SBA Programs - Summary

Agency: U.S. Small Business Administration (SBA)

Program Description:
The Small Business Administration is a federal agency established to stimulate and foster economic development through small business. The agency has more than 100 offices across the nation. In addition, the SBA increases its ability to assist small business through a number of public/private initiatives. There are co-sponsored projects with private companies, colleges and universities, as well as volunteer programs.

SBA's assistance is focused in the following areas:

- Entrepreneurial Development - management assistance through information, counseling, training and conferences
- Financial Assistance - primarily in the form of loan guarantees
- Bonding Assistance - bid, payment and performance contract bonds
- Investment Capital - venture capital through SBA-regulated small business investment companies
- Procurement Assistance - assuring small businesses a more fair opportunity to compete for federal contracts
- Advocacy - representing small business interests before Congress and other federal agencies
- Disaster Assistance - assistance for non-farm, private-sector businesses and individuals

These programs include information and advice on export financing assistance, minority-owned small business programs, Office of Women's Business Ownership, Veteran's assistance, research and development, and the Office of Advocacy.

Lending programs include:

- Loan guarantees
- Export working capital
- Microloan Program
- Small general contractor loans
- International Trade Loan Program
- Small Loan Program - Community Express,LowDoc and Micro Loan
- Contract Loan Program

  Existing or startup small businesses are eligible for the programs. (Small business as defined by program guidelines and size standards.)

Program Region: Statewide

Program Contact(s):

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SBA Loan Guaranty Program, (7a)

Agency: U.S. Small Business Administration (SBA)

Program Description:
7(a) loans are the most basic and most used type of SBA's business loan programs. Its name comes from section 7(a) of the Small Business Act, which authorizes the Agency to provide business loans to American small businesses.

All 7(a) loans are provided by lenders who choose to participate, most American banks do. There are also some non-bank lenders who participate with SBA in the 7(a) program, which expands the availability of lenders making loans under SBA guidelines.

7(a) loans are only available on a guaranty basis. This means they are provided by lenders who choose to structure their own loans by SBA's requirements and who apply guaranty 7(a) loans. The lender and SBA share the risk if a borrower cannot repay the loan in full. The guaranty is a guaranty against payment default and it does not cover imprudent decisions by the lender or misrepresentation by the borrower.

Under the guaranty concept, commercial lenders make and administer the loans. **The business applies to a lender for their financing.** The lender decides if they will make the loan internally or if the application has some weaknesses which, in their opinion, will require an SBA guaranty if the loan is to be made. The guaranty, which SBA provides, is only available to the lender. It assures the lender in the event the borrower does not repay their obligation and a payment default occurs, the government will reimburse the lender for its loss, up to the percentage of SBA's guaranty. Under this program, the borrower remains obligated for the full amount due.

All 7(a) loans that SBA guaranty must meet 7(a) criteria. The business gets a loan from its lender with a 7(a) structure and the lender gets an SBA guaranty on a portion or percentage of this loan. Hence the primary business loan assistance program available to small business from the SBA is called the 7(a) guaranty loan program.

A key concept of the 7(a) guaranty loan program is that the loan actually comes from a commercial lender, not the overnment. If the lender is not willing to provide the loan, even if they may be able to get an SBA guaranty, the agency cannot force the lender to change their mind. And the SBA cannot make the loan itself because the agency does not have any money to lend. Therefore it is paramount that all applicants positively approach the lender for a loan, and that they know the lenders criteria and requirements as well as those of the SBA. In order to obtain positive consideration for an SBA supported loan, the applicant must be both eligible and creditworthy.

WHAT SBA SEEKS IN A LOAN APPLICATION

In order to get a 7(a) loan, the applicant must first be eligible. Repayment ability from the cash flow of the business is a primary consideration in the SBA loan decision process but good character, management capability, collateral, and owner's equity contribution are also important considerations. All owners of 20 percent or more are required to personally guarantee SBA loans.

ELIGIBILITY CRITERIA

All applicants must be eligible to be considered for a 7(a) loan. The eligibility requirements are designed to be as broad as possible so that this lending program can accommodate the most diverse variety of small business financing needs. All businesses that are considered for financing under SBA's 7(a) loan program must: meet SBA size standards, be for-profit, not already have the internal resources (business or personal) to provide the financing, and be able to demonstrate repayment.

Eligibility factors for all 7(a) loans also include: size, type of business, use of proceeds, and the availability of funds from other sources.

Effective as of December 2004, a maximum loan amount of $2 million has been established for 7(a) loans. For those applicants that meet the SBA's credit and eligibility standards, the agency can guaranty up to 85 percent of loans of $150,000 and less, and up to 75 percent of loans above $150,000. This standard applies to most variations of the 7(a) Loan Program, however, SBA Express loans carry a maximum guaranty of 50 percent. The Export Working Capital Loan Program carries a maximum of 90 percent guaranty, up to a guaranteed amount of $1million.

Program Region: Statewide

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www.sba.gov/financing/sbaloan/7a.html

SBA Microloan

Agency: U.S. Small Business Administration (SBA)

Program Description:
The SBA MicroLoan program provides very small loans to startup, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community-based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts ranging from $500 to $35,000. Applications are submitted to the local intermediary and all credit decisions are made on the local level.

Terms, Interest Rates and Fees

The maximum term allowed for a microloan is six years. However, loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. Interest rates vary, depending upon the intermediary lender and costs to the intermediary from the U.S. Treasury.

Collateral

Each intermediary lender has its own lending and credit requirements. However, business owners contemplating application for a microloan should be aware that intermediaries will generally require some type of collateral, and the personal guarantee of the business owner.

Technical Assistance

Each intermediary is required to provide business based training and technical assistance to its microborrowers. Individuals and small businesses applying for microloan financing may be required to fulfill training and/or planning requirements before a loan application is considered.

Items to be submitted in loan package:

- Complete business plan, including purpose of loan and description of business
- Three-year financials and three-year business tax returns (for existing businesses)
- Two-year forecast
- Personal financial statement and three-year personal tax returns
- For loans from $5,000 to $35,000, SBA will require a copy of a letter from a bank advising that they have rejected the business's request for a loan.

Program Region: Statewide

Program Contact(s):
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ECONOMIC DEVELOPMENT FACT SHEET
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Community Economic Development Fund
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Loans and Technical Assistance - CEDF

Agency: Community Economic Development Fund (CEDF)

Program Description:
Loans and technical assistance to small businesses and nonprofits in the state; loans from $5,000 to $250,000. Project must benefit the community, such as increasing the economic base, creating jobs, providing a needed service or by being part of a community strategic plan.

Applicants are required to have a business plan. Technical assistance to fine tune a business plan is available.

A special, "Grow Your Business" loan program is available for businesses in existence for three or more years that show positive growth and profitability trends and that are able to pledge adequate collateral. Business plan applicants are encouraged to call to determine eligibility before submitting a formal application.

CEDF now offers a "Commercial Mortgage" Loan Program for existing businesses of up to $500,000 to help business owners become property owners as well.

Program Region: Statewide

Program Contact(s):
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www.cedf.com

URBANK Small Business Loan Program - CDA

Agency: Connecticut Development Authority (CDA)

Program Description:
Small business loans up to $500,000 provided by partner banks and guaranteed by CDA.

- URBANK enables banks to provide financing to companies that are unable to meet standard loan underwriting criteria by providing the bank with loan reserves and first-loss loan guarantees totaling up to 39.5 percent.
- URBANK enhanced loans are available for all business purposes including working capital, lines of credit, acquisition of machinery and equipment, and real estate.
- Loan maturities up to 15 years.
- Interest rate set by bank.
- Bank and borrower control the approval process. In most cases no advance URBANK approval is required.

See the list of Lending Partners at www.ctcda.com/our_partners/index.html

Eligibility:

- Start-up, early-stage, small and mid-sized businesses
- Any business purpose
- Refinancing of existing debt with same bank is ineligible.
- Borrower must demonstrate ability to repay the loan either through historical financial statements or reasonable & prudent financial projections

Fees:
The borrower and lender each contribute a one-time insurance premium of 1.5 percent - 2.5 percent respectively into a reserve account. The bank may pass on their cost to the borrower. The borrower pays a program fee of .05 percent to CDA at closing.

Program Region: Statewide

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Microloan Guarantee Program (CEDF/DECD)

Agency: Community Economic Development Fund (CEDF)

Program Description:
The purpose of the loan program is to foster business development and employment growth for woman and minority owned businesses that cannot access financing through conventional means. The program offers a 30% guarantee of principal on loans $50,000 and under. The availability of the guarantee facilitates the potential for receiving a loan. The Department of Economic & Community Development partnering with CEDF will provide the loan guarantees on the direct loans offered through CEDF. Loan funds can be used for general business purposes including working capital, machinery, equipment and startup financing.

Eligible businesses must be woman or minority owned where 51% percent is owned by a woman or a minority who is actively engaged in the daily affairs of the business and has the power to direct the management and policies of the business. Applicants are required to have a business plan. Technical assistance to fine tune a business plan is available.

Funding for this program is limited.

Program Region: Statewide

Program Contact(s):
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Financing Programs - DECD

Agency: Department of Economic and Community Development (DECD)

Program Description:
Loans, with flexible terms and conditions through the Manufacturing Assistance Act. Loan must benefit a manufacturing or economic-base business; need of the applicant or project for financial assistance must be evident; conventional lending sources must have been sought (Connecticut Development Authority, Connecticut Innovations and banks); economic benefit of the project must be demonstrated.
Eligibility:
The business must provide a minimum match of 50%. Businesses located in the Targeted Investment Communities (communities that contain Enterprise Zones) must provide a minimum match of 10%. Adequate collateral must be available to secure the loan.

Program Region: Statewide

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ECONOMIC DEVELOPMENT FACT SHEET
FINANCIAL ASSISTANCE OPTIONS

Middlesex County Revitalization Commission Revolving Loan Fund

- [E-MAIL THIS]
- [PRINT THIS]

Agency: Middlesex County Revitalization Commission

Program Description:
Five year term loans, $50,000 maximum loan.
Eligibility considerations:

- Provide new permanent jobs or retain "at risk positions"
- Positive emphasis on manufacturers
- Early stage businesses
- Minority enterprises

A 50% matching investment is required. There is a $200 non-refundable application fee and one point at closing.

Program Region: Middlesex County - Chester, Clinton, Cromwell, Deep River, Durham, East Haddam, East Hampton, Essex, Haddam, Killingworth, Middlefield, Middletown, Old Saybrook, Portland, Westbrook

Program Contact(s):
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