



# Houston District Office

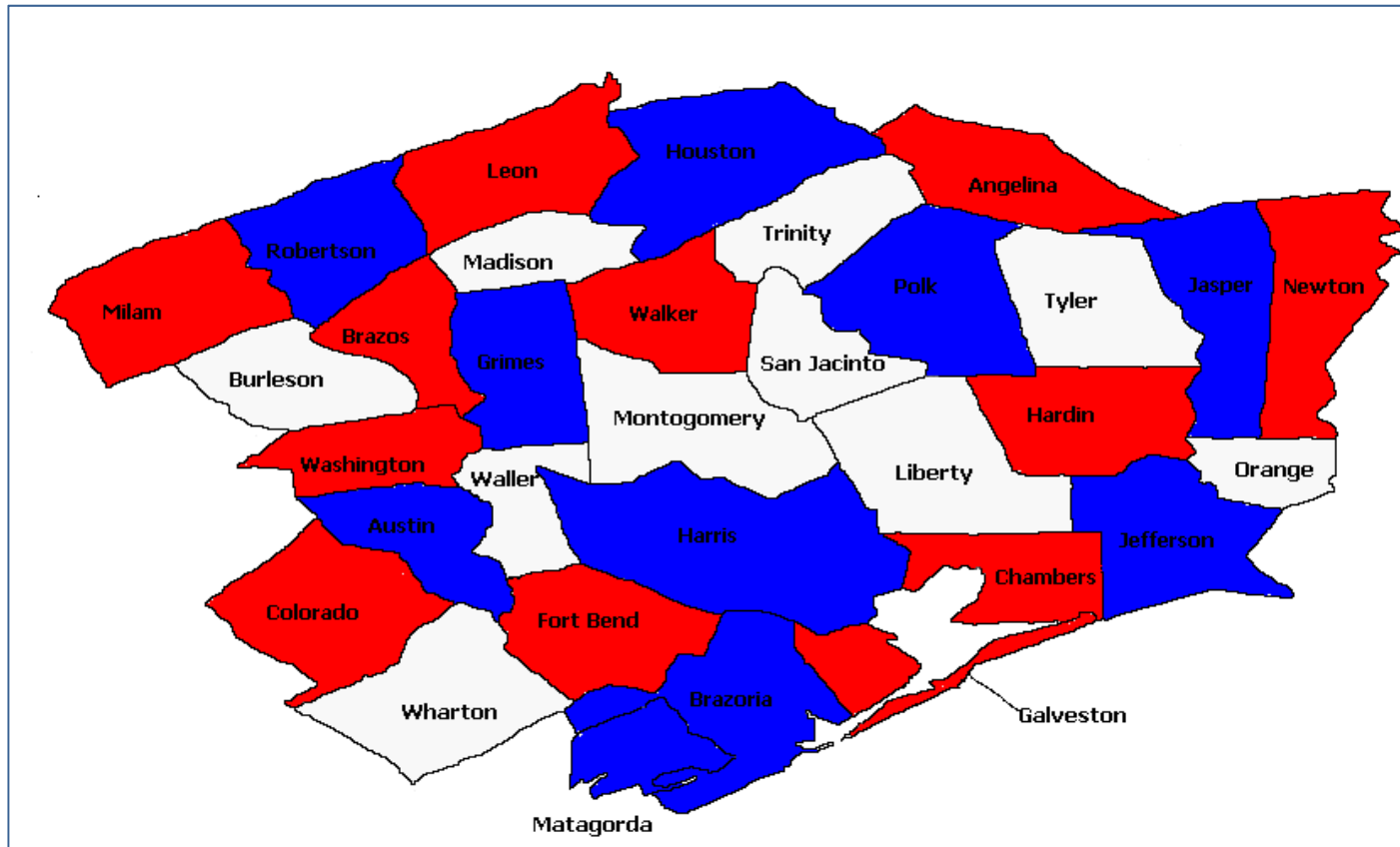
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## SBA Loan Program Presentation

### Topics to be discussed:

- Overview of SBA
- Three SBA Loan Programs
- SBA Impact

# “Serving 32 Counties”



# SBA Programs and Services

- Capital/Financial Assistance
- Contracting Assistance (*8a, HUBZone & Women-owned Small Business Programs*)
- Counseling
- Training
- Disaster Assistance
- Advocacy
- Laws/Regulations i.e. legislation and provisions under the new Small Business Jobs Act
- Implement Special Initiatives i.e. Young Entrepreneurs, Start-up America, Veteran-Wise, SBJA Tour....

# SBA Success Stories

## Businesses That Have Received SBA Assistance:

**FedEx**

**AOL**

**Apple**

**Nike**

**Intel**

**Compaq**

**Under Armor**

**Callaway**

**Humana**

**Ben & Jerry's**

**Outback Steakhouse**

**Buffalo Wild Wings**

**Baby Elephant Ears**

**Edible Arrangements**

# SBA Loan Programs

- **The SBA offers numerous loan programs to assist qualified small businesses.**
- **A key concept of the SBA Lending Program is that the loan originates from a lender, not the U.S. Government.**

# SBA's Three Popular Loan Programs:

- **7(a) Guaranty Loan**
- **504 Debenture**
- **SBAEXPRESS Loan**

# What SBA Looks For In An Application:

- Applicant must be eligible: For profit business owned and controlled by a US citizen or LPR, legal permanent resident (No visas);
- Repayment ability comes from the cash flow of the business;
- Applicant must be of good character (Both credit and criminal history);
- Collateral purchased from loan funds and personal guaranty generally secure the loan; and,
- Owner's personal equity contribution.

# 7a Guaranty Loan Program

- Maximum SBA Guaranty for a 7(a) loan amount is \$5,000,000: SBA will guaranty up to 75% of the gross bank loan amount or \$3,750,000.00, whichever is less.
- Most Houston lenders are PLP (Preferred Lenders) where SBA has given the authority to qualified lenders to approve an SBA guaranteed loan internally without SBA review.

Refer to lender list at : [www.Haggl.com](http://www.Haggl.com)



# Size Standards

**Many Businesses are classified as Small Businesses:**

There are two standards to determine the size of a business under the North American Industry Classification System (NAICS).

[www.sba.gov/size](http://www.sba.gov/size)

# Size Standard Determination

**A Size Standard is determined by the type of business; for example**

- Manufacturing, mining, and wholesale trade the size standard is determined by number of employees
- Retail, Special Trades etc., the size standard is determined by annual gross receipts.

# 7a Loan Interest Rate

The interest rate is regulated by SBA Rules and Regulations:

- Where the loan term is less than 7 Years:  
Prime + 2.25%.
- Where the loan term is 7 Years or more:  
Prime + 2.75%.

Lenders have the option to offer more favorable interest rates.

# 7a Loan Maturity

**SBA Guaranty allows lender to extend loan maturity beyond bank's limit:**

- **Loans For Working Capital:** a SBA guaranty may extend the limited bank term up to 7 Years to 10 Years.
- **Loans For Inventory, Equipment, and Leasehold Improvements:** term may extend up to 10 Years.
- **Loans to Purchase or Refinance Land And Building:** term may extend up to 25 Years.
- **Loans for Real Estate Construction:** term may extend up to 25 Years.

# SBA 7a Guaranty Fees

## Where Total Loan Amount is:

- \$150,000 or less: borrower must pay 2% of the SBA guaranteed portion (85% of total loan). \*\* Effective FY2016 (until 9/30/16), the guaranty fee is reduced to 0% for loans \$150,000 or less.
- \$150,001 to \$700,000: 3% of SBA guaranteed portion (75% of total loan).
- \$700,001 to \$1,000,000: 3.5% of SBA guaranteed portion (75% of total loan).
- \$1,00,001 to \$1,500,000: 3.75% on guaranteed portion over \$1,000,000.
- Guaranty Fee may be paid from loan proceeds.

# 7a Eligible Uses Of Loan Proceeds

- Purchase Land And Building (For business location)
- Construction
- Purchase Machinery And Equipment
- Purchase Inventory
- Working Capital
- Qualified Debt Repayment

# Ineligible Businesses

- Non-Profit Organizations (Church, etc.).
- Business for lending and financing.
- Speculation/Investment (Shopping Centers, apartment buildings, etc.).
- Gambling/Lotto (Generates more than 1/3 revenues of business).
- Previous Loss to the Government (Defaulted government loan, etc.).
- Government Owned Entities (City, State, etc.).

# Ineligible Businesses (cont'd)

- Life Insurance Companies.
- Businesses located in foreign countries.
- Businesses engaged in illegal activities.
- Adult Businesses.
- Pyramid Sales (Mary Kay Cosmetics).
- Businesses involved in any religion: must have prior SBA approval.



# **SBA 504 Loan Program**

The 504 loan program is a long-term/fixed-rate financing tool for major fixed assets such as land and equipment for a business location.

There are three parts to the financing of a total project under the 504 Program:

- 1) First lien held by a bank (Securing up to 50% of the total project cost).
- 2) Second lien SBA Debenture (Securing up to 40%).
- 3) Small business applicant must contribute 10% (Up to 30% depending on type of business).

# Unique Size Standard For 504

- A Business Qualifies As Small If It Does Not Have A Tangible Net Worth In Excess Of \$15,000,000 And
- The Business Does Not Have An Average Net Income In Excess Of \$5,000,000 After Taxes For The Preceding Two Years.

# THREE (3) TYPES OF 504 DEBENTURES:

- A) Job creation or community development goal: Maximum Debenture amount is \$5,000,000.  
CRITERIA: approval of a \$5,000,000 Debenture generally requires a business to create or retain one job for every \$65,000 provided by the SBA.
  
- B) Meet a Public Policy goal: Maximum Debenture amount is \$5,000,000.  
CRITERIA: approval of a \$5,000,000 Debenture when the business meets a public policy goal: business owned and controlled by Women, Minority, Veterans, or, Export activity etc.
  
- C) Qualified Manufacturer and Renewable Energy: Maximum Debenture amount is \$5,500,000 (continued on next slide).

## **504 Debenture Interest Rates And Maturities**

- Debenture Interest Rates are set on the Debenture Sale Date. Thereafter, rate is fixed for the term of the Debenture. During the month of February, 2014 the rate is less than 6%.
- 10 Years for land and equipment:  
1<sup>st</sup> lien must have maturity of at least 7 years.
- 20 Years for land and building/and or construction:  
1<sup>st</sup> lien must have maturity of at least 10 years.

# **504 Debenture Use Of Proceeds:**

- PURCHASE LAND AND BUILDING
- BUILDING CONSTRUCTION
- PURCHASE MACHINERY & EQUIPMENT

# 504 Ineligible Use Of Proceeds

- PURCHASE OF INVENTORY
- WORKING CAPITAL
- LOANS CANNOT BE MADE TO BUSINESSES ENGAGED IN SPECULATIVE OR INVESTMENT IN RENTAL REAL ESTATE

# SBA Express Loan

- MAXIMUM GROSS LOAN AMOUNT: \$350,000
- Expedited loan processing and closing: Lender uses internal loan documents, not SBA documents.
- Same criteria as the standard 7(a) Guaranty Loan Program. Sub-program: EXPORT EXPRESS: Maximum Loan amount is \$500,000.

# SBA Veterans Advantage

**Effective October 1, 2015 – September 30, 2016**

To support America's veterans, the Veterans Advantage:

- Reduces the guaranty fee from **3%** to **0%** on SBA Express loans of \$150,001 to \$350,000 to qualified veteran-owned small businesses.
- Reduces the guaranty fee by 50% on non-SBA Express 7(a) loans \$150,001 up to \$5 million approved to qualified veteran-owned small businesses.



# **SBA Veterans Advantage Qualifications:**

Businesses must be 51% or more owned and controlled by:

- Veterans (other than dishonorably discharged)
- Service-Disabled Veterans
- Active Duty Military service member participating in the military's Transition Assistance Program (TAP);
- Reservists and National Guard Members; or
- Current spouse of any Veteran, Active Duty service member, or any Reservist or National Guard member; or widowed spouse of a service member who died while in service or of a service-connected disability.

# Houston District Impact

<b>Houston District Office</b>	<b>FY2015</b>		<b>FY2014</b>	
	<b>Loan Units</b>	<b>Loan \$</b>	<b>Loan Units</b>	<b>Loan \$</b>
<b>7a Loans</b>	1518	\$747,588,400	1237	\$ 582,792,800
<b>504 Loans</b>	58	\$56,945,000	82	\$ 105,232,000
<b>Total Loan Approvals</b>	<b>1576</b>	<b>\$804,533,400</b>	<b>1319</b>	<b>\$688,024,800</b>

# Houston District Impact

<b>EXPORTS</b>	<b># Approvals</b>			<b>\$ Approvals</b>		
<b>Major Loan Program</b>	<b>FY 14</b>	<b>FY 15</b>	<b>+ -</b>	<b>FY 14</b>	<b>FY 15</b>	<b>+ -</b>
7(a) + 504	19	15	-4	\$11M	\$24M	\$13M
Year over Year % Change			-21.1%			115.0%
<b>MINORITIES</b>	<b># Approvals</b>			<b>\$ Approvals</b>		
<b>Major Loan Program</b>	<b>FY 14</b>	<b>FY 15</b>	<b>+ -</b>	<b>FY 14</b>	<b>FY 15</b>	<b>+ -</b>
7(a) + 504	604	737	133	\$301M	\$413M	\$113M
Year over Year % Change			22.0%			37.5%
<b>WOMAN OWNED</b>	<b># Approvals</b>			<b>\$ Approvals</b>		
<b>Major Loan Program</b>	<b>FY 14</b>	<b>FY 15</b>	<b>+ -</b>	<b>FY 14</b>	<b>FY 15</b>	<b>+ -</b>
7(a) + 504	207	290	83	\$83M	\$87M	\$4M
Year over Year % Change			40.1%			5.2%
<b>VETERANS</b>	<b># Approvals</b>			<b>\$ Approvals</b>		
<b>Major Loan Program</b>	<b>FY 14</b>	<b>FY 15</b>	<b>+ -</b>	<b>FY 14</b>	<b>FY 15</b>	<b>+ -</b>
7(a) + 504	32	78	46	\$10M	\$44M	\$34M
Year over Year % Change			143.8%			336.2%

# Houston District Impact

Loans By Industry FYE2015	# Loans	\$ Dollars
Accom. Food Serv.	182	\$ 123,907,600
Admin/Supp	59	\$ 12,572,900
Agric/Forest/Fish	23	\$ 33,212,000
Arts/Entert/Recr.	37	\$ 21,810,600
Construction	114	\$ 24,070,000
Educational Serv.	28	\$ 16,634,800
Fin. & Insur.	20	\$ 3,499,600
Health Care/Soc.	205	\$ 140,415,000
Information	12	\$ 1,188,800
Mgmt./Comp.	1	\$ 1,345,000
Manufacturing	97	\$ 74,697,000
Mining	18	\$ 11,613,600
Other Serv.	172	\$ 75,403,000
Prof/Sci/Tech/Serv.	165	\$ 47,157,800
Public Admin.	1	\$ 10,000
Real Estate/Rent.	40	\$ 22,260,500
Retail Trade	229	\$ 134,318,500
Transport/Ware.	81	\$ 9,297,700
Utilities	0	\$ -
Wholesale Trade	92	\$ 51,119,000
<b>Grand Total</b>	<b>1576</b>	<b>\$ 804,533,400</b>

# Houston District Impact

<b>FY2015</b>	<b>Loan \$ to Franchises</b>	<b>Loan Units to Franchises</b>
<b>HDO</b>	<b>\$180,875,600</b>	<b>229</b>

<b>FY2015 HDO TOP FRANCHISES</b>
AMAZING LASH STUDIO
EUROPEAN WAX CENTER
JIMMY JOHN'S
MASSAGE HEIGHTS
ACE HARDWARE
CHEVRON (GAS STATION)
KIDDIE ACADEMY
KIDS 'R' KIDS
MENCHIE'S
NESTLE TOLL HOUSE CAFE
THE LEARNING EXPERIENCE

# Houston District Impact

<b>FY2015</b>	<b>Loan Units</b>	<b>Loan \$</b>
Asian or Pacific Islander	368	\$307,065,700
American Indians	10	\$5,645,000
Black	133	\$32,911,700
Hispanic	226	\$67,627,600
Undetermined	170	\$84,879,200
White	669	\$306,404,200
<b>Total</b>	<b>1576</b>	<b>\$804,533,400</b>

# Helpful Websites

There are a number of resources available to help answer questions about the SBA programs:

- SBA website: [www.sba.gov](http://www.sba.gov)
- List of SBA Lenders: [www.haggl.com](http://www.haggl.com)
- Free Assistance From S.C.O.R.E. Volunteers: [www.houston.score.org](http://www.houston.score.org)
- Houston Galveston Women's Business Center: [www.wbea-texas.org/wbc](http://www.wbea-texas.org/wbc)
- Small Business Development Centers: [www.sbdcnetwork.uh.edu](http://www.sbdcnetwork.uh.edu)
  - Local SBDC – University of Houston SBDC – (713) 752-8444, 2302 Fannin, St. #200, Houston, TX 77002 [www.sbdc.uh.edu/sbdc/default.asp](http://www.sbdc.uh.edu/sbdc/default.asp)
- Procurement Technical Assistance Centers
  - Find your local center at: [www.aptac-us.org/new/](http://www.aptac-us.org/new/)  
University of Houston PTAC – (713) 752-8466, 2302 Fannin, St. #200, Houston, TX 77002

# Houston District Office

## **SBA Houston District Office**

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Houston, TX 77074

713-773-6500

[www.sba.gov/tx/houston](http://www.sba.gov/tx/houston)



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