

Oakland Army Base (OAB)
Bi-Weekly Small Contractor Workshops
Finance and Banking

August 24th, 2012
1:00PM-2:30PM

CBRE Building
5-Star Conference Center, Suite 105
500 12th Street
Oakland, CA 94607

The purpose of this workshop is to:

- Share information
- Listen and understand issues and concerns regarding finance and banking
- Take suggested reforms and work to tailor programs to optimize participation
- Provide local and small local firms information to get organized for maximum participation

Guest Speakers		Organization
Kim Ramirez Jim Morris	Vice President/Manager Business Banking Officer	Bank of the West
Stephen Bangs	Assistant District Director for Entrepreneurial Development	Small Business Administration
Rick Ohlrich	Director	Alameda County Small Business Development Center
Herman Badgett	Vice President/Branch Manager	Union Bank
Phil Palmer	Vice President/Business Development Manager	Bay Commercial Bank

SBA Loans



Presented by:

Steve Bangs

Assistant District Director for Entrepreneurial Development

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415-744-6792

U.S. Small Business Administration



Your Small Business Resource

U.S. Small Business Administration
San Francisco District Office
455 Market Street, Suite 600
San Francisco, CA 94105
415-744-6820



SBA Microloan Program

- Loans up to \$50,000 (average \$13,000)
- Made by “Microloan Intermediaries” funded by SBA
- Fixed interest rate – ranges from 7.5 to 10.5%
- Maximum loan term is 6 years, fully amortized
- Training and technical assistance is provided to the borrower, free of charge
- Apply to an SBA Microloan Intermediary that serves your county



SBA Microloan Intermediaries

- TMC Working Solutions

<http://tmcworkingsolutions.org/>, 415-655-5473

Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties

- Opportunity Fund

<http://www.opportunityfund.org/>, 408-849-4320

Alameda, San Francisco, San Mateo, and Santa Clara counties



SBA Microloan Intermediaries

- Southeast Asian Community Center

www.seaccusa.org, 415-885-2743

Alameda, Contra Costa, Marin, Merced, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, and Stanislaus counties

- OBDC Small Business Finance

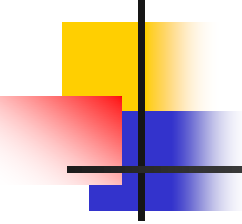
www.obdc.com, 510-763-4297

Alameda, Contra Costa, San Francisco, and Solano counties
(over \$25,000 only)



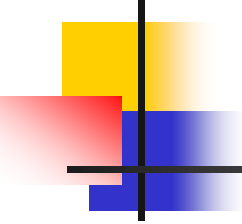
Bank Financing with SBA's Guarantee

- SBA is not a direct lender
- SBA partners with banks and lenders
- SBA guarantees bank loans (50%-85%)
- Bank's risk is offset by the SBA guaranty
- Applicants apply directly to the bank/lender
- Bank decides when to use the SBA
- Bank gets paid if business fails
- Business remains obligated to repay the loan



Regular 7(a) Guaranty Loan Terms

- Maximum Loan Amount: **\$5,000,000**
- Maximum Amount SBA Can Guaranty:
\$3,750,000
- Term (maturity) based on use of proceeds
 - Generally up to 10 years for non-real estate
 - Up to 25 years for commercial real estate



Regular 7(a) Guaranty Loan Terms (continued)

- SBA Guaranty fee:
 - 2% to 3½% of SBA-Guaranteed amount
 - For \$100,000 loan, fee = \$1,700
 - For \$500,000 loan, fee = \$11,250
 - Guaranty fee may be financed as part of loan

Interest Rate

- Usually variable rate loan
- Generally Prime plus up to 2.75%
 - Rate can be higher for loans under \$50k or for *SBAExpress* Loans



SBA Loan – Eligibility Issues

- Must be a for-profit business
- Must qualify as a small business concern
- Must be an eligible type of business
- Must meet personal financial resources test
- Must be at least 51% owned by U.S. Citizens or Legal Permanent Residents
- Owners cannot be on probation or parole



SBA Loan – Eligibility Issues

- The following types of businesses are Ineligible:
- Businesses primarily engaged in lending
- Life insurance companies
- Real estate investors and landlords
- Pyramid sale distribution plans
- More than 1/3 gross revenue from gambling
- Private clubs that limit membership
- Speculative businesses



Benefits of the SBA Loan

- Reduces lender's risk, making it more likely to approve a small business loan application
- Provides a longer loan term, or maturity
- All SBA loans are fully amortizing, i.e., no balloon payment



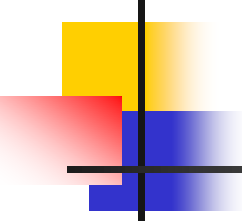
What Do I Need to Qualify?

- “Five C’s of Credit” – Lender’s Underwriting Criteria
 - **Capacity to Repay** - demonstrated by financial projections in business plan, or historical cash flow
 - **Capital** - borrower’s injection, usually 20 to 35% of total amount required
 - **Capable Management** – experience in the industry
 - **Credit** – typically, a personal credit score of 680 and above for anyone owning 20% or more of business
 - **Collateral** - personal guarantees of anyone owning 20% or more of business; business assets; real estate



How to Apply for an SBA Loan

- Prepare a written Business Plan
 - Mandatory for start-ups, except for very small loans
 - SBA resources can assist in preparing Business Plan
- Have your Business Plan reviewed by an expert
 - Especially the financial projections
 - SBA resources can assist
- Know how much money you need and for what purpose



How to Apply for an SBA Loan, continued

- Gather your business & personal financial information
 - Personal financial statement
 - Personal income tax returns for the last 3 years
 - Business financial statements & tax returns for 3 years if already in business
- Decide on a Lender – factors to consider:
 - Your experience with the lender
 - Type of lender – National, regional, community bank



SBA Community Advantage Loan Program

- Pilot loan program through 3/15/2014
- Designed to increase lending to underserved communities
- Loan amounts up to **\$250,000**
- Offered by participating Community Advantage lenders
- Variable interest rate – Up to **Prime + 4.0%**
- Loan term up to 10 years
- Other terms & conditions same as 7(a)



Community Advantage lenders

- OBDC Small Business Finance
<http://www.obdc.com/>, 510-763-4297
- TMC Development
<http://tmcfinancing.com/>, 415-989-8855
- Valley Economic Development Center
<http://www.vedc.org/>, 510-267-8993
- Opportunity Fund
<http://www.opportunityfund.org>, 510-297-0204



SBA *Express* Loan Program

- Loan amounts up to **\$350,000**
- Offered by participating SBA *Express* lenders
- Variable interest rate –
 - Loans of \$50,000 or less: Prime + 6.5%
 - Loans over \$50,000: Prime + 4.5%
- Loan term of 7 to 10 years
- **May be used as a line of credit** with a term up to 7 years
- **50% SBA guaranty**
- No collateral required for loans up to \$25,000



SBA CAPLines Loan Program

- **Lines of credit up to \$5,000,000**
- Offered by participating 7(a) lenders
- Interest rate – Limited to Prime + 2.75
(same as regular 7(a))
- Loan term of up to 10 years
- 75% SBA guaranty
- Collateral is required, starting with 1st lien on accounts receivable and inventory



SBA 504 Certified Development Company Loan Program

- Use of Proceeds limited to
 - Purchase, Construction, or Improvement of **commercial real estate** where the business is operated
 - Purchase of **heavy equipment**
 - **Refinancing commercial real estate debt** if certain conditions are met
- Apply to a participating lender or CDC (Certified Development Company)



SBA RESOURCES

- SCORE

- **510-273-6611**, <http://www.eastbayscore.org/>
- Free, confidential business advice & counseling from an experienced business executive, by appointment

- Alameda County Small Business Development Center (SBDC)

- **510-208-0410**, <http://acsbdc.org/>
- Free professional business counseling on business planning, loans & capital acquisition, marketing, taxes & bookkeeping. Low-cost workshops and seminars are also available.



SBA RESOURCES

- Women's Business Centers
 - AnewAmerica Community Corp.
 - <http://www.anewamerica.org>
 - Women's Initiative for Self Employment
 - <http://www.womensinitiative.org>



SBA RESOURCES

- Online Training Courses – go to

<http://www.sba.gov/category/navigation-structure/counseling-training/online-small-business-training>



SBA Websites

SBA Home Page:

www.sba.gov

SBA Loan Programs:

<http://www.sba.gov/category/navigation-structure/loans-grants>

SBA San Francisco District Office:

<http://www.sba.gov/ca/sf>