees & Guaranty %

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- **Temporary Elimination of Loan Fees**
 - Before the Recovery Act, fees between 2 and 3 % were charged to the borrower
 - Today, SBA appropriations cover the fees
- **Temporary 90 Percent Guaranty**
 - Prior to the Recovery Act, SBA guaranteed between 75% and 85% of a loan
 - Today, SBA guarantees up to 90% of a loan

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Recovery Act - Microloans

- **SBA Microloans provide smaller loans through intermediaries**
- **Alternative financing for non-bankable small businesses**
- **Recovery Act seeks to Expanded Microloans**
 - **\$6 million to fund micro-lenders**
 - **\$24 million in Technical Assistance grants to micro-lenders**
 - **The President has recently proposed raising the maximum microloan to \$50,000**
- **December 2: SBA Microloan Summit at Lansing Community College**

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Recovery Act – ARC Loans

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- **America's Recovery Capital Loan Program**
- **Deferred-payment loan of up to \$35,000, to be used for principal and interest payments on existing, qualifying debt/loans**
- **Maximum loan \$35,000**
- **100% guaranteed by SBA**
- **Interest free to the borrower**
- **Deferred payments – repayment begins 12 months after final disbursement**
- **Cannot cover payments on existing SBA loans approved before Feb. 17, 2009**



Recovery Act – ARC Loans

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- Designed to give viable small businesses suffering **immediate financial hardship** some temporary financial relief so they can keep their doors open and get their cash flow back on track
- **Viable** means the business is an established, for-profit business with evidence of profitability or positive cash flow in at least one of the past two years.



Recovery Act – ARC Loans

Immediate financial hardship means that there must have been a change in the financial condition such as

- declining sales
- frozen credit lines
- difficulty meeting payroll
- paying rent
- difficulty making loan payments

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The Recovery Plan – A National Look

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- Loan volume has increased 75%
- As of October 23, SBA has supported \$13.4 billion in small business lending
- SBA has approved of \$9.8 billion in loans since February 17
- Since the signing of ARRA, weekly loan dollar volume has risen 75% in the 7(a) and 504 programs, compared to the weekly average before passage
- From February 17 to September 30, more than 1,260 lenders that had not made a loan since Oct. 2008 made 7(a) or ARC loans.
- Of those, over 760 had not made a loan since at least 2007.
- As of October 25, SBA has approved over 3,500 ARC loans totaling \$115 million.



Where are we in Michigan?

Activity in Michigan, February 17, 2008 Recovery Act Signing to October 26, 2009

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Michigan	Lending Supported	Gross Approvals	Gross Approvals
7(a) excluding Express	\$166,437,207	\$166,437,207	409
SBA Express	\$30,308,300	\$30,308,300	445
504	\$138,762,000	\$61,672,000	123
7(a) & 504	\$335,507,507	\$248,417,507	977
ARC	\$2,012,200	\$2,012,200	63



Michigan Fiscal Years 2007-2009

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Program	FY 2007 # Loans	FY 2008 # Loans	FY 2009 # Loans	% of change from '08 to '09
7(a)	555	568	527	-7.2%
Express	2,548	1,387	606	-56%
504	211	225	152	-32.4%
Total	3,314	2,180	1,285	-41%



FY 2009 SBA Office Rankings

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National Ranking	Region V Districts	All Loans	National Ranking	District	All Loans
2	Minnesota	2,134	1	Utah	2,248
3	Madison	1,961	2	Minnesota	2,134
5	Illinois	1,697	3	Madison	1,961
8	Columbus	1,286	4	Los Angeles	1,747
9	Michigan	1,285	5	Illinois	1,697
17	Indiana	1,035	6	Seattle	1,477
22	Cleveland	866	7	Massachusetts	1,416



FY 2009 Recovery Act Performance Report

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Program	Metric	Target for FY 2009	Actual as of 9/30/09
7(a)	Recovery Act Loans Approved	\$4,050,000,000	\$6,111,692,263
	Small Businesses Assisted	17,700	27,660
	Jobs Created/Retained, Estimated	202,500	290,233
504	Recovery Act Loans Approved	\$1,630,000,000	\$2,631,218,000
	Small Businesses Assisted	2,500	4,532
	Jobs Created/Retained, Estimated	32,600	53,186
Microloan	Loans Approved by Microlenders	\$5,500,000	
	Jobs Created/Retained	1,600	
ARC	Loans Approved	\$190,000,000	\$93,350,300
	Small Businesses Assisted	6,200	2,877
	Jobs Created/Retained, Estimated	31,000	26,356