





## SBA 7(a) Loan Guaranty Program



### Helping Small Businesses and Start-Ups Secure Financing

The SBA 7(a) Loan Guaranty Program helps start-up and existing small businesses secure financing when they may not be eligible for business loans through normal lending channels.

### *Flexible, Long-Term Financing*

*for a Variety of Small Business Needs*

### Promoting Economic Development and Creating Jobs in South Carolina

SBA 7(a) loans are the most commonly used type of SBA loan given the long-term financing options available. In addition, this is the most flexible of all the SBA loan programs, since funds may be used for a variety of general business purposes.

## SBA 7(a) Loan Overview

MAXIMUM AMOUNT OF LOAN	\$5 million
MAXIMUM GUARANTY AMOUNT	75% of a loan, not to exceed \$3.75 million 85% for loans of \$150,000 and less
REPAYMENT TERMS (BASED ON ABILITY TO REPAY)	Working capital – up to 5-7 years Machinery & equipment – not to exceed useful life Real estate & construction – up to 20 years
INTEREST RATES (VARIABLE)	Under 7 years – Maximum is WSJ Prime Rate + 2.25% 7 years and over – Maximum is WSJ Prime Rate + 2.75%
TYPE OF ENTITIES	For-profit businesses
APPROVAL OF LOAN	BDC (subject to SBA's final approval)
SBA GUARANTEE	Yes

## How Small Businesses and Lenders Benefit from SBA 7(a)

BUSINESS BORROWER	LENDER
<ul style="list-style-type: none"> <li>&gt; Provides the borrower long-term financing, in most cases</li> <li>&gt; SBA 7(a) loans can be used for refinancing of high interest rate loans</li> <li>&gt; Borrower can use loan proceeds for a variety of business purposes</li> <li>&gt; Gives the borrower access to financing that may not otherwise be available</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Grows bank portfolio with reduced risk</li> <li>&gt; Lender provides an alternate financing solution to meet the customer's needs (win-win)</li> <li>&gt; Lender can buy or sell the risk-free portion of the loan</li> <li>&gt; Lender has ideal opportunity to refinance proven borrowers to a fixed rate in 3-5 years</li> <li>&gt; Helps lender retain client and ancillary banking services</li> <li>&gt; Provides the lender CRA credit for each transaction</li> <li>&gt; BDC offers lenders an incentive program</li> </ul>

## Eligible Small Businesses

Businesses which are eligible for this loan program are those who carry on a business activity in the U.S. for profit and meet the SBA size standard according to its sales volume or number of employees, depending on industry type.

MANUFACTURERS	Up to 1,500 employees
WHOLESALE	Up to 100 employees
RETAIL AND SERVICE	\$3 million or less in average annual sales
CONTRACTING AND CONSTRUCTION	\$15 million or less in average annual sales

## Use of Proceeds

- > Expansion or renovation
- > Construction of new facilities
- > Purchase of land or buildings
- > Purchase equipment, fixtures, leasehold improvements
- > Working capital
- > Refinance debt for compelling reasons
- > Inventory expansion

## SBA Guarantee

SBA itself does not make loans, but rather guarantees a portion of loans made and administered by commercial lending institutions.

The SBA guaranty fee is based upon the amount guaranteed, such as:

LOAN AMOUNT	GUARANTEE FEE
UP TO \$150,000	2% of the guaranteed portion
OVER \$150,000 AND UP TO \$700,000	3% of the guaranteed portion
OVER \$700,000	3.5% of the guaranteed portion

## Borrower Equity and Fees

In most cases, the borrower's minimum equity requirement with a SBA 7(a) loan is ten percent (10%). In addition, the borrower is responsible for paying the guaranty fee, closing costs and other direct costs, such as cost of environmental reports and appraisals.

Note: Cost and fees to the borrower can be incorporated into the financing of the loan.



For more information about  
SBA 7(a), please contact BDC at

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[www.BDCofSC.org](http://www.BDCofSC.org)