

# Intro into SBA Lending



**Randy Griffin, President**  
**CSRA Business Lending**

# Small Business Administration (SBA)

## CREATION

- By Congress on July 30, 1953
- Independent US Federal Agency
- Previously no agency or department dedicated exclusively to “small” businesses

## MISSION

- To “aid, counsel, assist and protect the interests” of small businesses,
- To preserve free enterprise, and
- To maintain and strengthen the economy

## ROOTS

- Traces lineage to several predecessor agencies that had various missions similar to today’s SBA

# TimeLine

1932

RFC

1942

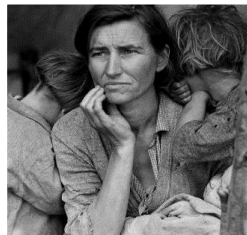
SWPC

1951

SDPA

1953

SBA



## Reconstruction Finance Corporation

- SBA's "Grandparent"
- Created by President Herbert Hoover
- To alleviate financial crisis of Great Depression
- Federal lending program
  - To banks, state and municipal governments
  - To ALL businesses – large & small

# TimeLine

1932

RFC

1942

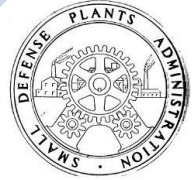
SWPC

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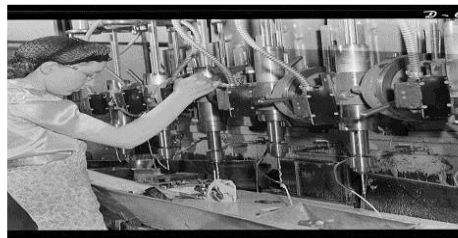


## Smaller War Plants Corporation

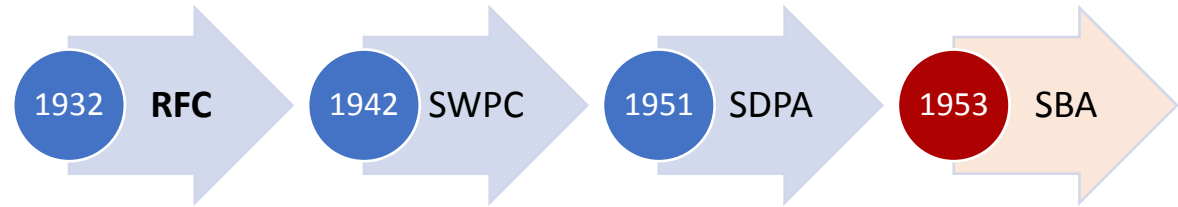
- Operates during World War II
- Help small businesses compete against large defense contractors
- Provides direct loans
- Advocates for small businesses to federal procurement agencies

## Small Defense Plants Administration

- Operated only during Korean War
- Similar mission as SWPC except no direct loans
- Certified small businesses to RFC who provided direct loans



# TimeLine



- **SBA created 1953 (Eisenhower)**
- RFC disbanded in 1957
- **SBA's Initial Services**
  - Direct business loans
  - Bank business loans guarantees
  - Direct disaster loans
  - Federal procurement contracting assistance
  - Management and technical assistance and business training

# SBA's Major Program Functions

<b>Loan Programs</b>	<ul style="list-style-type: none"><li>• <b>7(a) Loans</b></li><li>• <b>504 Loans</b></li><li>• Microloan Program</li><li>• Disaster Loan Program</li></ul>
<b>Private Equity &amp; Venture Capital Programs</b>	<ul style="list-style-type: none"><li>• Small Business Investment Companies</li><li>• Small Business Innovation Research Program</li></ul>
<b>Entrepreneurial Development Programs</b>	<ul style="list-style-type: none"><li>• Management &amp; Technical Assistance</li><li>• <b>Small Business Development Centers (SBDCs)</b></li><li>• Women Business Centers (WBCs)</li><li>• Service Corps of Retired Executives (SCORE)</li><li>• Veteran Business Outreach Centers (VBOC)</li></ul>
<b>Federal Contracting &amp; Business Development Programs</b>	<ul style="list-style-type: none"><li>• 8(a) Business Development Program</li><li>• HUBZone</li></ul>
<b>Advocacy</b>	<ul style="list-style-type: none"><li>• Office of Advocacy</li></ul>

# SBA LOAN PROGRAMS

# SBA Loan Programs

- No direct loans – except Disaster Loans
- SBA mitigates risks of lending to small businesses that do not have other resources for borrowing
- How SBA Loan Programs Work
  - SBA sets guidelines
  - Borrower agrees to SBA's requirements
  - Loans made by SBA's partners – including lenders, certified development companies, microlenders
  - SBA guarantees loans



# “Small” Business?

Measure	Industry
500 employees	Most manufacturing & mining
\$7.5 million Average Annual Receipts (Sales)	Most non-manufacturing
Exceptions	Details at <a href="https://www.ecfr.gov/current/title-13/chapter-I/subchapter-B/part-121/subpart-121.201">13 CFR §121.201</a> <a href="https://www.sba.gov/content/summary-size-standards-industry-sector">www.sba.gov/content/summary-size-standards-industry-sector</a>

# SBA Loan Programs

	7(a)	Microloan	CDC/504	Disaster
Purpose	Start up or expansion	Start up or expansion	Major fixed assets (e.g. real estate & equipment)	Physical or economic injury recovery
Amount	Up to \$5M	Up to \$50k	Up to \$5M (CDC portion only)	Up to \$2M
Rates	Lender sets Fixed or Variable (Base + spread)	8% to 13%	Based on Treasury rates	<4% to 8%
Max Term	7, 10, 25 years	6 years	20 years	30 Years

# SBA Two Core Loan Programs

## 7(a) LOAN GUARANTY

## SBA-504 SUBORDINATE LOAN TO BANK BY NON-PROFIT

Purpose

Start up or  
expansion

Major fixed assets (e.g.  
real estate & equipment)

Amount

Up to \$5M

Up to \$5M  
(CDC portion only)

Rates

Lender sets  
Fixed or Variable  
(Base + spread)

Based on Treasury rates

Max Term

7, 10, 25 years

20 years

# 1<sup>st</sup> Quarter 12/31/2016 - TOP SBA 7(a) Lenders - National

Wells Fargo Bank, National Association	1,554	\$458,930,900
<b>Live Oak Banking Company</b>	<b>281</b>	<b>\$362,614,300</b>
The Huntington National Bank	837	\$163,840,500
JPMorgan Chase Bank	735	\$149,339,900
<b>Celtic Bank Corporation</b>	<b>360</b>	<b>\$139,972,100</b>
U.S. Bank National Association	489	\$132,923,500
<b>Newtek Small Business Finance, Inc.</b>	<b>112</b>	<b>\$96,090,500</b>
<b>Byline Bank</b>	<b>75</b>	<b>\$79,743,000</b>
Pacific Premier Bank	46	\$70,585,400
KeyBank National Association	142	\$65,171,800
Bank of the West	81	\$61,389,000
First Home Bank	216	\$60,224,200
Seacoast Commerce Bank	52	\$58,218,600
Synovus Bank	37	\$57,813,000
SunTrust Bank	103	\$55,925,800
<b>Bank of Hope</b>	<b>85</b>	<b>\$55,263,000</b>
Commonwealth Business Bank	42	\$55,169,000
Stearns Bank National Association	177	\$55,094,500
Compass Bank	341	\$54,135,600
Manufacturers and Traders Trust Company	360	\$53,915,900
<b>NewBank</b>	<b>46</b>	<b>\$49,184,000</b>
Metro City Bank	28	\$47,332,000
Regions Bank	59	\$46,641,700
United Community Bank	57	\$46,599,600

# 7(a) GENERAL BUSINESS LOANS

Sale Premium	Loan is Sold	Loan Retained
Loan Amount	\$1,000,000	\$1,000,000
Guaranteed Amount	750,000	750,000
Unguaranteed Amount	\$250,000	\$250,000
Sale Premium	112.5%	
Premium on Guaranteed Amount	\$93,750	

Yield Analysis Comparison (includes Net Premium)	Loan is Sold	Loan Retained
RoY Year 1 <a href="#">View Year 1 Results</a>	33.69%	3.05%
RoY Year 2 <a href="#">View Year 2 Results</a>	3.45%	3.05%
Average 2-Year Return	18.57%	3.05%

# 7(a) GENERAL BUSINESS LOANS

# 7(a) General Business Loans

- Allowed Use of Proceeds –
  - Starting, acquiring, and expanding a small business
  - Short- and long-term working capital needs
  - Purchase equipment
  - Purchase real estate
  - To construct or renovate
  - To refinance existing business debt
- Disallowed Uses –
  - Refinancing debt where SBA may take on a loss
  - Buying an asset solely for speculation purposes
  - Reimbursing funds owed to any owner
  - Affecting a partial change of business ownership
  - Repaying delinquent taxes
  - Purposes not considered “sound business purpose,” as determined by SBA

# 7(a) General Business Loans

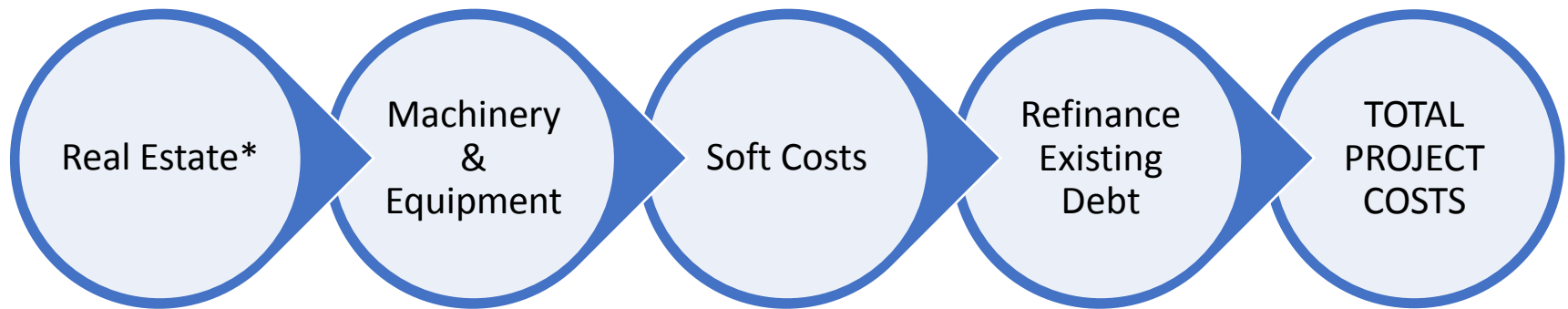
<b>Loan Amounts</b>	Up to \$5,000,000			
<b>SBA Guarantee %</b>	Loans up to \$150,000 Loans > \$150,000 SBA maximum exposure is \$3,750,000			85% 75%
<b>SBA Guaranty Fees</b> (charged on guaranteed portion of loan amount)	Under \$150,000 \$150,001 – \$700,000 \$700,001 – \$1,000,000 Any guaranteed portion more than \$1 million Over \$150,000 with maturity up to 1 year <b>Ongoing fee of 0.546%.</b>			0 3.00% 3.50% 3.75% 0.25%
<b>Interest Rates</b>	<b>Loan Amount</b>	<b>Maturities &lt; 7yrs</b>	<b>Maturities 7yrs +</b>	<b>Fixed Base Rate</b>
Variable	\$0 - \$25,000 \$25,001 - \$50,000 Over \$50,000	Prime + 4.25% Prime + 3.25% Prime + 2.25%	Prime + 4.75% Prime + 3.75% Prime + 2.75%	
Fixed	\$0 - \$25,000 \$25,001 - \$50,000 Over \$50,000	8.32% 9.32% 10.32%	8.82% 9.82% 10.82%	6.07%
<b>Prepayment Penalty</b>	Maturities under 15 years Maturities of 15+ years (if prepaid during Year 1/2/3)			None 5%/3%/1%



# SBA-504 LOAN PROGRAM

What CSRA and Southern Georgia Offer

# Eligible Project Costs



- Land
- Site Improvements
- Construction
- Existing Buildings
- Renovation

- Minor Furniture & Fixtures

## \* **Occupancy Requirements**

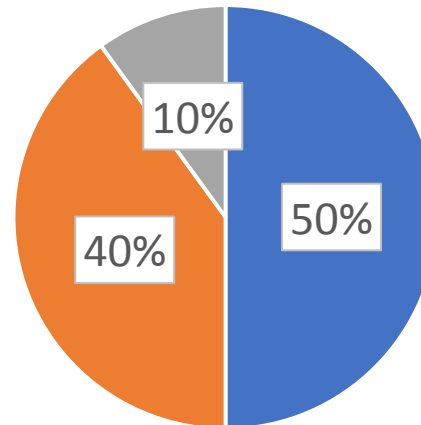
- Existing building 51%
- New Construction 60%
  - 20% permanently leased
  - 20% occupied within 10 years

# Typical 504 Project = \$1,000,000

Source of Funds	Amount	%	Term (years)	Amortization (years)	Interest Rate	Collateral Position
Third Party Lender	\$500,000	50	10	20-25	Negotiable	1 <sup>st</sup>
504 Loan	\$400,000	40	20	20	Fixed	2 <sup>nd</sup>
Borrower Equity	\$100,000	10				
<b>TOTAL SOURCES</b>	<b>\$1,000,000</b>					

*Borrower Equity	%
Regular 504	10
Start-Up Business *	15
Special Use Property	15
Both	20

*\*less than 2 years in business or change in ownership*



- Third Party Lender
- 504 Loan
- Borrower Equity

# 504 Rates – Opportunity for Community Banks

- **4.81% - 20 years**

- Add 0.04% for refinance

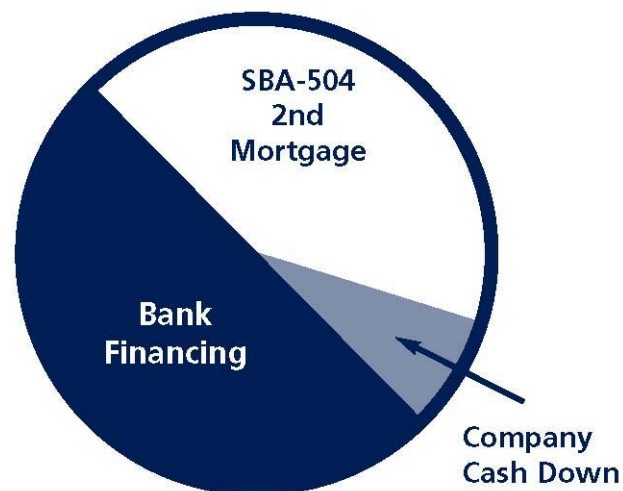
March 2017  
Rates



- 504 Funding – Wall Street Bonds
  - Banks, Pension Plans, Mutual Funds
- 504 Rates are based on:

**US Treasury Rates!!!**

**Typical SBA-504 Loan Structure**



# Project Sizes / Max 504 Loan Amounts

- **Min. Project** = \$125,000
- **Max. Project** = \$20-\$25 million
- Smallest 504 bond = \$50,000

Project Sizes



- For each **SMALL BUSINESS CONCERN**
  - Includes Applicant & All Affiliates
  - All committed & outstanding SBA 7(a) & 504 loans count against max cap

\$5,000,000

Max 504 Loan



- For each **PROJECT**
  - **Small Manufacturers**
    - NAICS codes 31, 32, 33
  - **Green Energy Projects**
    - Reduce energy consumption by minimum 10%
    - Generate minimum 10% from Green Energy

\$5,500,000

Max 504 Loan



# UGA SBDC NETWORK HELP FOR YOUR BUSINESSES

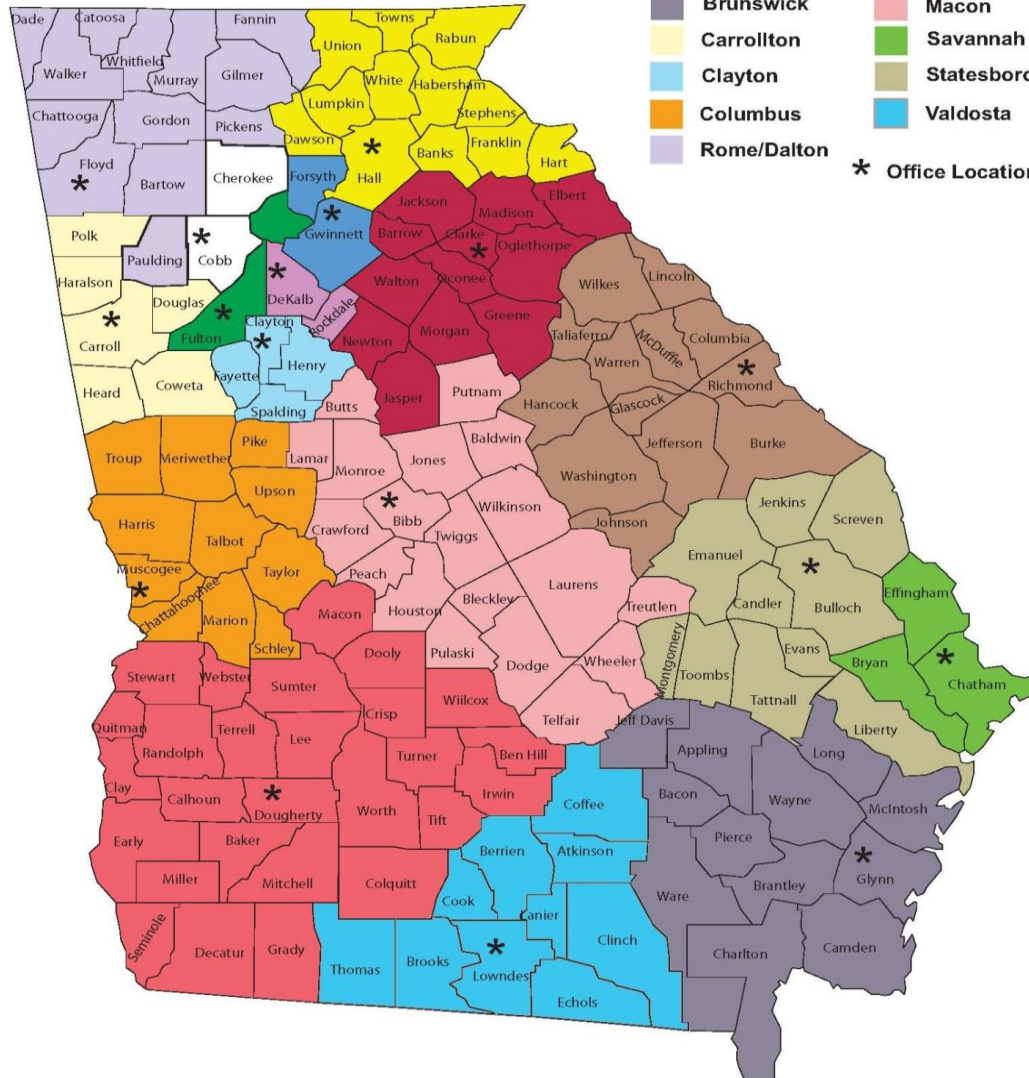
Start Smart for Start-Ups

Grow Smart for Established Businesses



### SBDC Area Offices

- |  |             |  |             |
|--|-------------|--|-------------|
|  | Albany      |  | Decatur     |
|  | Athens      |  | Gainesville |
|  | Atlanta     |  | Gwinnett    |
|  | Augusta     |  | Kennesaw    |
|  | Brunswick   |  | Macon       |
|  | Carrollton  |  | Savannah    |
|  | Clayton     |  | Statesboro  |
|  | Columbus    |  | Valdosta    |
|  | Rome/Dalton |  |             |
- \* Office Locations



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