



EXCELLENT TIME TO BORROW WITH POPULAR PROGRAMS THROUGH THE SMALL BUSINESS ADMINISTRATION (SBA)

By Steven Huston, President and CEO

Business owners continue to have reason for caution given our ongoing economic struggles, but as various sectors of our economy improve, identification of opportunities for growth is an important step. Often the business will require capital to take advantage of opportunities which may necessitate a loan from shareholders or your local banker.

With excess liquidity across our financial system, now is an excellent time to consider borrowing money for expansion, updating equipment, or even some business succession planning/financing.

BANKWEST has experienced lenders that can assist clients with various lending programs including programs available through the Small Business Administration (SBA). There are two very popular programs commonly referred to as the 7A Loan and 504 Loan.

The 7A loan is the most basic SBA business loan. Its name comes from section 7A of the Small Business Act, which authorizes the agency to provide business loans to American small businesses. This loan is funded by the lending institution with the SBA providing a guarantee of a certain percentage to the lender.

The lender and SBA share the risk that a borrower will not repay the loan in full. The business works directly with the lender for approval and during the term of the loan so the business owner can always deal directly with their local lender. The key concept of the 7A product is that the loan actually comes from the local financial institution, not the government.

The SBA 504 Loan program is another extremely attractive loan option. This program can provide growing businesses with long-term, fixed-rate financing for major fixed assets such as land, buildings, machinery, and equipment. A typical 504 project includes a loan secured with a senior lien from your local lender covering up to 50% of the project cost, a loan secured with a junior lien from a debt instrument backed by a SBA guarantee debenture covering 40% of the project cost, and an equity injection of at least 10% from the small business. This program is not designed to be used for working capital or inventory, or repaying debt. Business owners that can lock in 10- or 20-year fixed rates at current low levels will definitely benefit for years to come.

If interested in either of these programs or other SBA programs available, check out the Small Business Administration website www.sba.gov and discuss options with one of our commercial lenders at BANKWEST.