SBA Loans

SBA Business Loan

How do I get a small business loan?

Documentation requirements may vary; contact your lender for information you must supply.

SBA Loan Requirements

Common requirements include: purpose of the loan, history of the business, financial statements for three years (existing businesses), schedule of term debts (existing businesses), aging of accounts receivable and payable (existing businesses), projected opening-day balance sheet (new businesses), lease details, amount of investment in the business by the owner(s), projections of income, expenses and cash flow, signed personal financial statements and personal resume(s).

You should take the information, including your loan proposal and submit it to a local lender. If the lender is unable to approve your loan, you may ask if the lender can consider your request under the SBA loan guaranty program.

Under this program, the SBA can guaranty up to 85% of a **small business loan**; however, the lender must agree to loaning the money with the SBA guarantee. The lender will then forward your loan application and a credit analysis to the nearest SBA District Office. After receiving all documentation, the SBA analyzes the entire application, then makes its decision.

The process may take up to 10 days to complete. If the lender needs SBA applications and/or guidance it may contact the nearest SBA District Office by visiting http://www.sba.gov/localresources/index.html. Upon SBA approval, the lending institution closes the loan and disburses the funds. To be eligible, a business must be operated for profit and not exceed SBA's size standards.

Secured Credit

Secured debt requires something of value to be pledged to the lender if the debt is not repaid (this is called collateral). Home mortgages and car loans are examples of secured debt. They are also examples of what is known as closed–end credit, which calls for a payment of a fixed amount for a predetermined period of time. The interest rate may be ”fixed“ or ”variable.“

Unsecured Credit

Unsecured debt is based solely on the trustworthiness of the borrower. If nothing of value is pledged as collateral for the debt, the lender depends on the borrower to repay. The lender's risk is greater if an unsecured loan is not repaid because no collateral was pledged for the loan. Therefore, these debts carry a higher interest rate.

Most **credit card** debts are unsecured. Credit card debt is a type of ”open-end“ credit and the cost of the credit may vary depending on the Annual Percentage Rate (APR) and other finance charges.

With a revolving account such as a credit card account, additional credit is extended to pay for the cost of items and services until the borrower's limit or maximum dollar amount has been reached. A minimum payment is required each month to be paid on the balance owing. The difference between your credit limit and the actual amount you owe is your ”available credit.“