

# Which loan is right for your business needs?

## SBA 7(a) LOAN PROGRAM

- **Loan amount:** The limit on the gross loan amount is \$5,000,000. The maximum guaranty is 75%, up to \$3,500,000.
- **Criteria:** For-profit businesses located in the United States; manufacturers employing fewer than 500 people; wholesale businesses employing fewer than 100 people; retail and service businesses must not have gross annual sales that exceed \$5 million; construction businesses must not have gross annual sales that exceed \$11.5 million.
- **Eligible uses:** Acquiring land buildings, purchasing machinery and equipment, inventory, working capital, building or leasehold improvements, accounts receivable, refinancing certain outstanding debts, fixed assets, SBA guarantee fees, franchise fees

### EXAMPLE — BUSINESS ACQUISITION

- **Purchase of the business:** \$300,000
- **Working capital:** \$50,000
- **Soft costs (closing costs, professional fees, etc.):** \$10,000

**TOTAL PROJECT COSTS: \$36,000**

- **Total bank loan:** \$360,000
- **SBA's guaranty amount:** \$270,000  
(75% of total bank loan)

**BANK'S TOTAL RISK: \$90,000**

## SBA 504 LOAN PROGRAM

- **Loan amount:** The SBA's maximum debenture is \$5,000,000. Due to the complexity of the program, small loans of less than \$200,000 should be submitted through SBA 7(a).
- **Criteria:** Business net worth less than \$15 million; after-tax operating profit less than \$5 million; manufacturers must employ 500; wholesalers must employ 100; retail/service businesses' gross annual sales less than \$5 million; construction businesses' gross annual sales less than \$11.5 million; one permanent job must be created or retained per \$65,000 of funds.
- **Eligible uses:** Land acquisition; grading, street and parking-lot improvements; leasehold improvements; professional fees, such as surveying and appraising; utilities; landscaping; building acquisition or construction; machinery/equipment; signage; debt refinancing

### EXAMPLE — BUSINESS ACQUISITION

- **Land and building:** \$500,000
- **Furniture, fixtures and equipment:** \$80,000
- **Soft costs (closing costs, professional fees, etc.):** \$20,000

**TOTAL PROJECT COSTS: \$600,000**

- **Bank — 50% (1st mortgage):** \$300,000
- **SBA — 40% (2nd mortgage):** \$240,000
- **Borrower's injection — 1C):** \$60,000

\* Appraisal and environmental fees can be included in project costs. An additional 5% will be added to borrower's injection for start-ups and single-purpose facilities, such as car washes, hotels, gas stations, bowling alleys, etc.

# Loan options (cont'd)

## CADDA REVOLVING LOAN FUND

- **Loan amount:** The maximum loan amount is \$500,000, and the minimum is \$10,000. Structurally, the bank typically shoulders 45%, CADDA shoulders 45% and the borrower shoulders 10%.
- **Criteria:** For-profit businesses whose cash flow is adequate to service the entire debt; satisfactory credit history; experienced management; collateral pledged; hazard insurance required if collateral is in hazard area (subject to flood, erosion, mudslide, etc.); borrower's life insurance must be equal to CADDA's portion of loan; legal and closing fees paid by borrower.
- **Eligible uses:** Land and improvements, machinery and equipment, working capital, renovation of existing structures, leasehold improvements, inventory.

## EXAMPLE — BUSINESS ACQUISITION

- **Machinery and equipment:** \$75,000
- **Working capital:** \$24,000
- **Bank's fee (1%):** \$1,000

### **TOTAL PROJECT COSTS: \$100,000**

- **Bank — 50% (1st mortgage):** \$50,500
- **CADDA — 50% (2nd mortgage):** \$50,500
- **Borrower's injection — 1C):** \$60,000

Bank and CADDA share collateral on a pro-rata basis.

\* CADDA does not charge a fee.

## RURAL DEVELOPMENT IRP LOAN PROGRAM

- **Loan amount:** Up to \$250,000 or 75% of project cost, total rural development exposure per Small Business Concern.
- **Criteria:** For-profit businesses in Bryan, Camden, Effingham, Emanuel, Bulloch, Glynn, Liberty (excluding Hinesville), Long, McIntosh, Appling, Bacon, Brantley, Charlton, Evans, Pierce, Tattnall, Ware and Wayne counties; business must not be located within the inner boundary of any city having a population of 25,000 or more; hazard insurance equal to value of fixed assets pledged; secondary collateral may be required; personal/corporate guarantees required of people/entities having ownership in the business.
- **Eligible uses:** Land and building acquisition, construction, machinery and equipment, leasehold improvement, transportation services, working capital/professional fees, pollution control and abatement, aquaculture.

## BENEFITS AND TERMS

### **Benefits**

- Business obtains a loan that is not otherwise available
- Lower interest rates, longer repayment terms, and lower down payment.
- No prepayment penalty

### **Repayment terms**

- Real estate — up to 25 years.
- Machinery and equipment — up to 10 years
- Working capital — up to 5 years