

# U.S. Small Business Administration

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## Financing Small Businesses



U.S. Small Business Administration

Your Small Business Resource

[www.sba.gov](http://www.sba.gov)

# What is SBA's Mission?

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The U.S. Small Business Administration (SBA) is an independent agency of the federal government established in 1953 to help start, build and grow small businesses in the United States. Our mission is to:

*“aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation”*



# Programs & Services

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SBA delivers its services through an extensive network of field offices and partnerships with public and private organizations.

## 1) Financial Assistance

- 7(a) Guaranty Loans
- 504 Loans
- SBIC Program
- Surety Bonds
- Microloan Program

## 2) Technical Assistance

- SCORE
- Small Business Development Centers (SBDC)
- Women's Business Centers (WBC)
- US Export Assistance Centers (USEAC)
- Procurement Technical Assistance Center (PTAC)



# Programs & Services, cont'd

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## 3) Government Contracting

- 8(a) Program
- HUBZone

## 4) Advocacy

- Small business voice in government
- Principal resource for small business statistics and business trends
- Monitors regulatory and policy proposals of more than 20 federal Agencies for impact on small business

## 5) Disaster Assistance

- Direct loans from the SBA for:
  - Uninsured losses on real estate and property for homeowners and renters
  - Uninsured losses on business real estate and property
  - Economic injury for businesses (working capital)
  - Military Reservists called to active duty



# Local Technical Assistance Contacts

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- Elmira SCORE
  - Brian Qualey, 607/734-8130 ext. 25
- Binghamton SBDC
  - Doug Boyce, 607/777-4024
- Corning SBDC
  - Sherri Arnold, 607/937-6861
- Cattaraugus County PTAC
  - Joseph Williams, 716/938-2331
- The Women's Business Center of New York State, Utica
  - Donna Revisz, 877/844-9848



# Show Me The Money!

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- The SBA **does not** make direct loans to small business.
- If you need to borrow money to finance your business, you must contact a lender (bank, credit union, economic development organization, etc.)
  - We always recommend you go to a lender that you already have a relationship with (checking or savings account, student loan, mortgage, etc.)



# What Happens when I visit a lender?

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- At your meeting with a commercial lender, you should have:
  - Business plan
  - Financial projections
  - Personal financial statement
  - 3 years tax returns
  - Resume
- Loan underwriting will make a decision and, if approved, will determine terms and conditions.
- Lenders make loan decisions once all requested information is received.



# What Factors Determine if a Loan is Approved?

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- 1) **Credit Score** – probably the biggest single factor, especially for smaller loans
- 2) **Repayment Ability** – does the business generate enough cash to pay the loan back
- 3) **Collateral** – the value of all the assets the business owns. This is the lender's 2<sup>nd</sup> way out if the business cannot generate enough cash to pay the loan back
- 4) **Equity** – the amount of money you have personally invested into the business
- 5) **Experience** – whether it's industry experience, business ownership experience, or education
- 6) **Type of Business** – the industry you are in, whether it is a start-up



# A Decision is Made?

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Once loan underwriting has reviewed your application, one of three things happen:

- 1) Your loan is **approved** 
  - Lender issues a commitment letter with the terms and conditions of the loan
  - At this point you will work with the Lender to setup a time to close the loan
- 2) Your loan is **declined** 
  - Lender advises you of the reasons why your loan cannot be approved
- 3) Your loan is **approved**, but the Lender needs to obtain a Guaranty from the SBA.
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# Financing Programs

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- 1) **7(a) Program** - guaranteed loans made through participating SBA Lenders
- 2) **504 Program** - economic development loans tied to job creation/retention where SBA provides subordinate financing to a lender for the purchase of fixed assets only
- 3) **MicroLoan Program** - small loans made by nonprofit community based Lenders (intermediaries) from funds made available by SBA



# What can the funds be used for?

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- Real Estate; purchase, construction, or renovation
- Machinery & Equipment
- Furniture & Fixtures
- Inventory
- Working Capital
- Debt Refinancing



# What does SBA look for?

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The same credit issues that lenders review:

- Cash flow based on historical performance and/or projections
- Management ability
- Equity
- Credit
- Collateral



# What are the Benefits of an SBA Guaranteed Loan?

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- Borrower obtains a loan they would otherwise not receive
- SBA offer longer maturities than traditional lender loans; 10 years for working capital, 15 years for fixed assets, and 25 years for real estate



# Top 10 Loan Screen-Out Reasons

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- 1) Affiliate information lacking
- 2) Franchise Agreement not submitted
- 3) Business Valuation not provided or unacceptable
- 4) Personal Financial Statement lacking or incomplete (e.g. spouse did not sign statements)
- 5) Pro-forma Balance Sheet incomplete or missing
- 6) Derogatory Credit (e.g. tax liens) not addressed
- 7) Ineligible Components in the Loan (balloons, term, injection)
- 8) Information required to complete global Cash Flow analysis lacking (e.g. lack of principal's monthly housing expense)
- 9) Repayment Ability not demonstrated
- 10) Available Collateral not pledged



# Why Do Small Businesses Fail?

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- 1) Started for the Wrong Reasons
- 2) Poor Management
- 3) Insufficient Capital
- 4) Lack of Planning
- 5) Overexpansion
- 6) Location, Location, Location
- 7) Failure to Change with the Times



# Contact Information

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