

Use of Proceeds in SBA Loan Programs

Ways Borrowers Can Use The Money

(Information current as of 11/21/2013)

Program	Who Qualifies	Use of Proceeds	Maturity	Maximum Loan Amount	Structure	Benefit to Borrower
Basic 7(a)	For-profit businesses that can meet SBA's size standards, nature of business, use of proceeds, credit elsewhere, and other miscellaneous eligibility factors.	Acquire land; purchase existing building; convert, expand or renovate buildings; construct new buildings; acquire and install fixed assets; acquire inventory; purchase supplies and raw materials; purchase a business, start a business, leasehold improvements, term working capital; and under certain conditions to refinance certain outstanding debts.	Based on the use of proceeds and borrower's ability to repay. Not based on collateral. Maximum maturity: 10 years for working capital (seven years is common), 10 years for fixed assets, 25 years for real estate.	A basic 7(a) can be for as much as \$5 million. SBA's limit to any one business is \$3.75 million so a business can have multiple loans guaranteed by SBA but the SBA portion cannot exceed \$3.75 million.	Term loans with one monthly payment of principal and interest (P&I). Borrower contribution required. Interest rate depends upon how lender applies for guaranty (see lender program chart), Cannot revolve, no balloon or call provisions.	Obtains financing not otherwise available, fixed maturity, available when collateral is limited. Can establish or re-affirm relationship with lender.
International Trade Loan (ITL)	Same as basic 7(a). Plus, business must be engaged or preparing to engage in exporting or be adversely affected by competition from imports.	Acquire, renovate, modernize facilities or equipment used in making products or services to be exported. Plus, for permanent working capital and to refinance business debts currently on unreasonable terms.	Same as basic 7(a).	Same as basic 7(a), but when borrower has both international trade and working capital loans, guaranteed by the SBA, the limit to any one business can be \$4 million.	Same as basic 7(a).	Same as basic 7(a). Plus, long-term financing for export related fixed assets and working capital.
Export Working Capital Loans (EWCP)	Same as basic 7(a). Plus, must be in business one year and engaged or preparing to engage in exporting.	Short-term working capital for export purposes, including ability to support an Export Stand-By Letter of Credit.	Can be up to a maximum of 36 months but generally 12 months or less.	Same as basic 7(a).	Finance single or multiple transactions. Interest paid monthly, principal paid as payments from items shipped overseas are collected. Can be renewed annually. Extra fees apply. Percentage of guaranty up to 90%. Generally revolving.	Provides American exporters with line of credit that can be separated from domestic operations line of credit.
Seasonal CAPLines	Same as basic 7(a). Plus, in business for at least one year and can demonstrate seasonal financing needs.	To finance the seasonal increases of accounts receivable, inventory and labor.	10 years	Same as basic 7(a).	Short-term financing for seasonal activities to be repaid at the end of the season when payment for the seasonal activity is made to business.	Provides opportunity for seasonal businesses to get seasonal financing not otherwise available.
Contract CAPLines	Same as basic 7(a). Plus, will perform on contract or purchase order for some third party buyer.	To finance the cost of one or more specific contract, sub-contract, or purchase order, including overhead or general and administrative expenses, allocable to the specific contract(s).	10 years	Same as basic 7(a).	Short-term financing for performance of approved contract, sub-contract, or purchase order to be repaid when payment for the activity is made to business. Can be revolving or not.	Provides opportunity for contractors and sub-contractors to get financing not otherwise available.

Program	Who Qualifies	Use of Proceeds	Maturity	Maximum Loan Amount	Structure	Benefit to Borrower
Builders CAPLines	Same as basic 7(a). Plus, building/renovating residential or commercial structure for re-sale without knowing buyer at time of approval.	For the direct expenses related to the construction and/or "substantial" renovation costs of specific residential or commercial buildings for resale, including labor, supplies, materials, equipment rental, direct fees. The cost of land is potentially eligible.	Maximum of three years to disburse and build or renovate. Extension possible to accommodate sale.	Same as basic 7(a).	Short-term financing to build or renovate home or building for sale to unknown third party. "Substantial" means rehabilitation expenses of more than one-third of the purchase price or fair market value at the time of application. Can be revolving or not.	Provides opportunity for residential and commercial builders to get financing not otherwise available.
Working Capital CAPLines	Same as basic 7(a). Plus, business needing short term revolving line of credit.	For short-term working capital and operating needs. Proceeds must not be used to pay delinquent withholding taxes or similar trust funds (state sales taxes, etc.) or for floor planning.	10 years	Same as basic 7(a).	Lender has latitude with structuring principal payments. Borrower should discuss with lender. Must be revolving. Extra fees apply.	Provides opportunity for businesses that sell on credit to get revolving financing not otherwise available.
Lender Structured Line of Credit	Businesses needing a line of credit.	Working capital	If revolving, seven-year maximum, including term out period.	Depends upon how the lender chooses to apply for an SBA Guaranty. Generally up to \$350,000.	Structure is established by individual lender.	Has availability for a line of credit to help with the short-term cash needs of the business.
Non-7(a) Programs						
504 Loan Program	Businesses that can meet the SBA's size standards, nature of business, use of proceeds, credit elsewhere, and other miscellaneous factors.	For the acquisition of long-term fixed assets, equipment with a useful life of at least 10 years; to reduce energy consumption; and to upgrade renewable energy sources.	Based on the use of proceeds. Twenty years for real estate. Ten years for machinery and equipment.	The SBA can support a maximum of \$5,000,000 to any 1 business (including affiliates) and this amount can represent up to 40 % of the overall financing. SBA can support up to \$5,500,000 when the borrower is a manufacturer or financing accomplishes certain energy public policy and again this amount can represent up to 40 percent of the overall financing	Loans packaged by Certified Development Companies (CDC) and designed to finance up to 40 percent of a "project" ¹ secured with a 2nd position lien. Another loan from a third party lender financing up to 50 percent of the same project secured in 1st position, and borrower contribution of at least 10 percent. Extra contributions for special purpose properties and new businesses.	Fees under 3 percent, long-term fixed rate, low borrower contribution, full amortization with no call or balloon conditions.
Microloan Program	Similar to basic 7(a). Plus, start-up nonprofit child-care businesses.	Similar to basic 7(a). Plus, funds to establish nonprofit child-care centers.	Shortest term possible, not to exceed six years.	\$50,000 to the small business at any given time.	The SBA provides a loan to a nonprofit micro-lender called an "intermediary" who uses the proceeds to make microloans to small businesses. Technical assistance can also be provided.	Direct loan from nonprofit intermediary lender, fixed-rate financing, can be very small loan amounts, and technical assistance is available.

¹ "Project" is the purchase or lease, and/or improvement or renovation of long term fixed assets by a small business, with 504 financing, for use in its business operations.

All SBA programs and services are extended to the public on a nondiscriminatory basis.



Lender's Program Chart

Ways Lenders Can Request Guarantees

(Information current as of 12/05/2013)

The chart below explains the rules for lenders for various SBA-backed loans to borrowers.

Processing Program	Which Lenders Qualify	Types of Use of Proceeds Loans that can be Guaranteed	Maximum Allowable Interest Rates	Eligibility Analysis	Credit Analysis	Maximum Loan Amount
Standard Processing	Lenders that have an executed participation agreement with the SBA.	Basic 7(a). International trade, export working capital, all CAPlines, dealer floor plan.	Base rate is <i>Wall Street Journal</i> prime, LIBOR*one month rate plus 3 percent, or SBA Peg rate. Plus, an allowable spread from 2.25 to 2.75 percent based on term. Lender can add 2 percent if loan is \$25,000 or less, and 1 percent if \$25,001 to \$50,000. Can be fixed or variable.	Lender completes eligibility questionnaire and SBA reviews eligibility during loan processing.	Lender to cover all aspects of prudent credit analysis with emphasis on applicant's ability to repay loan from operation. SBA conducts analysis of lender's work.	Maximum loan \$5 million. Loans up to \$150,000 guaranteed up to 85 percent; loans over \$150,000 guaranteed up to 75 percent. Business with multiple SBA loans may get some variations.
Certified Lender Program (CLP) Processing	Same as Standard 7(a). Plus, an executed CLP agreement.	Same as Standard processing except no policy exceptions.	Same as Standard 7(a).	Same as Standard 7(a).	Same as Standard 7(a) except SBA reviews lender's work, not a re-analysis.	Maximum loan \$5 million. Guaranty percentage same as Standard 7(a).
Preferred Lender Program (PLP) Processing	Same as Standard 7(a). Plus, an executed PLP agreement.	Same as Standard processing except restrictions on loans involving some types of debt refinancing.	Same as Standard 7(a).	Lender completes Eligibility Checklist (SBA Form 7).	Delegated to lender.	Maximum loan \$5 million. Guaranty percentage same as Standard 7(a).
SBA Express Processing	Same as Standard 7(a). Plus, an executed SBA Express agreement.	Basic 7(a) with restrictions on some types of debt refinancing. Plus, lender structured term and revolving loans.	If \$50,000 or less, cannot exceed prime + 6.5 percent. If over \$50,000, cannot exceed prime + 4.5 percent. Prime may be lender prime.	Lender completes SBA Form 1920SX (Part C) "Eligibility Information."	Delegated to lender.	Maximum loan \$350,000. Guaranty percentage 50 percent.
Export Express Processing	Same as Standard 7(a). Plus, an executed Export Express Agreement.	Similar to export working capital loans and international trade loans which meet export related eligibility criteria.	If \$50,000 or less, cannot exceed prime + 6.5 percent. If over \$50,000, cannot exceed prime + 4.5 percent. Prime may be lender prime.	Lender completes SBA Form 1920SX (Part C) "Eligibility Information."	Delegated to lender.	Maximum loan \$500,000. Guaranty percentage same as Standard 7(a).
Community Advantage	Same as Standard 7(a). Plus, an executed Community Advantage Agreement.	Basic 7(a) except restrictions on some types of refinancing.	Prime plus 6 percent.	Non-Delegated Lenders complete SBA Form 2301 (Part C). Delegated Lenders complete SBA Form 2301 (Part D).	Similar to Standard 7(a) except credit factors to consider are more defined.	Maximum loan \$250,000. Guaranty percentage same as Standard 7(a).

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* London InterBank Offered Rate