

Top 5 Frequently Asked Questions about SBA Loans

As a seasoned SBA lender with over 30 years of experience in the industry, you can bet that I've heard it ALL when it comes to questions about SBA loans. The thing is, even though the Small Business Administration has been around since 1953, SBA loans are still a mystery to so many people. I am here to take away the mystery, to reveal the "secrets", and to set the record straight about SBA lending. Hopefully, you will come away with a better understanding of why an SBA loan is a great choice to finance the growth of your business.

Question #1: What is the SBA, and how does it work for a business that is looking to borrow money?

A: As previously mentioned, the SBA stands for Small Business Administration. This is an organization of the Federal Government that backs loans that are funded by a lending institution. In a nutshell, the SBA reduces risk and enables easier access to capital for small businesses. They are often able to offer longer terms, no balloon payments throughout the life of the loan, and lower monthly payments – so you can keep your business running on all cylinders. You can find more info on the SBA website [here](#).

Question #2: What businesses are eligible for SBA financing?

A: When discussing eligibility, it's important to cover what is eligible, and also what is NOT eligible for SBA financing. Here are a few examples of each (remember these are partial lists – we can work together to determine your individual eligibility).

Eligible Businesses:

- Be an operating business (except eligible passive companies)
- Be organized for profit
- Be in the U.S. (including its territories and possessions)
- Be small under SBA size requirements
- Max tangible net worth under \$15MM

So, small businesses such as retail, restaurants, professionals, manufacturing, doctors, dentists, veterinarians, therapists, senior care, breweries – basically any industry you can think of is eligible for SBA loans.

Ineligible Businesses:

- Non-profits
- Businesses engaged in lending
- Life insurance companies
- Businesses engaged in illegal activities
- Businesses engaged in legal gambling activities
- Pyramid plans
- Government-owned entities

Question #3: What are some typical uses for the funds that business owners receive?

A: Some of our loan products are: Business Acquisitions, Commercial Real Estate Purchases, Ground-Up Construction, Partner Buyouts, Business Expansions, and Franchise Financing.

With these loans, you can include working capital and equipment, so that you don't have to go through multiple loan processes – you can include it all in one loan package through the SBA.

Question #4: How should I prepare for the SBA loan process?

A: Full disclosure – there are several SBA forms that you will be required to complete in order to be considered by the SBA and your lender. These include the Personal Financial Statement, a Tax Return Request form, a Borrower Information form, and others. You will also need to fully complete your lender's application and write a business plan. Similar forms are required for conventional loans, so in comparison, it's not too different from the alternatives.

Question #5: Does the SBA offer programs other than financing?

A: Yes, they do! In addition to the SBA 7(a), 504, and Express loans that the SBA offers, you can utilize the SBA for counseling and education as you navigate the complexities of business ownership. The SBA also has specialized programs for Veterans, Women, and Minority-Owned businesses that we can look into deeper if you qualify.

SBA loans are designed to help small businesses thrive. If you are interested in looking into these programs more, please contact me today! I'm happy to help with any questions you may have.

Deric Mims

VP, Business Development Officer

fnbsmallbusiness.com/dmims

c: **301-373-0931**

7475 Wisconsin Ave., Suite 700 Bethesda, MD 20814

mimsd@fnb-corp.com