



## Small Business Lending

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# Small Business Loan Programs

- Traditional Bank Lending (Business Banking)
  - Term Loans
    - Principle and Interest Payments on a scheduled timeframe
      - Term/Amortization ranges from 1 year to 20 years
    - Great for financing Real Estate and/or Equipment
      - Secured by the asset being financed
      - Assets that last longer than 1 year
    - Generally, rates are adjustable every 5 years
    - Have limits on loan amounts based on collateral value
  - Line of Credit
    - Interest only payments based on the amount borrowed
      - Loan has a maximum borrowed limit
      - May require a borrowing base to dictate limits
      - Loans are generally done in 1 or 2 year terms
    - Great for financing accounts receivable and inventory
      - Assets that last less than 1 year or turnover regularly
    - Have floating interest rates that vary with the interest rate market



# Small Business Loan Programs

- SBA Guaranteed programs
  - SBA 7(a) guaranty
    - Provides a guaranty to the Bank on behalf of the Borrower, in order to obtain a loan
      - Guaranty % varies based on loan amounts (from 50% to 90%)
      - Maximum guaranty amount of \$3.75 million
    - Stipulates terms and conditions on behalf of the borrower
      - SBA terms are consistent amongst all Banks
    - Terms vary based on collateral
      - These have maximum limits, but are also subject to Bank approval
    - Interest Rates vary based on loan amount
      - These have maximum limits, but are also subject to Bank approval



## Small Business Loan Programs

- SBA Guaranteed programs (continued)
  - 504 Loan Program
    - Program finances up to 90% of asset acquisition costs
      - 50% financed by Bank / 40% financed by CDC\*
      - 10% of Costs funded by the Borrower\*
    - \* This is traditional financing, however certain loan types require higher borrower contributions
  - Can be used for Real Estate, Long-Term Assets, Property Improvements
    - SBA Loans range from 10-25 years
    - Bank Loans range from 7-25 years
  - Interest Rates
    - CDC/SBA portion is fixed for life of loan
    - Bank interest rate is at bank discretion (similar to term loan)



## Small Business Loan Programs

- USDA
  - More eligible entities than SBA
    - Investment Real Estate options
    - Wineries
    - Non-Profit Options
  - Must be defined as a rural business
  - Down payment options vary based on business type
  - Guarantees vary from 60% to 80% of indebtedness
    - Maximum of \$25million